

Background document prepared
for the international conference on

**EU coordination in the social field in the context of Europe 2020:
Looking back and building the future**

organised by the Belgian Presidency of the Council of the European Union with the support of the European Commission
(14-15 September 2010, La Hulpe, Belgium)



Federal Public Service
Social Security

em trio.be



This document was coordinated and edited by Eric Marlier (CEPS/INSTEAD Research Institute, Luxembourg) and David Natali (European Social Observatory, Belgium) on behalf of the 2010 EU Belgian Presidency.

CONTEXT AND WARNING

This background document was commissioned by the Belgian Presidency of the Council of the European Union (EU) during the second semester of 2010. It does not necessarily represent the views of the Government of Belgium. All the contributors have written in a strictly personal capacity, not as the representative of any Government or official body.

*The purpose of this document is to feed into the conference discussions. The contributions it includes are not final yet. They are still **work in progress** and will be finalised soon after the conference in the light of the conference discussions and of comments and suggestions received. So, **please do not quote these draft chapters without written permission from the authors.***

The final version of these contributions, possibly complemented with a few other conference outputs, should be published in a book to be issued by the end of 2010.

CONTENTS

CONTENTS	5
SHORT PRESENTATION OF THE AUTHORS	9
LIST OF MAIN ABBREVIATIONS AND ACRONYMS USED.....	11
1. INTRODUCTION (FRANK VAN MASSENHOVE)	13
2. ASSESSING THE EU APPROACH TO COMBATING POVERTY AND SOCIAL EXCLUSION IN THE LAST DECADE (MARY DALY).....	15
2.1 INTRODUCTION	15
2.2 THE BACKGROUND TO POVERTY AND SOCIAL EXCLUSION IN THE EU REPERTOIRE.....	16
2.3 SOCIAL POLICY EMPHASES IN LISBON	17
2.4 POVERTY AND SOCIAL EXCLUSION IN EMPIRICAL TERMS	20
2.5 CONCLUSION AND OVERVIEW	27
3. MAPPING THE COMPONENTS OF SOCIAL EUROPE: A CRITICAL ANALYSIS OF THE CURRENT INSTITUTIONAL PATCHWORK (MAURIZIO FERRERA)	31
3.1 INTRODUCTION	31
3.2 THE CHALLENGE: CLOSURE VS. OPENING.....	33
3.3 A NEW “NESTED” ARCHITECTURE.....	36
3.4 A MORE SOCIAL EU: RECONFIGURING THE PATCHWORK	38
3.5 EUROPE 2020 AND ITS INSTITUTIONAL POTENTIAL.....	43
3.6 CONCLUSION	44
4. THE EU’S APPROACH TO PROMOTING SOCIAL INCLUSION: ENSURING A STRONGER APPROACH IN THE FUTURE EUROPE 2020 STRATEGY BY LEARNING FROM THE PAST (HUGH FRAZER AND ERIC MARLIER).....	49
4.1 CURRENT APPROACH	49
4.1.1 <i>Main elements</i>	49
4.1.2 <i>Key policy areas</i>	52
4.1.3 <i>Governance and institutional arrangements</i>	52
4.2 ASSESSMENT OF THE SOCIAL OMC.....	53
4.2.1 <i>Strengths</i>	53
4.2.2 <i>Weaknesses</i>	54
4.3 THE FUTURE	56
4.3.1 <i>Clear EU social objectives with EU and national social outcome targets</i>	56
4.3.2 <i>Benchmarking, monitoring and evaluation</i>	58
4.3.3 <i>Social inclusion in the Integrated Guidelines for growth and jobs</i>	59
4.3.4 <i>Social protection and social inclusion strategies</i>	60
4.3.5 <i>The Lisbon Treaty’s “horizontal social clause”</i>	61
4.3.6 <i>The European Platform Against Poverty (EPAP)</i>	61
4.3.7 <i>A thematic approach</i>	62
4.3.8 <i>Guidelines on key governance issues</i>	62
4.3.9 <i>Better linking of EU social inclusion and EU Structural Funds objectives</i>	63
4.3.10 <i>Exchange, learning and communication</i>	63

4.4. CONCLUSIONS	63
5. STUDY ON SOCIAL IMPACT ASSESSMENT AS A TOOL FOR MAINSTREAMING SOCIAL INCLUSION AND SOCIAL PROTECTION CONCERNS IN PUBLIC POLICY IN EU MEMBER STATES (MARTIN KÜHNEMUND).....	68
5.1 INTRODUCTION	68
5.2 KEY FINDINGS	69
5.3 MAIN CONCLUSIONS AND RECOMMENDATIONS	72
6. THE LISBON STRATEGY, EUROPE 2020 AND THE CRISIS IN BETWEEN (DAVID NATALI)	76
6.1 APPROACHING EUROPE 2020: THE LISBON STRATEGY AND THE CRISIS	76
6.2 THE LISBON STRATEGY: LOGICS AND PROMISES	76
6.2.1 <i>The economic and political rationale of the Strategy</i>	77
6.2.2 <i>The Lisbon Strategy as a new “participatory” and “knowledge-enhancing” governance</i>	78
6.3 ECONOMIC AND FINANCIAL CRISIS: A THREE-STEP PROCESS	78
6.3.1 <i>Financial crisis in 2008</i>	79
6.3.2 <i>Economic recession in 2009</i>	79
6.3.4 <i>Growing budgetary tensions in the Euro-zone in 2010</i>	81
6.4 THE LISBON STRATEGY TEN YEARS ON: A MORE COMPLEX UNDERSTANDING.....	83
6.4.1 <i>Questioning the political-economic rationale of the Lisbon agenda</i>	83
6.4.2 <i>The Lisbon Strategy and its governance</i>	85
6.5 CONCLUSIONS	87
7. DELIVERING THE GOODS AFTER ALL? REVIEWING THE SOCIAL OMC’S ADEQUACY AND IMPACT (BART VANHERCKE)	92
7.1 INTRODUCTION: OBJECTIVE, SOURCES AND LIMITATIONS	92
7.2 REVIEWING THE ADEQUACY OF THE SOCIAL OMC’S TOOLBOX	93
7.2.1 <i>Adequacy of the Social OMC’s communication strategy: public awareness and institutional visibility</i>	93
7.2.2 <i>Adequacy of policy coordination at the EU level: objectives, messages and reports</i>	94
7.2.3 <i>Adequacy of features of the OMC toolkit: reporting cycle, feeding in/out, indicators and mutual learning</i>	97
7.2.4 <i>Adequacy of the operational framework: the national level</i>	99
7.3 ASSESSING THE IMPACT OF THE SOCIAL OMC: PROCEDURAL AND SUBSTANTIVE EFFECTS “ON THE GROUND”	100
7.3.1 <i>Substantive policy change at the national level: enhancing commitment, agenda setting and mirror effects</i>	100
7.3.2 <i>Shifts in domestic governance: horizontal and vertical and integration, evidence-based policymaking and stakeholder involvement</i>	102
7.3.3 <i>Impact on EU level policies and politics: enhancing commitment, changing actor constellations and instrument hybridity</i>	104
7.4 CONCLUSIONS	105
8. ON THE ROLE OF TARGETS IN FOSTERING POLICY DEVELOPMENT: LEARNING FROM THE FRENCH EXPERIENCE (ROBERT WALKER).....	114
8.1 INTRODUCTION	114
8.2 THE FRENCH POVERTY TARGET AND “SCOREBOARD”	115
8.3 STRATEGY AND POLITICS	117
8.4 SETTING TARGETS	119
8.5 TARGETS AND DISTORTION	122
8.6 TARGETS AND POLICY DESIGN	124
8.7 CONCLUSIONS	127

9. EU POLICY COORDINATION BEYOND 2010: TOWARDS AN INCLUSIVE GOVERNANCE ARCHITECTURE (JONATHAN ZEITLIN) 131

 9.1 INTRODUCTION 131

 9.2. THE GOVERNANCE OF THE LISBON STRATEGY, 2000-2010: A CRITICAL OVERVIEW 132

 9.2.1 *Lisbon I (2000-2005)* 132

 9.2.2 *Lisbon II (2005-2008)* 134

 9.2.3 *Lisbon III (2008-2010)* 136

 9.3 TOWARDS AN INCLUSIVE GOVERNANCE ARCHITECTURE FOR THE POST-LISBON ERA 137

 9.3.1 *Architectural design principles for EU policy coordination* 137

 9.3.2 *Governance options for EU policy coordination beyond 2010* 137

 9.4 RISKS AND OPPORTUNITIES OF AN INCLUSIVE GOVERNANCE ARCHITECTURE FOR EU SOCIAL POLICY COORDINATION 139

 9.4.1 *Subsidiarity* 139

 9.4.2 *Loss of autonomy* 140

 9.5 CONCLUSION 140

SHORT PRESENTATION OF THE AUTHORS

Mary Daly is Professor of Sociology at the School of Sociology, Social Policy and Social Work at Queen's University Belfast (Ireland). Among the fields on which she has published are poverty, welfare, gender, family and labour market. Much of her work is comparative, in a European and international context and she is especially interested in matters to do with how policies in different European countries relate to families.

Maurizio Ferrera is Professor of Political Science and President of the Graduate School in Social, Economic and Political Studies of the State University of Milan (Italy). He is currently a member of the Group of Societal Policy Advisers of the European Commission, of the Scientific Committee of Confindustria and of the Steering Committee of the Centro Einaudi (Turin).

Hugh Frazer is Adjunct Professor at the National University of Ireland (Maynooth) and, together with Eric Marlier, he coordinates the EU Network of Independent Experts on Social Inclusion. From 2001 to 2006 he worked in the European Commission as an expert advising and assisting in the development of the Social Inclusion OMC. Prior to that, he was *inter alia* Director of the Irish Government's Combat Poverty Agency (1987-2001). He has written extensively on the issues of poverty, social exclusion, community development and community relations.

Martin Kühnemund is Principal Consultant for European Evaluation at The Evaluation Partnership (TEP), a London-based consultancy. He specialises in the evaluation of public policies, programmes, and other legislative and non-legislative measures, and also heads up TEP's activities in the area of regulatory impact assessment.

Eric Marlier is the International Scientific Coordinator of the CEPS/INSTEAD Research Institute (Luxembourg) and, together with Hugh Frazer, he manages the EU Network of Independent Experts on Social Inclusion. His main research activities include comparative social indicators, social monitoring, international socio-economic analysis (esp. on income, poverty and social exclusion) and the Social OMC. He has organised several international conferences in these areas on behalf of the European Commission and various EU Presidencies.

David Natali is Associate Professor at the R. Ruffilli Faculty of Political Science in Forlì (Italy) and Co-Director of the European Social Observatory (OSE, Belgium). He is currently a member of the board of ESPANET (European Network of Social Policy Analysis), and a member of the OECD working party on pension markets. He is also a member of RECWOWE (Reconciling Work and Welfare), FP6 Network of Excellence.

Bart Vanhercke is Co-Director at the European Social Observatory (OSE, Belgium). He is finalising his PhD at the University of Amsterdam on "The hard politics of soft policy coordination". His current research activity focuses on the Europeanisation of social inclusion, healthcare and pensions policies through different EU policy instruments, topics on which he also works as associate academic staff at the CESO Research Centre of the University of Leuven. He previously worked as European advisor to the Belgian Minister for Social Affairs (1999-2004), and was an assistant in the European Parliament (2004-2006).

Robert Walker is Professor of Social Policy and a Fellow of Green Templeton College, Oxford University (United Kingdom). He was formerly Professor of Social Policy at the University of Nottingham and before that Director of the Centre for Research in Social Policy, Loughborough University. He is a member of the statutory UK Social Security Advisory Committee and an expert advisor to the European Social Fund Evaluation Partnership.

Jonathan Zeitlin is Professor of Public Policy and Governance at the University of Amsterdam (Netherlands). He has published extensively on the OMC and EU governance, including “The Open Method of Coordination in Action” (2005), “Changing European Employment and Welfare Regimes” (2009), and “Experimentalist Governance in the European Union” (2010). He is currently serving as chief scientific adviser for an external evaluation of the Social OMC.

LIST OF MAIN ABBREVIATIONS AND ACRONYMS USED

BEPG	Broad Economic Policy Guideline
CPAG	Child Poverty Action Group
COFACE	Confederation of Family Organisations in the EU
DG	Directorate-General
DG ECFIN	DG for Economic and Financial Affairs of the European Commission
DG EMPL	DG for Employment, Social Affairs and Equal Opportunities of the European Commission
EAPN	European Anti-Poverty Network
ECJ	European Court of Justice
EES	European Employment Strategy
EPAP	European Platform against Poverty
ESF	European Social Fund
ESN	European Social Network
EU	European Union
EU-15	The 15 “old” EU Member States, before the May 2004 and January 2007 Enlargements (Austria, Belgium, Germany, Denmark, Spain, Finland, France, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Sweden, United Kingdom)
EU-27	All 27 EU Member States (EU-15 plus Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Lithuania, Latvia, Malta, Poland, Romania, Slovenia, Slovakia)
EU-SILC	EU Statistics on Income and Living Conditions
HCSACP	Haut-Commissaire Aux Solidarités Actives Contre La Pauvreté
IA	Impact assessment
IG	Integrated Guideline
IORP	Institutions for occupational retirement provision
NAP	National Action Plan
NAP/inclusion	National Action Plan for social inclusion
NAP/employment	National Action Plan for employment
NGO	Non Governmental Organisation
NRP	National Reform Programmes for Growth and Jobs
NSRI	National Strategy Report
NSRSPSI	National Strategy Report on Social Protection and Social Inclusion
OECD	Organisation for Economic Cooperation and Development

<i>OMC</i>	<i>Open Method of Coordination</i>
<i>PROGRESS</i>	<i>Community Programme for Employment and Social Solidarity</i>
<i>PSA</i>	<i>Public Sector Agreement</i>
<i>SME</i>	<i>Small and medium size enterprise</i>
<i>Social OMC</i>	<i>OMC for social protection and social inclusion</i>
<i>SPC</i>	<i>EU Social Protection Committee</i>
<i>TFUE</i>	<i>Treaty on the Functioning of the European Union</i>

1. INTRODUCTION

(Frank Van Massenhove)¹

In 2010, the European Union is putting in place its new strategy for smart, sustainable and inclusive growth (“Europe 2020”). The overall direction and priorities have been decided upon during the first half of the year and some crucial building blocks have been identified. However, the details of others, particularly in the social field, are still pending. An important challenge for the Belgian Presidency of the European Council in the second half of 2010 is thus to contribute to an agreement on the latter and to ensure that the different components fit together and can be implemented in ways that are mutually reinforcing.. The Belgian Presidency is therefore hosting a conference on “EU coordination in the social field in the context of the Europe 2020 strategy so as to take forward the process of designing an ambitious Europe 2020 Strategy. In particular, its aim is to get agreement on coherent and effective arrangements which are capable of achieving the social objectives of the new Strategy.

In the aftermath of the financial and economic crisis, many Member States have made budgetary consolidation a political priority. At the same time, future growth needs to be secured in order to keep up with other parts of the world and even for the EU to take a leading role. In this context, it is of crucial importance that the social objectives of the EU are not forgotten. Indeed, investment in strong social policies is necessary to underpin and ensure sustainable growth in the future.

The Europe 2020 Strategy offers a framework for an integrated and balanced approach to economic and social objectives. Discussing how to organise this integrated policy approach most effectively and how the established, and new, methods and instruments of EU social policy coordination should be put in place to contribute to this integrated approach is the core conference objective.

This volume contains contributions from a number of conference chairs and speakers. It offers an excellent overview of and introduction to the various issues that will need to be addressed during the conference and makes many constructive suggestions on the way forward. We hope that it will help stimulate an informed and lively debate.

¹ Frank Van Massenhove is the President of the Belgian Federal Public Service Social Security.

2. ASSESSING THE EU APPROACH TO COMBATING POVERTY AND SOCIAL EXCLUSION IN THE LAST DECADE

(Mary Daly)²

Abstract: After a very intense period of EU attention to social policy, we are now entering the post-Lisbon period. What will happen is not yet clear. It is important therefore to take an overview of Lisbon. This piece does so in terms of assessing the approach taken by the EU to poverty and social exclusion over the last decade or so, especially since the Lisbon Agreement in 2000. It looks at both the content of policy and developments in relation to measurement and monitoring. What we find is that the EU has been quietly refining the meaning and measurement of poverty and putting substance on the more neophyte “social exclusion” as a “problem” for social policy and an object of measurement and analysis. The discussion makes clear that the EU’s approach has a number of significant elements. It also has a number of attendant weaknesses, not least a lack of coherence in the policy approach, in the wider set of policies in which social policy is located and between different parts of the process.

2.1 Introduction

One of the most significant achievements of the Lisbon European Council in March 2000 was to place social issues firmly on the EU policy agenda, reinvigorating EU social policy which had been in the doldrums since the heady days of the Delors era in the late 1980s and early 1990s. Poverty and social exclusion have been central to the new momentum which has been developed under the rubric of first social cohesion and later social protection. The first decade of the new century was a time when the EU made one of the most concerted attempts anywhere in recent history to engage with poverty and social exclusion. There was nothing foretold about this – the EU is primarily a project oriented to markets and economic efficiency and it has placed its faith in a market-led strategy for growth rather than, for example, redistributive policies aiming for social justice and equality. Moreover, the EU’s space for manoeuvre in social policy was and is limited: the principle of subsidiarity (which grants Member States autonomy in social policy) and the resulting weak legal competence seriously restrict the EU’s role in social policy. Against this background, the aim of this piece is to outline and assess the anti-poverty/social exclusion activities of the EU in the last decade. The Lisbon process offers a unique opportunity to study the evolution of poverty and social exclusion as concepts for policy and research in contemporary times.

The relevant social policy statements, activities and agreements by the EU, especially the Council, Commission and Social Protection Committee (SPC), provide the empirical substance of the chapter. These are analysed and assessed for how they conceptualise and understand poverty and social exclusion. Focused on the Open Method of Coordination on Social Protection and Social Inclusion (the so-called “Social OMC”), the piece proceeds in four parts. Section 2.2 is devoted to a short historical tracing of the two concepts in EU activities prior to Lisbon. We move on from this to analyse how poverty and social exclusion were framed in terms of objectives and policy orientations under Lisbon and empirically as objects of measurement and indicator development (Sections 2.3 and 2.4). A short conclusion brings the piece to a close (Section 2.5).

² Mary Daly is at the School of Sociology, Social Policy and Social Work, Queen’s University. She would like to thank Eric Marlier for his detailed comments on parts of an earlier draft. She is indebted also to both Dave Gordon and Ruth Levitas for very helpful feedback. Address for correspondence: m.daly@qub.ac.uk.

2.2 The background to poverty and social exclusion in the EU repertoire

Neither poverty nor social exclusion was a newcomer to the EU stage in 2000. Indeed, the two concepts have a rather long and intertwined history within the EU.

Poverty is the elder of the two concepts. EU policy interest in poverty dates back at least until the early 1970s when the first anti-poverty programme was introduced. This programme, like its two successors in the 1980s, mainly consisted of term-limited projects that undertook research, information exchange and evaluation. The word “programme” is something of a misnomer, however, especially if we take our direction from the national welfare state template wherein anti-poverty measures usually take the form of minimum income provisions – redistribution rather than information is their *métier*. The EU, as always with social policy, is different. The first poverty programme (subsequent ones also) consisted of a relatively small number of local projects in Member States which were focused on experimental actions around research and anti-poverty activity. Building up a credible information base about social and economic problems in Europe and how they could be counteracted was a key goal of these programmes. Following the first programme in the 1970s, there were two more which ran in the 1980s and early 1990s. The Commission’s plans for a fourth poverty programme in the mid-1990s were scuppered – mainly by Germany and the UK which opposed a role for the EU in the area of poverty other than in the capacity of research coordination. Some say that it was the attention focused on the politically contentious concept of poverty that was unpopular with Member States (Berghman, 1995). Since then, a different approach has been adopted and the term “social exclusion” has increasingly accompanied that of poverty.

In fact, the EU has been one of social exclusion’s main advocates and sponsors, since the concept first appeared in French social policy in 1974 (Silver, 1994; Levitas, 1998). As it established itself over the course of the 1980s and 1990s, the “social problem” orientation of the social exclusion approach was highlighted – that is, it focused on different social ills such as unemployment or homelessness. However, social exclusion is a concept with a more wide-ranging set of references than individual social problems. At the micro level, it is meant to pick up on the cumulation of numerous situations of disadvantage in the lives of individuals, such as low income, poor health, low education and skills and social isolation. Individuals are seen to be cut off from the mainstream, cast adrift by the disempowering and immobilising effects of various disadvantages. At a more macro level, the concept proffers two types of structural critique. On the one hand, economic change and the decline occasioned by de-industrialisation and jobless growth have distanced many people from the labour market. In its second structural register, social exclusion points to problems in and of society. The failure here is one of social integration – the capacity of existing structures and arrangements to enable people to be active participants in social life, to engage in supportive social relations and to give their loyalty to a common moral and social order. With such a broad-ranging set of references, social exclusion is one of those chameleon concepts whose meaning can be stretched in numerous, even conflicting, directions.³ It is for this and other reasons a controversial concept – academic scholarship is far more critical of it than social policy practice (Levitas, 1998; Daly and Saraceno, 2002). In the EU’s usages, the meaning has varied as a short overview of the concept in EU discourse prior to Lisbon demonstrates.

Social exclusion made its first official appearance on the EU stage in 1989 – *The Community Charter of Fundamental Social Rights for Workers* (the Social Charter as it is known) was one of the first high-level EU policy documents to refer to social exclusion. The context here was the run-up to the Single European Market. The *Resolution of the Council of Ministers for Social Affairs on Combating Social Exclusion*, issued in 1989, was the concept’s birth certificate, however (Council, 1989). In this document, social exclusion was differentiated from poverty and emphasis was laid on structural factors and in particular (reduced) access to the labour market. The solution

³ Social cohesion is another such concept.

proposed was to improve opportunities and access to services such as education, employment, housing, community services and medical care. In late 1992, the Commission issued a Communication with the title *Towards a Europe of Solidarity - Intensifying the Fight against Social Exclusion, Fostering Integration* (European Commission, 1992). This was the high watermark of EU discursive engagement with social exclusion prior to Lisbon. A visionary document, the Communication developed a horizontal understanding of social exclusion, pointing out that social exclusion involves not just disparity between the top and the bottom of the socio-economic scale but also between those comfortably placed within society and people on the margins. The White Paper on social policy, issued in July 1994, while very focused on labour-market related measures and with an undertone of what would later become known as “activation”, made a case for EU action in the field of poverty and social exclusion, especially in terms of the integration of those excluded from the labour market (European Commission, 1994). At this stage unemployment, employability, labour force adaptation and job creation were monopolising policy attention in Europe. Conceiving of these as European phenomena or problems, the Amsterdam summit in 1997 gave the EU competence in employment policy. However, in a considerably less-heralded development, it also inserted social exclusion into the Treaty, adding a new article (137(2) TEC) authorising measures to facilitate co-operation among Member States in order to combat social exclusion. Although if judged against the yardstick of legal regulation it might be seen as weak in that “knowledge exchange” is hardly a substitute for strong EU competence, the new Treaty provision was to provide a legal basis for a specific EU-wide process in this area in 2000.

One has to ask why social exclusion? With poverty out of political favour, social exclusion had numerous benefits in an EU context, not least the fact that as a “diagnosis” and set of solutions it seemed to fit the rapidly changing times and capture the emergence of new forms of deprivation. There is also the concept’s “newness”. This meant that it was not associated with any of the existing welfare state models in the Union and so an EU stamp could be imprinted on it (Daly, 2006). Bauer (2002) has suggested that the Commission had to generate a new discourse (that is, social exclusion) in order to legitimate the EU as a social policy actor (given the subsidiarity principle). Other factors were causal also, not least the need to develop an approach that spoke to the concerns of a range of Member States. Social exclusion’s wide analytic lens and chameleon-like character meant that social exclusion could be manipulated and stretched to fit very different kinds of settings. For example, it captures something core to the Continental European welfare states where social policy serves a social integration function in the sense of creating a harmonious society and managing the contestation that emanates from social class inequalities. In the more liberal-oriented states such as UK and Ireland, social exclusion’s references to lack of involvement in the labour market strikes a chord as do its references to minimum income for these countries are strongly oriented to poverty prevention. Hence, the double use of poverty and social exclusion in the Lisbon programme has to be attributed to these origins also. When set in this complex background, it is little wonder perhaps that the EU’s usage of social exclusion has varied in meaning and application over time. The next section focuses on how poverty, social exclusion and social protection more broadly have been conceived in the Lisbon process.

2.3 Social policy emphases in Lisbon

The agreement reached at Lisbon in March 2000 by the EU heads of state ushered in a period when social exclusion was foregrounded for the purposes of EU policy co-operation and co-ordination. For the first four years of Lisbon anyway, social cohesion (which was interpreted in terms of reducing social exclusion and poverty) sat alongside job creation and economic growth as objectives of this new phase of EU development. From 2000 on, the EU instituted a range of processes to frame social policy for the Member States, especially in employment, social exclusion, pensions and health care, in the overall goal of achieving a balanced pursuit of economic, employment and social progress (Dieckhof and Gallie, 2007, page 481). From the perspective of social policy, the initial Lisbon agreement brought two core developments: an agreement that Member States would co-ordinate policy on employment, poverty and

social exclusion; the application and development of the Open Method of Co-Ordination (OMC) to these domains, which was the governance mechanism for co-ordination of Member State policy. The open coordination method was introduced first for employment (in 1997), then in poverty and social exclusion (2000), pensions in 2001 and health and long-term care in 2004.

It would be wrong to treat Lisbon as if it were a single development or phase. In fact, there have been two social Lisbons. The first lasted until 2004, the second from 2005 until 2010 when the Lisbon Strategy and all agreements and plans relating to it come to an end (the time of writing). Dissatisfaction with “results” and the pace of achievement of the original objectives especially in relation to economic growth and job creation led to a review of the process in 2003 (European Communities, 2004). Against the wishes of some actors in the process – especially the economically-oriented actors⁴ - social Lisbon survived. A new cycle of governance, begun in 2005 with the relaunch of Lisbon in March of that year, saw the integration of the employment and economic policy processes into a single national reform process (focused on “growth and employment making for social cohesion”). The social inclusion OMC was kept separate, although there was to be greater synergy and “conversation” (in the sense of each feeding into the other) between its strategic goals and those of the national reform process as well as greater synchronisation of timing. The social process itself also underwent reform, mainly in that the heretofore separate processes of social inclusion, pensions and health care were integrated (“streamlined” in the EU’s inimitable language) from 2006 on in an attempt to rationalise and strengthen them. “Social protection” was the umbrella term applied to this integrated set of social policies.

The objectives also changed. Table 2.1 shows how.

Table 2.1: Dominant Emphases of the Common Objectives Relating to Poverty and Social Exclusion in the EU under Lisbon

2000-2004*	2005 – 2010**
Facilitate participation in employment and access by all to resources, rights, goods and services	Guarantee access for all to the basic resources, rights and social services Address extreme forms of exclusion
To help the most vulnerable	Inclusion in employment Fight poverty and exclusion among the most marginalised groups
Prevention of the risks of social exclusion	
Mobilisation of all relevant bodies	Ensure good policy co-ordination and involvement of all relevant actors, including people experiencing poverty

*Council of the European Union (2000).

**As expressed in European Commission (2005) and (2008).

⁴ These are centred around the European Commission’s Directorate-General “Economic and Financial Affairs” (DG ECFIN), the ECOFIN Council, and the EU Economic Policy Committee.

Comparing the emphases over the different periods, Table 2.1 shows that between 2000 and 2004, EU social policy had a blueprint for a relatively radical attack on social exclusion. It covered a range of bases: access to resources, rights, goods and services, helping the most vulnerable, preventing social exclusion, and mobilising those affected. The orientation was more social democratic than anything else: the desired European model is one that emphasises social rights and understands the “community” as one in which people are or should be economically, socially and politically included. However, this “strong vision” did not really survive the changes in 2004 and by 2005 the blueprint had altered significantly. There were three main changes. First, as mentioned, “making a decisive impact on the eradication of poverty and social inclusion” became one of three strands (along with pensions and health and social care) rather than the prime focus as previously. The second change was in the understanding of how social inclusion (now dominant as a term) would be brought about. This was seen to follow from success in achieving targets on economic growth and jobs and the reform (“modernisation”) of the European social model rather than, as previously, the result of concerted actions. In effect, the social goals were “downgraded” in the sense that they were to follow from economic priorities rather than to be aimed for directly. This set the scene for the third set of changes – the objectives themselves became narrower and more focused on particular domains and sub-groups (compare the two columns in Table 2.1). In the poverty and social exclusion strand, labour market participation came to be more heavily emphasised as did the “extreme” forms of exclusion. Furthermore, the efficiency of policies and co-ordination replaced “mobilisation”. “Involvement” was the new term used, which is framed in terms of policy co-ordination and governance rather than political engagement.

While we do not have the space to undertake a detailed analysis here, looking at how these objectives have been framed as issues for policy, especially in the Joint Reports on Social Protection and Social Inclusion, one sees four substantive issues emerge to the front. The first is active inclusion, especially of those furthest from the labour market. This was developed especially in a European Commission Recommendation on active inclusion which sets out the principles and practical guidelines on a comprehensive strategy based around three pillars: adequate income support, inclusive labour markets and access to quality services (European Commission, 2008a). The second focus is child poverty and child well-being. As well as being highlighted throughout the process, this was activated by a thematic year on the subject in 2007 and the adoption of a report on the subject by the Social Protection Committee which Frazer and Marlier (2010) suggest is the first EU-wide benchmarking exercise based almost exclusively on the commonly-agreed indicators. Thirdly, homelessness and housing exclusion have been prominent in the OMC process and this too was the subject of a thematic year (2009). Fourthly, underpinning all of these – and also more generally in the EU’s approach as developed through Lisbon – is a recognition of the importance and availability of a range of social services. All can be traced to a social exclusion perspective (although they are rooted in other concerns and concepts as well). As mentioned, social exclusion has a core concern with labour market issues and so the EU’s focus on those furthest from the labour market evokes a particular interpretation of social exclusion; the concern with child poverty reflects an understanding of the long-term effects and inter-generational transmission of poverty and social deprivation; the emphasis on homelessness picks up on the “extreme marginalised” references in the concept; access to housing and other services is underpinned by a recognition that income on its own is an insufficient cause of and response to exclusion. If Lisbon has a distinctive identity as a social policy project, it is in the emergence/acceptance of these by the Council and the Commission (although not necessarily by the Member States) as common social policy concerns and important objects of policy attention.

As well as putting substance on a social policy programme around poverty, social exclusion and social protection, the Lisbon process has also devoted considerable resources to defining and empirically measuring the phenomena and problems involved.

2.4 Poverty and social exclusion in empirical terms

One of the key elements of the OMC and of the EU's engagement with poverty and social exclusion is that it set in train a series of data and measurement-related resources, discourses and activities. A new pan-European data survey – the Community Statistics on Income and Living Conditions (EU-SILC) – was implemented progressively as from 2003; it now covers all 27 EU countries as well as a growing number of non-EU European countries (for example, Croatia, Iceland, Norway, Switzerland, Turkey). EU-SILC replaced the European Community Household Panel Survey (ECHP). It is based on the idea of a common “framework” and no longer a common “survey” as was the case for the ECHP. The common framework defines the harmonised lists of target primary (annual) and secondary (every four years or less frequently) variables to be transmitted to Eurostat; common guidelines and procedures; common concepts (household and income) and classifications aimed at maximising comparability of the information produced. EU-SILC mainly focuses on income - detailed income components are collected mainly at personal level although a few income components are included in the household part. In addition, information is collected on material deprivation, housing conditions, labour-related activities, education and health.

The process has also generated a considerable degree of activity around the production of a set of cross-national statistical tools and benchmarks to inform and improve policy monitoring in the domain of poverty and social exclusion (as well as pensions and healthcare and long-term care, which are not addressed here). This has been a primary task of the SPC, the EU body which serves as a vehicle for cooperative exchange between the European Commission and the Member States in regard to modernising and improving social protection systems and their indicators. In 2001 the Committee established an Indicators Sub-Group to work on the development of indicators and statistics in support of its tasks.

The result is both an ongoing discourse about the measurement of poverty and social exclusion and an agreed set of common indicators that have been updated over time. At the 2001 Laeken European Council, 18 indicators were adopted (Table 2.2, column 2). These have been further developed and reworked, especially in 2006 when, as a result of “Lisbon II”, the EU set of indicators for social inclusion and social protection was *streamlined* (the EU's term for integrating poverty and social exclusion with pensions and health and access to care). In 2009, the SPC adopted a revised set of indicators, with major additions to the EU social inclusion portfolio which now also covers housing (on the indicators agenda since 2001) and material deprivation. Indicators and data are of deep significance – they help to define a common set of phenomena and obviously to measure it. Marlier *et al* (2007, page 146) suggest that the investment in both the EU-SILC and the development of common indicators have the potential to transform the basis for social reporting in the EU. They qualify the statement because the indicators are not used as well as they might be, either in terms of being adopted by Member States for their own analysis and policy development or being applied by Member States or the EU in systematic, forensic-type analyses which detail the “problem” and the causes.

It will be obvious from Table 2.2 that the discourse and practice as regards indicators is becoming more differentiated and complex over time. From the outset, primary indicators were differentiated from secondary indicators, then revision in 2006 added another layer of context indicators and made a useful distinction between “national” and “EU” indicators. The latter differentiation has been instrumental in allowing flexibility and responsiveness to emerging issues and local context (Marlier *et al*, 2010). Now, since June 2010, there is a further elaboration.

Table 2.2 shows the evolution of the primary indicators over the four iterations. Looking at the left-most column, we can see that from the outset poverty and social exclusion were conceptualised in terms of four domains: income (level and inequality), economic activity (unemployment, joblessness and “regional cohesion” measured by regional variation in employment rates), educational disadvantage, and health status. Of these income predominated until

2009; since then, the portfolio has become more balanced across the different dimensions. In 2006, the indicators underwent major review, being revised especially to reflect the streamlining of the social protection and social inclusion processes. A glance at the appropriate column in Table 2.2 shows the inclusion of a new domain in relation to employment gap of immigrants. A slot for one or more indicators of child-wellbeing has been foreseen since 2006 and work on these is in progress since 2007. EU material deprivation indicators, added in 2009, focus on financial stress, consumption deprivation and household facilities - a threshold of lacking any three is designated as indicating deprivation. This move to a standardised measure of disadvantage has been in the pipeline for a considerable period and the agreement to have an indicator on it is significant in an EU-context given strong resistance among some Member States. It is also controversial since setting out a threshold for the standard and style of living has many political implications and is considerably adrift of how many Member States conceptualise and measure poverty and deprivation.

Table 2.2: Commonly Agreed Indicators of Poverty and Social Exclusion (in “social inclusion” and/or “overarching” EU portfolios)

Dimensions	2001	2006*	2009**	2010 – target indicators
<i>Income poverty and inequality</i>	<i>At-risk-of-poverty rate</i>	<i>At-risk-of-poverty rate</i>	<i>At-risk-of-poverty rate</i>	<i>At-risk-of-poverty rate</i>
	<i>Relative median at-risk-of-poverty gap</i>	<i>Relative median at-risk-of-poverty gap</i>	<i>Relative median at-risk-of-poverty gap</i>	
	<i>Persistent at-risk-of-poverty rate</i>	<i>Persistent at-risk-of-poverty rate</i>	<i>Persistent at-risk-of-poverty rate</i>	
	<i>S80/S20 (income quintile ratio)</i>	<i>S80/S20 (income quintile ratio)</i>	<i>S80/S20 (income quintile ratio)</i>	
<i>Economic activity</i>	<i>Long-term unemployment rate</i>	<i>Long-term unemployment rate</i>		
	<i>Persons living in jobless households (0-17 and 18-59)</i>	<i>Persons living in jobless households (revised definitions; 0-17 and 18-59)</i>	<i>Persons living in jobless households (revised definitions; 0-17 and 18-59)</i>	<i>Persons aged 0-59 who live in households with very low work attachment (threshold 0.2)</i>
		<i>Employment gap of immigrants</i>		
	<i>Coefficient of variation of unemployment rates at regional level</i>	<i>Coefficient of variation of employment rates at regional level</i>	<i>Coefficient of variation of employment rates at regional level</i>	
<i>Educational disadvantage</i>	<i>Early school leavers</i>	<i>Early school leavers</i>	<i>Early school leavers</i>	
<i>Health</i>	<i>Life expectancy at birth Self-defined health status by income level</i>	<i>Healthy life expectancy Self-reported unmet need for healthcare</i>	<i>Healthy life expectancy Self-reported unmet need for healthcare</i>	

Dimensions	2001	2006*	2009**	2010 – target indicators
<i>Material deprivation</i>			<p>Share of population living in households lacking at least 3 items among the following 9:</p> <ul style="list-style-type: none"> i) unexpected expenses, ii) one week annual holiday away from home, iii) pay for arrears (mortgage or rent, utility bills or hire purchase instalments), iv) a meal with meat, chicken or fish every second day, v) keep home adequately warm, or could not afford (even if wanted to, i.e. “enforced lack”) vi) a washing machine, vii) a colour TV, viii) a telephone, ix) a personal car. 	Share of population living in households lacking at least 4 of the 9 deprivation items agreed in 2009
<i>Child well-being</i>		<i>To be developed</i>	<i>In process</i>	
<i>Housing</i>		<i>To be developed</i>	<p>2 secondary indicators and 2 context statistics adopted, but further work, including further improvement of the quality of the data is needed before a primary housing indicator can be identified</p>	

Dimensions	2001	2006*	2009**	2010 – target indicators
<i>Income poverty and inequality</i>	<i>At-risk-of poverty rate</i>	<i>At-risk-of-poverty rate</i>	<i>At-risk-of-poverty rate</i>	<i>At-risk-of-poverty rate</i>
	<i>Relative median at-risk-of -poverty gap</i>	<i>Relative median at-risk-of-poverty gap</i>	<i>Relative median at-risk-of-poverty gap</i>	
	<i>Persistent at-risk-of-poverty rate</i>	<i>Persistent at-risk-of-poverty rate</i>	<i>Persistent at-risk-of-poverty rate</i>	
	<i>S80/S20 income quintile ratio</i>	<i>S80/S20 income quintile ratio</i>	<i>S80/S20 income quintile ratio</i>	
<i>Economic activity</i>	<i>Long-term unemployment rate</i>	<i>Long-term unemployment rate</i>		
	<i>Persons living in jobless households (0-17 and 18-59)</i>	<i>Persons living in jobless households (revised definitions) (0-17 and 18-59)</i>	<i>Persons living in jobless households (revised definitions) (0-17 and 18-59)</i>	<i>Persons aged 0-59 who live in households with very low work attachment (threshold 0.2)</i>
		<i>Employment gap of immigrants</i>		
	<i>Coefficient of variation of unemployment rates at regional level</i>	<i>Coefficient of variation of employment rates at regional level</i>	<i>Coefficient of variation of employment rates at regional level</i>	
<i>Educational disadvantage</i>	<i>Early school leavers</i>	<i>Early school leavers</i>	<i>Early school leavers</i>	
<i>Health</i>	<i>Life expectancy at birth Self-defined health status by income level</i>	<i>Healthy life expectancy Self-reported unmet need for healthcare</i>	<i>Healthy life expectancy Self-reported unmet need for healthcare</i>	

Dimensions	2001	2006*	2009**	2010 – target indicators
<i>Material deprivation</i>			<p>Share of population living in households lacking at least 3 items among the following 9:</p> <ul style="list-style-type: none"> i) unexpected expenses, ii) one week annual holiday away from home, iii) pay for arrears (mortgage or rent, utility bills or hire purchase instalments), iv) a meal with meat, chicken or fish every second day, v) keep home adequately warm, or could not afford (even if wanted to, i.e. “enforced lack”) vi) a washing machine, vii) a colour TV, viii) a telephone, ix) a personal car. 	Share of population living in households lacking at least 4 of the 9 deprivation items agreed in 2009
<i>Child well-being</i>		To be developed	In process	
<i>Housing</i>		To be developed	2 secondary indicators and 2 context statistics were adopted, but further work, including further improvement of the quality of the data is needed before a primary housing indicator can be identified	

* As in the streamlined social inclusion “Laeken” portfolio of primary indicators as agreed by the SPC on May 22nd 2006.

** European Commission (2009).

There is a push to finesse the measurement of poverty as much as possible. Hence, the number of measures of poverty is increasing. In practice, the EU has gone beyond a purely relative income poverty measure and between 2001 and 2009 the commonly agreed indicators were developed to include:

- At-risk-of-poverty rates at different thresholds (40%, 50%, 60% and 70% of the national median equivalised household income)
- An at-risk-of-poverty gap
- An at-risk-of-poverty rate “anchored” at a point in time
- A persistent at-risk-of-poverty rate
- A material deprivation indicator.

While the underlying thrust is to be as precise as possible about the measurement and what is being measured, one outcome of this now common practice of giving multiple definitions and indicators is to open up poverty as a matter of interpretation. Contributing also to a possible destabilisation of the meaning of poverty is a linguistic change – instead of poverty the EU speaks in terms of “at-risk-of-poverty”. While this is a more accurate term from a definitional perspective, it does tend to change poverty from a condition to a risk and, overall, it destabilises the meaning of poverty and renders it a function of measurement rather than a condition that exists for real people in real life.

The breaking news in relation to the Social OMC is the agreement by the Council at its June 17th 2010 meeting on a social inclusion/poverty reduction target of 20 million by 2020. This is a major development. Targets in the social domain have always proved controversial and no EU-wide poverty reduction target was agreed over the 10 years of the Lisbon process – in fact this is the first such target ever in the EU. The last column in Table 2.2 reports on the indicators to be used to measure progress towards this target. In effect, there are to be three such indicators: at-risk-of-poverty rate (based on the 60% median threshold); deprivation (the indicator used for the target is measured by a less lenient threshold as compared with the standard EU indicators of lacking at least four of the nine listed items); and the proportion of people in households with a low work attachment.

The latter is new and is effectively a measure of so-called “work intensity”.⁵ Using a combined measure⁶ a household is defined as poor if any of the three conditions hold true:

- Low income (60% median threshold)
- OR materially deprived
- OR in a jobless household.

On the basis of the figures for 2008, this definition gives an EU poverty population of 120 million people which is the population level from which progress towards the target will be measured.

⁵ A threshold is to be set for the work intensity measures. In July 2010, the EU Social Protection Committee and its Indicators Sub-Group agreed to set this threshold at 0.20 primarily because above this limit the rates of poverty and material deprivation start decreasing rapidly. The definition used for the “targeted indicator” is quite different from that used for the standard indicator of jobless households; the data source is also different: EU-SILC in the case of the target and the Labour Force Survey in the case of the standard EU indicator.

⁶ In line with the principle of subsidiarity, Member States may choose to use any of the three, two, or all three. In fact, they may choose an indicator of their own preference, although they must make an evidence-based case for their choice of indicator if they move away from the EU-specified indicators.

2.5 Conclusion and overview

The Lisbon process constitutes one of the most significant attempts anywhere to come to terms with the complexity and multi-dimensionality of poverty and social exclusion, especially from a technical, measurement point of view, and to author a social policy approach which rests centrally on these two concepts. While there is much debate and discussion over whether the Lisbon process has been a success or not, it is possible to identify a range of achievements.

1. Poverty has been put on the political agenda in Europe and the still new concept of social exclusion has been elaborated as an approach to social policy. The EU approach has a number of hallmark features:
 - a multi-dimensional understanding of disadvantage is offered which merges incomes with a wider perspective but stays close to exclusion from the labour market as the guiding frame;
 - participation by the disadvantaged themselves is emphasised as an objective of policy (although is not operationalised from the perspective of measurement and its significance in the EU programme declined over the 10 years of Lisbon);
 - in line with the common trend, several measures of financial poverty and deprivation are used simultaneously.
2. Although it offers a broad interpretation, when it comes to policy focus EU social policy under Lisbon has adopted a selective approach - it focuses on sub-themes of a larger programme. This is true at two levels. First, it is evident in the focus on three strands of social policy: poverty/social inclusion, pensions and health and social care. Second, within each of these, the Lisbon process has picked up on particular policy areas. In the poverty and social exclusion strand for example, there have been four thematic areas: active inclusion, child poverty and child well-being, homelessness and housing exclusion, access to services. The result is that the EU tends to follow a fragmented or selective approach. It is probably best represented as a patchwork approach.

At the time of writing (July-August 2010), the details are not yet clear about what the post Lisbon scenario will look like. Apart from the poverty target, two other developments are known. First, a guideline on poverty and social exclusion, which sets out the policies to reach the proposed target, has been included under the ten draft guidelines proposed by the Commission in April 2010 (European Commission, 2010a). This guideline, the only one with an explicit social inclusion focus, is one of four employment guidelines. For those sceptics who have always seen the EU interest in poverty and social exclusion as at root a liberal-oriented, labour-market related project the location and “loneliness” of the guideline are proof positive of this. However in its content the guideline is quite broad and emphasises the importance of access to high quality, affordable and sustainable services and the key role of social protection systems (including pensions and access to health care). The second known element of the new programme or project is that it will comprise a European Platform against Poverty and Social Exclusion. No details are available at the time of writing on what will be the focus and content of such an initiative (one of seven so-called “flagship initiatives”).

As we look forward and take account of what happened under Lisbon, a number of things merit emphasis.

1. While there are grounds to be sceptical about whether Lisbon has delivered on its social objectives, a lot of progress has been made in elucidating poverty and social exclusion as “problems” for social policy. Furthermore, the EU has managed to clear some space for itself in the field, albeit that much of this has been in a technical capacity (measurement and data production and governance). The fact that much groundwork has already been done suggests a rationale to consolidate and even intensify existing effort.

2. However, in doing so it is also important to stabilise and consolidate the meaning and focus of the poverty/social exclusion approach. There has been some instability in how the EU has understood social exclusion. One can identify several competing visions during the 10 years of Lisbon: one focusing primarily on low income and access to minimum income or social assistance; another focusing on activation and labour market exclusion as the primary cause of social exclusion; a more expansive understanding of social exclusion alongside a narrower, extreme cases type of focus; shifting emphasis on the social conditions of all to those of the poor and marginalised. No social policy project can be sustained with such diverse interpretations of what the core problem is.
3. As well as greater coherence in the focus of the social policy goals and objectives, it is also vital to clarify the place of social policy in the larger economic project. As we saw this was effectively downgraded during the course of Lisbon's 10 years. There is room in the Europe 2020 framing to upgrade social exclusion and poverty, making them a fourth pillar (along with economic development, employment and environmental factors). In this and other regards, the European Platform against Poverty (EPAP) could play a crucial role, it could be devoted to finding practical linkages between the social and the economic.
4. The two levels focused on in this piece (policy focus and indicator development/measurement) have proceeded along parallel tracks rather than as an integrated whole. They need to be brought much closer together and in fact can be used in a complementary fashion, not least in that the data and use of indicators can help to provide a more grounded and causal analysis and lend policy development a stronger evidence base. If used to best effect, the developments in conceptualisation and measurement would allow a more penetrating analysis of the strengths and weaknesses of existing approaches. They would also facilitate an understanding of the more structural references in the concept rather than the descriptive approaches that have predominated to date. The processes that lead to exclusion and poverty would be the focus rather than those affected by the processes (which is the strong tendency in the current emphases – those long-term unemployed, children, the homeless). However, for this other types of data – apart from the survey focused EU-SILC - are also needed.

References

- Bauer, M.V. (2002), "Limitations to agency control in European Union policy-making: The Commission and the poverty programmes", *Journal of Common Market Studies*, 40, 3: 381-400.
- Berghman, J. (1995), "Social exclusion in Europe: Policy context and analytical framework", in G. Room (editor) *Beyond the threshold*, Bristol: Policy Press, 10-28.
- Council of the European Communities (1989), *Resolution of the Council of Ministers for Social Affairs on Combating Social Exclusion* (89/C277/01) (Luxembourg: Official Journal, C277).
- Council of the European Union (2000), *Presidency Conclusions Nice European Council 7, 8 and 9 December*, available from: http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/ec/00400-r1.%20ann.en0.htm.
- Daly, M. (2006), *Social Exclusion as Concept and Policy Template in the European Union*, Cambridge, MA: Minda de Gunzburg Center for European Studies, Harvard University, Working Paper No. 135.
- Daly, M. and Saraceno, C. (2002), "Social exclusion and gender relations", in B. Hobson, J. Lewis and B. Siim (editors) *Contested concepts in gender and social politics*, Cheltenham: Edward Elgar, 84-104.
- Dieckhoff, M. and Gallie, D. (2007), "The renewed Lisbon Strategy and social exclusion policy", *Industrial Relations Journal*, 38, 6: 480-502.

European Commission (1992), *Towards a Europe of solidarity - Intensifying the fight against social exclusion, fostering integration*, Communication COM(92) 542, Brussels: European Commission.

European Commission (1994), *Social policy - A way forward for the Union - A White Paper* (COM(94) 333), Brussels: European Commission.

European Commission (2005), *Working together, working better: A new framework for the Open Coordination of Social Protection and Inclusion Policies in the European Union*, Communication COM(2005)706 final, Brussels: European Commission.

European Commission (2008), *A renewed commitment to Social Europe: Reinforcing the Open Method of Coordination for Social Protection and Social Inclusion*, Communication COM(2008) 418 final, Brussels: European Commission.

European Commission (2008a), *Commission Recommendation on the active inclusion of people excluded from the labour market*, Communication COM(2008) 639 final, Brussels: European Commission.

European Commission (2009), *Portfolio of indicators for the monitoring of the European Strategy for Social Protection and Social Inclusion – 2009 update*, Brussels: European Commission.

Available from: <http://ec.europa.eu/social/main.jsp?catId=756&langId=en>.

European Commission (2010), *Europe 2020: A strategy for smart, sustainable and inclusive growth*, Communication COM(2010) 2020, Brussels: European Commission. Available from:

<http://ec.europa.eu/eu2020/pdf/COMPLET%20EN%20BARROSO%20%20%20007%20-%20Europe%202020%20-%20EN%20version.pdf>.

European Commission (2010a), *Proposal for a Council Decision on guidelines for the employment policies of the Member States Part II of the Europe 2020 integrated guidelines*, Communication COM(2010) 193/3, European Commission, Brussels: European Commission. Available from:

http://ec.europa.eu/eu2020/pdf/proposition_en.pdf.

European Communities (2004), *Facing the challenge. The Lisbon Strategy for Growth and Employment*, Luxembourg: Official Publications of the European Communities.

Frazer, H. and Marlier, E. (2010), "The EU's approach to combating poverty and social exclusion: Ensuring a stronger approach in the future by learning from the strengths and weaknesses of the current approach", *Kurswechsel*, 3: 34-51.

Levitas, R. (1998), *The inclusive society? Social exclusion and new labour*, Basingstoke: Palgrave Macmillan.

Marlier, E., Atkinson, A.B., Cantillon, B. and Nolan, B. (2007), *The EU and social inclusion: Facing the challenges*, Bristol: Policy Press.

Marlier, E., Cantillon, B., Nolan, B., Van den Bosch K. and Van Rie, T. (2010), "Developing and learning from measures of social inclusion in the European Union", in D.J. Besharov and K.A. Couch (editors) *International policy exchange series*, New-York: Oxford University Press.

Silver, H. (1994), "Social exclusion and social solidarity: Three paradigms", *International Labour Review* 133, 5/6: 531-578

3. MAPPING THE COMPONENTS OF SOCIAL EUROPE: A CRITICAL ANALYSIS OF THE CURRENT INSTITUTIONAL PATCHWORK

(Maurizio Ferrera)⁷

Abstract: Can Europe reconcile the logic of "opening", which drives economic integration, with the logic of "closure", which underpins nation-based welfare arrangements? Can the clash between the two logics be turned into a "happy marriage", i.e. into an institutional engine for further expanding and strengthening the life chances of its citizens? This chapter argues in favour of a positive answer and discusses possible pathways towards the happy marriage scenario. Sections 3.1 and 3.2 set the stage of the argument by illustrating the programmatic contrast and growing tensions between the welfare state, on the one hand, and the EU, on the other. Section 3.3 outlines a possible strategy of institutional reconciliation. It argues that the key for a successful reconciliation lies in a more explicit and effective "nesting" of the national welfare state within the overall spatial architecture of the EU. Sections 3.4 and 3.5 try to identify and discuss some possible building blocks (and even some ongoing developments) which may promote the formation and consolidation of the new architecture and thus activate a virtuous nesting scenario, in which the economic and the social spaces of Europe will be able not only to co-exist without colliding, but also to re-enforce each other. Section 3.6 concludes.

3.1 Introduction

By the end of 2010 the welfare state will have celebrated its centennial in several Member States. A genuine European invention, public protection schemes were introduced to respond to the mounting "social question" linked to industrialisation. The disruption of traditional, localised systems of work-family-community relations and the diffusion of national markets - based on free movement and largely unfettered economic competition within the territorial borders of each country- profoundly altered the pre-industrial structure of risks and need. The regulation of the new national labour markets by establishing common standards, rights and obligations (through labour laws, unemployment and more generally social insurance, national labour exchanges etc.) was one of the fundamental institutional and political responses that European states gave to the big "social question" with which they were confronted.

In his ground-breaking historical analysis of modern citizenship, T.H. Marshall suggested that the evolution of the national welfare state involved a two-fold process of fusion, and of separation (Marshall, 1950). The *fusion* was geographical and entailed the dismantling of local privileges and immunities, the harmonisation of rights and obligations throughout the national territory concerned, and the establishment of a level playing field (the equal status of citizens) within state borders. The *separation* was functional and entailed the creation of new sources of nationwide authority and jurisdiction as well as new specialised institutions for the implementation of that authority and that jurisdiction at a decentralised level. The development of national markets, accompanied by the creation of new "social" entitlements and public protection schemes, triggered off – at least in liberal democracies- a phase of unprecedented economic growth and social progress, while strengthening at the same time the political loyalty of citizens and the overall legitimacy of the state.

To a large extent, the present historical phase is witnessing the emergence of a new (a "second") social question in Europe, which is reproducing under new guises the double challenge of fusion and separation already experienced between the XIX and the XX centuries. Historical parallels are always slippery and can be misleading when taken too

⁷ Maurizio Ferrera is at the University of Milan. Address for correspondence: maurizio.ferrera@unibocconi.it. This chapter builds on previous work, partly carried out with Stefano Sacchi; I am grateful for the fruitful collaboration.

literally, yet they may serve a useful heuristic function. As was the case one hundred years ago at the domestic level, the Europeanisation (“fusion”) of national markets through freedom of movement and competition rules is (already has been) a tremendous trigger for growth and job creation in the EU’s economy, enhancing life chances and welfare for European citizens. But it is also a source of social and spatial disruptions. Again, economic “fusion” requires the introduction of some common social standards, rights and obligations through “separation”, i.e. a socially-friendly institutional re-articulation of the novel Europeanised space of interaction.

We can think of at least three reasons which make such a socially-friendly re-articulation desirable⁸. First, the re-articulation is needed in order to secure a fairer, more equitable distribution of life chances for EU citizens, both within and between Member States. This is the “social cohesion”, or “social justice” rationale. Unless one believes in a naive version of the trickle-down effect of growth, the pursuit of economic prosperity through efficient and open markets should be accompanied by an agenda for social progress, resting on key values (such as “fairness”, “justice”, or “social security”) which are widely shared and deeply rooted in Europe’s political cultures. While there can be no doubt that this agenda includes areas and policies which legally come under national jurisdiction, it should be equally clear that the EU can play an important role, both directly (by exercising its legal powers to sustain and complement national social justice agendas) and indirectly (by “mainstreaming” social cohesion/ justice considerations within its entire array of policies). Second, a more social EU is desirable in order to improve the very functioning of the internal market, and thus generate more growth and jobs (this is the “economic efficiency” rationale). A wealth of political economy research has in fact shown that social policies can play an important role not only as redistributive instruments, but also as “productive factors” (Fouarge, 2003). Thirdly, and possibly most importantly, a more social EU is needed in order to secure continuing support for the integration process itself on the part of increasingly worried national electorates (this is the “social and political legitimacy” rationale). There is indeed growing evidence that the EU is now perceived as a potentially dangerous entity by a majority of its citizens, as a threat to national labour markets and social protection systems, as a “Trojan horse” serving the malevolent interests of globalisation. As noted above, post-war social protection systems have built extraordinary bonds between citizens and their national institutions, bringing about a very robust form of allegiance, based on the institutionalised exchange of material benefits for electoral support. The EU, conversely, has been rather weak in terms of identity and allegiance building. If voters’ anxieties vis-à-vis markets and competition are not alleviated, if voters are not convinced that “the EU cares” (through direct and indirect action, or non-action), the integration process as such may be seriously de-legitimised and jeopardised by xenophobic sentiment and neo-protectionist demands voiced by those social groups that are most directly affected by economic opening – and the economic crisis has undoubtedly intensified this challenge.

The institutional re-articulation which is required in order to build a stronger social EU (better: a fully fledged “EU social model”) is much more complex and difficult than the organisational separations that took place within the nation states about a hundred years ago. In late XIX century Europe, social rights emerged on a *tabula rasa* (or at least almost *rasa*): there was not much to “fuse” and there were wide margins for creating *ex novo* in terms of social policies. In today’s Europe the institutional material to be integrated is very thick and very solid in the welfare realm, and decision making rules at the EU level are inherently biased against efforts of positive integration. But there is an even more fundamental obstacle: the institutional clash between the logic of closure, which underpins nation-based social programs, and the logic of opening which drives the integration process. By its very nature, the welfare state presupposes the existence of a clearly demarcated and cohesive community, whose members feel that they belong to the same “whole” and that they are linked by reciprocity ties vis-à-vis common risks and similar needs. Since the XIX century (or even earlier in some cases) the nation-state has provided the closure conditions for the development of an ethos of social solidarity and redistributive arrangements within its geographical territory.

⁸ For a more expanded discussion and references see Ferrera and Sacchi (2009).

By contrast, European integration is clearly guided by a logic of “opening”, aimed at fostering free movement (in the widest sense) and non discrimination by weakening or tearing apart those spatial demarcations and closure practices that nation-states have historically built around themselves, especially in the social sphere.

Finding a well-designed and viable institutional response to Europe’s “second social question” means, essentially, to address the clash between the logic of closure and the logic of opening. Can Europe reconcile these two logics and transform the encounter between nation-based welfare and EU-based economic unification into a “happy marriage”, i.e. into an institutional engine for further expanding and strengthening the life chances of its citizens? This chapter argues in favour of a positive answer and discusses possible pathways towards the “happy marriage” scenario. Section 3.2 presents the main argument by illustrating the programmatic contrast and growing tensions between the welfare state, on the one hand, and the EU, on the other. Section 3.3 outlines a possible strategy of institutional reconciliation. It argues that the key for a successful reconciliation lies in a more explicit and effective “nesting” of the national welfare state within the overall spatial architecture of the EU. The final two sections try to identify and discuss some possible building blocks (and even some ongoing developments) which may promote the formation and consolidation of the new architecture and thus activate a virtuous nesting scenario, in which the economic and the social spaces of Europe will be able not only to co-exist without colliding, but also to re-enforce each other.

3.2 The challenge: closure vs. opening

As has been shown by a large scholarship in sociology and political science⁹, welfare state formation can be seen as the last phase or step in the long term historical development of the European system of nation states: the step through which territorially bounded political communities came to introduce redistributive arrangements for their citizens, thus transforming themselves into self-contained and inward-looking spaces of solidarity and inaugurating novel and original models of state-mediated social sharing.

While this transformation was being completed within each domestic arena, during the so-called *Trente Glorieuses*, a new institutional development took off in the inter-state or supranational arena: the process of European integration. Even though originally meant to “rescue the nation-state” (Milward, 2000) by boosting economic growth, with hindsight we now realise that the Rome Treaty pulled a strong brake on the long-term dynamic of nation- and state-building in Europe.

The original Treaties envisaged a division of labour between supranational and national levels: the Community was to be instrumental in opening up markets and helping achieve otherwise unattainable economies of scale, so as to fully exploit Europe’s (initially, the Six’s) economic potential. Member states could use part of the extra surplus in the institutionalised exchange of social benefits - flowing from their national welfare institutions - for “anchoring” support on the part of their domestic political communities. “Keynes at home, Smith abroad”, as Robert Gilpin aptly dubbed this kind of embedded liberalism arrangement (Gilpin, 1987, page 355). This justified the weakness of the social provisions in the Rome Treaty: from equality of treatment for men and women to the coordination of social security regimes, all the social provisions and articles contained therein were instrumental in the dismantling of non-tariff barriers to trade and the creation of a higher economic order featuring unconstrained economic trade flows. However, this supranational liberal order rested upon, or rather was embedded into national welfare states that were to be equally unconstrained in terms of social regulation capabilities, and in particular would not be

⁹ I have reconstructed and discussed this strand of scholarship in Ferrera, 2005. One of the most prominent Founding Father of this tradition is of course Stein Rokkan (Flora, 1999).

constrained by the supranational authorities. This division of labour implied separating jurisdiction between the supranational and national levels, thus establishing “mutual non-interference” between market-making and market-correcting functions. European competition law and the four freedoms were not supposed to impinge upon Member States’ sovereignty in the social sphere (Giubboni, 2006).

This did not last. Firstly, since the 1970s international political economy conditions have changed, and the embedded liberalism compromise has floundered. Moreover, and more importantly still as regards European integration, the Community legal order has been constitutionalised (Weiler, 1999). The supremacy of Community law over domestic legislation has, along with direct effect, torn the initial division of labour to pieces: if Community law trumps national law, then provisions geared to foster free movement and unconstrained competition (i.e., the Treaty provisions) trump social regulation, as enshrined in national constitutions and laws, and ECJ judges, contrary to national constitutional judges, will be constrained in balancing economic and social interests whenever these clash (Scharpf, 2009). To be sure, the ECJ has not always operated as a “market police force”, and has on several occasions granted some degree of “immunity” against European market law to national welfare institutions and practices. However, absent a Treaty “hook”, it has done so on the grounds of judicial doctrines that lack a stable legal anchoring and may well be overridden in other rulings or legislative acts.

The de-bounding and opening logic of European integration has raised increasingly severe problems for the welfare state, as it has put in question two central tenets of this institution: the territoriality principle and the principle of compulsory affiliation to state-controlled insurance schemes. More specifically, through the four freedoms, competition rules and the rules of coordination of national social security systems, the EU law has launched two basic challenges to nation-based welfare:

- a challenge to its territorial closure, through the explicit prohibition of (most) cross border restrictions regarding access to and consumption of social benefits and to some extent also the provision of services. The nationality filter has been neutralised for admission into domestic sharing spaces and some core social rights (such as pensions) have become portable across the territory of the whole EU;
- a challenge to the very “right to bound”, i.e. the right of each national welfare state to autonomously determine who can/must share what with whom and then enforce compliance through specific organisational structures backed by coercive power (e.g. setting up a compulsory public insurance scheme for a given occupational category).

These challenges have manifested themselves gradually and incrementally over time, affecting in different ways and with different intensity the various risk-specific schemes and the various tiers and pillars of provision in different countries (Martinsen, 2005 and 2005a). So far the two challenges have not caused major organisational upheavals. But during the last two decades the institutional status quo has been explicitly and directly attacked on several occasions in some of its foundational properties: for example the link between legal residence and the right to enjoy means-tested social assistance benefits or the public monopoly over compulsory insurance (cf. Box 3.1).

Box 3.1: The effects of EU law on national social spaces: some examples

- Nationality/citizenship no longer a legitimate instrument of “closure” in the access to social benefits → Equal treatment for all “legal residents”
- Increasing top-down harmonisation of criteria for obtaining “legal residence”
- Compulsory membership to public social insurance schemes (“monopoles sociaux”) legitimate only if certain conditions apply
- Patients legally residing in a EU Member State can seek medical care abroad at the expenses of national schemes
- Liberalisation of “second pillar” pension schemes
- Right to industrial action/strike and application of collective agreements challenged if clashing with freedom of movement (Laval, Viking, Rueffert cases)
- Closure rules in higher education challenged if clashing with freedom of movement

During the last couple of decades, Member States have been investing a lot of energy in cushioning their social protection systems against challenges stemming from European law, e.g. by not complying with rulings, agreeing among themselves to change European law, or even failing to introduce new social programs that could subsequently become the object of European court action. This may well be one of the reasons why such issues have not yet come to the fore of public debate in Europe and remain confined to restricted insider circles: their potentially disruptive outcomes have so far been (relatively) buffered by Member States’ reactions. But how long can this last? What risks are involved in terms of social and political consensus?

The new situation of social “semi-sovereignty” (a term originally coined by Leibfried and Pierson, 1995) has already prompted in recent years a growing politicisation of the “opening” issue and, in some countries more than others, of the integration process as a whole. The most evident manifestation of this politicisation occurred in the Spring of 2005, during the campaigns for the French and Dutch referendums, which rejected the Constitutional Treaty (and the Irish referendum on the Lisbon Treaty held in June 2008 has confirmed that popular fears about “opening” have certainly not abated). Not surprisingly, questions regarding the social sharing dimension (who shares what, and how much? Is it appropriate for the EU to interfere in such decision? More crucially still, is the EU undermining national welfare arrangements and labour markets?) have been playing a central role in this process of politicisation, while national governments find themselves increasingly sandwiched between the growing constraints imposed by the EU on the one hand and the national basis of their political legitimacy on the other—a legitimacy which remains highly dependent on decisions in the social protection domain. If voters’ anxieties are not alleviated, if voters are not convinced that the EU “cares” (through direct and indirect action, or non-action), the integration process may be seriously de-legitimised and jeopardised by xenophobic sentiment and neo-protectionist demands voiced by those social groups that are most directly affected by economic opening – and the recent economic crisis has undoubtedly intensified this challenge.

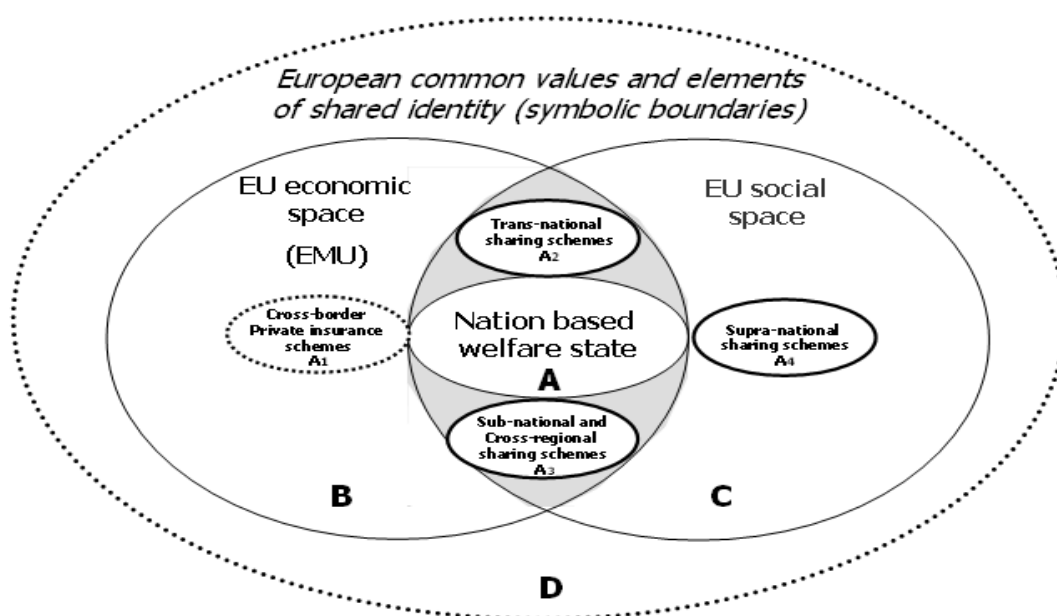
As witnessed, again, by the referendum debates, the vast majority of ordinary citizens and a good number of policy makers think that the growing friction between the welfare state and the EU has or could have an easy solution: the two institutions should be put back on “separate tracks”, as they were in the first couple of decades after the Rome Treaty. Anyone that has some familiarity with institutional theory knows, however, better: macro-historical trends cannot be reversed (Pierson, 2004). The welfare state and the EU –which can undoubtedly be regarded as the two most important achievements of the XX century in Europe- have now encountered each other and are bound to remain on the same track of development: there is no going back to separate tracks. If, as is here argued, the logic

of integration does have a high destabilising potential with respect to national social protection, then can we think of ways to mitigate this potential and imagine a strategy of compromise and “institutional reconciliation”?

3.3 A new “nested” architecture

Our answer to such question is: “Yes, we can”. As mentioned in the Introduction, the key for a successful reconciliation lies in a more explicit and effective “nesting”¹⁰ of the national welfare state within the overall spatial architecture of the EU. Figure 3.1 shows how the nesting between the welfare state and the EU could be achieved. Let us illustrate and discuss the underlying rationale and the various elements of this Figure in some detail¹¹.

Figure 3.1: The nesting of nation-based welfare within the EU



As can be seen, the national welfare state is placed at the very centre of Figure 3.1. For responding to the big social risks of the life-cycle, the broad-based national insurance schemes remain today the most efficient and equitable institutions at our disposal. These schemes must be updated and modernised, of course, in order to respond to a host of endogenous transformations (see below). But they must also be safeguarded as precious instruments to promote distributive equity (the “social justice rationale”), cohesion and social consensus (the “legitimacy rationale”) and even a smooth and correct functioning of market transactions (the “economic efficiency” rationale).

In the wake of half a century of supranational integration, the welfare state is already inserted – as shown in the previous section- within the economic spaces of the EU: space B consists of the Economic and Monetary Union, resting on free movement provisions, competition law, the fiscal rules of the Growth and Stability Pact – and, in the Euro-zone, a common currency and monetary policy. Space B has been the very epicentre of the opening waves of

¹⁰ I have discussed the concept of “nesting” and its use in the social sciences in Ferrera (2009)

¹¹ An earlier version of this Figure is included in Ferrera (2005). I re-propose here a slightly modified version: not only do I still consider it a useful heuristic tool, but my impression is that a number of developments since 2005 have made that nesting scenario more feasible, i.e. have brought it within an easier reach.

the integration process. We know that such waves were well-meant, so to speak, and that they have brought unquestionable advantages from an economic point of view. The EMU project was elaborated during the 1980s and 1990s in order to respond to the threats of stagnation and Euro-sclerosis, with a view to revamping “growth, competitiveness and employment”: the EU GDP is now significantly larger than it would have been without enhanced market integration. Liberalisations have made many goods and services more affordable to consumers (let us think of low-cost air fares), increasing the range of options available to them (including cross-border private insurance schemes, as shown by the Figure). In certain areas (e.g. health and safety) market integration has also brought about more consumer protection and higher labour standards. In addition, the tighter coupling between economic integration and national welfare states has prompted several countries to undertake much needed functional and distributive “recalibrations” of their social protection systems (Ferrera and Hemerijck, 2003; Ferrera and Gualmini, 2004).

As explained in the previous section, however, space B has also increasingly become a source of instability for national welfare state programs: its principles and policies are eroding the foundations of the “nest”, i.e. those closure preconditions which are necessary from an institutional and political point of view for sustaining social solidarity over time. As convincingly argued by Fritz Scharpf, this process of erosion is largely driven by decision making rules that systematically favour negative over positive integration, but is also intensified by a sort of general pro-integration bias on the side of supranational authorities (and in particular the Court of Justice) “that treats any progress in mobility, non discrimination and the removal of national obstacles to integration as an unmitigated good and an end in itself” (Scharpf, 2009, page 15). In other words, the destabilising pressures of space B are linked to institutional and ideational dynamics that often push the logic of opening well beyond the functional and normative requirements (and overall rationale) of economic integration *per se*.

A strategy of reconciliation thus calls for the formation within the EU architecture of a second circle, which Figure 3.1 calls the EU “social space” and whose main function should be to safeguard or re-construct those institutional preconditions (the “boundary configuration”) that underpin domestic sharing arrangements. To be sure, especially after the Amsterdam and Nice Treaties (not to speak of the Lisbon Treaty: cf. below), various important steps have already been taken in this direction: in space C we now have a Charter of Fundamental Rights, hard laws on some common labour and social security standards and soft laws on employment, social inclusion, pensions and health care. In recent years, the Spring European Councils have also agreed on a number of grand “Pacts”¹² that have reaffirmed the EU’s recognition of fundamental social objectives, its commitment to the “caring” dimension of Europe. These are all steps in the right direction, but, as will be argued below, some key and strategic elements are poorly defined or altogether missing. Before discussing what is to be improved, let us however complete the description of the nested architecture of Figure 3.1.

As mentioned earlier, an institutional reconciliation between the welfare state and the EU implies not only mutual acknowledgement, as it were, but also some mutual concessions. A strengthened Space C can be seen as the concession that the EU makes to the welfare state, recognising the fundamental role played by nation-based sharing programs in enriching and stabilising citizens’ life chances. But the national welfare state must make concessions too. First, it must learn how to live with (and hopefully take advantage of) some of the opening spurs coming from space B – a learning process that seems to be already under way, as we have seen. But the welfare state must also be ready to delegate or transfer some of its traditional social sharing functions to novel post-national forms of risk-pooling and redistribution.

¹² Pact on “Youth policies and youth mainstreaming” (2005); Pact on “Equal opportunities and work-life balance” (2006); and Alliance on “Family policy” (2007).

More specifically, Figure 3.1 indicates three new possible types of sharing spaces:

1. trans-national sharing spaces, centred on specific risks and occupational sectors and resting on novel functional alignments;
2. sub- and cross-regional sharing spaces, possibly addressing a plurality of risks or social needs and resting on new territorial alignments;
3. supranational sharing spaces, i.e. novel redistributive schemes directly anchored to EU institutions and based on EU citizenship (or denizenship) alone, i.e. without the filter of national institutions and politics.

In the “virtuous nesting” scenario envisaged by the Figure, the spatial architecture of the EU must become more protective of the institutional core of the national welfare state, but at the same time it must make room and encourage innovation and experimentation on each of these three post-national fronts. What kind of institutional reforms, specifically, could be introduced in order to make progress in both directions?

3.4 A more social EU: reconfiguring the patchwork

Let us first address the issue of how to introduce stronger protections for the core social schemes operating at the national level, enabling them to withstand the destabilising challenges originating from space B. As is well known, such challenges rest on the strongest base that the EU constitutional framework can offer: primary law, i.e. explicit and binding Treaty clauses on free movement and competition. In order to be effective, the institutional buffers which must be provided by space C should rest on an equally strong legal basis. Identifying these buffers is far from easy and requires a delicate balancing act. The general goal is however sufficiently clear: the EU constitutional framework (in the wide sense) ought to explicitly define the content and the boundaries of “social protection” as a distinct and relatively autonomous space, and specify the limits of free movement and competition rules in respect of this space.

Ever since the landmark rulings of the European Court of Justice in the 1990s (especially the *Poucet-Pistre* and *Albany* rulings, which had to adjudicate on some foundational questions regarding the balance between “opening” and “closure”)¹³, we know that this goal has been on the EU agenda: not only the social agenda, but also the wider agenda of broad institutional reform, and some progress has indeed been made. A detailed reconstruction of the winding road of such progress from the Single European Act to the Lisbon Treaty would fall far beyond the scope of this chapter: let us therefore focus on the latter only.

The Treaty on the Functioning of the European Union (TFEU) does contain a series of provisions that could significantly strengthen space C and offer a promising basis for a (more) virtuous nesting between social welfare and economic integration. A highly competitive social market economy, full employment and social progress have been explicitly included amongst the Union’s objectives. The coordination of Member States’ economic policies and employment policies is now within the sphere of competence of the Union, which allows for the possible coordination of Member States’ social policies as well. Fundamental rights have also been explicitly recognised by the Lisbon Treaty through the incorporation of a legally binding reference to the “Nice Charter”. The latter contains a section on solidarity, which lists a number of rights and principles directly relevant to the social field, such as the

¹³ In the *Poucet-Pistre* joined cases (C-159-91 and C-160-91) the Court had to establish whether the state monopoly over social insurance in France was legitimate according to EU law. In its ruling the Court found that the freedom of service and competition norms could not be invoked to justify exit from mandatory public insurance schemes. In the *Albany* case (C-67-96) the Court had to establish whether a textile company in the Netherlands was obliged to pay the contributions requested by its industrial pension fund, as envisaged by collective agreements. The Court ruled in favour of the pension fund. These cases and the political contexts under which they occurred are reconstructed in detail in Ferrera (2005).

right to information and consultation within undertakings, the right to negotiate collective agreements and to take collective action, the right of access to free placement services and protection against unjustified dismissals, and the right to have access to social security and social assistance.

Possibly the most important innovation of the Lisbon Treaty is however the so-called “Horizontal Social Clause” (art. 9), which states that: “In defining and implementing its policies and activities, the Union shall take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education, training and protection of human health”. It must be added that two other “horizontal clauses” (art. 8 and 10) extend the scope of what might be called “social mainstreaming” to the reduction of inequality and the fight against discrimination¹⁴. The horizontal clauses and the recognition of fundamental rights mark the appearance within the EU constitutional arena of two potentially strong anchors that can induce and support all EU institutions (including the European Court of Justice) in the task of finding an adequate (and more stable) balance between economic and social objectives.

There are at least two additional provisions of the Treaty which deserve to be highlighted for their “re-bounding” potential. The first is Protocol 26 on services of general interests, included as an Annex to the TFEU (especially in the wake of Dutch, French and Belgian pressures). Article 2 of this Protocol explicitly says that “The provision of the Treaties do not affect in any way the competence of Member States to provide, commission and organise non economic services of general interests”. As can be immediately appreciated, this is an important statement, that seems to grant to these services a sort of “constitutional” immunity from the opening logic of the integration process and in particular from the competition regime that pervades space B. The article is very short and its wording is not very precise. But, as specified by various Commission documents (see in particular European Commission, 2008), non economic services of general interests definitely include “social services”, which in turn comprise the institutional core (and also some of the periphery) of national welfare programs, namely 1) health care; 2) statutory and complementary social security schemes covering the main risks of life; and 3) personal social services (such as social assistance, employment and training services, social housing, childcare and long term care services)¹⁵.

The second provision of the Lisbon Treaty that deserves to be highlighted is art. 48 (TFEU). This article (which in “euro-treaty” parlance is known as the “social security emergency brake”, a term apparently coined by UK negotiators) recognises to each Member State the right to suspend the adoption of a legislative proposal related to the social entitlements of migrant persons if its implications are considered to negatively affect “important aspects of its social security system, including cost, scope, financial balance or structure”. If a Member State requests the suspension, the matter is referred to the European Council where the proposal can be blocked¹⁶. Under the pre-Lisbon status quo, Member States did have the possibility of ultimately blocking a proposal in this delicate sphere: the co-decision procedure that regulates legislation on the social security rights of migrants envisaged unanimity for

¹⁴ Interestingly, the Horizontal Social Clause did not exist in the TEEC, which only dealt with equality between men and women and non discrimination. Art. 9 thus represents a genuine “social improvement” achieved during the Intergovernmental Conference, especially in the wake of effective mobilisation of the former members of the Social Europe Working Group of the European Convention (Vandenbroucke, personal communication).

¹⁵ Steps to formalise such definitions are already under way on the side of the Commission.

¹⁶ The European Council has four months for either referring back the draft legislative proposal to the Council (in which case the ordinary legislative procedure will continue) or requesting the Commission to submit a new proposal (in which case the act originally proposed will be considered as non adopted). There is also a simpler solution for the European Council: “taking no action”, which means that the proposed act falls without the need for further initiatives. This simpler option was not envisaged by the Constitutional Treaty and has been inserted during the Lisbon negotiations. A declaration agreed by all Member States specifies that the European Council shall decide “by consensus” in the procedure envisaged by art. 48.

Council decisions. But a blockage that can be exerted (or threatened) at the very beginning of a legislative process – as in the new art. 48 procedure – is likely to be much more effective than a blockage that is attempted at its very end, possibly after a lengthy and controversial conciliation process between Parliament and Council. Article 48 is, in other words, a second important innovation of the Lisbon Treaty that puts back into the hands of the nation state some “gating” powers in respect of its own sharing spaces and thus strengthens its capacity to respond to the destabilising potential linked – in this case – to free movement provisions.

The new provisions of the Lisbon Treaty will obviously require time, intellectual and political mobilisation, litigation and jurisprudence in order to become effective as re-balancing tools. But if we compare the current climate with that which prevailed at the time of the SEA there are some reasons for moderate optimism about the “virtuous nesting” scenario outlined in Figure 3.1. Could more have been achieved with the new Treaty? Certainly, yes: various interesting proposals did in fact emerge during the work of the Convention and the Treaty negotiations (from the constitutionalisation of the OMC to the introduction of qualified majority voting for the social issues on which the EU has legislative powers). Without entering into the merit of such proposals, it can be generally said that the goal of reaching a full (or at least quasi-full) symmetry between Economic and Social Europe still remains unattained¹⁷. For the time being, the best strategy is that of a full exploitation of the existing building blocks for a better balancing. Two are the more obvious critical priorities in this direction. The first and possibly top priority has to do with the new “Horizontal Social Clause” of the Lisbon Treaty, which needs to be clarified in its meaning and scope and made operative as soon as possible, especially by linking it with the already existing procedural framework for the impact assessment of EU policies (see Box 3.2). The clause can serve as a leverage for systematically and transversally identifying and, if possible, quantifying, the social impact of all EU policies, thus encouraging (or even making possible) a better balancing.¹⁸

Box 3.2: Impact assessment in the EU and the horizontal social clause

2002: The European Commission establishes a new system of integrated Impact Assessment (IA) to consider the effects of policy proposals in their economic, social and environmental dimension

2005: Better Regulation Action Plan, European Strategy for Sustainable Employment and Lisbon Strategy adopt IA

2009: External evaluation of IA → revision of the guidelines and extension of IA to all legislative initiatives

2009: Lisbon Treaty enters into force: Horizontal Social Clause

2010: European Court of Auditors presents own evaluation of IA and recommends enhancement and more publicity

2010: Belgian Presidency (2nd semester) launches a debate on strengthening the social dimension within the IA in the wake of the new Horizontal Social Clause (→ generating evidence-based knowledge for its systematic implementation)

¹⁷ On the persistent conditions of asymmetry and bold proposals (through political action by the European Council) for breaking the negative integration bias of the EU and in particular the European Court of Justice, see Scharpf, 2009. The European Trade Unions have proposed further amending the Lisbon Treaty with a “Social Progress Protocol” clearly stating that “Nothing in the Treaties and in particular neither economic freedoms nor competition rules shall have priority over fundamental rights (...). In case of conflict fundamental social rights shall take precedence”. See Buecker and Warneck, 2010, pages 143-145.

¹⁸ Under the spur of the Belgian Presidency (second semester 2010), the EPSCO Council has already started a reflection on strengthening social mainstreaming in the follow up of the Horizontal Social Clause (cf. <http://www.eutrio.be/pressrelease/informal-meeting-epsco-council-social-security-and-social-inclusion>).

The second (but related) priority is the introduction/strengthening of what might be called the “social complements” of the internal market (Ferrera and Sacchi, 2009), i.e. positive measures that are capable of offsetting the specific negative social implications of free movement and cross-border competition as they clearly manifest themselves (as, for example, in the case of the Laval, Viking and Rueffert rulings of the European Court of Justice, which seem to have challenged three fundamental rights of the modern European institutional order, i.e. freedom of association, freedom to strike and freedom to establish and enforce collective agreements: see Buecker and Warner, 2010). Interesting proposals on this front have been recently advanced by Mario Monti’s Report on the re-launching of the internal market, especially as regards the posted workers regime and the right to strike (Monti, 2010: cf. Box 3.3). It is to be noted that the Monti Report also calls for a strengthening of social evaluation within the Commission’s impact assessment exercises.

Box 3.3: Workers’ right in the internal market: Key recommendations of the Monti Report

- Clarify the implementation of the Posting of Workers Directive and strengthen dissemination of information on the rights and obligations of workers and companies, administrative cooperation and sanctions in the framework of free movement of persons and cross-border provision of services
- If measures are adopted to clarify the interpretation and application of the Posting of Workers Directive, introduce a provision to guarantee the right to strike modelled on Art. 2 of Council Regulation (EC) No 2679/98 and a mechanism for the informal solutions of labour disputes concerning the application of the directive.

But what about the other element of this scenario, i.e. the formation of post-national sharing spaces? On at least two of these fronts some signs of innovation and experimentation are already clearly visible.

As far as trans-national sharing spaces are concerned (space A1 in Figure 3.1), the most significant development is the formation of the so called “cross-border institutions for occupational retirement provision” (IORPs). A directive adopted in 2003 has laid down the legal framework for the establishment of occupational pension funds covering workers of different Member States¹⁹. Closely linked, as they are, to contributions, second pillar pension schemes incorporate limited amounts of redistribution and solidarity; they still are, nevertheless, recognisable sharing spaces, with the potential for activating a modicum of “bonding” among their affiliates.

As mentioned above, the Commission’s doctrine already counts second pillar pension schemes among “social services of general interest” (European Commission, 2008). A number of cross-border schemes were already operating prior to the 2003 directive, mostly based in the UK. The directive has however given a significant spur to new establishments of this kind. In the years elapsed after the implementation of the directive (which entered into force in 2005), the number of cross-border pension schemes has increased from 9 to 61 (Guardiancich, 2009).

These are very new developments on which reliable data are lacking and empirical research is urgently needed. It would thus be imprudent and unwarranted to make bold evaluative statements. For the time being and for the purposes of this chapter, it is sufficient to conclude that the institutional landscape is in flux, that a new phase of trans-national experimentations in the field of social protection has clearly dawned and that the EU seems to be providing at least some of the correct incentives and supports.

¹⁹ Directive 2003/41/EC of the European Parliament and the Council of 3 June 2003 “on the activities and supervision of institutions for occupational retirement provision”.

The same holds true for the other front, that of cross-regional experimentations in providing jointly some types of services (space A2 in the Figure). Here, especially in the wake of the INTERREG initiatives of the European Commission, a growing number of interesting experiences have been taking place during the last fifteen years, in the context of a wider process of sub-nationalisation of welfare provision within the domestic arenas and the activation of what has been called “competitive region building” (Keating, 1998; McEwen and Moreno, 2005). Virtually all these experiences include a social policy component, typically in the field of health, employment or care services and all of them have set up permanent institutional structures for the managing and monitoring of cooperation (Pancaldi, 2010). The EU has recently introduced a promising new instrument, the European Grouping for Territorial Cooperation (EGTC), aimed at facilitating economic and social cohesion through cross-border, trans-national or inter-regional initiatives (Regulation 1086/2006). A host of public and non public actors are allowed to join forces and establish the EGTC through direct agreements, within a general legal framework set up by the EU – a framework which recognises legal personality to the “grouping”. Though not exclusively centred on social sharing objectives, this new instrument is likely to encourage the coming together of sub-national territories belonging to different Member States and thus open up channels and opportunities for spatial reconfigurations above and beyond the established boundaries of nation states – including their social boundaries (Spinaci and Vara-Arribas, 2009). The Barca Report on the reform of cohesion policies contains several insights and proposals for “place-based” measures and incentives that may facilitate this process, with a view to “socialising” the territorial agenda of the EU as well as “territorialising” the social agenda (Barca, 2009). The place based approach may play an important role also for promoting and underpinning sub-national policies and social agendas. The Europe 2020 strategy could perhaps be improved in this respect, as suggested by the Committee of the Regions (2010).

What about, finally, innovation and experimentation on the third front of post-national solidarities (space A4 in the Figure), i.e. supra-national sharing schemes directly anchored to the EU? The last two decades have indeed witnessed an increasingly richer and imaginative debate on possible institutional “pioneers”, such as a pan-European minimum income scheme for the needy (dubbed as Euro-stipendium by Schmitter and Bauer, 2001), a child or birth grant payable to all (or needy) newly born Europeans²⁰, or the establishment of a supranational social insurance scheme for migrant workers (a proposal originally put forward in the 1970s under the name of “13th state scheme” and recently resurrected by the French debate) (Lamassoure, 2008)²¹.

As we all know, a number of redistributive funds are already operative at the supranational level for broad social cohesion purposes. None of these funds and programs qualifies, however, as a genuine pioneer for supranational social sharing. The fault line that needs to be crossed is that which separates forms of territorial or inter-level redistribution from inter-personal redistribution. Even the last addition to the long list of EU “social policy” funds, the Globalisation Adjustment Fund, has not made this quantum leap, as the Fund does not grant benefits to individual workers, but limits itself to transferring funds to the local-level collective actors that have applied for assistance (Novaczek, 2007). Crossing this critical fault line will not be easy from a political and institutional point

²⁰ The proposal to establish an EU Capital Grant for Youth was presented by Julian Le Grand at a seminar of the Group of Social Policy Advisors to the European Commission, held in Brussels on 8 September 8 2006. See Barrington-Leach, Canoy, Hubert and Lerais (2007).

²¹ The Monti report discusses this proposal in respect of occupational pensions and health insurance schemes: “The Commission should prioritise the issue of obstacles to transnational labour mobility in its forthcoming consultation on the pensions systems in Europe. In this context, an option to explore would be to develop a 28th regime for supplementary pension rights. This would be a regime entirely set by EU rules but existing in parallel to national rules, and thus optional for companies and workers. A worker opting for this regime would be subject to the same rules for its non statutory benefits wherever it goes in Europe. To makes things easier, a sub-option would be to limit the possibility to opt in this regime only to workers taking up their first work contract. This would serve as an incentive for the mobility of certain young workers, who are the keenest on international mobility.” (Monti, 2010, page 57)

of view, as witnessed by the experience of all historical federations in the XX century (Obinger, Leibfried and Castles, 2005).

A more realistic medium-term target for the consolidation of Europe's social space could be the strengthening of binding regulatory standards, and possibly the establishment of some "social snakes" (to use the jargon of the 1970s and 1980s: see Pennings, 2001) forcing the Member States to loosely align themselves to a European "norm" regarding certain areas of social protection. The setting of precise and measurable targets within the Social OMCs (a goal that has already been on the agenda for some time: see European Commission, 2008a) could be the first concrete step in this direction, in the wider framework of the newly launched "Europe 2020" strategy.

3.5 Europe 2020 and its institutional potential

Europe 2020 must certainly be appreciated as a promising governance tool for the strategy of institutional reconciliation discussed in the previous section. A number of critics at both national and supranational level have already started to dismiss it as "cheap talk", taking it for granted that it is doomed to the same destiny of (alleged) failure of its soft and wet predecessor, the Lisbon strategy²². As noted by other contributors to this volume, such sweeping negative judgements are definitely unwarranted: programmatic pessimism is itself "cheap". To begin with, significant empirical evidence signals that the Lisbon strategy has not been a failure, even acknowledging its many shortcomings and limitations, especially in respect of its over-ambitious original goals. The impact of Lisbon is clearly detectable also as regards employment and social objectives (Zeitlin and Heidenreich, 2009). More importantly, Europe 2020 does contain some significant improvements compared to Lisbon on the specific front which interests us, namely the relationship between Economic and Social Europe.

First, there is improvement at the ideational level (which is anything but "cheap" in political matters). As it clearly emerges from all the "soft" and "hard" acts that have launched the new strategy, its overall blueprint for a "smart, sustainable and inclusive growth" offers a wealth of normative and functional justifications for both the protection ("nesting", in our language) and the ameliorative recalibration of the nation-based welfare state. In line with a vast literature, we have noted above that welfare programmes are in urgent need of modernisation and updating in the wake of the changed structure of risks and needs (in particular demographic ageing). Three out of the seven so-called flagship initiatives ("youth on the move", an "agenda for skill and jobs", and in particular the "European platform against poverty") of Europe 2020 are geared towards this task and, if correctly developed and articulated, can provide precious ideational resources for national "puzzling" around welfare reform. A significant step forward in respect of Lisbon is that the guidelines issued by the Council for the annual cycles of the strategy will integrate the economic policy and the employment policy dimensions and –via the latter– the social policy dimension as well. Guideline 10 of the "Europe 2020 Integrated Guidelines" is entirely devoted to "promoting social inclusion and combating poverty", with the headline target "to reduce by 25% the number of Europeans living below the national poverty line, lifting 20 million people out of poverty". Looked at with realism and in a long-term perspective, it is hard not to recognise that Guideline 10 speaks an even stronger "language of rights" than was inaugurated with the Lisbon strategy – a language that testifies a further "intensification of EU engagement with European society" and a political commitment (albeit timid) to address its polarising tendencies (Daly, 2006 and 2006a). Needless to say, the ideational component of Europe 2020 will be able to make a difference only if accompanied by a deliberate

²² A good source for the Europe 2020 debate is Euroarchiv (www.euroarchiv.com).

strategy of both “communicative” and “coordinative” discourse on the part of EU institutions, the Commission in particular²³.

Second, there is improvement at the practical, operational level. The addition of “thematic coordination” to the overall governance of the strategy (i.e. focussed monitoring on growth enhancing reforms, including welfare state modernisation, with the possibility of issuing recommendations based on art. 148 non only on employment but also “on other selected thematic issues”, presumably including social policies), the launch of the European Semester, the institutional re-location and procedural refinement of the “Social OMCs”: these are all promising innovations that can contribute to a more effective “nested” delivery of the strategy’s array of policies. It is to be noted that the Horizontal Social Clause has already played a role in fostering and underpinning the operational definition of Europe 2020, especially as regards the enhancement of horizontal coordination and mainstreaming of the Lisbon common social objectives – which will be hopefully firmed up and articulated through pertinent indicators.

Referring back to Figure 3.1: Europe 2020 does seem to have the adequate institutional potential for steering the Union’s architecture towards a more virtuous nesting, both between nation-based welfare and its wider supranational spaces and between space B (economic Europe) and space C (social Europe). Acknowledging the potential of Europe 2020 does not mean, of course, that the strategy has no weaknesses –both substantive and procedural- that ought to be addressed. With appropriate “institutional gardening” in the years to come, coupled with some political ambition, imagination, and consensus-building, Europe 2020’s inclusion agenda could be used to lay the conditions not only for creating a somewhat stringent social snake binding Member States to remain within certain quantitative “bands” after reaching the headline targets (e.g. in terms of poverty levels) but also for establishing a fully fledged “European system of social protection” consisting of coordinated and correctly nested national, sub-national and post-national sharing spaces.

3.6 Conclusion

The national welfare state and the EU are probably the most salient and distinctive institutional legacies that the XX century has bequeathed to our continent: two institutions that have given an invaluable contribution to enriching and expanding the life chances of millions of ordinary people, in a context of economic growth, social security, cohesion and peace. The XXI century has however opened with some turbulence and tension regarding, precisely, the mutual relationship between these two institutions. As argued in the previous sections, this tension ought to (and can) be contained: the search for a strategy of institutional reconciliation must become a top priority for the political agenda. The challenge ahead of us is that of imagining and then engaging in the actual construction of a recognisable EU social model : not just and generically “European”, but a distinctive “EU” social model, resting on a well-designed and protective nesting of social sharing goals and practices (including nation-based practices) within the overall legal framework of the Union. The prime institutional rationale behind this new model should be that of promoting a virtuous and dynamic balance between the logic of opening and the logic of closure, in order to effectively underpin the self-sustaining production of both individual opportunities and social “bonds”, i.e. the two sides of life chances European style.

²³ According to Vivien Schmidt, discourse is the interactive process of conveying ideas throughout a political system. It comes in two forms: the coordinative discourse among policy actors and the communicative discourse between political actors and the public (Schmidt, 2006).

References

- Barca, F. (2009), *An agenda for a reformed cohesion policy: A place-based approach to meeting European Union challenges and expectations*, Independent Report prepared at the request of Danuta Hübner, Commissioner for Regional Policy, Brussels: European Commission. Available from: http://ec.europa.eu/regional_policy/policy/future/pdf/report_barca_v0306.pdf.
- Barrington-Leach, L., Canoy, M., Hubert, A. and Lerais, F. (2007), *Investing in youth: An empowerment strategy*, Brussels: European Commission, Bureau of European Policy Advisers.
- Bueckert, A. and Warner, W. (2010), *Viking-Laval-Rueffert: Consequences and Policy Perspectives*, Brussels: European Trade Union Institute
- Committee of the Regions (2010), *Consultation: Your Voice on Europe 2020: Final Report*, Brussels: Committee of the Regions. Available from: <http://portal.cor.europa.eu/europe2020/news/Documents/Your%20Voice%20on%20Europe%202020%20Final%20Report.pdf>.
- Daly, M. (2006), "EU social policy after Lisbon", *Journal of Common Market Studies*, vol. 44, 3: 461-481.
- Daly, M. (2006a), *Social Exclusion as Concept and Policy Template in the European Union*, Cambridge, Ma.: Working Paper No. 135, Minda de Gunzburg Center for European Studies, Harvard University.
- European Commission (2008), *Biennial Report on Social Services of General Interest*, SEC 2179/2, Brussels: European Commission.
- European Commission (2008a), *Commission Recommendation on the active inclusion of people excluded from the labour market*, Brussels: European Commission.
- Ferrera, M. (2005), *The Boundaries of Welfare. European Integration and the New Spatial Politics of Social Protection*, Oxford: Oxford University Press.
- Ferrera (2009), "The JCMS Annual Lecture: National Welfare States and European Integration: In Search of a 'Virtuous Nesting'", *Journal of Common Market Studies*, Volume 47, 2: 219-233
- Ferrera M. and Hemerijck A. (2003), "Recalibrating European Welfare Regimes", in J. Zeitlin and D.M. Trubeck (editors) *Governing Work and Welfare in A New Economy*, Oxford: Oxford University Press.
- Ferrera, M. and Gualmini, E. (2004), *Rescued by Europe*, Amsterdam: Amsterdam University Press.
- Ferrera, M. and Sacchi, S. (2009), "A More Social EU: Issues of Where and How", in S. Micossi and G.L. Tosato (editors) *The European Union in the 21st Century. Perspectives from the Lisbon Treaty*, Brussels: Centre for European Policy Studies.
- Flora. P., with Kuhnle, S. and Urwin, D. (editors) (1999), *State Formation, Nation Building and Mass Politics in Europe: the Theory of Stein Rokkan*, Oxford: Oxford University Press.
- Fouarge, D (2003), *Costs of Non-Social Policies. Towards an Economic Framework of Quality Social Policy and the Costs of Not Having Them*, Brussels, Report prepared for the Employment and Social Affairs DG. Available from: <http://www.temaasyl.se/Documents/ETG/Cost%20of%20Non%20Social%20Policy.pdf>
- Gilpin, R. (1987), *The political economy of international relations*, Princeton: Princeton University Press.
- Giubboni, S. (2006), *Social Rights and Market Freedom in the European Constitution: A Labour Law Perspective*, Cambridge: Cambridge University Press.

- Guardiancich (2009), *Report on Cross-Border IORPs: The Implications for the Creation of Pan-European Pension Plans of Directive 2003/41/EC of the European Parliament and of the Council of 3 June 2003 on the Activities and Supervision of Institutions for Occupational Retirement Provision (IORP Directive)*, Department of Labour and Welfare Studies, University of Milan, mimeo.
- Keating, M. (1998), *The New Regionalism in Western Europe: Territorial Restructuring and Political Change*, Cheltenham: Edward Elgar.
- Lamassoure, A. (2008), *Le Citoyen et l'application du droit communautaire* Paris: La Documentation Française.
- Leibfried, S. and Pierson, P. (editors) (1995), *European Social Policy between Fragmentation and Integration*, Washington D.C: Brookings Institution.
- Marshall, T.H. (1950), *Citizenship and Social Class and Other Essays*, Cambridge: Cambridge University Press.
- Martinsen, D.S. (2005), "The Europeanization of Welfare: the Domestic Impact of Intra-European Social Security", *Journal of Common Market Studies*, vol. 43, 5: 1027-1054.
- Martinsen, D. S. (2005a), "Social Security Regulation in the EU: the De-Territorialization of Welfare?" in G. de Búrca *EU Law and the Welfare State: in Search of Solidarity*, Oxford: Oxford University Press.
- McEwen, N. and Moreno, L. (editors) (2005), *The Territorial Politics of Welfare*, London: Routledge.
- Milward, A. (2000), *The European Rescue of the Nation State* London: Routledge, second edition.
- Monti, M (2010), *A New Strategy for the Single Market*, available from: http://ec.europa.eu/bepa/pdf/monti_report_final_10_05_2010_en.pdf
- Novaczek, K. (2007), "The European Globalization Adjustment Fund: A Social Pilot Project between Political and Economic Realms", *European Governance*, vol. 1, 1: 21-24. Available from: <http://www.urge.it/eg.html#publications>
- Obinger, H., Leibfried, S. and Castles, F. (editors) (2005), *Federalism and the Welfare State. New World and European Experiences* Cambridge: Cambridge University Press.
- Pancaldi, F. (2010), *The Spaces Between. Interregional Cooperation in the EU: evidence on Cross-border Social Policies*, Milan, Graduate School of Social, Economic and Political Studies, WP 1/2010.
- Pennings, F. (2001), *Introduction to European Social Security Law*, The Hague: Kluwer.
- Pierson, P. (2004), *Politics in Time. History, Institutions and Social Analysis* Princeton: Princeton University Press.
- Scharpf, F. (2009), "Legitimacy in the Multi-level European Polity", *European Political Science Review*, vol. 1, 2:173-204.
- Schmidt, V. (2006), *Democracy in Europe*, Oxford: Oxford University Press.
- Schmitter, P.C. and Bauer, M.W. (2001), "A (modest) proposal for expanding social citizenship in the European Union", *Journal of European Social Policy*, vol. 11, 1: 55-66.
- Spinaci, G. and Vara-Arribas (2009), *The European Grouping of Territorial Cooperation (EGTC): New Spaces and Contact for European Integration?*, Maastricht, Eipascope 2009/2.

Weiler, J.H.H. (1999), *The Constitution of Europe*, Cambridge: Cambridge University Press.

Zeitlin, J. and Heidenreich, M. (editors), *Changing European Employment and Welfare Regimes: The Influence of the Open Method of Coordination on National Reforms*, London: Routledge.

4. THE EU'S APPROACH TO PROMOTING SOCIAL INCLUSION: ENSURING A STRONGER APPROACH IN THE FUTURE EUROPE 2020 STRATEGY BY LEARNING FROM THE PAST

(Hugh Frazer and Eric Marlier)²⁴

Abstract: This chapter documents and analyses the EU's approach to date to combating poverty and social exclusion through cooperation and coordination on social protection and social inclusion. The purpose is three-fold. First, to describe briefly the functioning of the Social OMC as it has developed since it was launched in 2000: its main elements, the key policy areas it has focused on and its governance and institutional arrangements. Secondly, to carry out a systematic analysis of the Social OMC experience, highlighting its strengths and weaknesses, with a particular emphasis on the period since 2006. Thirdly, on the basis of this critical assessment, to suggest concrete proposals for building a stronger EU social process in the future and for bringing together the patchwork of different strands that currently make up Social Europe so as to ensure that they are better coordinated, more consistent and mutually reinforcing.

4.1 Current approach

4.1.1 Main elements

Since 2000, the European Union (EU) and the European Commission have been cooperating in the field of social policy on the basis of the so-called Open Method of Coordination (OMC). This has provided the framework in which efforts to promote social protection and social inclusion and to tackle poverty and social exclusion in the EU have been implemented. EU cooperation and coordination in the social area have developed significantly over the last 10 years and now cover three main policy areas or “strands”: social inclusion (formally launched at the March 2000 Lisbon European Council as the OMC on poverty and social exclusion²⁵), pensions (launched in 2001) and healthcare and long-term care (2004). There are also information exchanges in the field of making work pay. Since 2006, the three EU social “processes” that were progressively implemented under the OMC (one process for each main strand) have been streamlined into one integrated “Social OMC” built around 12 commonly agreed EU objectives: three for each main strand as well as three “overarching” objectives which address horizontal issues that cut across them.²⁶ The Social OMC is coordinated by the EU Social Protection Committee (SPC), which consists of

²⁴ Hugh Frazer is at the National University of Ireland (Maynooth) and Eric Marlier is at the CEPS/INSTEAD Research Institute (Luxembourg). This chapter was prepared initially as an article for the Austrian journal *Kurswechsel* and then developed further to also serve as a background contribution to the high level conference on “EU coordination in the social field in the context of Europe 2020: looking back and building the future”, organised by the Belgian Presidency of the Council of the EU with the support of the European Commission (14-15 September 2010, La Hulpe, Belgium). It draws on the 10 years of experience of EU cooperation and coordination in the social area and builds on earlier work we have undertaken such as Frazer and Marlier (2008 and 2010) and also most recently Frazer, Marlier and Nicaise (2010). The authors would like to thank Rudi Van Dam for helpful suggestions. Address for correspondence: hughfrazer@eircom.net and eric.marlier@skynet.be.

²⁵ The European Council, which brings together the EU Heads of State and Government and the President of the European Commission, defines the general political direction and priorities of the EU. Every spring, it holds a meeting that is more particularly devoted to economic and social questions – the *Spring European Council*. With the entry into force of the Treaty of Lisbon on 1 December 2009, it has become an official institution and has a President.

²⁶ The 12 EU objectives for the *streamlined* Social OMC were adopted by the EU in March 2006. See: <http://ec.europa.eu/social/main.jsp?catId=755&langId=en>.

The “overarching objectives” of the Social OMC provide linkage across the three social policy strands as well as between the EU social, economic and employment strategies. For instance, the third overarching objective is “to promote good governance, transparency and the involvement of stakeholders in the design, implementation and monitoring of policy”.

officials from mainly Employment and Social Affairs Ministries in each Member State as well as representatives of the European Commission. The SPC reports to the EU “Employment, Social Policy, Health and Consumer Affairs” (EPSCO) Council of Ministers.

The main elements of the OMC approach are well summarised by Marlier *et al* (2007, pages 22-23): “The OMC is a mutual feedback process of planning, monitoring, examination, comparison and adjustment of national (and sub-national) policies, all of this on the basis of common objectives agreed for the EU as a whole. Through this *peer review exercise* (which involves the European Commission and all Member States), and thus the sharing of experience and good practices, all the countries can learn from one another and are therefore all in a position to improve their policies.” As put by Vandembroucke (2002), with this approach, the EU has found “a way that implies a credible commitment to a social Europe” which, provided certain conditions are met, “can effectively lead to social progress”.²⁷

More concretely, the social inclusion strand of the Social OMC has consisted of five main elements since 2006. As mentioned above, the first element is a set of three EU objectives for social inclusion (see Box 1) which are part of a wider set of common objectives on social protection and social inclusion.

Box 4.1: The three social inclusion objectives of the Social OMC

A decisive impact on the eradication of poverty and social exclusion by ensuring:

- access for all to the resources, rights and services needed for participation in society, preventing and addressing exclusion, and fighting all forms of discrimination leading to exclusion;
- the active social inclusion of all, both by promoting participation in the labour market and by fighting poverty and exclusion;
- that social inclusion policies are well-coordinated and involve all levels of government and relevant actors, including people experiencing poverty, that they are efficient and effective and mainstreamed into all relevant public policies, including economic, budgetary, education and training policies and structural fund (notably European Social Fund (ESF)) programmes.

²⁷ In this chapter, we concentrate primarily on drawing out lessons from the social inclusion strand of the Social OMC. However, in doing so we set this learning in the broader context of the Social OMC as a whole (i.e. social inclusion as well as pensions and healthcare and long-term care) and we draw out lessons about the importance of social protection in building a stronger social Europe.

The second element is the National Action Plans on social inclusion (NAPs/inclusion), which are one section of the streamlined National Strategy Reports on social protection and social inclusion (NSRSPSIs). NAPs/inclusion are meant to be the means by which Member States translate the common objectives into national policies and are drawn up on the basis of a common framework. Since 2006, there have been two rounds of NSRSPSIs covering the period 2006-2008 and 2008-2010.

The third element is a set of commonly agreed indicators to enhance the analysis of poverty and social exclusion and to measure progress towards achieving the common objectives. These indicators are organised according to the structure of the common objectives for the Social OMC: one set of indicators and “context information” appropriate to the overarching objectives agreed for the Social OMC as a whole and one appropriate to each of the three social strands covered by the Social OMC (i.e., social inclusion, pensions and healthcare and long-term care). The most recent list of indicators was adopted in the second half of 2009 and provides for each indicator the agreed definition and socio-demographics breakdowns (European Commission, 2009).²⁸

The fourth element is a process of regular monitoring and reporting on progress which has resulted in regular reports on social inclusion in the EU. These are the annual *Joint Reports on Social Protection and Social Inclusion*.²⁹

Finally, the fifth element consists of the two Community action programmes to underpin and reinforce the process and, more particularly, to encourage mutual learning and dialogue between Member States with a view to stimulating innovation and the sharing of good practice. From 2002-2006 there was *The Community action programme to encourage cooperation between Member States to combat social exclusion* which was succeeded for the period 2007-2013 by the *Community Programme for Employment and Social Solidarity (PROGRESS)*. These programmes have promoted *inter alia*: research and policy analysis (e.g., the EU Network of Independent Experts on Social Inclusion³⁰); data collection (e.g., Member States have received significant funding from these Programmes to launch the *EU Statistics on Income and Living Conditions (EU-SILC)* instrument, which is a major EU reference data source for the Social OMC indicators and statistics); exchange of good practice (through transnational exchange projects, peer reviews and studies); networking across Europe of NGOs and regional and local authorities active in the fight against poverty and social exclusion; and the funding of European conferences on poverty and social exclusion.

While the above are the main elements of the social inclusion strand of the Social OMC, it is important to understand that the other two strands (i.e. pensions and healthcare and long-term care) have also played an important role in promoting greater social inclusion. This has been more evident since the three separate processes were streamlined into one overall Social OMC, though the synergies between the three strands need to be further developed. The first two of the overarching objectives of the Social OMC³¹ have also helped to situate the struggle against poverty and social exclusion within the broader context of developing effective and sustainable social protection systems (i.e. income support and access to services). These overarching objectives also stress the importance of social protection and social inclusion policies in reinforcing employment and economic objectives (referred to as “*feeding in*” in EU jargon) and economic and employment policies contributing to the achievement of

²⁸ For more information on the EU social indicators (their construction and their use in the policy process), see for instance Atkinson *et al* (2002) and Marlier *et al* (2007).

²⁹ See: <http://ec.europa.eu/social/main.jsp?catId=757&langId=en>

³⁰ See: <http://www.peer-review-social-inclusion.eu/network-of-independent-experts>

³¹ These objectives are “to promote social cohesion, equality between men and women and equal opportunities for all through adequate, accessible, financially sustainable, adaptable and efficient social protection systems and social inclusion policies” and “to promote effective and mutual interaction between the Lisbon objectives of greater economic growth, more and better jobs and greater social cohesion, and with the EU Sustainable Development Strategy”.

social objectives (“feeding out”). Unfortunately, the mutual interaction between the employment, economic and social inclusion processes still need to be fully and systematically developed. However, at least the objectives have helped to highlight the importance of such synergies being more systematically pursued.

4.1.2 Key policy areas

From 2006, activities carried out in the context of the EU Social Inclusion Process focussed in an increasingly systematic manner around three policy themes. The first theme was *Active Inclusion*. Work on this topic led to the European Commission Recommendation on the active inclusion of people excluded from the labour market (2008b), which contains common principles and practical guidelines on a comprehensive strategy based on the integration of three policy pillars: adequate income support, inclusive labour markets and access to quality services.³² Secondly, *child poverty and child well-being* became a key issue and this led to a thematic year on the topic in 2007 and the adoption of a very important report by the SPC on child poverty and well-being that can be referred to as the first EU-wide benchmarking exercise based quasi exclusively on the commonly agreed EU indicators (Social Protection Committee, 2008). Thirdly, the issue of *homelessness and housing exclusion* that was the subject of a thematic year in 2009. All three issues are being given a lot of attention as key themes during the *2010 European Year for Combating Poverty and Social Exclusion* and thus also during the 2010 Spanish and Belgian Presidencies of the Council of the EU. Two other topics have come increasingly to the fore in the most recent period: the high risk of poverty and social exclusion experienced by many *migrants and ethnic minorities*, and the social impact of the *financial and economic crisis*.³³

In the two other strands of the EU coordination and cooperation in the social field, i.e. pensions and healthcare and long-term care, there has also been a tendency to concentrate on particular areas. For instance, activities have *inter alia* covered the following topics: privately managed pensions, working longer and reducing early withdrawal from the labour market, reducing health inequalities, improving the rational use of resources in healthcare and long-term care while maintaining the quality and coordination between different healthcare sectors, effectiveness and efficiency of healthcare spending, sustainability and adequacy of EU pension systems (including long term implications of the crisis for pension systems), etc.

4.1.3 Governance and institutional arrangements

In addition to these specific policy areas, the Social OMC has also given considerable emphasis to strengthening governance and institutional arrangements in relation to tackling and preventing poverty and social exclusion (though this has been more evident in the field of social inclusion than in the pensions and healthcare and long-term care strands). As a result, seven themes in particular have emerged though progress across them has been uneven. These have been:

- first, the need to mobilise stakeholders (government agencies, social partners and non governmental organisations and the research community) in the design, implementation and monitoring of policies and programmes;
- secondly, the importance of involving people directly experiencing poverty and social exclusion;
- thirdly, the fact that the social inclusion objectives have to be mainstreamed into national and sub-national policy making;

³² See: <http://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:307:0011:0014:EN:PDF>

See also European Commission, 2008b.

³³ See for instance the “Second joint assessment by the Social Protection Committee and the European Commission of the social impact of the economic crisis and of policy responses - Full Report” submitted to the EU Council of Ministers in November 2009 and available from: <http://register.consilium.europa.eu/pdf/en/09/st16/st16169-ad01.en09.pdf>.

- fourthly, the importance of improving the coordination of different departments and levels of government so that policies and programmes can better reinforce each other;
- fifthly, the need for comprehensive, multidimensional and strategic responses to poverty and social exclusion which are evidence-based and which are aimed at achieving clearly defined and quantified objectives adopted as a result of a rigorous diagnosis;
- sixthly, the necessity to coordinate and integrate the delivery of policies on the ground in a way that involves partnerships between the different agencies and that involves all; and
- seventhly, the importance of developing effective procedures for the monitoring of and reporting on the implementation of strategies and for both the ex ante and ex post assessment of the impact of policies.

4.2 Assessment of the Social OMC

Drawing on our own work on the Social OMC (e.g., Frazer and Marlier (2008 and 2010), Marlier *et al* (2007)) as well as on the assessment made by the European Commission (2008 and 2008a), by various commentators (e.g., Crepaldi *et al* (2010) and Zeitlin (2007)) and by many of the Networks active in the process (e.g., European Anti-Poverty Network (2009, 2009a, 2010, 2010a and 2010b) and Platform of European Social NGOs (2009)), one can identify a fairly clear pattern of strengths and weaknesses of the EU's approach to tackling poverty and social exclusion.

4.2.1 Strengths

The first and probably the most important aspect of the Social OMC is that it has helped to put and keep social inclusion and social protection (including pensions and healthcare and long-term care) on the EU agenda (if not always as strongly as many would wish). It has created a space in which it has been possible to argue for enhanced efforts at EU, national and sub-national levels to prevent and alleviate poverty and social exclusion and promote greater social inclusion. Secondly, the Social OMC has provided an opportunity to highlight at EU level the importance of ensuring that economic, employment and social policies are made mutually reinforcing and thus also an opportunity to insist that economic and employment objectives should take more into account social outcomes. Thirdly, it has contributed to Member States developing a common understanding of concepts (e.g., multidimensionality, mainstreaming, evidence-based strategies and quantified objectives, partnership between actors, participation, policy impact assessments) and to them identifying and agreeing on key policy priorities in relation to social inclusion, pensions and healthcare and long-term care at national and sub-national levels. Fourthly, it has generated a considerable body of very useful learning about how best to prevent and alleviate poverty and social exclusion and to promote stronger pension systems and enhanced healthcare and long-term care services whether from the various *Joint Reports on Social Protection and Social Inclusion*, the many studies commissioned as part of the process, the wide range of reports arising from transnational exchange projects and peer reviews, or the many reports from the different networks active in the process such as the AGE Platform Europe, the European Anti-Poverty Network (EAPN), the European Federation of National Organisations Working with the Homeless (FEANTSA), Eurochild, the European Social Network and the Confederation of Family Organisations in the EU (COFACE). As already mentioned, the deepening of knowledge and the exchange of learning in relation to social inclusion has been particularly evident in the areas of active inclusion, child poverty and well-being, as well as housing exclusion and homelessness.

Fifthly, as the recent evaluation of the process for the European Parliament points out (see Crepaldi *et al*, 2010), the Social OMC has achieved significant progress in improving data, defining commonly agreed indicators and developing a stronger analytical framework so as to better understand and assess the phenomena at stake as well as

better monitor of and report on progress. Even though there is still a long way to walk, this has encouraged a more rigorous and evidenced-based approach to policy making.

Sixthly, it has led to improvements in governance of social inclusion issues in various Member States. In particular, it has encouraged mainstreaming a social inclusion concern across a broader range of policy domains, greater coordination and integration of policies to prevent and alleviate poverty and social exclusion, and improved structures to mobilise a broad range of different stakeholders, including those people experiencing poverty and social exclusion. Seventhly, in those Member States who have chosen to make full use of it, the Social OMC has proved to be a very helpful tool in strengthening their national and sub-national efforts to promote social inclusion. Eighthly, it has ensured that the need for a response to the social impact of the financial and economic crisis has been articulated in EU debates.³⁴ Ninthly, it has mobilised a wide range of actors and fostered EU wide networks of people involved in the struggle against poverty and social exclusion and it has given a voice to the socially excluded.³⁵ Tenthly, without the EU process it is unlikely that 2010 would have been designated the European Year for Combating Poverty and Social Exclusion.

4.2.2 Weaknesses

In spite of the several positive developments encouraged by the Social OMC, this process has failed in one of its main goals. There has been little progress made towards achieving the overall objective set in Lisbon ten years ago of making a decisive impact on the eradication of poverty and social exclusion by 2010, though some would argue that this was not something that such a process could achieve. The harsh reality is that the at-risk-of poverty rate for the 15 countries that were members of the EU in 2000 has remained stable: the EU-15 weighted average was 15% in 2000 and in 2008, the most recent data available it is 16% (for the 12 newer Member States, the average poverty risk rate in 2008 is 17%; the 2008 EU-27 average is also 17%).³⁶ In relation to “material deprivation”, the situation is however a bit more encouraging at least in the newer Member States. Indeed, if the EU-15 average has remained stable between 2005 and 2008 (12-13%), it has dropped in the 10 newer EU countries for which data are available though it still remains 2.5 times as high as in the older Member States (2005: 43%, 2006: 38%, 2007: 33% and 2008: 29%).³⁷

³⁴ In this regard, it is encouraging that the 2010 *Joint Report on Social Protection and Social Inclusion* clearly recognises that “the crisis has emphasised the added value of policy coordination through the Open Method of Coordination on Social Protection and Social Inclusion (Social OMC) and provided further incentive to reinforce and exploit its potential fully” (EU Council of Ministers, 2010).

³⁵ See for instance European Anti-Poverty Network (2009a). For the reports summarising the main outcomes of the annual EU Meetings of People Experiencing Poverty, see: http://www.eapn.eu/index.php?option=com_content&view=article&id=600%3Athe-european-meetings-of-people-experiencing-poverty-a-process-going-forward&catid=16&Itemid=14&lang=en

³⁶ According to the EU definition, people “at risk of poverty” are people living in a household whose total equivalised income is below 60% of the median national equivalised household income (the equivalence scale is the so-called *OECD modified* scale). All the figures presented in this paragraph are from the *EU Statistics on Income and Living Conditions (EU-SILC)* data source.

³⁷ Originally proposed by Guio (2009), this EU indicator significantly improves the multi-dimensional coverage of the EU portfolio for social inclusion. Based on the limited information available from the EU-SILC data-set, it focuses on the proportion of people living in households who cannot afford at least 3 items out of a list of 9. Figures for the newer Member States do not include Bulgaria and Romania as data for these countries are not available for all 4 years considered here. In 2008, the national rate of material deprivation (EU definition) is 51% for Bulgaria and 50% for Romania. For a characterisation of the income poor and the materially deprived in 24 EU countries and in Norway, see: Fusco, Guio and Marlier (2010).

Among the various explanations that have been put forward by commentators for the relatively limited impact of the Social OMC, the most important is the low political status given to the process and the lack of political leadership at EU level, particularly vis-à-vis the other strands of the Lisbon agenda (growth and jobs). In reality, the mutually reinforcing nature of economic, social and employment policy envisaged when the Lisbon process was launched has not been much in evidence. To put it in EU jargon, there has been little *feeding in* and *feeding out* between the various EU processes. In theory, it was expected that the EU's Social OMC agenda would parallel and interact closely with the Growth and Jobs agenda ("feeding in" to growth and employment objectives while growth and employment programmes would "feed out" to advance social cohesion/inclusion goals). However, as the studies by the EU Network of Social Inclusion Experts have shown (Frazer and Marlier, 2009), in practice such reinforcing interconnections have been disappointingly weak – they have existed more in theory than in practice and, more broadly, linkages with other EU policy areas (e.g. competition, agriculture, health, education, justice, migration) have been very limited.

Another reason for the relatively limited impact of the Social OMC is that the Social OMC has remained a very "soft" process. There are no sanctions against Member States who fail to make progress and the European Commission does not issue recommendations to Member States on what they would need to do to strengthen their efforts (see below, Section 4.3.2). There has thus been little pressure on Member States to move forward. Furthermore, the absence of any clear EU quantified social outcome targets up until very recently (June 2010; see below) has diminished the status of the Social OMC in relation to economic and employment policies which, since 2005, have been dealt with separately at EU level in the context of the "Partnership for Growth and Jobs". All of this has meant that the Social OMC has had a very low public visibility and (until very recently) there has been a lack of public promotion of the process.

At national level, the reality has been that most Member States have failed to integrate the Social OMC process, especially the NAPs/inclusion, into national and sub-national policy making procedures. Indeed, in many Member States NAPs/inclusion have just become bureaucratic reporting mechanisms whereby countries inform the European Commission and other EU Member States of what they are doing or planning to do to combat poverty and social exclusion; they have not been used, as was originally intended, as a means of reviewing policies and developing new and increased strategic efforts to prevent and reduce poverty and social exclusion. This view is borne out by the European Commission's own recent evaluation of the impact of the Lisbon process, which refers to the OMC as a method of "soft coordination" and which rightly highlights that "while the OMC can be used as a source of peer pressure and a forum for sharing good practice, evidence suggests that in fact most Member States have used OMCs as a reporting device rather than one of policy development" (European Commission, 2010a).

With a "soft" process, a key to encouraging greater effort is through effective monitoring and evaluation of the progress being made by Member States and benchmarking their performance against other Member States. In practice, there has been insufficiently rigorous monitoring, evaluation and reporting of Member States' performance in part due to weak analytical tools and resources. Furthermore, the potential of the Social OMC for putting peer pressure on Member States to do more through the use of EU benchmarking and more generally transnational comparisons has been made more difficult by the lack of timely statistical evidence.

Analyses of the NAPs/inclusion by the European Commission, the EU Network of Independent Experts on Social Inclusion and European poverty networks like EAPN, Eurochild, European Social Network and FEANSTA have highlighted that, while a few Member States have made progress, too many still have very weak governance arrangements for tackling poverty and social exclusion. Many countries lack effective mechanisms for mainstreaming social inclusion objectives in national and sub-national policies, lack effective arrangements for the

horizontal and vertical coordination of policies, and/or have ineffective strategic planning and poor systems for implementing policies on the ground and for mobilising and involving all actors.

Finally, one more important factor that has undermined the impact of the Social OMC is that it has not been sufficiently backed up with resources. The potential to use the EU Structural Funds to encourage Member States in the implementation of the EU social inclusion objectives has not been sufficiently developed. EAPN among others has been critical of the limited amount of Structural Funds available to support social inclusion measures: “Overall, EAPN was disappointed that the 2007–2013 programming period was not made a more effective instrument to combat poverty and social exclusion. The European Commission’s own estimates were that only 12.4% of the European Social Fund was allocated to social inclusion measures.” (Harvey, 2008)

4.3 The future

The EU process launched in Lisbon in 2000 comes to an end in 2010. Thus there is currently much policy debate about what role efforts to prevent and reduce poverty and social exclusion will play in the EU’s agenda for the next decade, *Europe 2020* (European Commission, 2010). Drawing on the experience of recent years and on important contributions from various civil society networks³⁸ and building on earlier work we have undertaken (e.g., Frazer (2010), Frazer and Marlier (2008 and 2010) and also the independent report we prepared at the request of the 2010 Belgian Presidency of the EU (Frazer, Marlier and Nicaise, 2010)), the following are our suggestions as to how the process could build on past successes and address weaknesses if a more effective EU process is to develop in the future.

4.3.1 Clear EU social objectives with EU and national social outcome targets

Clear EU social objectives

If social cohesion/ inclusion is to have a higher political priority at EU level, Europe’s political objectives should include a clear statement of the interdependence and mutually reinforcing nature of economic, employment, social and environmental objectives and policies. The new *Europe 2020* Strategy must be built around these four pillars and all must be developed at the same time so that they continuously interact and reinforce each other. The objectives should also contain an explicit commitment to work both for the eradication of poverty and social exclusion and for the reduction of inequalities. An effective fight against poverty and social exclusion requires that both prevention (i.e. reducing the inflow into poverty) and alleviation (i.e. lifting those in poverty out of poverty) be addressed. This means universal policies aimed at promoting the inclusion of all and then also, when necessary, targeted policies to assist those facing particular difficulties or barriers. Comprehensive social protection systems are then also needed to ensure that all citizens have access to high quality services and to an adequate income. Finally, a prerequisite for effectively combating poverty and social exclusion (and for achieving the Europe 2020 stated goal of “inclusive and sustainable growth”) is to address (excessive) inequality.

EU and national social outcome targets

In its proposals for Europe 2020, issued in March 2010, the European Commission suggested that there should be five EU headline targets to be achieved by 2020. One of these was to “reduce the number of Europeans living below national poverty lines by 25%, lifting 20 million people out of poverty” (EU definition; see above). The Commission

³⁸ See, for example: Confederation of Family Organisations in the European Union (COFACE) (2010), Eurochild (2010), European Anti-Poverty Network (2009, 2010 and 2010b), European Anti-Poverty Network Ireland (2010), European Social Network (2010), FEANTSA (2010), Platform of European Social NGOs (2009) and Spring Alliance (2009).

also proposed that there should be 7 “flagship initiatives”. One of these is a “European Platform Against Poverty” (EPAP), the purpose of which would be “to ensure social and territorial cohesion such that the benefits of growth and jobs are widely shared and people experiencing poverty and social exclusion are enabled to live in dignity and take an active part in society” (European Commission, 2010).

On 17th June 2010, following an extensive process of discussion and negotiation involving primarily the SPC and its Indicators Sub-Group as well as the European Commission, EU Heads of State and Government endorsed a compromise target aimed at “promoting social inclusion, in particular through the reduction of poverty” (European Council, 2010). This target is based on a combination of three indicators: the number of people at risk of poverty (EU definition; total population), the number of people materially deprived (EU definition but stricter³⁹; total population), and the number of people aged 0-59 who live in “jobless” households (defined, for the purpose of the EU target, as households where none of the members aged 18-59 are working or where members aged 18-59 have, on average, very limited work attachment). The target will consist of reducing the number of people in the EU (120 million) who are at risk of poverty and/or materially deprived and/or living in jobless households by 20 million.^{40 41} Although the target is less ambitious than many hoped, the fact that the European Commission and all EU countries could adopt it is a major step forward in demonstrating the political commitment of the EU. This represents a positive step towards ensuring that social cohesion/ inclusion have the same status as the other political priorities outlined in the Europe 2020 agenda, all of which having linked quantified targets.

The next challenge will be for each Member State to adopt one or several national and possibly sub-national (outcome) targets. Under the principle of *subsidiarity*, countries are free to set these targets on the basis of what they consider the most appropriate indicator(s) given their national circumstances and priorities. Setting targets is a difficult area for a combination of political and scientific reasons. Indeed, to be truly meaningful these targets need to be evidence-based and they should be the result of a rigorous diagnosis of the causes of poverty and social exclusion in the country. It is also important that Member States be asked to explain - again, on the basis of rigorous analytical evidence - how meeting their (sub-)national targets will contribute to the achievement of the EU level target. As emphasised by Marlier *et al* (2007, page 213), “analytical tools such as tax-benefit simulation can help in projecting forward benchmark scenarios against which the level of ambition of targets can be assessed. Significant scientific work is required in this complex area, and researchers have a major contribution to make in deepening the information base for decision makers.”⁴²

³⁹ In the standard EU definition, the threshold for being considered “materially deprived” has been put to an enforced lack of at least 3 items out of 9 (see above). In the indicator used for the newly adopted EU target, it has been put to 4 items out of 9 (same list of items).

⁴⁰ This is less ambitious than the original proposals which was also a reduction of 20 million but only covered 80 million people (i.e., the number of people at-risk-of-poverty).

⁴¹ At their June 2010 meeting, EU Heads of State and Government endorsed “five EU headline targets which will constitute shared objectives guiding the action of Member States and the Union as regards promoting employment; improving the conditions for innovation, research and development; meeting our climate change and energy objectives; improving education levels; and promoting social inclusion in particular through the reduction of poverty.” In the words of EU leaders, the latter will consist of “promoting social inclusion, in particular through the reduction of poverty, by aiming to lift at least 20 million people out of the risk of poverty and exclusion”. EU leaders have decided that “progress towards the headline targets will be regularly reviewed” (European Council, 2010). See also Introduction and Chapter 5 in Atkinson and Marlier (2010, forthcoming).

⁴² For a detailed discussion of targets, see: Marlier *et al*, 2007, Sections 6.2-6.4. See also Chapter 8 (by R. Walker) in present volume.

In order to boost political commitment and mutual learning, we believe that countries should set their (sub-)national targets in a transparent way and in a dialogue with the European Commission, and that the SPC should discuss these.

4.3.2 Benchmarking, monitoring and evaluation

A major challenge that will need to be given particular attention in the post-2010 arrangements is to make rigorous benchmarking, monitoring and evaluation a central and visible feature of the EU process at EU, national and sub-national levels. This will require the following:

- An exploration by the European Commission and Member States of ways of making the EU social objectives more visible, measurable and tangible at EU level. Apart from the EU and (sub-)national targets discussed above, which have a key role to play in this respect, this could for instance include a more rigorous, intensive and transparent use of the full set of commonly agreed indicators underpinning EU coordination in the social field (and not just the 3 indicators on which the new EU social inclusion target is based). This could also involve the commitment of all Member States to set the goal of improving their performance in a set of commonly agreed indicators covering each relevant social protection and social inclusion policy domain (i.e. social inclusion, pensions and healthcare and long-term care).⁴³
- Both a regular and thorough monitoring of and reporting on progress towards the EU and national targets and towards the improved performances in the agreed set of EU indicators, summarised in an annual report to the Spring European Council, to the European Parliament as well as to national and possible sub-national parliaments (as part of the annual *Joint Report on Social Protection and Social Inclusion*; see also Section 4.3.7 below).
- A much more rigorous approach not only to monitoring but also to evaluation, with an increased focus on results. This should involve: more systematic use by Member States of the common indicators in their national monitoring and analytical frameworks in order to improve mutual learning (see Marlier *et al*, 2007, section 2.7, pages 48-53); boosting statistical and analytical capacity at EU, national and sub-national levels; promoting the use of social impact assessments in all relevant policy domains; putting in place formal arrangements in all Member States for genuinely involving civil society organisations and independent experts in monitoring and assessing social inclusion policies on an ongoing basis.

In the light of this strengthened monitoring and evaluation process, the European Commission and the SPC, as the bodies in charge of implementing the EU coordination in the social field, should, as necessary, make clear recommendations to each Member State on actions it needs to take if it is to achieve the agreed national and EU targets. These would then be endorsed by the EU Council of Ministers.⁴⁴

⁴³ Marlier *et al* (2007) identify four respects in which the commonly agreed indicators could be used more intensively in the Social OMC.

⁴⁴ While the Treaty does not explicitly foresee the possibility of the European Commission issuing recommendations, it also does not prevent the Commission from doing so through “soft law agreements”. For instance, Article 5 of the Treaty, as well as providing for the coordination of economic and employment policies, says that “The Union may take initiatives to ensure coordination of Member States’ social policies”. And Article 160, in outlining the role of the SPC includes among its tasks “to prepare reports, formulate opinions or undertake other work within its fields of competence, at the request of either the Council or the Commission or on its own initiative”. The 2008 European Commission Communication on reinforcing the Social OMC already suggested that “The subjects that are part of the OMC could be further consolidated by formalising convergence of views whenever it arises. The Commission will contribute to this by making, where appropriate, use of Recommendations based on Article 211 of the Treaty, setting out common principles, providing a basis for monitoring and peer review.” (European Commission, 2008a) In fact, a precedent for this exists within the Social OMC with the Commission’s 2008 Recommendation on Active Inclusion (European Commission, 2008b).

4.3.3 Social inclusion in the Integrated Guidelines for growth and jobs

The overall political decision to make social inclusion a key EU priority and, in this context, to set a quantified outcome target in relation to poverty at EU level is one (important) part of the jigsaw. The arrangements for implementation are also critical. On 27 April 2010, the European Commission published its proposals for *Integrated Guidelines* to deliver on the Europe 2020 Strategy (European Commission, 2010b). Ten (draft) Guidelines have been proposed, under two distinct legal bases: six Economic and four Employment Guidelines. A Guideline on poverty and social exclusion, which sets out policies to reach the proposed EU headline target on social inclusion, has been included under the Employment Guidelines (Guideline No. 10).

The proposed Guideline is drawn in a reasonably broad manner, reflecting the main strands of the existing Social OMC and, importantly, stressing the importance of access to high quality, affordable and sustainable services and the key role of social protection systems, including pensions and access to healthcare. It thus provides an important basis for building on key elements of the existing Social OMC.

Other parts of the draft Employment Guidelines also have a potentially important role to play in promoting greater social inclusion. In particular, Guideline No. 7 (*Increasing labour market participation of women and men, reducing structural unemployment and promoting job quality*) emphasises that flexicurity should be underpinned by an effective active inclusion approach. It stresses the important role to be played by employment services and adequate social security in supporting those at risk of unemployment. It highlights the need to fight in-work poverty and to counter labour market segmentation. The need to reach those furthest away from the labour market is also stressed.

Guideline No. 9 (*Improving the performance of education and training systems at all levels and increasing participation in tertiary education*) is also very relevant from a social inclusion perspective, particularly the requirement that Member States should take all necessary steps to prevent early school leaving. Tackling child poverty and exclusion and addressing the intergenerational inheritance of poverty and social exclusion will be key to making progress in this area.

In spite of the positive aspects of the draft Employment Guidelines, these have attracted some criticism from organisations concerned to strengthen the EU's focus on poverty and social exclusion. For instance, EAPN has stated that "poverty and social exclusion risk remaining at the margins of EU cooperation" and called for: "A better integration of inclusion and social cohesion objectives across all the Integrated Guidelines. The separation of the "social inclusion and combating poverty Guideline" from the Employment Guidelines to guarantee that actions on social inclusion and tackling poverty are not limited to employment related measures. Explicit reference in the "Guideline on social inclusion and combating poverty" to ensure access to rights, resources and services in line with the already-agreed common objectives of the Social OMC." (EAPN 2010a; see also EAPN 2010)

A directly related point is an "institutional" one. The pivotal role that the SPC should play in the monitoring of progress towards the EU objectives for social protection and social inclusion (including of course the new EU target on social inclusion) and in the implementation of Guideline 10 and indeed of the social dimensions of the other Guidelines would need to be clarified in the final set of Employment Guidelines. This would in fact be fully in line with the spirit of Article 160 of the EU Treaty, which outlines the role of the SPC.

4.3.4 Social protection and social inclusion strategies

To ensure that Member States develop a strategic, comprehensive and coherent approach to translating the EU's social protection and social inclusion objectives into national policies, we consider it essential that they put in place effective action plans and that they report on these on a regular basis. In our view, there are three ways that this might be achieved.

The first option is that the existing National Strategy Reports on Social Protection and Social Inclusion (NSRSPSIs) could be continued and enhanced. As regards the social inclusion strand, this will require a better integration of the NAPs/inclusion into national (and also, where relevant, into sub-national) policy-making processes and the development of closer links with national (and possible sub-national) parliaments. This might involve reassessing together with Member States and relevant stakeholders, the timing and structure of the NSRSPSIs cycle so that it becomes easier for countries to use them as strategic planning opportunities to strengthen policies and not just as a means of reporting to the EU on existing and planned policies. A major advantage of this solution is that it will help to ensure that Member States adopt and report on comprehensive approaches to promoting social inclusion and tackling poverty and social exclusion that are better integrated into their national policy making systems. A disadvantage is that unless other strong cross-cutting mechanisms are put in place, the links between the social dimension and the other strands of Europe 2020 (especially the economic and employment ones) may remain weak and lessen the chances of effective synergies (“feeding in” and “feeding out”; see above). To address this problem it would then be important to create formal mechanisms for examining and reporting on how Member States are ensuring synergies between their NSRSPSIs and National Reform Programmes (NRPs).

The second option is for the social protection and social inclusion dimension to become a distinct chapter of Member States' NRPs. The basis for this exists with the ambitious (draft) Guideline 10, which largely encompasses the range of issues currently addressed by the NSRSPSIs, and also with the potentially very important “horizontal social clause” included in the Lisbon Treaty (see below, Section 4.3.5). The advantage of this option could be to make it easier to integrate the social dimension with the employment and economic strands of the Europe 2020 process. Thus there would be the possibility of achieving stronger synergies between the processes. In addition, by being linked with the Employment Guidelines, there should be a stronger legal basis for monitoring Member States' performance in relation to social protection and social inclusion issues and, when necessary, the European Commission should be in a position to issue recommendations to Member States for improvements to their policies. However, from a social perspective there is also a serious risk with this option, which is that the social dimension could become an afterthought tagged on to the employment dimension. Furthermore, it could lead to a very narrow approach to social inclusion issues that only focuses on increasing access to employment without addressing the real problems faced by those outside the labour market or very distant from it. If, as is likely to be the case, this option is pursued it will be essential that several safeguards are put in place. In particular, as already noted above, the role of the SPC in monitoring and reporting on the social dimension should be incorporated into the Employment Guidelines. The new EPAP (see below, Section 4.3.6) should also be given a clear role in monitoring and reporting on how the social dimension, including the issue of in-work poverty and labour market segmentation⁴⁵, is being addressed in Member States' NRPs.

The third option is a combination of option 2 (with the necessary safeguards put in place) and option 1. Here, the “social” chapter of the NRPs would be based on quality NSRSPSIs covering in a coherent way social protection and social inclusion. NRPs could then include 5 chapters: four “thematic” chapters addressing objectives and policies in the fields of economy, employment, social protection and social inclusion, and environment and an “overarching” chapter aimed at highlighting the interdependence and mutually reinforcing nature of the 4 sets of thematic

⁴⁵ For information on in-work poverty and labour market segmentation in the EU, see Frazer and Marlier (forthcoming).

objectives and policies. While we recognise that this option is more ambitious than the other two we consider that it is the one that is most likely to strengthen the EU's social dimension and lead to a really decisive reduction in poverty and social exclusion.

4.3.5 The Lisbon Treaty's "horizontal social clause"

Strengthening EU cooperation and coordination in the social field is even more important and urgent because of the increased status given to social issues in the Lisbon Treaty, which came into force on 1 December 2009. Of particular significance, is Article 9 which states that "In defining and implementing its policies and activities, the Union shall take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education, training and protection of human health" (European Union, 2009). A major political and legal challenge will now be to give a concrete meaning to this new social clause. In the first instance, it is to be hoped that this new clause in the EU's objectives will provide a more solid basis for requiring the EU, that is *both* the European Commission and EU Member States, to mainstream the EU's social objectives into policy making and, for this to be effective, to systematically carry out social impact assessments of all relevant policies (see also Section 4.3.6 below). Over time, it might also be taken into account in decisions of the European Court leading to a stronger social dimension to the Court's decisions. This important Treaty provision is usefully referred to in the (draft) Employment Guidelines ("whereas No 2"); as it is also relevant for economic policies, this reference should also be included in the preamble of the final set of the economic policies Guidelines.

4.3.6 The European Platform Against Poverty (EPAP)

The strengthening of the social dimension of the EU, and in particular the delivery of the EU's new social inclusion target will depend significantly on how the *European Platform Against Poverty* (EPAP), one of the 7 flagship initiatives which the European Commission has proposed in the context of the implementation of Europe 2020, is developed. It is still unclear what shape this Platform will take and how it will relate to and strengthen the existing Social OMC. This may only be clarified towards the end of 2010 when the Commission is likely to publish its proposals on the EPAP.

In our view, the dual challenge to be met is to propose arrangements that can contribute not only to strengthening the future EU cooperation and coordination in the field of social protection and social inclusion but also to bringing together the patchwork of different strands that currently make up Social Europe to ensure that they are better coordinated, more consistent and mutually reinforcing. For this, the EPAP must become the visible symbol of this renewed Social Europe. It has to play a central role in ensuring that all other strands of EU policy making (e.g. economic, competition, education, migration, health, innovation and environmental policies) contribute to achieving the EU's social goals, including the EU target on social inclusion.

This will require explicit arrangements to better link the future EU social process (i.e., EPAP, renewed Social OMC...) with other relevant EU processes (growth, jobs, environment, education...) so that they are mutually reinforcing. In this regard, and in line with the Lisbon Treaty's "horizontal social clause", a key priority will be to mainstream issues of adequate social protection, the fight against poverty and social exclusion, and also children's rights across all relevant EU policy areas and programmes (including the Structural Funds; see Section 4.3.9 below) in particular through a more systematic application of the required social impact assessments (both *ex ante* and *ex post*) as part of the Commission's integrated impact assessment process.⁴⁶ The EPAP should play a central role in monitoring and

⁴⁶ More information on the European Commission's impact assessment process can be found at http://ec.europa.eu/governance/better_regulation/impact_en.htm.

reporting on the implementation of the social impact assessment process and on the extent to which the other strands of Europe 2020 are contributing to the goal of reducing poverty and social exclusion. If they are not, it should have the power to make recommendations as to how they could contribute better.⁴⁷

Whatever form the EPAP does eventually take, it will be important to ensure that sufficient resources, particularly in terms of staff, are allocated to support its implementation and the implementation of the Social OMC.

4.3.7 A thematic approach

We believe that much of the future EU coordination and cooperation in the social field should be concentrated around the key thematic issues that have emerged from the Social OMC. This is especially the case for the social inclusion strand where active inclusion, child poverty and well-being, housing exclusion and homelessness, poverty and social exclusion experienced by migrants and ethnic minorities have become key themes.⁴⁸ However, a similar approach might also be adopted in relation to pensions and healthcare and long-term care as appropriate.

Gender equality and non-discrimination should be clear cross-cutting aspects of each issue. The work on each theme should be based on clear objectives and multi-annual work programmes. Member States should be encouraged to make these themes key parts of their social protection and social inclusion strategies (see Section 4.3.4). Annual reports on progress on each key issue should be incorporated into the Joint Report on Social Protection and Social Inclusion along the lines described in Section 4.3.2. Where appropriate data are available (e.g. child poverty and social exclusion) annual scoreboards should be considered. Building on the successful outcomes of two such experiences in recent years (Social Protection Committee, 2008 and 2009), “Task-Forces” or less structured working groups should be established as appropriate within the SPC and EPAP to carry forward work on particular issues. In progressing work on these issues, greater use could be made of existing instruments such as European Commission Recommendations and EU Framework Directives.⁴⁹

4.3.8 Guidelines on key governance issues

The EPAP could usefully contribute to supporting Member States to strengthen their governance arrangements in relation to social protection and social inclusion issues. On key governance issues where a considerable body of knowledge and good practice has been developed, the Commission together with the SPC would agree guidelines for

⁴⁷ It is important to systematically develop poverty and social exclusion impact assessments (both *ex ante* and *ex post*) for all relevant policies and not only those specifically aimed at increasing social inclusion, so that policy proposals all take into account the potential (positive or negative) impact they may have on poverty and social exclusion. Existing policies should also regularly be reviewed for their impact on poverty and social exclusion. The ultimate goal should be to systematically work at identifying possible ways (links/ synergies) of adjusting policies to strengthen their contribution to promoting social inclusion. The European Commission, in cooperation with Member States, should develop and promote the methodology for social impact assessments at (sub-) national levels. For more on social impact assessment, see Chapter 5 by Kühnemund in the present volume.

⁴⁸ In this regard, it is interesting to note that at the end of the Conference *Roadmap for a Recommendation on Child Poverty and Child Well-Being*, organised by the Belgian Presidency of the council of the EU on 2-3 September 2010, the Trio of the European Presidency consisting of Spain, Belgium and Hungary declared itself in favour of the adoption of a European Commission Recommendation on child poverty and well-being and called for the fight against child poverty and the promotion of child well-being to be included as key priorities of the EPAP. The full declaration, including a call for the adoption of quantified sub-targets for the reduction of child poverty and social exclusion, is available on the Belgium EU Presidency web site at: <http://www.eutrio.be/>.

⁴⁹ The European Commission Recommendation on active inclusion provides a good example of how work can be advanced with enhanced status and urgency through the use of such instruments.

Member States to help them to strengthen their practice. These could then become part of the EPAP *acquis* and be used as part of the monitoring and reporting process. Four priority areas for developing such guidelines could be: mainstreaming of the social objectives and use of social impact assessments; horizontal coordination across policy areas; preparation of effective regional and local action plans on social inclusion; and minimum standards on the effective involvement of stakeholders (including people experiencing poverty) in all phases of the preparation, implementation, evaluation and monitoring of social inclusion policies.

4.3.9 Better linking of EU social inclusion and EU Structural Funds objectives

There should be much closer alignment between the EU's and Member States' social inclusion objectives and the use of EU Structural Funds. In this context, the use of Structural Funds should become a key part of Member States' social inclusion strategies. In order to make certain that this has a real impact it will be important to ensure that there is a link between measured performance (i.e. the impact on social inclusion) and the allocation of EU funds. This relation works in both directions. The allocation of funds may affect country performance and policy may develop towards linking allocations to measured performance. In relation to the use of Structural Funds for social purposes a very recent positive development is the May 2010 EU decision to extend the possibilities for the European Regional Development Fund (ERDF) to be used for supporting housing interventions in favour of marginalised communities.⁵⁰ This could play an important role in increasing resources for initiatives in this field.⁵¹

4.3.10 Exchange, learning and communication

Exchange and learning should be enhanced as an integral element in the EU cooperation and coordination in the social field, *inter alia* by resourcing an increased range of opportunities for exchange and learning under the 2007-2013 *Community Programme for Employment and Social Solidarity (PROGRESS)*. The process of policy learning and exchange of good practices should be strengthened with more systematic clustering of activities (e.g. studies, peer reviews, exchange projects, EU funded networks) around specific themes. Every effort should also be made to promote a wider and more systematic involvement of regional and local actors (policy makers, stakeholders and civil society) in the process. More effective and widespread dissemination of results will be necessary.

4.4. Conclusions

In this chapter, we have documented and analysed the EU's current approach to promoting social inclusion and combating poverty and social exclusion through cooperation and coordination on social inclusion and social protection (including pensions and healthcare and long-term care). Our purpose has been three-fold. First, to describe briefly the functioning of the Social OMC as it has developed since it was launched (back in 2000): its main elements, the key policy areas it has focused on and its governance and institutional arrangements. Secondly, to carry out a systematic analysis of the Social OMC experience, highlighting its strengths and weaknesses, with a particular emphasis on the period since 2006. Thirdly, on the basis of this critical assessment, to suggest concrete proposals for building a stronger EU social process in the future and for bringing together the patchwork of different strands that currently makes up Social Europe so as to ensure that they are better coordinated, more consistent and mutually reinforcing. We hope that these proposals will contribute to the complex challenge of developing a truly social *Europe 2020* and thereby to a more effective approach to combating poverty and social exclusion.

⁵⁰ For more detail see the European Commission's proposals for an amending regulation (European Commission, 2009a) and Regulation (EU) No. 437/2010 of the European Parliament and of the Council which was adopted on 19 May 2010.

⁵¹ Barca (2009) argues for a reformed cohesion policy for the EU and that therefore a new combination of the social and territorial agendas is required. He suggests that "The social agenda needs to be "territorialised", the territorial agenda "socialised". The place-based approach to social inclusion should be the result of these two shifts". (page 36)

References

Atkinson, T., Cantillon, B., Marlier, E. and Nolan, B. (2002), *Social Indicators: The EU and Social Inclusion*, Oxford: Oxford University Press.

Atkinson, A.B. and Marlier, E. (editors) (2010, forthcoming), *Income and living conditions in Europe*, Luxembourg: Office for Official Publications of the European Communities (OPOCE).

Barca, F. (2009), *An agenda for a reformed cohesion policy: A place-based approach to meeting European Union challenges and expectations*, Independent Report prepared at the request of Danuta Hübner, Commissioner for Regional Policy, Brussels: European Commission. Available from: http://ec.europa.eu/regional_policy/policy/future/pdf/report_barca_v0306.pdf.

Confederation of Family Organisations in the European Union (COFACE) (2010), *COFACE Responses to the European Commission public consultation on the future EU 2020 Strategy*, Brussels: COFACE. Available from: <http://coface-eu.org/en/upload/consultations/COFACEresponse-EU2020en.pdf>.

Crepaldi, C., Barbieri, D., Boccagni, P., Naaf, S. and Pesce, F. (2010), *EU Cooperation in the Field of Social Inclusion: Final Report*, Brussels: European Parliament. Available from: http://www.europarl.it/ressource/static/files/EU_cooperation_social_exclusion.pdf.

EU Council of Ministers (2010), *2010 Joint Report on Social Protection and Social Inclusion*, Brussels: EU Council of Ministers.

Eurochild (2010), *Eurochild response to the European Commission Consultation on the future "EU2020" Strategy*, Brussels: Eurochild. Available from: http://www.eurochild.org/fileadmin/user_upload/Info%20Flash/2010/02.2010/Eurochild_response_to_EC_consultation_on_future_EU2020_strategy_Final_Jan10.pdf.

European Anti-Poverty Network (EAPN) (2009), *A Europe we can trust: Proposals on a new EU post-2010 strategy*, Brussels: EAPN.

European Anti-Poverty Network (EAPN) (2009a), *Small Steps - Big Changes*, Brussels: EAPN.

European Anti-Poverty Network (EAPN) (2010), *EAPN proposals for New Integrated Guidelines for Europe 2020*, Brussels: EAPN.

European Anti-Poverty Network (EAPN) (2010a), *Actions to combat Poverty and to foster Social Inclusion risk remaining at the margins of EU Cooperation*, Press Release, 30th April 2010, Brussels: EAPN.

European Anti-Poverty Network (EAPN) (2010b), *EAPN Proposals on the 'European Platform against Poverty'*, Brussels: EAPN. Available from: <http://www.eapn.org/images/stories/docs/EAPN-position-papers-and-reports/eapn-flagship-platform-against-poverty-proposals-en.pdf>.

European Anti-Poverty Network Ireland and European Anti-Poverty Network (EAPN) (2010), *Building Social Europe*, Dublin: EAPN Ireland. Available from: <http://www.eapn.ie/eapn/wp-content/uploads/2010/06/EAPN-Ireland-February-Conference-Report.pdf>.

European Commission (2008), *A renewed commitment to social Europe: Reinforcing the Open Method of Coordination for Social Protection and Social Inclusion*, Communication COM(2008) 418 final, Brussels: European Commission.

European Commission (2008a), *A renewed commitment to social Europe: Reinforcing the Open Method of Coordination for Social Protection and Social Inclusion: Impact assessment*, Staff Working Document SEC(2008) 2169, Brussels: European Commission.

European Commission (2008b), *Commission Recommendation on the active inclusion of people excluded from the labour market*, Communication COM(2008) 639 final, Brussels: European Commission.

European Commission (2009), *Portfolio of indicators for the monitoring of the European strategy for social protection and social inclusion - 2009 update*, Brussels: European Commission. Available from:
<http://ec.europa.eu/social/main.jsp?catId=756&langId=en>.

European Commission (2009a), *Proposal for a Regulation (EC) no .../2009 of the European Parliament and of the Council amending Regulation (EC) No 1080/2006 on the European Regional Development Fund as regards the eligibility of housing interventions in favour of marginalised communities*, Communication COM(2009) 382 final, Brussels: European Commission.

European Commission (2010), *Europe 2020: A strategy for smart, sustainable and inclusive growth*, Communication COM(2010) 2020, Brussels: European Commission. Available from:
<http://ec.europa.eu/eu2020/pdf/COMPLET%20EN%20BARROSO%20%20%202007%20-%20Europe%202020%20-%20EN%20version.pdf> .

European Commission (2010a), *Lisbon Strategy: Evaluation Document*, Commission Staff Working Document SEC(2010) 114 final, Brussels: European Commission. Available from:
<http://register.consilium.europa.eu/pdf/en/10/st06/st06037.en10.pdf> .

European Commission (2010b), *Proposal for a Council Decision on guidelines for the employment policies of the Member States Part II of the Europe 2020 Integrated Guidelines*, Communication COM(2010) 193/3, European Commission, Brussels: European Commission. Available from:
http://ec.europa.eu/eu2020/pdf/proposition_en.pdf.

European Council (2010), *European Council 17 June 2010: Conclusions*, Brussels: European Council.

European Social Network (2010), *EU2020: Building a more Caring and Inclusive Europe. A contribution to the debate on the future of the social OMC beyond 2010*, Brighton: European Social Network. Available from:
<http://www.esn-eu.org/publications-and-statements/index.htm>.

European Union (2009), *Consolidated Version of the Treaty of Lisbon*, Brussels: European Union. Available from:
<http://www.consilium.europa.eu/showPage.aspx?id=1296&lang=en>.

FEANTSA (2010), *Europe 2020: Time for an EU Homelessness Strategy. FEANTSA response to the Europe 2020 strategy*, Brussels: FEANTSA. Available from:
http://feantsa.horus.be/files/freshstart/EU_Docs/Social_Inclusion/2010/23062010_feantsa_europe2020_en.pdf.

Frazer, H. (2010), "Social inclusion and poverty policies in the EU", *Spanish Review of the Third Sector*, No. 15, Madrid: Luis Vives Foundation.

Frazer, H. and Marlier, E. (2008), *Building a stronger EU Social Inclusion Process: Analysis and recommendations of the EU Network of independent national experts on social inclusion*, Brussels: European Commission. Available from:
<http://www.peer-review-social-inclusion.eu/network-of-independent-experts/2008/first-semester-2008>

Frazer, H. and Marlier, E. (2009), *Assessment of the extent of synergies between growth and jobs policies and social inclusion policies across the EU as evidenced by the 2008-2010 National Reform Programmes: Key lessons*, EU Network of Independent Experts on Social Inclusion, Brussels: European Commission. Available from:
<http://www.peer-review-social-inclusion.eu/network-of-independent-experts/2008/second-semester-2008>.

Frazer, H. and Marlier, E. (2010), *Social inclusion in the European Union: Where are we and where are we going?*, in *Development and Transition 15*, March 2010, Bratislava: United Nations Development Programme, Slovakia. Available from:
<http://www.developmentandtransition.net/>.

Frazer, H. and Marlier, E. (forthcoming), *In-work poverty and labour market segmentation in the EU: Key lessons*, EU Network of Independent Experts on Social Inclusion, Brussels: European Commission.

Frazer, H., Marlier E. and Nicaise, I. (2010), *A social inclusion roadmap for Europe 2020*, Antwerp/Apeldoorn: Garant.

Fusco, A., Guio, A.-C. and Marlier, E. (2010), "Characterising the income poor and the materially deprived in European countries", forthcoming in A.B. Atkinson and E. Marlier (editors) *Income and Living Conditions in Europe*, Luxembourg: OPOCE.

Guio, A.-C. (2009), *What can be learned from deprivation indicators in Europe?*, Luxembourg: OPOCE. Available from:
http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-RA-09-007/EN/KS-RA-09-007-EN.PDF.

Harvey, B. (2008), *EAPN Structural Funds Manual 2009-2011*, Brussels: EAPN. Available from:
http://www.eapncr.org/napsi/strukturalni_fondy/Manual%20PDF_en.pdf.

Marlier, E., Atkinson, A.B., Cantillon, B. and Nolan, B. (2007), *The EU and Social Inclusion: Facing the challenges*, Bristol: The Policy Press.

Platform of European Social NGOs (2009), *5 recommendations for an effective Open Method of Coordination on social protection and social inclusion*, Brussels: Social Platform. Available from:
http://cms.horus.be/files/99907/MediaArchive/Policies/Social_Inclusion/20090929_SP%20Social%20OMC_final.pdf.

Social Protection Committee (2008), *Child Poverty and Well-Being in the EU: Current status and way forward*, Luxembourg: OPOCE. Available from:
<http://ec.europa.eu/social/main.jsp?catId=751&langId=en&pubId=74&type=2&furtherPubs=yes>.

Social Protection Committee (2009), *Growth, Jobs and Social Progress in the EU: A contribution to the evaluation of the social dimension of the Lisbon Strategy*, Brussels: European Commission. Available from:
<http://ec.europa.eu/social/BlobServlet?docId=3898&langId=en>.

Spring Alliance (2009), *Manifesto*, Brussels: Spring Alliance. Available from:
<http://www.springalliance.eu/manifesto>.

Vandenbroucke, F. (2002), *The EU and Social Protection: What should the European Convention propose?*, Paper presented at the Max Planck Institute for the Study of Societies, Cologne, 17 June.

Zeitlin, J. (2007), *The Open Method of Coordination and the Governance of the Lisbon Strategy*, University of Wisconsin-Madison EUSA conference. Available from:
<http://aei.pitt.edu/8032/01/zeitlin-j-06e.pdf>.

5. STUDY ON SOCIAL IMPACT ASSESSMENT AS A TOOL FOR MAINSTREAMING SOCIAL INCLUSION AND SOCIAL PROTECTION CONCERNS IN PUBLIC POLICY IN EU MEMBER STATES

(Martin Kühnemund)⁵²

Abstract: This chapter summarises the main results and conclusions of a study on social impact assessment (IA) as a tool for mainstreaming social inclusion and social protection concerns in public policy in EU Member States. Carried out on behalf of the European Commission, the study describes, compares and analyses the different ways in which social IA is currently applied in the Member States. It shows that social IA is still in its infancy in most countries. Nonetheless, there are pockets and/or isolated examples of good practice on which to build. Based on the comparative analysis of ten national / regional social IA systems as well as 30 concrete examples of social IAs, the study identifies a number of common challenges for effective social IA. It then goes on to explore potential responses to three key questions: (1) How can Member States ensure a common understanding of what constitutes a relevant social impact?; (2) How can they ensure that relevant social impacts are considered and identified, particularly in the early stages of the IA process?; and (3) What approaches, methods, tools and data sources should be used to assess relevant social impacts?

5.1 Introduction

This chapter summarises the main results of a study commissioned by the European Commission (Directorate-General “Employment, Social affairs, Equal opportunities (DG EMPL)”) ⁵³ to support mutual learning on social impact assessment within the Open Method of Coordination on Social Protection and Social Inclusion (Social OMC). The overall objective was to describe, compare and analyse the different ways in which social impact assessment is currently carried out in the European Union (EU) Member States, and to identify recommendations for the implementation of effective social impact assessment systems and for effective social impact analysis.

Social impact assessment (IA) is linked with the principle of “good governance”, which is firmly integrated in the common objectives of the Social OMC that were agreed by all EU Member States. On this basis, a consensus has developed over the years around the idea that if it is to be effective, social protection and social inclusion policies need to be integrated (need for a strategic approach and for mainstreaming; integration is notably required with growth and jobs policies and with sustainable development policies). They also need to be based on facts (evidence-based policies, policy evaluation) and to involve stakeholders (transparency and stakeholder involvement in the design, implementation and monitoring of policies).

Since the start of the OMC, Member States have been reporting on their efforts to make progress in this respect. In this context, *ex ante* social IA has increasingly come to the fore. Several Member States are currently experimenting with such arrangements and the European Commission has established a system of integrated impact assessment. The increased interest in social IA is also reflected in recent EU policy documents such as the 2008 and 2010 Joint Reports on Social Protection and Social Inclusion (European Commission, 2008 and 2010). For instance, the 2010 Joint Report emphasises that social IA becomes even more relevant in the current economic and budgetary circumstances (European Commission, 2010, page 140): “Given that pressure aimed at limiting public expenditures

⁵² Martin Kühnemund is at The Evaluation Partnership in London. Address for correspondence: martin.kuehnemund@evaluationpartnership.com.

⁵³ The study was carried out by The Evaluation Partnership (TEP) and the Centre for European Policy Studies (CEPS) between 2008 and 2010. It will be published on the DG EMPL website by the end of 2010.

is to be expected in most of the Member States in the coming years, the development of an adequate *ex ante* social impact assessment capacity in the context of integrated impact assessment arrangements should be encouraged. Strengthening such “social” component can contribute to more effective and efficient social policy measures. Applied to non social policy measures, it can contribute to avoiding unintended negative social impacts and to better exploiting possibilities for positive synergies (mainstreaming). In this respect, the Social OMC can be used as a forum for exchanging know how between the Member States and between the Member States and the European Commission.”

Since 2008, a number of initiatives have been developed to support Member States that want to put in place social IA at the national and sub-national level. In November 2008, a peer review on the subject was organised in Bratislava.⁵⁴ Eight Member States and two EU stakeholder networks discussed how to develop and successfully implement social IA.

The Lisbon Treaty, which came into force on 1 December 2009, gives an increased status to social issues. Of particular significance is Article 9, which states that “In defining and implementing its policies and activities, the Union shall take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education, training and protection of human health” (European Union, 2009). As put by Frazer and Marlier (Chapter 4 in present volume), “a major political and legal challenge will now be to give a concrete meaning to this new social clause”. In the first instance, this clause should provide “a more solid basis for requiring the EU, that is *both* the European Commission and EU Member States, to mainstream the EU’s social objectives into policy making and, for this to be effective, to systematically carry out social IAs of all relevant policies.”

For the purpose of this study, “impact assessment” (IA) is understood as a tool and process to estimate the likely future impacts of policy proposals. Its ultimate objective is to lead to better informed, more evidence-based political decisions. As far as “social impacts” are concerned, the study took the definition of social impacts used in the Commission’s IA guidance⁵⁵ as a starting point, and then developed its own working definition for analytical purposes.

The study consisted of three main stages. First, a general overview (mapping) of the social IA arrangements in the EU at the national and, where applicable, regional level. Then, a comparative analysis of ten well developed or particularly interesting social IA systems. And finally, a comparative analysis of a sample of 30 concrete examples of social IAs carried out in the framework of the selected social IA systems.

5.2 Key findings

The key results of the first stage of the study, i.e. the “mapping exercise”, include:

⁵⁴ See: <http://www.peer-review-social-inclusion.eu/peer-reviews/2008/social-impact-assessment>.

⁵⁵ The list of possible social impacts considered here cover 9 aspects: a) Employment and labour markets; b) Standards and rights related to job quality; c) Social inclusion and protection of particular groups, d) Gender equality, equality treatment and opportunities, non-discrimination; e) Individuals, private and family life, personnel data; f) Governance, participation, good administration, access to justice, media and ethics; g) Public health and safety; h) Crime, Terrorism and security; and i) Access to and effects on social protection, health and educational systems. In the meantime, this list has been complemented with two more impacts (Culture and Social impacts in third countries). See European Commission (2009), pages 35-36.

- As of early 2009, 21 of the 27 Member States had some form of integrated IA system in place. Several of those systems were only created relatively recently, or had only recently been revamped. A few others were about to be reviewed.
- Most of the Member States that do not have an integrated IA system in place nonetheless have other arrangements to undertake *ex ante* reviews of the likely effects of new policies or laws, albeit often on a less systematic and more *ad hoc* basis. Some were also planning to introduce a formal integrated IA system in the near future.
- Social IA in the EU Member States takes two main forms. It is either undertaken as one part of an integrated IA that considers all relevant impacts of a proposal, be they economic, environmental, or social; or through a specific impact test that only covers one specific type of social impact (e.g. gender equality or health impacts).
- All in all, the study found that some kind of mechanism to assess the likely social impacts of new proposals (be it through an integrated IA system, specific impact tests, or other tools or processes) exists in 25 of the 27 Member States, as well as in several regions.
- The specificities of those systems and mechanisms vary widely, in terms of aspects such as the kinds of social impacts that are considered, the rules and procedures that have to be followed, and the involvement of different actors.
- The results of the mapping exercise suggest that in many (if not most) Member States, there is a significant implementation gap between formal IA rules and requirements, and what actually happens in practice. This is partly due to the relatively recent introduction or revision of many IA systems.

Stage 2 of the study analysed ten social IA systems that appeared particularly well-developed or interesting based on the results of the mapping exercise. The key results of the analysis include:

- In the Czech Republic, Finland and Poland, social impacts are assessed as part of integrated IA. In Denmark and the Netherlands, social impacts do not form part of integrated IA, but separate tests exist to assess specific social impacts (in particular gender IA). In Ireland, the UK, Flanders and Northern Ireland, both approaches are combined (i.e. integrated IA is to consider social impacts, and is complemented by one or more specific tests, such as equality IA).
- Most of the integrated IA systems that were examined were launched as part of a drive for better regulation (sometimes instigated or reinforced by international organisations such as the OECD or the EU), usually with a strong focus on minimising unnecessary administrative and/or compliance burdens. Social considerations usually did not play a key role in the conception of these systems, although one can observe a recent trend towards more “integrated” systems that take into account the three pillars of sustainable development (economic, environmental, social).
- The specific impact tests are usually a reflection of government priorities or even specific events or situations, such as the paedophilia cases in Flanders in the late 1990s (→ youth IA), the tensions between religious communities in Northern Ireland (→ equality IA), a report that uncovered institutional racism in the police in the UK (→ race equality IA), or the Irish 1997 National Anti-Poverty Strategy (→ poverty IA).
- The amount of guidance and orientation provided regarding which types of social impacts (if any) should be considered varies considerably, as does the extent to which certain impacts always have to be checked for. Some systems (such as Finland) provide a detailed list of social impact categories that should be checked; others (such as the UK) remain quite vague.
- The social impact types that are most frequently mentioned explicitly in the various guidance documents are equality impacts (seven of the ten systems), health impacts (six), and employment impacts (five). However, how these broad categories are defined varies considerably between systems, and the guidance in

some countries does not define or categorise social impacts at all. Those that do provide categories sometimes use a different approach: some define *types* of impacts such as employment or health (e.g. Poland), while others focus on the affected *groups* that should be considered, such as those at risk of poverty (e.g. Ireland).

- The extent to which social impacts are actually analysed in practice, and the depth and scope of the analysis, varies considerably from case to case. Generally speaking, the comprehensive and consistent assessment of all likely social impacts of proposals represents a challenge that has not been fully overcome in any of the systems that were examined.
- One basic problem tends to be that integrated IA systems encourage officials to identify and assess likely social impacts along with other relevant impacts, but leave it largely to these officials to determine which (if any) social impacts are likely to be relevant and significant. If officials do not fully understand what social impacts are about, and/or if they perceive that social impacts are not seen as a priority by their hierarchies, there is a clear risk that the assessment will remain superficial (or not be conducted at all).
- A lack of appropriate methods, tools and data represents a further challenge to social IA. Most IA systems require (or at least encourage) IAs to present a monetised cost-benefit analysis. Since most social impacts are difficult to estimate in monetary terms, they are sometimes seen as irreconcilable with the IA format and therefore only treated in a cursory way, or even largely ignored.
- While most policy makers are accustomed to justifying their proposals from an economic and financial point of view, to many the notion of assessing social impacts can be somewhat foreign. One of the keys to enhancing social IA is raising the awareness, knowledge and expertise of officials across government. Some countries and regions have tried to achieve this through detailed written guidance or specific training sessions, which can be effective to a certain extent. But there is also a need for bodies with a specific social remit or expertise (be they within ministries, across ministries, or even beyond, such as academic institutions) to become more involved in providing ad hoc guidance, support, or quality control if and when required.
- Stakeholder consultation is another key element of social IA, especially if it takes place sufficiently early in the IA process. The possibility for interested parties to comment on and challenge the content of an IA can be an effective quality check, as well as provide additional information and evidence regarding the likely social impacts. However, inappropriate timing or channels, as well as a lack of transparency in how the results are treated and disseminated, can severely hamper the effectiveness of stakeholder consultations.

Finally, the key results of the third stage of the study, which analysed a sample of social IAs from across a number of jurisdictions and policy areas, can be summarised as follows:

- The comparative analysis of integrated IAs revealed that the consideration of different types of social impacts is driven primarily by two factors: the nature of the policy in question and the specific social goals it pursues, and (where applicable) the impacts that are obligatory to assess. In other words, IAs were most likely to undertake an in-depth assessment of (1) the specific social benefits of policies (where these could be used to justify the proposal), and (2) the likely social costs and/or benefits in areas where the assessment is mandatory (such as employment in Poland or equality in the UK). Other social impacts were frequently mentioned, but rarely analysed in any amount of detail.
- The review of the concrete examples also confirmed that in the majority of cases, the assessment of social impacts remained mostly or even purely qualitative – although other (mainly economic or financial) impacts were more frequently quantified / monetised.
- The IAs that were reviewed contain a number of interesting examples of both qualitative and quantitative techniques and tools for social IA (including multi-criteria analysis to compare hard-to-quantify impacts, different approaches to monetise the benefits of increased employment and skills, micro-simulation models that can be used to estimate the distributional effect of measures on the income of different population

subgroups, and a method to determine impacts on disadvantaged areas). In social IA practice, such relatively sophisticated methods co-exist with purely narrative, sometimes very brief, mentions of what social impacts are likely to occur, frequently without any evidence to substantiate this or allow for an understanding of the order of magnitude of the impacts.

- As for specific impact tests, the study reviewed examples of equality IA, poverty IA, child IA, and income effects tests. Each of these tools shows clear potential to produce an in-depth assessment of a specific type of social impact, and several of the examples that were reviewed provided highly useful and relevant results.
- However, the number of times such specific impact tests are used in practice tends to remain low (unless they are made mandatory for all proposals), and their usefulness depends to a considerable degree on how relevant the specific impact is for the proposal in question. Where this is not the case, such tests can be perceived as excessively rigid, tedious and burdensome, and lead to results whose usefulness is doubtful.

5.3 Main conclusions and recommendations

Very broadly speaking, this study has shown that social IA is still in its infancy in most European IA systems. Where it takes place at all, the assessment of social impacts is often less well developed than the assessment of economic or financial impacts. Examples of IAs that contain an in-depth analysis of social impacts are few and far between; where they do exist, they are most often conducted on policies with specific social objectives.

This is not to say that social impacts are always intentionally neglected in the IA systems that were examined. It can also be a consequence of one or more of the following factors: (1) IA (including social IA) is generally difficult to effectively reconcile and integrate with previously existing policy processes; (2) social impacts can be particularly difficult to assess; and (3) some IA systems place the main emphasis on economic impacts (explicitly or implicitly).

Nonetheless, this study has found that effective social IA is possible. There are pockets and/or isolated examples of good practice in all of the systems that were assessed. Although the circumstances of each system, IA tool and specific case are very different, this study has identified ten common challenges that any country or region looking to set up an effective system for social IA, or to improve their current system, will have to be aware of and address. These are summarised in Table 5.1.

Table 5.1: 10 common challenges to be addressed for setting up an effective system of social IA

Key challenge	Summary description
1. Acceptance of IA and buy-in	Where the prevalent policy-making culture does not see IA as a tool and process that adds value, it can easily turn into a mere tick-box exercise.
2. IA process and timing	For IA to fully play its intended role, it needs to start early enough and be understood as a <i>process</i> (not just a report) that runs alongside and informs the entire policy development process.
3. Commitment to consider social impacts	Even where social impacts are in principle included within the scope of IA, and the guidance places equal weight on the different pillars, <i>de facto</i> there is often a focus on economic impacts.
4. Definition of social impacts	The term “social impacts” is potentially so broad that it means little to non-specialists. Some form of orientation is needed to guide IA producers towards considering relevant social impacts.
5. The proportionate level of analysis	While it is generally accepted that the depth and scope of the analysis should be proportionate to the significance of the likely impact, defining criteria and mechanisms to operationalise this principle tends to be very difficult.
6. Analytical methods, tools and data sources	The lack of appropriate tools, models or data sources to assess social impacts quantitatively is one of the most frequently cited challenges to effective social IA. Most social IA remains purely qualitative, and often very superficial.
7. Capacity and expertise	In order to ensure that even civil servants who do not regularly deal with social policy have the necessary knowledge to conduct social IA, written guidance needs to be complemented by other methods, such as training and <i>ad hoc</i> support.
8. Stakeholder consultation	When channelled and processed appropriately, input and feedback from stakeholders represents not only an effective quality control mechanism, but can also be an important source of data and information for the analysis of (social) impacts.
9. IA as an aid to political decision-making	One of the main objectives of IA is to inform the political decision-making process, mainly in the legislative branch of government. However, the actual use of IAs by politicians as an aid to their decision-making is currently quite limited.
10. Quality control and system oversight	Effective (internal or external) quality control mechanisms are crucial to ensuring IA quality. The social dimension is not often represented in central quality control / oversight for integrated IA systems.

Some of the challenges listed above (e.g. the timing of the IA process, or the need for effective quality control and oversight) relate to all elements of IA, while others apply only to the social dimension of IA. Focusing on the elements that are specific to social IA, the study went on to explore potential responses to the following three key questions.

(1) How can Member States ensure a common understanding of what constitutes a relevant social impact?

In order to overcome the lack of a consistent understanding among IA producers (as well as managers and users) of what constitutes a social impact that should be considered as part of the IA process, some form of guidance is required. Some countries and regions have developed lists of types of social impacts, but these tend to be rather lengthy and complex, and often include grey areas, duplications and/or overlaps. However, this study has shown that the vast majority of social impacts can be summarised under a relatively limited list of impact types, namely:

1. Employment (including labour market standards and rights)
2. Income
3. Access to services (including education, social services, etc.)
4. Respect for fundamental rights (including equality)
5. Public health and safety

This list covers a very large part of the impacts considered in IAs. Crucially, some social impact categories or assessment types that are not included in the list above are actually covered through the combination of the five parameters with specific population groups. For example, social inclusion is normally understood as the result of a combination of most or all of the factors listed above, when applied to those groups that are at risk of social exclusion. It is therefore recommended that Member States examine their respective IA systems (be they integrated systems or specific impact tests) through the lens of these five broad categories of social impacts, with a view to identifying overlaps and gaps, and eventually devising simpler and clearer guidance for social IA.

(2) How can Member States ensure that relevant social impacts are considered and identified, particularly in the early stages of the IA process?

Given the focus on economic impacts that is prevalent in many IA systems, Member States should clarify whether social IA should indeed form part of integrated IA, and how this fits and can be reconciled with the (perceived or real) need to conduct a cost-benefit analysis. If social IA is seen as a key part of IA, this should be expressed clearly in the written guidance as well as in IA training sessions. In addition, the social dimension should ideally be represented in both IA system oversight and in ad hoc assistance (e.g. through the creation of networks of experts).

On a more practical level, there have to be appropriate screening mechanisms or tools to enable and encourage civil servants to actually consider social impacts seriously when producing IAs. Such tools already exist in several systems, but they are sometimes not designed very well. A basic screening framework for social impacts needs to be reasonably easy to understand and concise, as well as guide IA producers thought processes in a clear way. Such a framework could be structured around the five basic impact categories listed above, and require producers to specify which groups are likely to be affected under each impact type.

(3) What approaches, methods, tools and data sources should be used to assess relevant social impacts?

The tension between the quantitative ambitions of most IA systems and the qualitative reality of most social IAs was one of the prominent themes of this study. Developing and disseminating knowledge about tools, methods and data sources to measure social impacts quantitatively should certainly be one priority. As regards monetised methods, the focus should be on widening the awareness and use of existing models (primarily for employment and income effects), and on further developing these models and others to make them applicable to a wider set of

geographical and policy situations. Improved quantitative (non-monetised) assessment would require (but also facilitate) the use and development of relevant data sources and indicators.

However, it is also important to set realistic expectations as to which kinds of social impacts can more easily be quantified, and for which the analysis will in most cases have to remain qualitative, and to facilitate thorough and robust qualitative social IA for the latter. This could be done *inter alia* through providing clearer guidance as to what constitutes qualitative “analysis” (as opposed to just a cursory mention), but also by widening the available evidence base through wider and better use of stakeholder consultation. Strengthening the link between *ex post* evaluation and *ex ante* IA is another key area to enhance social IA and learn from past experiences.

The role of the European Commission and the Social OMC

In relation to all three questions posed above, the European Commission and/or the Social OMC can support the efforts of Member States to facilitate a better understanding, identification and analysis of social impacts by:

- Holding regular workshops, training and/or benchmarking exercises on current social IA practice, with a view to developing a “learning network”;
- Developing dedicated online tools for social IA, including a library of examples of social IAs;
- Exploring linkages and learning opportunities between IA and the indicator targets set within the Europe 2020 strategy, and/or the assessment of EU structural policies;
- Pooling resources at the EU level to support the development of datasets and sophisticated statistical and modelling instruments in social IA.

References

European Commission (2008), *Joint Report on Social Protection and Social Inclusion 2008*, Brussels: European Commission. Available from:
<http://ec.europa.eu/social/BlobServlet?docId=2386&langId=en>.

European Commission (2009), *Impact Assessment Guidelines* Available from:
http://ec.europa.eu/governance/impact/commission_guidelines/docs/iag_2009_en.pdf.

European Commission (2010), *Joint Report on Social Protection and Social Inclusion 2008*, Brussels: European Commission. Available from:
<http://ec.europa.eu/social/BlobServlet?docId=5503&langId=en>.

European Union (2009), *Consolidated Version of the Treaty of Lisbon*, Brussels: European Union. Available from:
<http://www.consilium.europa.eu/showPage.aspx?id=1296&lang=en>.

6. THE LISBON STRATEGY, EUROPE 2020 AND THE CRISIS IN BETWEEN

(David Natali)⁵⁶

Abstract: This chapter provides a brief overview of the Lisbon strategy, its political and economic rationale, and its main advancements and limits. It is organised in three parts. The first part summarises the politico-economic reasoning at the basis of the Strategy and the expected improvement of the EU governance. Expectations advanced by policymakers and experts are analysed. The second part of the chapter focuses on the social dimension of the recent economic and financial crisis. This is conceived as the sum of the global challenges the EU is facing and the Lisbon Strategy was supposed to deal with. Finally, the third part summarises “shadows” and “lights” of the Lisbon Strategy. Some open questions on the design of the new Europe 2020 Strategy are proposed. The key findings in assessing the Lisbon project are summarised through seven critical points to deal with in order to understand the potential of the new Europe 2020 Strategy.

6.1 Approaching Europe 2020: the Lisbon Strategy and the crisis

The Lisbon Strategy launched in 2000 has represented a twofold ambitious goal for the European Union (EU): to transform the European economy of the 21st century (and make it the most competitive knowledge-based economy in the world) and to innovate EU governance through new forms of interaction between national practices and European objectives.

A lively multi-disciplinary debate has developed since the early 2000s amidst much controversy between scholars and experts. This chapter provides a brief overview of the Lisbon Strategy, its political and economic rationale, and its main advancements and limits. This is instrumental for asking some analytical and political questions on the post-Lisbon phase and the launch of the Europe 2020 Strategy.⁵⁷

The present contribution is organised in three parts. Section 6.2 looks at the normative political and economic foundations (the complex interplay of social and economic goals) and the key aspects of the governance (especially through the Open Method of Coordination - OMC) of the Strategy launched in Lisbon. Section 6.3 sheds light on the ongoing economic-financial crisis (and its social consequences). This is conceived as the sum of the global challenges the EU is facing and the Lisbon Strategy was supposed to deal with. Section 6.4 refers to “shadows” and “lights” of the Lisbon Strategy. Some open questions on the design of the new Europe 2020 Strategy will be proposed. The reference will be to two broad tensions (and seven critical points) that require more political and analytical attention. Section 6.5 concludes.

6.2 The Lisbon Strategy: logics and promises

When the Lisbon Strategy came into existence many academic and political commentators viewed its agenda and the related governance tools as a promising step to improve EU socio-economic performance while also legitimising European integration. The Strategy was widely interpreted to be a “fundamental transformation” of the EU project in economic, social and environmental dimensions (Sapir, 2004; Rodriguez, 2002; Zeitlin, 2008).

⁵⁶ David Natali is at the European social observatory (OSE) in Brussels and at the University of Bologna-Forli (Italy). Address for correspondence: david.natali@unibo.it.

⁵⁷ For a systematic review of the literature, see Natali (2009).

6.2.1 The economic and political rationale of the Strategy

The conclusions of the Lisbon Summit of 2000 were based on the assumption that EU economic models needed to change to be competitive in the global economy. Such an assumption was based on a critical understanding of the EU development trajectory since the 1970s: European problems in productivity and innovation (and the increased gap with US dynamism) were largely interpreted to be the result of economic and social rigidities (Alesina and Giavazzi, 2006).

In the words of Begg (2008), a systematic lack of competitiveness was made evident by the deteriorating economic performances, persistent unemployment and delay in developing knowledge-intensive sectors. To remedy the European shortcomings some key reforms had to be implemented. From a micro-economic perspective, structural reforms had to be introduced to boost productivity and employment rates. More investment on information technologies, fewer obstacles to the freedom of services provision and the liberalisation of transport and energy markets were some of the innovations to be introduced (Daveri, 2002). In order to achieve the objective of a competitive and dynamic economy Europe had to achieve results in reforming social and environmental policies (Begg *et al*, 2007).

Economic reasoning was also at the basis of the perceived need for more economic and social coordination (Collignon, 2008). In line with Pisani-Ferry and Sapir (2006) two types of reasoning justify embarking on EU coordination. Firstly, interdependence may render independent decision making undesirable. Spill over effects of national decisions may be active in the policy areas where benefits are not confined to the country where decisions are taken (e.g. research and development), and in policy domains where complementarities exist (as is the case of product market and employment policies). Secondly, policy-makers may learn from each other. Policy learning may be improved through cross-country comparison and benchmarking. And common programmes may represent a reform lever for national policy-makers through a shared understanding of the needed reforms.

Yet, as argued by Rodriguez (2002) – one of the architects of the Lisbon agenda – the emphasis on this new EU Strategy was political more than economic. While the need to ensure peace within the EU borders was taken for granted by new generations, a more “forward-looking” approach to socio-economic development had to be stressed. The new impetus for European integration had to be based on sustaining EU citizens’ living conditions, making Europe a key player in globalisation and on the improvement of the EU institutions’ legitimacy. Structural reforms had to be paralleled by a new focus on multilateralism and democratic deepening for new Member States (Rodriguez, 2010).

One of the key targets of the Strategy was the European social model, its reform and the contribution it could make to the broader revamping of economic growth (Ferrera *et al*, 2000). In such a context, social and employment policy moved higher up on the European agenda. Social protection was defined as a productive factor and part of the “Lisbon triangle”. The latter consisted of the mutual reinforcement of economic competitiveness and growth, social inclusion and employment. All this was consistent with a more evident commitment to a social Europe.

6.2.2 The Lisbon Strategy as a new “participatory” and “knowledge-enhancing” governance

While the Strategy was based on a set of policy tools including regulation, social dialogue and structural funds, the new modes of governance have attracted much of the scientific debate.⁵⁸ Terms such as “soft law”, experimental governance, post- and self-regulation have been widely used to characterise the Open method of coordination (OMC) – that is, the new governing instrument agreed on at the extraordinary European Council of March 2000 (Falkner *et al*, 2005).

For political scientists, international relations theorists and lawyers the OMC represented an important change for EU policy-making. In line with Scott and Trubek (2002), the OMC was characterised by experimentation and knowledge creation, flexibility and revisability of normative and policy standards, and diversity and decentralisation of policy-making (Héritier, 2002). The revised EU toolkit was assumed to represent a promising instrument to face up to common European challenges while at the same time respecting national diversity and sovereignty and to use the diversity of national policies as a resource to find solutions to “intractable problems”.

Another key dimension of the Strategy consisted of participation. Social partners in the EU and national arenas have been encouraged to participate in all stages of the process and have been in particular called upon to take an active role in the elaboration of national reports and of common guidelines (Natali and de la Porte, 2009). According to the “input legitimacy” perspective, the Lisbon Strategy was related to the concrete implementation of the principles of participation, transparency and openness. In this case the reference is to the theory of directly deliberative polyarchy that stresses the importance of the participation of different citizens in a bottom-up logic (Sabel and Zeitlin, 2007).

The Lisbon Strategy thus represented the source of new forms of multi-level governance through: the exchange of information among policy-makers; learning from each other’s experience, practices and intentions; national ownership and the exertion of peer pressure to galvanise governments into taking appropriate policy action (Ioannou *et al*, 2008, page 13).

6.3 Economic and financial crisis: a three-step process

While early research viewed the Strategy as a promising project for the EU, more recent contributions have contributed to a more complex and nuanced understanding. Much criticism (on both the Lisbon Strategy and the new Europe 2020) has revamped after the huge financial, economic and then budgetary crisis affecting most advanced western economies (see Pochet, 2010).

This section sheds light on the key aspects of the crisis and the most evident questions proposed by experts, scholars and policymakers on the coherence of the Lisbon policy agenda and its capacity to face socio-economic challenges (especially after the crisis). The latter is summarised in line with the three major steps that have characterised its evolution: the financial crisis (worsened following the collapse of Lehman Brothers in 2008); the broad economic recession that hit Europe in 2009; and the Greek crisis and the consequent budgetary tensions in the EU in 2010.

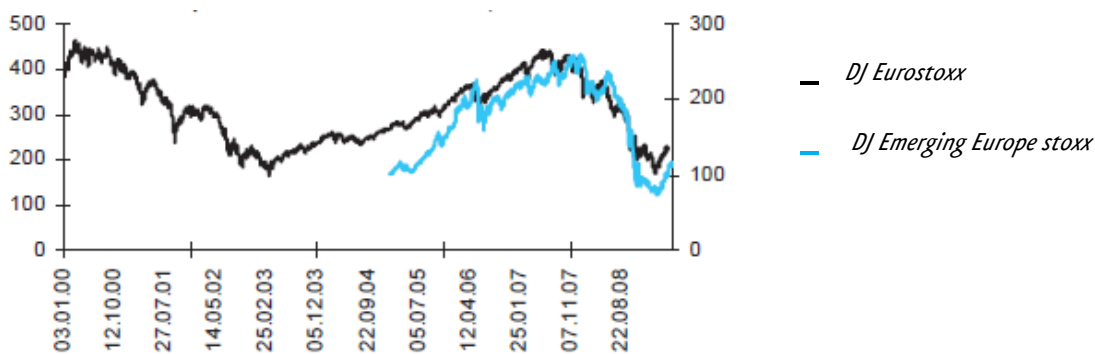
⁵⁸ Zeitlin (2007, page 3) rightly argues that “the OMC was never intended to serve as the sole governance instrument for the Lisbon Strategy, but was always supposed to be combined with the full set of EU policy tools, including legislation, social dialogue, Community action programmes, and the structural funds”.

6.3.1 Financial crisis in 2008

In its early stages, the crisis manifested itself as an acute liquidity shortage among financial institutions as they experienced ever stiffer market conditions for rolling over their short-term debt. The inter-bank market virtually closed and risk premiums on inter-bank loans soared. Banks faced a serious liquidity problem. In this phase, concerns over the solvency of financial institutions were increasing, but a systemic collapse was deemed unlikely (European Commission, 2009).

It was also widely believed that the European economy, unlike the US economy, would be largely immune to the financial turbulence. This belief was fed by perceptions that the real economy, though slowing, was thriving on strong fundamentals such as rapid export growth and sound financial positions of households and businesses. This perception dramatically changed when a major investment banks defaulted in September 2008. Confidence collapsed, taking down major US and EU financial institutions. The crisis thus began to feed onto itself, through: credit cuts, economic activity plummeting, loan books deteriorating and so on. The downturn in asset markets snowballed rapidly across the world (Figure 6.1).

Figure 6.1: Trends in Stock Markets, 2000-09



Source: European Commission (2009)

Western governments did introduce emergency measures to prevent collapse of the financial system, while the debate about the regulation of financial markets revamped.⁵⁹ As far as the Lisbon Strategy is concerned, it has been largely criticised for the weakness of the “better regulation” approach to financial markets. Some authors assume the crisis to have been the result of a twin failure, namely the ineffective regulation of the global financial markets and excessive financial liquidity due to historically low interest rates (Quaglia, 2010; Natali, 2010).

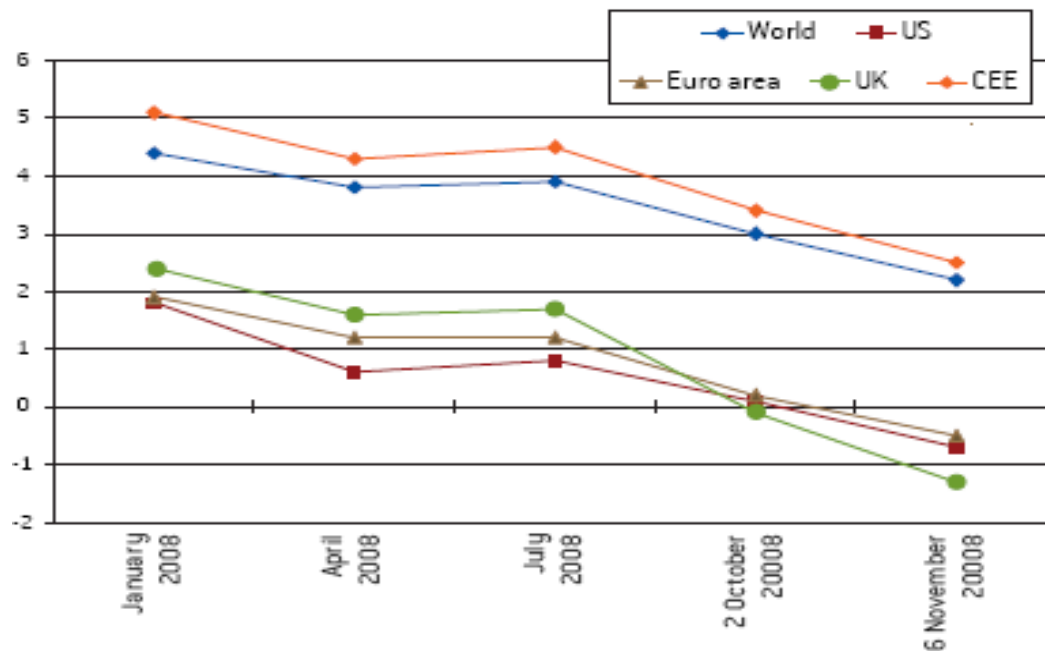
6.3.2 Economic recession in 2009

From then onward the EU economy entered the steepest downturn since the 1930s. The transmission of financial distress to the real economy evolved at record speed, with credit restraint and sagging confidence hitting both investment and demand. The cross-border transmission was also extremely rapid through global financial and product markets (European Commission, 2009, page 27). As put it in Figure 6.2, potential growth decreased across western countries: the negative trend was particularly severe in the US, but Europe was hit too.

⁵⁹ As for the EU, in 2008, European Commission President Barroso set up the so-called Larosière Group to give advice on the future of European financial regulation. This high-level group has reported on its main goals for increasing financial market stability.

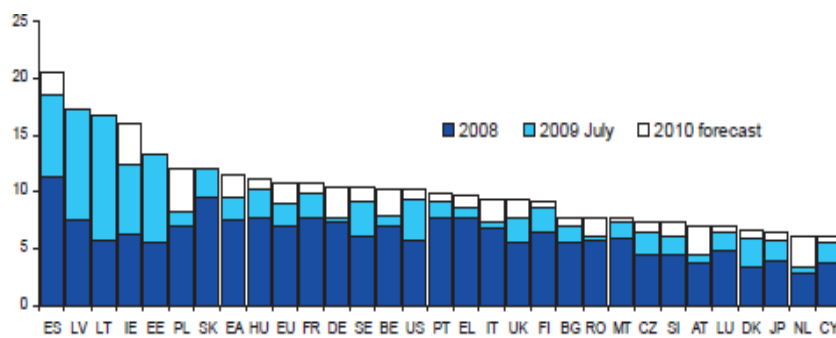
New risks have emerged and have made many economists fear that it may still weigh on economic performance for some time to come, and that a recovery will only be in sight after a protracted period of time. Labour markets in the EU started to weaken considerably in the second half of 2008, deteriorating further in the course of 2009. The EU unemployment rate has increased by more than 2 percentage points, and a further sharp increase is likely in the future. In the second quarter of 2009 the unemployment rate increased by 2.2 percentage points (Figure 6.3).

Figure 6.2: Potential GDP Growth in the EU and other areas, 2008



Source: Pisani-Ferry et al, (2008)

Figure 6.3: Unemployment rates in the EU, 2008-10



Source: European Commission (2009)

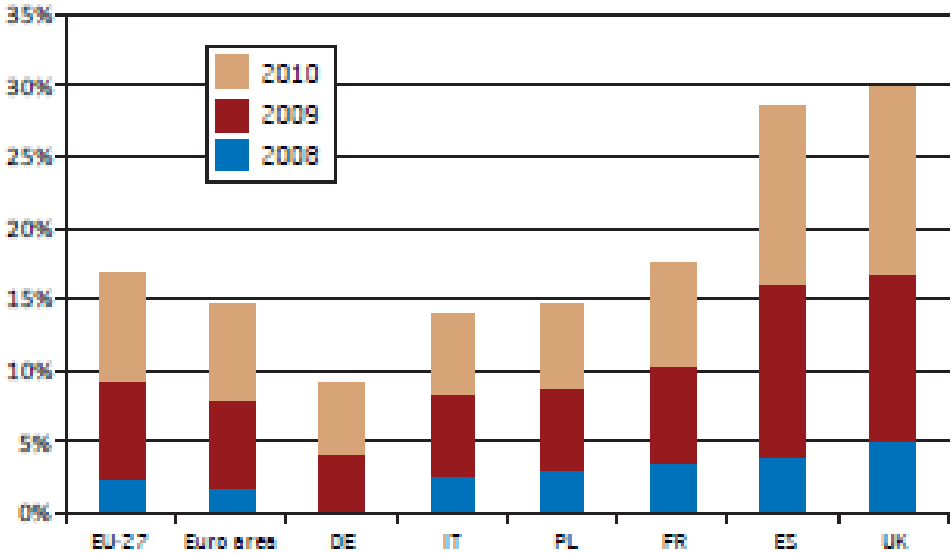
Progress made in bringing the unemployment rate down vanished in about a year. A major challenge stems from the risk that unemployment may not easily revert to pre-crisis levels once the recovery sets in. And this could threaten the European welfare states, which are already strained by ageing populations (European Commission, 2009, page 36).

Economic downturn and its consequences on the labour market have contributed to the criticism on the Lisbon Agenda. Many scholars have questioned the belief that economic deregulation and flexibility in labour markets is the right path for more economic growth and to reduce the impact of the crisis (Amable, 2009). While others have stressed inequality and the adequacy of welfare benefits have been largely neglected in the implementation of the Strategy, while they contribute to reduce the impact of negative the economic cycle through a more inclusive society (Pochet, 2010).

6.3.4 Growing budgetary tensions in the Euro-zone in 2010

The condition of the European economy prevailing in this crisis corresponds almost exactly to the textbook case for a budgetary stimulus. The fiscal stimulus adopted by EU governments as part of the EU Strategy for coordinated action, has weighted heavily on fiscal challenges. As a consequence, the IMF (2009) projects an increase in the average debt-to-GDP ratio in the euro area of 30%, to reach 90% of GDP by 2014. This average disguises substantial increases for some Member States. Part of the budgetary deterioration is cyclical, but part is permanent. In the years following a shock, growth rates often recover to the pre-crisis pace but the loss in output level typically remains permanent, implying a parallel fall in public revenues (Figure 6.4).

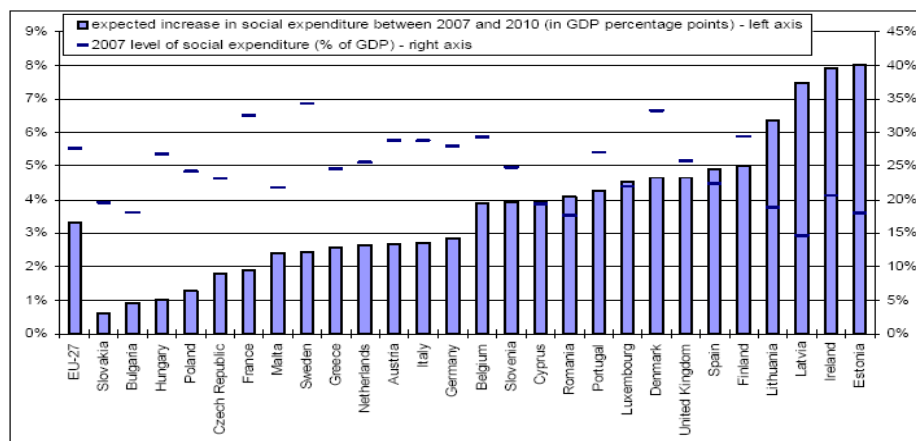
Figure 6.4: Increased Deficit (% GDP) in the EU, 2008-10



Source : Von Hagen et al (2009)

According to the Commission's autumn economic forecast, as a result of automatic stabilisers and discretionary measures to enhance social benefits, social expenditure in the EU is expected to increase by 3.2 percentage points of GDP between 2007 and 2010 (Figure 6.5). A Commission estimate shows that spending on overall recovery measures varies from less than 1% of GDP to more than 3.5% (Social Protection and European Commission, 2009).⁶⁰

Figure 6.5: Expected increase in social expenditures between 2007 and 2010



Source: Social Protection Committee and European Commission (2009)

Many EU countries have thus started to show increased financial stress. Greece has represented a special case: no other euro-area country exhibits a similar combination of budgetary misreporting and misbehaviour (Marzinotto *et al*, 2010). Throughout the 2000s, the country has been running an expansionary budgetary policy while attempting to hide it. The problem it poses is therefore primarily one of enforcement of the existing provisions of the Treaty and the Stability and Growth Pact (SGP).

Yet, other EU countries have suffered increased budgetary tensions. This fiscal stimulus is estimated to amount to up to 2% of GDP on average in the EU for the period 2009-2010. With the rise in the fiscal deficit over that period estimated to average about 5% of GDP, the induced budgetary developments thus amount to around 3%. Part of this induced fiscal expansion is likely to be permanent (European Commission, 2009).

The tensions mentioned above have originated some questions on the reform agenda proposed by the Lisbon Strategy and its own governance of economic and social matters. As for the former, before the crisis there was a strong belief in the EU that budgetary discipline was the “mother of all policies” (Marzinotto *et al*, 2010, page 2). Accordingly, budgetary surveillance was deemed sufficient to prevent instability, with no reference to the private sector. The limits of such neglect started to become apparent at the beginning of the crisis, as emphasised in the European Commission report on the first ten years of the euro (European Commission, 2009). Further criticism has focused on the economic and budgetary coordination in the Euro zone through the Stability and Growth Pact and especially the Broad Economic Policy Guidelines. Both mechanisms for crisis prevention and management have been at the core of the political debate (Pochet, 2010).

⁶⁰ Member states have also utilised resources from European Social Funds and from the European Globalisation Adjustment Fund to combat unemployment and to improve social inclusion of most vulnerable groups (Social Protection Committee and European Commission, 2009).

6.4 The Lisbon Strategy ten years on: a more complex understanding

In the following we briefly summarise the main critical viewpoints on the Strategy in the light of the recent economic crisis mentioned above. We organise these open questions along the two main analytical dimensions mentioned in the first part of the chapter: the political and economic foundations of the Lisbon Strategy, and its governance (see Box 6.1).

Box 6.1: Open questions on the efficacy of the Lisbon Strategy

The Political-economic rationale of the Lisbon Strategy

- I) The wrong Strategy for further EU integration?
- II) The wrong policy agenda? Tensions between Budgetary Stability and Structural Reforms
- III) A more central understanding of social and employment policy

The Lisbon Strategy and its governance

- IV) Weak economic policy institutions?
- V) A Limited participation of stakeholders?
- VI) A more encouraging assessment of learning
- VII) Some influence on national policymaking

Some of these tensions are related to the critical understanding of the limits the Strategy has proved to have. Others are based on a more encouraging reading of its implementation and influence on Member States' reforms and performance. All these points represent key elements of the still open debate on the new Europe 2020 Strategy.

6.4.1 Questioning the political-economic rationale of the Lisbon agenda

1) The "wrong" Strategy for further EU integration?

For some authors, the Lisbon reform package did not represent a programme to "recalibrate" the European social model and that of continental European countries in particular. By contrast, it was an economic project to destabilise it. Much of the delay in the reform process and the tensions over its implementation could thus be understood in terms of an ongoing tension between the Lisbon ideology and the socio-economic compromise of many EU members (Amable, 2009).

A more institutional and historical approach to the risks for the future of EU integration (with evident links with the Lisbon agenda) seems to converge towards the same insights (Hopner and Schafer, 2007). For these authors, European economic integration has entered a new, post-Ricardian phase in which it systematically clashes with national varieties of capitalism. Rather than enhancing competition that builds on existing comparative (institutional) advantages, the EU project is propelling convergence. Integration attempts affect liberal market capitalism and organised capitalism differently and result in a "clash of capitalisms". Convergence may thus lead to one of two different scenarios. The first is that convergence alters the way in which continental European economies operate. The second is that political resistance in the organised economies leads to a crisis of political integration.

The EU has moved beyond the stage of technical harmonisation or purely regulatory policies. Boundary redrawing deeply affects the Member States' ability to govern the economy, and governments are unable to control further integration (Ferrera, 2008). If this is the case, the indirect legitimacy of European institutions seems an insufficient democratic basis for economic liberalisation (ibid, pages 23-24). In the words of Majone (2005), "integration by stealth" has reached its limits, in that EU strategies are increasingly in conflict with

national socio-economic institutions. The modified Lisbon process is thus interpreted as a source of political opposition and disaffection against the EU.

2) The wrong policy agenda? Tensions between Budgetary Stability and Structural Reforms

A critical reading of the Lisbon Agenda has focused on its liberal mark. On the one hand, the supposed superiority of the liberal model implemented in US has been questioned on the basis of evidence from different productive sectors (see European Commission, 2009). From a more analytical perspective, some have argued economic analysis should focus on single sectors (industry, service) rather than on broad economic models. And this revised focus may be used to provide evidence of a more complex economic dynamics. On the other hand, scholars have questioned the belief that deregulation and flexibility (in labour markets) is the right path for more economic growth (Amable, 2009).

A more direct and precise analysis of the overall Lisbon philosophy has been provided by Mabbett and Schelkle (2007). The authors have stressed the potential contradiction within the Lisbon and EMU projects and have shed light on the “conflicting political economy” of the EU’s simultaneous agenda (ibid, page 83). While for the literature that most embraced the Lisbon Strategy, fiscal austerity had to contribute to the reform of social and employment policies (see Rodriguez, 2002), Mabbett and Schelkle agree with the opposite reading: fiscal consolidation is not expected to help structural reforms but to lead to more tensions. Reform’s losers should be compensated for their losses, but austerity limits the room for that. In such a context, the Lisbon agenda may get a “double whammy” from simultaneous fiscal consolidation and welfare reforms: austerity may limit political consensus for reforms, and may lead interest groups to ask for compensations that obstruct the Lisbon goals. The authors conclude by challenging the political economy of Lisbon and EMU and stressing the potential contradiction between structural reforms and fiscal stabilisation.

The most recent crisis has largely reinforced such a critical reading: Pochet (2010) has stressed the persistent tensions (if not contradiction) between the different aims of the Strategy; especially between the Stability and Growth Pact and the fight against poverty. Austerity packages - largely supported by the EU – risk to limit the activation of social and employment policy to face the further effects of the crisis.

3) A more central understanding of social and employment policy?

Political scientists and lawyers have shared a less critical reading of the Lisbon Strategy and its influence on both European and national policy-making, and policies. Goetschy (2009) for instance has stressed the Lisbon Strategy’s influence on the EU’s role in social policies. The Strategy has been assumed to have contributed to “enlarge EU employment and social agenda on matters of national priority” (ibid, page 222). And it has been argued that the broader EU agenda with explicit interaction between economic, social and environmental policies could help to overcome traditional fragmentation in European policy-making (see Zeitlin, 2008). Others have stressed the revised political equilibrium at the base of the Strategy and the progressive shift of the original compromise between social democracy, liberalism and “Third Way” towards a more right-centred approach (see Pochet, 2006).

Open questions have been recently asked on the need for a revision of the key issues at the core of the Strategy and especially on social and employment policies. For the preparation of the new Europe 2020 Strategy, and in a context of potential long-term employment crisis, some authors have stressed the problematic implementation of the “flexicurity” principle in times of huge economic downturn. Theodoropoulou (2010) stresses “flexicurity reforms should not be abandoned (...) however the focus must be on creating the conditions to provide employment security first, before resuming the push for greater flexibility”.

6.4.2 The Lisbon Strategy and its governance

Another strand of the economic literature has seen the foundations of the Strategy to be correct but has discovered major institutional shortcomings related to EU governance and to the OMC in particular. Such a research effort has been based on extensive empirical evidence of the economic performance of EU countries since 2000, the political functioning of the process at national and EU level and the key “deliverables” of the process.

1) Weak economic policy institutions?

Scholars have firstly analysed the “disappointing” economic and social performance of the EU since 2000. Comparing the post-Lisbon period with the previous decade an extensive literature has stressed that Europe has not become the “most dynamic economy in the world”: GDP growth in EU-15 and the euro area has been much lower than in the US; long-term productivity has been higher in the US than in the Europe; and while employment rates have improved, the labour market has become more flexible at the lower end (Collignon *et al*, 2005; Fitoussi and Le Cacheux, 2005). Creel *et al* (2008) follow a similar approach: the poor performance of the EU proves that the EU has not developed the coherent economic policy institutions to foster its potential growth. The EU thus lacks “the real means of a proactive macro-structural policy mix (...) implementing structural reforms without coherent macro-economic governance” appears to be an “impossible task” (*ibid*, page 4).

Collignon (2003 and 2008) has stressed that the objectives set in 2000 will not be met as a consequence of the weak focus on economic growth and the ineffective macroeconomic management: “institutional realities and hard-nosed political considerations have often impeded the realisation of policies necessary to improve the EU’s economic performance” (*ibid*, page 5).

The most recent Greek crisis has further contributed to the critical understanding of the Lisbon governance. This is firstly the case of the mechanisms implemented through the Stability and Growth Pact and its interaction with the economic and employment guidelines. The debate is focused on the crisis prevention on the one hand (need for enforcing existing provisions on auditing, stress-testing of budgetary policy and incentives for budget reforms and on crisis management on the other (e.g. financial assistance, loans, interplay between EU and IMF, etc.) (Marzinotto *et al*, 2010). Other contributions to the contemporary literature have then shed light on the problematic balance between the ministers of finance and social policy ministers (Pochet, 2010). And the issue is even more evident in the governance of the new Europe 2020 Strategy.

2) A still limited participation of stakeholders?

The literature with a more political science and sociological angle has further developed the analysis of new modes of governance introduced through the Lisbon project. One of the key findings has been that individual parts of the Lisbon Strategy have their own institutional dynamics and policy influence. As far as participation is concerned, in particular, recent research indicates that, in practice, participation in the whole Strategy has proved to be uneven. As indicated above, the OMC was interpreted as a particularly participatory mode of governance that emphasises subsidiarity and as an example of democratic experimentalism (Smismans, 2008; de la Porte and Nanz, 2004).

The social partners and NGOs are involved to varying degrees in the OMCs (at national and supranational level). Although there is some methodological ambiguity, Tucker (2003) provided evidence (on the base of reports provided by research networks) that in general the social partners and other groups have not played a major part in the policy coordination process, but there are indications that this varies significantly across the OMCs and cross-nationally. In some coordination processes, for example the OMC on social inclusion, early indications

stressed improvements in facilitating new forms of meaningful participation of civil society at the domestic level. This was interpreted as a signal that the OMC “has partially matched the ambition of the Lisbon participatory governance” (ibid, page 20). This is confirmed by more recent assessment of Social OMCs (see Vanhercke, 2010).

Yet, more in-depth analyses of single OMC processes have led to more sceptical understandings of the participatory dimension. In particular, much research has focused on two categories of actors: social partners and civil society organisations. Empirical evidence has shown the broad variety of access venues open at EU level: from informal meetings between EU officials and NGOs, to formal committee meetings with important differences between policies and competent Directorate-Generals (see also Obradovic and Vizcaino, 2007). But, in the words of Kröger (2008, page 31), “access for civil society organisations to policy processes at EU level is poorly regulated and does not seem to be equally open to all in all instances (...) it does not fulfil the democratic norm of both liberal and deliberative democracy”.

For Smismans (2008), the European Employment Strategy (EES) to date has proved to be a “top-down” approach with an inclusion of regional and local authorities in the implementation of employment guidelines. The OMC is a technocratic process involving national and EU civil servants in limited circles of experts.⁶¹ In the words of Kröger (2008), consultative practices seem to do little to bridge the gap between the EU and its citizens. As argued by Kerber and Eckardt (2004), in most OMCs the participation of social partners, local actors, civil society representatives, or even national parliaments, is weak or non-existent, despite the efforts of the Commission to increase their influence.

3) A more encouraging assessment of learning

Political scientists have contributed to the more complex understanding of the causal nexus between the Lisbon project and national reforms introduced so far. As argued by Zeitlin (2007), the national influence and effectiveness of OMC processes is difficult to assess, not only because of their variety, complexity and relative newness, but also because of the methodological problems involved in assessing “the independent causal impact” of an iterative policy-making process without legally binding sanctions.

While economists have been sharply critical of the Lisbon Strategy and have stressed its lack of efficacy, Zeitlin (2008) has put forward a more optimistic reading, defining the cognitive impact of the Strategy and the OMC governance in particular as a “qualified success” (at least in some areas). For example, in social and employment policy the Strategy is held to have helped to raise the importance of national social policy issues in many Member States, to change policy thinking and cognitive maps through the introduction in the national debate of EU concepts (social inclusion, gender mainstreaming, etc), and to redefine old concepts which have proved increasingly ineffective. The same reading is shared by Tucker (2003), Jacobsson (2004), and de la Porte *et al*, (2009) as far as learning processes in technical committees are concerned. Both European and national institutional capabilities have been improved through the definition of common indicators (Social Protection Committee, 2009).

For Vanhercke (2010) and Zeitlin (2008) OMC processes have helped to raise the salience and ambition of national employment and social inclusion policies in many Member States. They have contributed to changes in national policy thinking by incorporating EU concepts and categories (such as activation, prevention, lifelong learning, gender mainstreaming and social inclusion) into domestic debates, exposing policy-makers to new approaches, and pressing them to reconsider long-established but increasingly counterproductive policies. Yet, the same authors have focused on the risk of reducing learning opportunities as a consequence of the

⁶¹ For a more positive assessment of participation through the Lisbon strategy see Zeitlin (2007).

introduction (after the mid-term revision of Lisbon) of a more bilateral (between the Commission and each Member State) rather than multilateral dynamic in the process.

4) Some influence on national policymaking

There is also evidence from both official reports and interviews that OMC instruments have contributed to changes in specific national policies. Yet, given the active role of Member States in shaping the development of OMC processes, their relationship to national policy-making should be understood as a two-way interaction rather than a one-way causal impact. Further positive influence concerns procedural shifts in governance and policy-making arrangements; mutual learning, based on the identification of common challenges and promising policy solutions at European level; statistical harmonisation and capacity building; and the stimulus to rethink established approaches and practices. In this context, some contributions have provided empirical evidence that OMCs have supported a more “consensus oriented process of policy-making” (Natali, 2009).

Other scholars (see Kerber and Eckardt, 2004) have advanced some open questions. In particular, problems with incentives within the complex process of the OMC have still to be analysed. More detailed analysis is required to assess the interaction of its many participating agents, interest groups and institutions, both at the EU and the Member State level. An important object of future research should be the complex political bargaining processes that lead to common goals, assessment criteria and policy recommendations (ibid, page 241).

Frazer and Marlier (2009) have stressed the need to better link the future EU social process with other relevant EU processes so that they are mutually reinforcing. For instance a better integration of the EU’s and Member States’ social objectives and EU Structural Funds may improve the influence of the new Europe 2020 on national reforms.

6.5 Conclusions

The Lisbon agenda has represented in many respects a decisive step in the EU approach to social and economic development. Yet, substantive and analytical questions still need to be dealt with to shed light on the present and on the future of European integration. And the recent financial and economic crisis has contributed to put them at the core of the scientific and political debate. There are open tensions (or trade-offs) that EU integration protagonists (and scholars) have to face in the near future.

Firstly, the tensions have to do with the political and economic foundation of the EU project, and the reform of the European social model in the global economy. The Lisbon agenda represented a first attempt to find a new compromise through a broad Strategy. Limits have been evident in its ability to adjust social cohesion and economic competitiveness; environmental policy and productive growth; fiscal stability and structural reforms. In that respect, the Lisbon Strategy appears as a mechanical addition of different aims and goals rather than the solution to such trade-offs. Specific issues are related to the broad policy agenda of the future Europe 2020: the tensions between budget, economic, employment and welfare reforms; and the need to focus more on social and labour market policy. The latter is decisive for the improvement of the EU legitimacy, while economic integration “by stealth” does not seem an option for the future of the EU.

Secondly, the governance introduced through the Lisbon Strategy is still in need for improvements. The recent economic and budgetary crisis has proved EU governance is still weak. Specifically in the Euro-zone, a more integrated approach to financial regulation, monetary and economic policy is needed in order to limit the risk of future speculative attacks against the common currency. And employment and social policies have to be largely

integrated (the new integrated guidelines represent a promising base for such a comprehensive approach) (European Commission, 2010).

The aim of increasing participation and transparency seems far from being solved. EU democratic legitimacy has not significantly improved through the Strategy, even if improvements in facilitating new forms of meaningful participation of civil society at the domestic level are evident. Individual parts of the process have shown different dynamics, with the social policy OMCs being the most successful. If Europe 2020 wants to improve on that, more emphasis on the integration of EU and national parliaments and of stakeholders has to be assured.

It is widely recognised that there have been advances in deliberation, sharing of information, benchmarking and learning. But they seem far from having had a decisive impact on national policies and further impetus has to be granted by the next Europe 2020 (see Frazer and Marlier, Chapter 4 in present volume). The latter should be based on a more effective integration of different policy tools, and the strict link between coordination and structural funds (EU budget in general) seems the most evident step towards a more effective influence on national reforms (especially in employment and social policy).

References

Alesina, A. and Giavazzi, F. (2006), *The Future of Europe: Reform or Decline*, Cambridge MA: MIT Press.

Amable, B. (2009), "Structural Reforms in Europe and the (In)coherence of Institutions", *Oxford Review of Economic Policy*, vol. 25, 1:17-39.

Begg, I. (2008), "Is there a convincing rationale for the Lisbon Strategy?", *Journal of Common Market Studies*, 2 (46): 427-435.

Begg, I., Draxler, J. and Mortensen, J. (2007), *Is Social Europe fit for Globalization? A study on the social impact of globalization in the European Union*, Brussels: European Communities.

Collignon, S. (2003), *The European Republic: Policy proposals for a Future Constitution*, Centre for Applied Research Working Papers, No 10/03.

Collignon, S., Dehousse, R., Gabolde, J., Jouen, M., Pochet, P., Salais, R., Sprenger, R.-U. and Zsolt De Sousa, H. (2005), *The Lisbon strategy and the Open Method of Co-ordination. 12 Recommendations for an Effective Multi-level Strategy*, Policy Paper No 12, March 2005, Paris: Notre Europe.

Collignon, S. (2008), "The Lisbon strategy, macroeconomic stability and the dilemma of governance with governments; or why Europe is not becoming the world's most dynamic economy", *International Journal of Public Policy*, 3 (1/2):72-99.

Creel, J., Laurent, E. and Le Cacheux, J. (2005), *Delegation in Inconsistency: The "Lisbon strategy" Record as an Institutional Failure*, Working Paper 05/07, Paris: OFCE and Institute for Political Studies.

Daveri, F. (2002), "The New Economy in Europe 1992-2001", *Oxford Review of Economic Policy*, 18 (3):345-362.

De la Porte, C. and Nanz, P. (2004), "OMC – A Deliberative-Democratic Mode of Governance? The Cases of Employment and Pensions", *Journal of European Public Policy*, 11 (2):267-288.

De la Porte, C., Natali, D. and Pochet, P. (2009), "Self-governance in EU employment and social policy through the Open method of coordination", in E. Sorensen and P. Triantafyllou (editors), *The Politics of Self-governance*, Ashgate.

Eberlein, B. and Kerwer, D. (2004), "New Governance in the European Union: A Theoretical Perspective", *Journal of Common Market Studies*, 42 (1):121-142.

European Commission (2009), *Economic crisis in Europe: Causes, Consequences and Responses*, European Economy series, No. 7/2009, European Commission, Brussels: European Commission.

European Commission (2010), *Europe 2020: A strategy for smart, sustainable and inclusive growth*, Communication COM(2010) 2020, Brussels: European Commission. Available from:
<http://ec.europa.eu/eu2020/pdf/COMPLET%20EN%20BARROSO%20%20%20007%20-%20Europe%202020%20-%20EN%20version.pdf>

Falkner, G., Treib, O., Hartlapp, M. and Leiber, S. (2005), *Complying with Europe. EU harmonisation and soft law in the Member States*, Cambridge: Cambridge University Press.

Ferrera, M. (2008), "European Welfare States: Golden Achievements, Silver Prospects", *West European Politics*, 31 (1-2):82-107.

Ferrera, M., Hemerijck, A. and Rhodes, M. (2000), *The future of social Europe. Recasting work and welfare in the new economy*, Oeiras: Celta Editora.

Fitoussi, J. P. and Le Cacheux, J. (2005), *L'Etat de l'Union européenne*, Paris: Fayard and Presse de Sciences Po.

Frazer, H. and Marlier, E. (2009), *Assessment of the extent of synergies between growth and jobs policies and social inclusion policies across the EU as evidenced by the 2008-2010 National Reform Programmes: Key lessons*, EU Network of Independent Experts on Social Inclusion, Brussels: European Commission. Available from:
<http://www.peer-review-social-inclusion.eu/network-of-independent-experts/2008/second-semester-2008>.

Goetschy, J. (2009), "The Lisbon Strategy and Social Europe: two closely linked destinies", in M. J. Rodrigues (editor) *Europe, Globalization and the Lisbon Agenda*, Cheltenham: Edward Elgar, 74-90.

Héritier, A. (2002), "New Modes of Governance in Europe: Policymaking without legislation?", in A. Héritier (editor) *In Common Goods: Reinventing European and International Governance*, Boulder: Rowman and Littlefield, 185-206.

Hopner, M. and Shafer, A. (2007), "A New Phase of European Integration: Organized Capitalism in Post-Ricardian Europe", *Max Planck discussion paper series*, 07/04.

International Monetary Fund (2009), *World Economic Outlook*, October.

Ioannou, D., Ferdinandusse, M., Lo Duca, M. and Coussens, W. (2008), *Benchmarking the Lisbon Strategy*, European Central Bank Occasional Paper Series, No 85/08.

Jacobsson, K. (2004), "Soft regulation and the subtle transformation of states: the case of EU employment policy", *Journal of European Social Policy*, 14 (4):355-370.

Kerber, W. and Eckardt, M. (2007), "Policy Learning in Europe: The Open Method of Co-ordination and Laboratory Federalism", *Journal of European Public Policy*, 14 (2):227-247.

Kröger, S. (2008), "Nothing But Consultation: The Place of Organised Civil Society in EU Policy-making across Policies", *European Governance papers (EUROGOV)*, No C-08-03. Available from:
<http://www.connex-network.org/eurogov/pdf/egp-connex-C-08-03.pdf>.

- Mabbett, D. and Schelkle, W. (2007), "Bringing macroeconomics back into the political economy of reform: the Lisbon Agenda and the "Fiscal Philosophy" of EMU", *Journal of Common Market Studies*, 45 (1):81-103.
- Majone, G. (2005), *Dilemmas of European Integration: The Ambiguities and Pitfalls of Integration by Stealth*, Oxford: Oxford University Press.
- Marzinotto, B., Pisani-Ferry, J. and Sapir, A. (2010), "Two crisis, two responses", *Bruegel Policy Brief*, 2010/01.
- Natali, D. (2009), The Lisbon Strategy ten years on, A critical review of a multi-disciplinary literature, *Transfer: European Review of Labour and Research*, Vol. 15, 1:111-137.
- Natali, D. (2010), Pensions in turmoil owing to the crisis: key messages from the EU, in C. Degryse (editor) *Social Developments in the European Union 2009*, Brussels, ETUI/OSE, pages 121-45.
- Natali, D. and de la Porte, C. (2009), "Participation through the Lisbon Strategy: comparing the European Employment Strategy and pensions OMC", *Transfer: European Review of Labour and Research*, 15/1:71-91.
- Obradovic, D. and Vizcaino, J. (editors) (2007), *The capacity of Central and East European interest groups to participate in EU governance*, Stuttgart: Ibidem Publisher.
- Pisani-Ferry, J. and Sapir, A. (2006), "Last exit to Lisbon", *Bruegel Policy Brief*, 2006/02.
- Pisani-Ferry, J. Sapir, A. and Von Weizsacker, J. (2008), "A European Recovery Programme", *Bruegel Policy Brief*, 2008/09.
- Pochet, P. (2006), "Debate around the social model: evolving players, strategies and dynamics", in C. Degryse and P. Pochet (editors), *Social developments in the European Union 2005*, Brussels: ETUI, Observatoire social européen and Saltsa, 79-99.
- Pochet, P. (2010), "What's wrong with EU2020?", *ETUI Policy Brief*, 2/2010.
- Quaglia, L. (2010), *The "Old" and "New" Politics of Financial Services Regulation in the EU*, OSE Paper Series, Research Paper N° 2, April 2010.
- Rodrigues, M. J. (2002), *The New Knowledge Economy in Europe – A Strategy for International Competitiveness and Social Cohesion*, Cheltenham: Edward Elgar.
- Rodrigues, M.A. (2010), *The EU Economic Governance at the Crossroads*, Policy paper for Notre Europe. Available from: www.notre-europe.org.
- Sabel, C. and Zeitlin, J. (2007), *Learning from Difference: The New Architecture of Experimentalist Governance in the European Union*, European Governance papers (EUROGOV), No C-07-02.
- Sapir, A. (editor) (2004), *An Agenda for Growing Europe. The Sapir Report*, Oxford: Oxford University Press.
- Scott, J. and Trubek, D. (2002), "Mind the Gap: Law and New Approaches to Governance in the European Union", *European Law Journal*, 8 (1):1-18.
- Smismans, S. (2008), "New Modes of Governance and the Participatory Myth", *West European Politics*, 31 (5):874-895.
- Social Protection Committee (2009), *Growth, Jobs and Social Progress in the EU: A contribution to the evaluation of the social dimension of the Lisbon Strategy*, Brussels: European Commission. Available from: <http://ec.europa.eu/social/BlobServlet?docId=3898&langId=en>.

Social Protection Committee and European Commission (2009), *Second Joint Assessment of the social impact of the economic crisis and of policy responses*, SOC 715 – ECOFIN 808, Brussels, European Commission.

Theodoropoulou, S. (2010), "Addressing Europe's employment crisis: what policies for recovery and reform?", *EPC Policy Brief*, 02/2010.

Tucker, C. (2003), *The Lisbon Strategy and the Open Method of Coordination: A New Vision and the Revolutionary Potential of Soft Governance in the European Union*, paper presented at the Annual Meeting of the American Political Science Association, 28-31 August.

Vanhercke, B. (2010), *Evaluation results of the social OMC: literature review*, OSE deliverable No 3, Paper prepared for the Belgian Presidency of the EU Council 2010.

Von Hagen, Pisani-Ferry, J. And Von Weizshacker, J. (2009), "A European Exit Strategy", *Bruegel Policy Brief*, 2009/05.

Zeitlin, J. (2007), "Strengthening the Social Dimension of the Lisbon Strategy", *Revue belge de sécurité sociale*, No 2/07.

Zeitlin, J. (2008), "The Open Method of Co-ordination and the Governance of the Lisbon Strategy", *Journal of Common Market Studies*, 46 (2):436-450.

7. DELIVERING THE GOODS AFTER ALL? REVIEWING THE SOCIAL OMC'S ADEQUACY AND IMPACT

(Bart Vanhercke)⁶²

Abstract: In the ongoing discussions about the future of the Social Open Method of Coordination (OMC), more particularly in the context of the Europe 2020 Strategy, one rather basic element seems to be absent (or at least hidden). That is the question to what extent the Social OMC (with its three strands on social inclusion, pensions and healthcare and long-term care), has delivered concrete results. This is a legitimate concern at a time when EU and national policymakers discuss the “transformation” of this OMC into an EU “Platform”, the social dimension of the Integrated Guidelines for economic and employment policies, and the institutional design of the overall Europe 2020 Strategy. Based on a literature review, the chapter assesses the results of the Social OMC with the aim of answering the question: “Has the Social OMC delivered the goods?”.

7.1 Introduction: objective, sources and limitations

In the ongoing discussions about the future of the Social Open Method of Coordination (OMC), more particularly in the context of the Europe 2020 Strategy, one rather basic element seems to be absent (or at least hidden). That is the question to what extent the Social OMC (with its three strands on social inclusion, pensions and healthcare and long-term care), has delivered concrete results. This is a legitimate concern at a time when EU and national policymakers discuss the “transformation” of this OMC into an EU “Platform”, the social dimension of the Integrated Guidelines for economic and employment policies, and the institutional design of the overall Europe 2020 Strategy (Zeitlin, 2009).

Based on a literature review, this chapter assesses the results of the Social OMC with the aim of answering the question: *Has the Social OMC delivered the goods?* On the one hand, it assesses the *adequacy of the Social OMC's toolbox*, i.e. the theoretical capacity of the OMC's operational framework to produce results. And on the other hand, it evaluates the *impact of the Social OMC*, i.e. the actual substantive and procedural changes brought about by the Social OMC at the national and European level. Discussing the adequacy and the impact of the Social OMC produces an interesting puzzle, both for policymakers and academics. Indeed, viewed from its institutional characteristics, the absence of a “shadow of hierarchy” (legislative and executive decisions) would suggest that this mode of governance cannot deal effectively with the problems it is supposed to solve (Héritier and Lehmkuhl, 2008). And yet, the chapter argues that through mechanisms such as leverage and policy learning, this “weak” policy instrument does produce real effects.

From the start, some limitations of this literature review should be made explicit. This review has focused on English language publications, even if some relevant sources in French and Italian have been included as well. Apart from this, publications on the Social OMC in Polish, Czech and Slovak were scanned, but this search confirmed the more

⁶² Bart Vanhercke is at the European Social Observatory (OSE) and at the Centre for Sociological Research (CeSO) of the K.U.Leuven. The research done for this chapter benefited from funding through the Community's PROGRESS programme and was supported by the Belgian Federal Public Service Social Security (Directorate-General Strategy and Research). The author wishes to thank Caroline de la Porte for the collaborative research efforts which led to this chapter, Margherita Bussi for invaluable around the clock research assistance as well as Egidijus Barcevičius, David Natali, Eric Marlier, Rudi Van Dam, Jonathan Zeitlin and two anonymous reviewers at the European Commission for their constructively-critical comments on earlier drafts. The views in this chapter are the sole responsibility of the author. Address for correspondence: vanhercke@ose.be.

general finding (including from the English language literature), that there are few assessments of the adequacy and impact of OMC covering the new Member States. Secondly, for obvious practical reasons, not every single source on the Social OMC could be included. Rather, an attempt has been made to establish a representative sample of the recent literature, which includes some eighty sources that were assessed in detail.

The literature used for this review includes academic analyses, evaluations prepared by as well as on behalf of the European Commission, research texts produced by EU Committees and stakeholders (see references). Most studies use interview material and other primary sources (official documents). While two-thirds of the reviewed literature was published in 2007 or even more recently, the lion's share covers the time-span prior to the streamlining of the social inclusion and social protection OMCs in 2006. Note that the demarcation "before" and "after" 2006 does not seem very relevant for academic scholars, let alone that they compare impact or adequacy between these two periods. One in three publications is not clear about which period is actually covered, even if this was in most cases discernible when the literature was analysed in more detail. Even more recent publications do not always take into account changes in the OMC process, e.g. completion of the portfolio of indicators, enhancement of mutual learning activities, streamlining (including the introduction of overarching objectives), etc. This is a flaw that will need to be addressed by future OMC research. It is also striking that most research covers the EU-15, i.e. the "old" 15 Member States, while fewer studies have been conducted for the newly-acceded Member States.

With these flaws and limitations in mind, Section 7.2 explores what the recent literature can tell us about the adequacy of the Social OMC's toolbox. Section 7.3 assesses the impact of the Social OMC "on the ground", while Section 7.4 draws some tentative conclusions. These may feed into, but will also benefit from the Belgian Presidency's Conference on "EU-coordination in the social field in the context of Europe 2020: learning from the past and building the future" on 14th-15th September 2010.

7.2 Reviewing the adequacy of the Social OMC's toolbox

This section reviews the literature insofar as it deals with the *adequacy* of the Social OMC, i.e. the capacity of the OMC's toolbox to produce actual results at EU and national level. In order to structure the analysis, this dimension was operationalised along the following three lines: the adequacy of Social OMC's communication strategy; its operational value to coordinate policies at the EU level; and the adequacy of the features of the OMC toolkit. Wherever possible, attention is given to the three strands of the Social OMC (social inclusion, pensions and health and long-term care).

7.2.1 Adequacy of the Social OMC's communication strategy: public awareness and institutional visibility

It may come as some surprise that the visibility and awareness of the Social OMC has not been a key research question in the literature. As regards the public visibility of the Social OMC, most authors concur with the finding by Kröger (2008) that the OMC is a quasi-invisible process in the media and among citizens, which explains why labels such as "the government's best kept secret" (Brandsen *et al*, 2005) are attributed to the process. A recent evaluation (INBAS *et al*, 2009) of stakeholder involvement in the implementation of the OMC confirms the earlier finding (e.g. Büchs and Friedrich (2005, page 275); Visser (2005)) that national reports are rarely ever discussed in Parliament (including in the Czech Republic, Estonia, France, Greece, Hungary and Lithuania) and that OMC has not penetrated into public discourse or the media, as is more broadly the case with the Lisbon Strategy (European Economic and Social Committee, 2005). What is perhaps even more worrying is that, at least in Germany, the streamlining of the OMC seems to have made things worse in terms of public awareness (INBAS *et al*, 2009, page 47). But even for the "inner circle" of people involved in the Social OMC, key aspects of the process remain hidden (as opposed to visible), due to the fact that the Social Protection Committee does not make the full panoply of its

internal documents (including minutes of meetings) available online (Zeitlin, 2005, page 484). These findings corroborate with an assessment by the Tavistock Institute (2006), which concludes that awareness raising actions of the community action programme on social exclusion that accompanied the OMC/inclusion until 2006 were not as directly linked to the OMC/inclusion as they could have been, while only a small amount of potential stakeholders have been affected. With a view to improving communication and dissemination, the European Social Network (ESN, 2009) proposes that each Member State should set up a website in its national language as well as in English and French, which would then be linked to the Commission website and equivalent websites of the other countries. One of the rare examples of (ad hoc) public visibility of the OMC is provided by Norris (2007): in 2006, the recently-elected Portuguese President referred prominently to the inclusion plan in his address on Portugal's national holiday commemorating the return to democracy, resulting in considerable media coverage of the inclusion OMC.

Another aspect is the institutional awareness and visibility of the OMC, including among (sub-) national governmental actors (typically ministries of social security, pensions and health) and stakeholder organisations. According to Friedrich (2006) the Social OMC remains elite-driven and opaque and is therefore limited as regards its democratic potential. Some nuance is in order, however: several national studies of the OMC/inclusion (less is known about the pensions and healthcare strands) highlight that the Social OMC's institutional visibility (and thus the awareness about its existence) varies strongly within and across countries as well as over time. Thus, Jacobsson (2005) found that in Denmark, compared with the first National Action Plan on social inclusion (NAP/inclusion) in 2001, which was produced with little involvement and public awareness, the 2003 NAP/inclusion process involved more actors and that the Social Ministry is concerned to involve actors in the process. In Belgium some noticeable cases have been reported by Vanhercke *et al* (2008) of strategic use of the OMC as a governance tool for coordinating local and regional (social inclusion and gender) policies, indicating a considerable degree of awareness at different levels of government. Note that the aforementioned evaluation by The Tavistock Institute (2006) highlights that awareness (and usage) of the information and knowledge generated by the Network of independent experts has been increasing over time.

In spite of these variation across countries and over time, a recent assessment of the awareness and perception of the Social Inclusion Strand of the Social OMC⁶³ comes to the strong conclusion⁶⁴ that it "is clear from the experts' analysis that awareness of the social inclusion strand of the Social OMC is limited to a narrow band of actors in most Member States. [...] In most countries there is virtually no media or public awareness of the Social OMC and no political debate about the process. In only a small number of countries does there appear to be much interest within the academic community or significant social partner engagement" (Frazer and Marlier, 2008, page 2).

7.2.2 Adequacy of policy coordination at the EU level: objectives, messages and reports

Researchers have very divergent opinions with regard to the pertinence, clarity and operational value of OMC common objectives and messages, a subject that is well covered in the literature. While Daly (2007) describes the variations in the Social OMC's policy objectives over time, and De la Porte (2008) found that during the emergence of the OMC/inclusion, the EAPN and the Commission had a significant influence on the definition of policy objectives, these objectives are sometimes being criticised and sometimes praised in the literature for their "openness". Büchs (2009) notes that the Social OMC's objectives and guidelines contain different and sometimes

⁶³ Undertaken in the context of the assessment in social inclusion programme by the Commission Network of Independent Experts. See: <http://www.peer-review-social-inclusion.eu/network-of-independent-experts/policy-assessment-activities>.

⁶⁴ This conclusion is based on the summary by the authors of the reports produced by the members of the Network of Independent Experts from each of the 27 Member States. Unfortunately, the national contributions of this "OMC awareness" assessments were not made public.

conflicting elements, some of which are more likely to be interpreted in ways that promote welfare state strengthening whilst others are more likely to support retrenchment; for this author key concepts are open to interpretation (e.g. “activation”).

As regards (the lack of) policy coherence within the OMC, De la Porte (2007) confirms that the objectives of the Social Inclusion strand reflect diverging national approaches (Anglo-Saxon, Continental and Nordic) to this issue. Hamel and Vanhercke (2009) confirm that the initial Social Inclusion Objectives clearly illustrated Member States' different visions of the poverty issue. Thus, the first Common Objective in this strand (“to facilitate participation in employment and access by all to the resources, rights, goods and services”) was particularly conflictual and represented “the ultimate European compromise” since it is obvious that these are really two distinct priorities, and not one. Armstrong (2005) in fact doubts whether common EU objectives are all that significant in stimulating processes of policy problem identification: in part, this is because the UK had put in place policies and strategies in advance of the OMC process.

The objectives under the pensions strand represent both economic and social concerns (Pochet and Natali, 2005). According to de la Porte and Nanz (2004) the process leading to initial set of pension's objectives induced learning within and between the two involved EU Committees, the Economic Policy Committee and the SPC, which enabled them to reach a compromise. On a slightly more sceptical note, Lodge (2007, page 350) interpreted the principles and objectives of the pensions strand as the “least undesirable” outcome of negotiations between “economic” and “social” actors; according to the same author the objectives were very weak (and were intended to be so) and extremely broad, and therefore have no directing capacity since they “allow any policy development to comply with such standards”. Similarly, Radulova (2007) concludes that the institutional characteristics of this strand (lack of treaty base, indicators, Recommendations etc.) make it a “weak” OMC. Note that neither of these studies looks at the actual influence of OMC on the outcome of pension policies or politics. In other words: these “theoretically enriched” studies do not provide empirical evidence about whether or not these critical assessments are confirmed by the actual practice of the pensions OMC (including “use” by domestic actors as leverage). In one of the rare studies available that did study the Pensions OMC “on the ground”. Vanhercke (2009a) concluded that the Common Objectives did have some influence on the national as well as the EU agenda (see Section 7.3).

Discussing the healthcare strand, Greer and Vanhercke (2010) make the argument that the “ambiguous words” of the Common objectives are in fact useful when there is no fundamental agreement: they create opening for new EU competencies while stressing that there would have been more efforts to block the common objectives (in health) if it had been clear what they were supposed to do. And yet the “normative” orientation of these healthcare objectives is quite clear for Flear (2009): they not only extend market rationality and facilitate governing at a distance by inducements to self-management, they also promote moves away from equity and solidarity. Writing about the same OMC strand, Hervey (2008) rejects the claim that the healthcare OMC would be promoting neoliberal policies, while the European Centre for Social Welfare Policy and Research *et al* (2008) find strong confirmation of pertinence of overarching objectives of the healthcare strand of the OMC in that improved and tailor-made access to healthcare for vulnerable groups of society can have impact on the eradication or mitigation of poverty and social exclusion.

Finally note that there is very little discussion of responses to country-specific messages in the case of the Social OMC, as they are rather subtle, and not so much has been written about developments since 2006. The literature does note the negative, collective response of SPC members to the Commission's implicit efforts to “rank” the NAPs/inclusion in the first Joint Report of 2003, which closed the door to anything resembling formal recommendations in the social field. Note that Hamel and Vanhercke (2009) explain how two “cold showers” from the European Commission (through its Draft Joint Reports) with regard to stakeholder involvement in the elaboration of the Belgian NAPs/inclusion, combined with the acknowledgment (through mutual learning) that

perhaps Belgium was not the best pupil in the class after all, led to real procedural shifts; i.e. increased stakeholder involvement in the social inclusion OMC at the beginning of 2005 (see Section 7.3.2).

A topic that did not receive a lot of attention in the literature is the adequacy of National Strategy reports and guidance notes for the reports. In fact, we did not come across any academic publication or document that assessed the guidance notes: it would seem most scholars consider this a too technical issue, and often do not even know about their existence. One of the rare reports that address the issue is from the European Anti Poverty Network (EAPN, 2008), which found some evidence of an increase in specific targets on risk of poverty and for specific groups as a result of the guidance notes. For the European Social Network the Commission's guidance note should be more explicit regarding the requirement to set targets and provide budget details (ESN, 2009).

The adequacy of the reports (or their predecessors, the National Actions Plans and National Strategic Reports), which can be considered as a proxy indicator for the quality of the guidance provided, was discussed by some. Armstrong (2005) found that the NAPs/inclusion were (during the 2003-2005 period) above all a report, rather than a planning document, which is confirmed by Jacobsson and Johansson (2009) for Sweden and Ferrera and Sacchi (2005) for Italy: the NAP/inclusion is not a strategic document, but instead a "report to Brussels" about existing activities. This view is shared by EAPN (2008), while the European Social Network contends that only a very small number of Member States have used the reports to (re)asses national social inclusion policies; unsurprisingly then, participation in these reports is not a priority for its national members (ESN, 2009). Johansson (2008) illustrates the tension between governmental actors and civil society actors in their perception of the NAP/inclusion precisely in this respect (report vs. strategic document). Analysing the Joint Inclusion Memoranda, Lendvai (2004) showed that they were poorly integrated, while statistics were poorly developed, budgetary allocations not specified, the planning component was weak, and governance seemed fragmented while poverty and exclusion problems were weakly acknowledged. An analysis of two rounds of national action plans (2004-2006 and 2006-2008) by Sirovátka and Rákoczyová (2009) confirms this gloomy picture: the NAPs/inclusion reflect the low level of commitment to social inclusion/anti-poverty in the Czech republic, which is deemed even lower than in other new Member States (Poland, Hungary, and the Slovak Republic are mentioned), while the plans do not provide empirical evidence of how NGOs and civil society have or have not used the NAPs/inclusion. A different view can be read in Armstrong (2005), who found that the NAP/inclusion triggered domestic responses. Norris (2007) goes even further and describes how in Ireland the processes of the National Anti-Poverty Strategy (NAPS) and the social inclusion OMC, including their targets and consultations, have largely been integrated. Future research should arguable deal with the analysis of the National Strategy Reports (NSRs) more extensively.

The process for analysing reports, consulting with Member States/other stakeholders and drawing conclusions is, at least in part, addressed by Sirovátka and Rákoczyová (2009) when they note that the Commission is hard in its analysis of the report of the Czech report, due to its lack of precisions and commitment. Greer and Vanhercke (2010) provide illustrations where OMC might look "soft" but, in some cases, feels quite hard to those who are touched by it. This is confirmed by Jacobsson (2005) who finds that the Swedish government shows strong resistance to the social inclusion policy, and to assessments by the Commission. Another example can illustrate this point. Thus, O'Donnell and Moss (2005) report that the first Irish NAP/inclusion lacked strategy, data, analysis of problems, and identification of or focus on specific target groups. After "shaming" by the Commission, the second report was improved, and had a better strategy and analysis of problems. Kröger (2006) discusses the changed nature (and size) of the Joint Report since streamlining, and the implications of the enlargement in 2004 on the availability of different language versions of key documents. Note that other aspects of the process for analysing reports (evaluation grids, balance between quantitative and qualitative analysis, balance between stability over time and ability to focus on topical issues) have rarely (if at all) been addressed in the literature.

It seems that more generally the process for analysing the reports, which involves country desks and thematic units within Directorate-General for Employment, Social Affairs and Equal Opportunities Unit, contributions from expert networks and EU stakeholder networks, inter-service consultation within the Commission, and negotiation between the Commission and the Member States, is seen as an opaque, internal process. Literature on this topic is therefore very scarce.

The capacity of the process to stimulate a genuine policy debate and build consensus around promising policy approaches was addressed by Horvath (2007), who studied the “discursive institutionalisation” of the SPC and found that most Member States delegates regard SPC as valuable forum for exchanging opinions. It is perceived as essential for the SPC to reach consensus or a compromise at the end of all discussions. Being able to agree on “Common opinions” is seen as one of the main determinants of the success of the SPC. In sum: there seems to be a normative orientation towards consensus-oriented discussions, even if SPC members who have been representatives for less than 2 years (became delegates after 2004 enlargement) refer to consensus, cooperation and common values less often. The question whether a variety of EU committees, including the SPC, are supportive of a “deliberate mode of policy making” is assessed by Jacobsson and Vifell (2007): one striking conclusion is that transparency increases political pressure and the need to defend (national) interests, and thus reduces the openness of discussions. Nedergaard (2007) reaches a similar conclusion when he skilfully highlights the conditions under which learning in international committees is more likely to take place/be effective, including (1) when meetings take place regularly and (2) when committees are insulated from direct political pressure. OSB Consulting (2006) studied whether policy debates and/or policy changes could have crystallised in the peer review and host countries as a result of the peer reviews. While most of the answers to the submitted questionnaire were positive about the usefulness of the peer review for policy development, the research was not set up made to detect how and to which extent the peer review instigated policy debate.

7.2.3 Adequacy of features of the OMC toolkit: reporting cycle, feeding in/out, indicators and mutual learning

Clearly, the Social OMC’s reporting cycle has not been at the centre of academic or other research: Radulova (2007) concludes that OMC are more effective in case of stronger involvement of supranational institutions (EC), and when iterations are stronger. Frazer and Marlier (2008, page 4), by contrast, propose to extend the reporting cycle of the Social OMC to four years so as to provide more room for the implementation of the National Strategy Reports on Social Protection and Social Inclusion (NSRSPSI), and relieving Member States of the burden of preparing a NSRSPSI every two years; at the same time the authors acknowledge the risk of losing momentum or visibility in intervening years. Arguably, extending the reporting cycle would provide at least a partial answer to the concern of EAPN (2008) that there is often insufficient time for adequate consultation and input to drafts, while often feedback as to why proposals were accepted or not is lacking.

The adequacy of the linkages between policy strands within the OMC and with other policy areas at EU level (mutual reinforcement, feeding in/out) received more attention. Several authors see a lack of coordination between the strands on pensions, social inclusion and healthcare (for example AGE, 2009). Zeitlin (2008), for example, argues that “by excluding the EU’s social objectives from the integrated guidelines, the Union has effectively returned to the one-sided co-ordination of Member States’ social policies in pursuit of financial sustainability and employment promotion which the Social OMC was developed to overcome”. Unsurprisingly then the Social Protection Committee (2007) concluded, already in 2007, that the issues of “feeding in” and “feeding out” should be better covered by the Member States and the European Commission, in view of the finding that key social issues are not always properly acknowledged within the Lisbon agenda. This finding is corroborated by Frazer and Marlier (2009) who, drawing on analyses undertaken by the network of independent experts established by the European Commission, find that the linkages between social inclusion policies on the one hand and employment and economic policies on the other are in most cases modest and limited. There are more implicit rather than explicit processes of feeding in and out and

there is considerable country variation. These findings are confirmed by EAPN (2008), which finds an increase in “statements” around improving interaction between the OMC and the revised Lisbon Strategy, but little evidence of actual impact on the content of debates.

Note that the Social Protection Committee (2009) recently made an attempt to “feed in” some rather strong “key message” about the social dimensions of the Lisbon Strategy: the Committee stated that “despite the clear redistributive effect of social protection, inequalities have often increased and poverty and social exclusion remain a major issue in most EU countries, although with substantial differences across Europe”. The Social Protection Committee has also been rather effective in assessing, together with the European Commission, the social impact of the economic crisis (Council of the European Union, 2009). Several of the publications discussed in this section advance various options and proposals for strengthening the social dimension of the Lisbon Strategy, which may help to fix, in the words of Barbier (2010), *les promesses sociales non tenues* (the broken social promises) of the Lisbon Strategy.

In the field of health, any attempt to strengthen the effectiveness of the OMC will need to acknowledge the reality, recently spelled out by Hervey and Vanhercke (2010), that no less than five different sets of actors try to expand their influence on the EU health care debate: the “social affairs”, “internal market”, “public health”, “economic” and “enterprise” players. Together, they created a very crowded law and policy-making space to which actors bring their conflicting agendas and understanding of health policies. According to Greer and Vanhercke (2010) this reduces the functional capacity of this OMC strand, since it entails huge competition for time and political attention with other health policy issues and processes.

The consistency and adequacy of the set of common indicators as tools for measuring progress towards the common objectives, and for providing useful guidance for self-corrective action by domestic actors (“diagnostic monitoring”), receives a considerable deal of attention in the literature. Critical OMC scholars such as Flear (2009) argue that even indicators for access and quality of care ultimately seek to optimise performance, by providing the means to assess whether objectives are met, and thereby ensure that equity and solidarity are subordinated in a neoliberal frame. De la Porte (2007) suggests that over-reliance on key macro-level indicators (such as employment indicators) in Joint Reports may be misleading as employment/anti-poverty rates depend on multiple factors, not covered by the OMC, while there are no indicators for some of the OMC objectives (including on participation). Lendvai (2004) noted that the EU Laeken indicators are assessed by some of the new Member States as inadequate as they (wrongly) lead to the conclusion that there is less poverty in the new Member States (compared to the EU-15). Sacchi (2006) judges that indicators are too general and can be interpreted in different ways, while they can be seen as flexible tools to be adapted to national needs. Finally the European Centre for Social Welfare Policy and Research *et al* (2008) found that basic reporting on indicators of social inclusion (e.g. Laeken indicators) is emerging, but statistical studies of their link with populating health and health access issues are still in its infancy. Still according to the European Centre, the EU should improve the evidence base to address these issues.

Note that the Joint Centre for Scottish Housing Research *et al* (2007) propose methods to maintain a directory/database of homeless people, as well as aspects to take into consideration in the development of statistics and indicators for homelessness. Brousse (2005) argues that while the homelessness task force was constituted of people who were selected due exclusively to their expertise (statistical experts), it was national, institutional and advocacy interests that dominated the debate about how to best assess homelessness statistically. Clearly, political, institutional and national interests are present in the decision-making process about definitions and indicators of the OMC. This finding is corroborated by Jacobson (2005), who explains that while the Swedish and Danish governments are supportive of the OMC, both countries resist indicators/targets to monitor/assess poverty and exclusion, due to the norms of the universal welfare state. Similarly, Greer and Vanhercke (2010) find that

difficulties in data collection and handling, as well as political risks have slowed down the work on indicators (even though it continues) in the health care OMC, and therefore this strand as a whole. More generally, the latter authors state that new governance mechanisms are intensely “political”: they are shaped both by deliberative norms and through hardboiled power games between national and EU actors (and within Directorate-Generals of the European Commission).

The adequacy of OMC tools available for mutual learning raises intense debate in the literature. OMC sceptical researchers such as Lodge (2007) claim that the basic infrastructure for the (pensions) OMC to operate has been found wanting: standards had no directing capacity, information-gathering offered only very little truly comparative information to encourage “benchmarking” or “learning with others” and voluntary adjustment pressures seemed hardly present. This finding is confirmed by Kröger (2009), as she finds that OMC does not satisfy requirements for a learning-friendly environment. Even though it is not entirely clear what such an environment would actually look like, Natali and de la Porte (2004, page 15) equally question the adequacy of the pensions OMC, among others because the process is not at all visible in the national arena and peer review sessions only allow for a superficial exchange of ideas (*ibid.*: 14). Also more “optimistic” scholars such as Greer and Vanhercke (2010) believe that learning, at least in the healthcare OMC, is of a limited kind because the wrong people will do the learning (i.e., the international units and not the line officials).

Note that Behning (2006) describes how the German Hartz Commission learned through (a) best practices of EU Member States, (b) Commission members visiting neighbouring countries and (c) meetings with the European Commission; it remains unclear, however, whether and how this kind of learning is related to the OMC. The Tavistock Institute (2006) judges that in the context of the Transnational exchange programmes there was learning within the programme for those involved but it did not lead to more institutional changes or partnerships. FEANTSA (2007) sees the OMC as a way to enhance “mutual learning” about the involvement of NGOs (from local to EU level) in the issue of homelessness. OSB Consulting (2006) concludes that peer reviews were most relevant where there were similar initiatives/similar governance structures/similar problems among peer countries. Another non-negligible point is that the peer review was useful for peer and host countries. It seems important to stress that few of the studies discussed in this section highlight to which learning practices they actually refer (peer review in the SPC, within smaller groups) and whether they take into account the proposals that have been tabled (more particularly by the Social Protection Committee, 2007a) in recent years to enhance mutual learning within the Social OMC.

7.2.4 Adequacy of the operational framework: the national level

The adequacy of the operational framework of the OMC has been extensively studied at the European level, but some evidence at national level has been analysed as well. Thus, Letzner and Schmitt (2007) find that the OMC reports are “in competition” with the 3 German national reports on pensions published during each legislature. Büchs and Friedrich (2005) confirm that only cautious signs suggest that some German officials understand the NAP/inclusion as a “national” plan and have started to reflect upon a closer relation to the National report on Poverty and Wealth (NARB). Similarly, Hamel and Vanhercke (2009) explain that the NAP/inclusion continues to coexist with the biannual reports on the evolution of poverty in Belgium, which are produced, since 2001, by the Resource Centre for the Fight against Poverty, Precariousness and Social Exclusion.

This is why Vanhercke *et al* (2008) conclude that the European Social Inclusion strategy and pre-existing national reporting and decision-making channels (with partly overlapping responsibilities) should be better geared to one another. In a similar vein, EAPN (2008) contends that the NSR should be linked to the national planning cycle and be affirmed as government policy discussed in EU and national parliaments. The latter is already the case in Ireland: Norris (2007) found that in this country the national and EU processes have largely been integrated. Furthermore,

as a means to increase domestic commitment to OMC Vanhercke *et al.* (2008) propose that public authorities should organise national peer reviews, in which a wide variety of domestic actors discuss the “suggestions” from the Commission mentioned in the Country Fiches as well as the reports written by independent experts in the framework of the “PROGRESS” peer reviews. In sum, since national settings seem to have potentially important consequences for the actual adequacy of the operational framework of the OMC, more attention should be paid when developing future policy initiatives.

7.3 Assessing the impact of the Social OMC: procedural and substantive effects “on the ground”

This section reviews the literature insofar as it deals with the impact of OMC on domestic and EU policies and politics. This impact has been operationalised along two lines: the *substantive* and the *procedural* impact of OMC on the ground. The former deals with changes in policy thinking and individual Member States’ policies; the latter refers to impact on the process of domestic policymaking (shifts in governance and policy-making arrangements).

7.3.1 Substantive policy change at the national level: enhancing commitment, agenda setting and mirror effects

A reasonable amount of evidence points to the OMC’s impact on maintaining or enhancing commitment to the subject-matter of the OMC in the political agenda. Thus Zeitlin (2009b) empirically demonstrates that the European Employment Strategy (EES) and the Social OMC have increased the salience of efforts to tackle long-recognised national problems, early exit from the labour market, childcare provision, gender segregation, and the integration of immigrants. Others show how the EU commitment to eradicate poverty pushed the fight against poverty and the activation issue higher on the domestic inclusion agenda (Hamel and Vanhercke, 2009). This finding is corroborated by the national responses to the 2006 evaluation of the OMC/Inclusion (European Commission 2006, page 6–7): especially new Member States emphasised the importance of the process in focusing attention on the fight against poverty and social exclusion. In the UK, Armstrong’s interviewees (both officials and within NGOs) identified the area of “financial exclusion” as having achieved greater policy recognition as a consequence of dialogue around the 2003–2005 NAP/inclusion (Armstrong, 2006).

Perhaps even more surprising is that such an impact has also been felt on “sticky” institutions such as pension systems. Thus, when studying the process of pension reform in Greece in the context of the “soft” policy constraint emanating from the EU, Featherstone (2005) finds that the OMC process lacks the strength to provide a stimulus to domestic reform; at the same time the author argues that the OMC coverage of pensions affects Greece’s interest in reform (credibility, reputation). A similar finding applies to Belgium, where, the EU pressure on the need to reform is strongly felt, and has become an argument in political negotiations: doing nothing is no longer an option (Vanhercke, 2009). Eckardt (2005, page 263) confirms that, while OMC’s influence on actual policy transfer seems to be very small, it may contribute to accelerating speeds which with reforms are tackled (by repeatedly putting the overall objectives on the EU and national agendas).

It seems important to underline that not all authors agree with such a “positive” account of this aspect of OMC impact. Büchs (2009) for example, concludes that it is possible that OMC facilitated retrenching policy reforms by providing necessary discourses and justifications rendering policy reforms acceptable, e.g. with regard to “activation” frameworks: national policy actors seem on average to have interpreted and implemented them in ways that did not improve or even deteriorate welfare state performance. In other words: OMC makes a difference within national social policy development, but not in the way promoted by the EU or hoped for by “optimistic” OMC scholars (Büchs, 2008).

Note that some scholars have pointed out that OMC does not merely contribute to enhancing “soft law” commitments, but is also being used to enhance commitment to the transposition of “hard law”. Thus, de la Rosa (2007) explains how soft law mechanisms are used to increase the implementation of EU legal initiatives, for example in the area of non-discrimination. Amitsis (2004) describes how the political support for soft governance in the field of pensions seems to have spilled over to its use in the framework of Directive 2003/41 on the activities and supervision of institutions for occupational retirement provision, which uses OMC-types of mechanisms (exchange of experience, benchmarking) to implement this piece of EU legislation. Hervey and Vanhercke (2010) make a more general point about the introduction of governance mechanisms within legislative instruments.

There is also considerable agreement about the fact that the Social OMC putting new issues on the domestic political agenda: according to Zeitlin (2009b) it did so in a variety of countries (old and new Member States) and on a variety of topics, including activation, social exclusion and child poverty (on the latter topic, see Social Protection Committee, 2008). This finding is confirmed by Sacchi (2006), who points to a redirection of national priorities and concerns in the UK (e.g. more attention to gender issues and child poverty). Armstrong (2006) argues that in the UK the debate surrounding the mid-term review of the Lisbon Strategy has put the issue of the nature of the European Social Model on the political agenda. Illustrating the “hard” effects of OMC, Hamel and Vanhercke (2009), show that in spite of strong resistance in both France and Belgium against the issue of child poverty, this topic – which was previously virtually absent from the national agendas – gained a place in domestic politics in both countries. It even became a topic during the June 2009 European elections, now figures among the top priorities of the Belgian Presidency of the EU in 2010, and is associated with a specific target (halving child poverty) in one of the Regions (Vanhercke, 2009a). Even more fundamentally perhaps, the OMC/inclusion put poverty on the policy agenda as a novelty for some countries: particularly in universal welfare states it was not (really) acknowledged as an issue that deserved specific attention (de la Porte, 2007). This general point is confirmed by Jacobsson (2005) for Sweden and Denmark, where the concept of social exclusion entered the policy debates via the OMC, and in particular the problem of marginalisation of different ethnic groups. According to Friedrich (2006) national social NGOs in Germany very much welcomed the multi-dimensional conceptualisation of social exclusion, as it was only recently established in German debates.

Again, it may come as some surprise that OMC equally introduced new issues on some domestic agendas in the field of pensions. Vanhercke (2009) describes how the pensions OMC contributed to the (very prudent) introduction of an entirely new element in the Belgian pensions system, i.e. that of actuarial neutrality. Note that this evolution is not particularly welcomed by some of the key Belgian actors, which for some “opens the door for a reduction of solidarity in the Belgian pension system” (Ibid, page 12).

Another way of assessing the OMC’s impact at the domestic level is to trace whether its concepts, indicators and categories penetrate in domestic policy making, an issue which has in part been dealt with in the previous paragraphs (e.g. concept of “child poverty”). One concrete illustration of the penetration of pension OMC indicators in the domestic setting is the fact that the low (and decreasing) replacement rate of Belgian pensions has become an issue that is being studied, for the first time, by the influential Study Committee on Ageing (Vanhercke, 2009). In Germany, by contrast, EU debates about “replacement rates” had no significant echo according to Letzner and Schmitt (2007, page 237), since they were already salient issue in national debate. Another illustration of the penetration of EU categories is the use of the European risk-of-poverty norm, which was developed in the context of the Social Inclusion strand of the SPSI OMC and which acquired a broader mobilising character, at least in some countries (Hamel and Vanhercke, 2009). Thus, Hamel and Vanhercke show how a significant increase in minimum income for the elderly (GRAPA) was politically legitimised by pointing out that the benefit levels were below the European risk-of-poverty line.

Not so much is known about the effective take-up of EU recommended policies (reception and implementation of policy recommendations), a topic which – in contrast to the literature on the European Employment Strategy, receives only scant attention in the reviewed literature on the Social OMC. It seems that the literature does not really consider that the Social OMC produces “EU recommended policies”. Those authors that do engage with the question whether recommended policies are being followed often do so with a command-and-control yardstick, as is the case for Ania and Wagener (2008, page 21), who see the OMC as an “evolutionary game”, which “forces Member States to [...] adopt what has turned out to be the best-performing policy option”. Unsurprisingly they conclude that “the plausible idea that the imitation of best practices makes policies converge to efficiency is genuinely misguided”. The assessments by Lodge (2007) and Radulova (2007) follow a similar line of thought: since there is no (or insufficient) “naming and shaming”, pensions OMC is necessarily weak. By contrast, few of these studies have looked at the extent to which OMC supported or complemented existing discourses of particular paths of national reform, which requires a more in-depth and diachronic analysis.

The literature provides a number of examples where OMC has led to stimulation of self-reflection on national performance. According to Letzner and Schmitt (2007) the pensions OMC would have stimulated auto evaluation in Germany. In the field of inclusion, Jacobsson and Johansson (2009, page 175) argue that the OMC/inclusion challenged the normative value of the universal welfare state, by acknowledging (and indeed framing) poverty and social exclusion as a challenge to be overcome in Sweden. While the EAPN (2008) contends that policy self-reflection is not always effective, process tracing in Belgium and France by Hamel and Vanhercke (2009) demonstrates how a “mirror effect” can trigger significant reforms in domestic policy-making arrangements. The first country “discovered” through the OMC/Inclusion that it was not – against its own expectations – the “best pupil in the class” after all in terms of involving civil society actors. And in France some actors claimed that one of the OMC’s peer review sessions was in fact the occasion, for the first time, to identify all the actors in the national arena, their roles, and their policy responsibilities. In other words, the need to exposing the national field to others, which is necessary for any comparison, gives a clearer vision of one’s own practices (Hamel and Vanhercke, 2009, page 103-105). The literature also provides a number of illustrations of independent policy initiatives (or creative appropriation) by domestic actors, which Zeitlin (2009b, page 231) refers to as the strongest mechanism of OMC influence on national social and employment policies and which involves the strategic use of European concepts, objectives, guidelines, targets, indicators, performance comparisons, and recommendations by national and sub-national actors as a resource for their own purposes and independent policy initiatives. One illustration is that the NAP/inclusion process provided German social NGOs with additional arguments and political backing to strengthen their voice in domestic debates (Friedrich, 2006).

7.3.2 Shifts in domestic governance: horizontal and vertical and integration, evidence-based policymaking and stakeholder involvement

The extent of integration of OMC process in the national policy process has been dealt with in section 7.2.4, which provided examples of competition between national and EU reporting obligations while also pointing to the rare (Irish) case of integration between the two. According to Armstrong (2005), Wales and Scotland have not been guided by the OMC/inclusion; however, Northern Ireland, which was facing domestic criticism for how its anti-poverty strategy was drawn up, used the EU policy and model to draw up a new policy framework.

There is some, but not a lot, of evidence that the Social OMC lead to a more strategic approach (planning, targeting, resources assigned, and policy analysis) in social policymaking: for many countries “governance by objectives” was an entirely new feature in social policymaking. The impact of the OMC on horizontally integrated policymaking (horizontal coordination, streamlining, mutual positive interaction with growth and jobs policies, mainstreaming) seems somewhat more significant. According to Zeitlin (2009a; 2005, pages 457–458) the obligation to draft National Action Plans for employment and social inclusion (and more recently also National

Lisbon Reform Programmes for Growth and Jobs) has - in many countries - strengthened horizontal integration of interdependent policy fields through the creation of new formal coordination bodies and inter-ministerial working groups. There is indeed some evidence that drafting the National Strategy Report was not “business as usual” in Germany and led to a somewhat enhanced cooperation between the social and finance ministries (Vanhercke, 2009, page 4), while in Belgium the preparation of the NAP/inclusion has given rise to new bodies for coordinating and rationalising policy initiatives across sectors not only at the federal level, but also at the regional level, where first Flanders and then Brussels and Wallonia have created interdepartmental bodies to develop strategic action plans against poverty (Hamel and Vanhercke, 2009).

Examples of vertically integrated policymaking (national, regional and local level) through OMC can equally be found. Thus, Sacchi (2006) finds more coordination among regional and national actors in Italy, while Armstrong (2006) explains how regional actors in the UK are variably involved, some superficially and some taking the full OMC on board for regional policy development in anti-poverty/social exclusion policy. In France the social inclusion OMC serves as inspiration for the national administration to redefine its new (coordinating) role in the context of decentralisation (Hamel and Vanhercke, 2009). In Belgium, participation in the OMC is strengthening cooperation between (autonomous) Regions, and has increased the coordination role of the federal level (e.g. through the setting of national targets for regional competencies). This increased vertical coordination has created a rather fascinating spill-over effect, namely prudent yet significant intra-regional policy learning between Wallonia, Flanders, and Brussels (Hamel and Vanhercke, 2009).

The literature also discusses how OMC has promoted evidence-based policymaking (monitoring and evaluation, use of indicators, data sources and analytical capacity). There is in fact widespread agreement that the EES and the Social OMC have contributed to increased awareness of policies, practices, and performance in other Member States, by non-state as well as by governmental actors; to the identification of common challenges and development of shared problem diagnoses (Zeitlin, 2009a). Letzner and Schmitt (2007, page 238) confirm that comparison with other Member States already existed in Germany, but became more systematic and institutionalised. The fact that OMC – notably through the new statistical system EU-SILC - enhanced statistical capacity building in many countries is widely accepted, amongst others for Italy (Sacchi, 2006), France and Belgium (Hamel and Vanhercke, 2009).

As regards stakeholder involvement in the policy making process (quality of involvement throughout the policy cycle), Brandsten *et al* (2005) find low influence since information about the NAP/inclusion was organised right before its submission to Brussels (NL, FR, Italy). The problem of late consultation has been confirmed by others (e.g. INBAS *et al*, 2009, page 28; Hamel and Vanhercke, 2009). And yet, against the general claim by Kröger (2009) that the Social OMC is sometimes more closed than the community method as it involves a rather closed circle of “non-accountable bureaucrats”, Preunkert and Zirra (2009) find that NGOs have been mobilised, especially in Germany and Italy, due to the OMC/inclusion process. A recent study on stakeholders’ involvement in the implementation of the Social OMC by INBAS *et al* (2009) confirms that step by step, the process of involving the different stakeholders within the OMC has improved: a large range of secondary stakeholders have been increasingly involved (in Estonia, France, Germany, Portugal and Spain), even if no clear system for involving stakeholders exist in other countries (including in Bulgaria, Cyprus and the Czech Republic). An official report by the European Economic and Social Committee that reviewed the first set of Lisbon NRPs in late 2005 shows that the Lisbon Relaunch represented a backward step in terms of participation by civil society actors (European Economic and Social Committee, 2005).

The same report confirms that stakeholder involvement through OMC is largely limited to the OMC/inclusion, while the other two strands remain closed shops. This is why de la Porte and Nanz (2004, page 278) raise serious questions about the democratic quality of the pensions OMC strand which “fares even worse” than the European

Employment Strategy (EES) when assessed according to the criteria of transparency, public debate, learning and participation. It would indeed seem that the pension OMC only provides leverage to those policymakers and stakeholders who are already in the “inner circle” of decision-making. The barrier to participation in national consultation in the pensions strand is confirmed by EAPN (2008) and AGE (2009): several of the latter organisation’s members report that although their comments were welcomed during the consultation, very little in substance was eventually taken into consideration in the final NSRs. As national ministries have acted as gatekeepers of the pension process, it has not brought new actors to the table (Vanhercke, 2009). Writing about the healthcare OMC, Dawson (2009) equally finds that the method relies on those already within the “inner circle” of “Europeanised” participants (there is little evidence of the multiplication or “broadening” of accountable actors).

7.3.3 Impact on EU level policies and politics: enhancing commitment, changing actor constellations and instrument hybridity

A final type of impact relates to the impact of the Social OMC at the EU level. A first line of research showed how the OMC enhanced commitment to its subject matters among new sets of actors at the EU level. According to Eckardt (2005) “the various OMCs, including that on pensions, make an important contribution. They provide a forum for the Commission and the various subcommittees involved developing a commonly accepted European social-policy paradigm”. Vanhercke (2009a) claims that the recognition that “the pensions challenge is not a financial challenge with some social constraints, but a social challenge with financial constraints” (Vandenbroucke, 2001) allowed for a more balanced EU discourse in which the social dimension acquired a legitimate place, but also gave legitimacy for “economic” messages in the field of pensions. Similarly, Hervey and Vanhercke (2010) explain that OMC increased the legitimacy of the ministers of finance to discuss healthcare issues considerably by giving them a place in the health care part of the Concerted Strategy.

A second, albeit modest, line of research is interested in impact of the OMC on the institutional arrangements in the EU: several authors refer to the important (or even “dominant”) role of the European Commission, which skilfully uses the OMC to expand its influence in sensitive (social) policy areas, as is shown, among others, by de la Rosa (2007) and Greer and Vanhercke (2010). This may explain why the Committee on Legal Affairs of the European Parliament (2007, page 4-5), warns against the “indirect legal effects” of soft law which is “liable to circumvent the influence of the other (democratic) instruments” and would “allow the executive effectively to legislate by means of soft-law instruments, thereby potentially undermining the Community legal order”. Note that Eckardt (2005) sees only a “mediating role” for the European Commission in the pensions OMC. Vanhercke (2009a) furthermore shows that the EU political playing field in the field of pensions was changed through the OMC, as the joint approach to pensions brought a new set of actors to the debate, namely the Social Affairs Council formation, the SPC and platforms such as the European Federation of Pensioners and Elderly People (FERPA) and AGE.

Some scholars have recently started to research the interaction between the OMC and other EU instruments. For de la Rosa (2007) it is clear that the relationship between ESF and OMC works both ways: if the ESF strengthens the OMC, the latter may influence cohesion policy. Hervey and Vanhercke (2010) highlight the interlinking between the OMC and the ESF (the ESF Regulation for the 2007–13 programming period explicitly refers to OMC) as a case in point of “instrument hybridity”. Indeed, for these authors “there is no reason why in the near future certain elements of the health care OMC would not be taken into account by the Commission, de jure or de facto, to determine whether expenditure is eligible for assistance under the Fund” (Ibid). Note that the preliminary results of a recent assessment by IRS *et al* (2009, page 10) of the support provided by the ESF during the 2000-2006 programming period to the Social OMC highlights that the ESF programme objectives as well as the majority of ESF operational programmes and national interventions support the social inclusion component of the Social OMC. While the three objectives of the Pension OMC were not considered eligible under ESF, the evaluation study also concludes that there is the possibility to enlarge the scope of ESF in the case of health care, notably with regard to

interventions that take advantage of the existing scope within the ESF regulatory framework for linking inclusion and health.

The link between OMC and the community method has also received considerable attention. Thus, de la Rosa (2007) explains how the Social OMC ensures a regular follow-up of certain non-discrimination Directives. Hervey (2010) provocatively examines adjudicating by the European Court of Justice of the European Union (CJEU) “in the shadow of the informal settlement”. Even though the latter piece does not directly deal with the Social OMC (case studies are the European Employment Strategy and the Bologna Process on Higher Education) the findings are highly relevant for our study, as they indicate not merely the *possibility* that the ECJ would take elements of OMC into consideration (as already indicated by Greer and Vanhercke (2010) in the case of health care), but takes this one step further by illustrating that this kind of spillover is *happening already*. Finally note that Ferrera (2009, page 231) advances that the setting of precise and measurable targets within the Social OMC (as recently proposed by the European Commission (2010) in its Communication on the Europe 2020 Strategy) could be the first concrete step in the direction “of the establishment of binding regulatory standards, of some “social snakes” [...] forcing the Member States to loosely align themselves to a European “norm” regarding certain areas of social protection”. In sum it seems that more attention to the impact of the Social OMC on EU level policies and politics would indeed open interesting new research avenues.

7.4 Conclusions

The first conclusion from this review is that many questions are raised with regard to the OMC’s adequacy, or its theoretical capacity to produce significant results. Thus, the public awareness about the process and its institutional visibility are weak, the Social OMC’s objectives and guidelines contain different and sometimes conflicting elements and country-specific messages are deemed to be “too subtle” to even be assessed. Furthermore, the national reports produced in the context of the OMC are often seen as administrative documents, rather than planning devices. Furthermore, the adequacy of the linkages both *within* the Social OMC and with *other* policy areas at EU level is rather questionable. The consistency and adequacy of common indicators as tools for measuring progress towards the common objectives has equally been criticised by many authors, especially in the pensions and healthcare strands of the Social OMC. At the same time, the adequacy of OMC tools available for mutual learning raises intense debate in the literature. Finally, the discussion of the adequacy of the OMC operational framework at national level suggests, among other things, that OMC reports are often “in competition” with domestic processes.

This rather gloomy picture of the OMC’s adequacy contrasts sharply with the close to unanimous agreement that the OMC has a considerable impact on Member States’ policies and politics. Even though this impact varies between countries, strands and types of impact (see below), this finding is quite striking in itself, in view of the more “sceptical” literature which dismissed OMC, at several occasions, as being a paper tiger which could not have, because of its institutional weakness, any effect at all. This review also showed that assessments which looked at the OMC “on the ground” (their operation in the Member States) often found more impact of this method than assessments which draw on the instruments of the tool.

This said, there is far less agreement about the direction and scope of OMC impact. While many analysis point to beneficial effects (raising awareness, increasing involvement, improving coordination etc.), others point to undesirable effects, which would include liberalisation discourses, and pushing for neoliberal solutions and policy tools. In particular, variations in actor involvement need to be analysed in more detail.

It has also become clear that OMC's impact is not limited to the domestic level: we found different kinds of EU-level effects, including shaping of discourses and deliberation (homelessness, child poverty, equal access to healthcare) and providing legitimacy for economic (and other actors) to further bring social protection and social inclusions under their influence. Also, the EU has incrementally and together with Member States and anti-poverty organisations, developed the discourses and policy analyses that are at the heart of the OMC procedure.

How can it be explained that the Social OMC, in the absence of a "shadow of hierarchy" (Héritier and Lehmkuhl, 2008), produces the kind of results discussed above? As regards the mechanisms that are being discussed to explain OMC impact, there seems to be a clear shift from a focus on "policy learning" to a "creative appropriation", even if it is clear that while actors use the OMC for their own purposes, this may involve changes in their cognitive and normative frames resulting from policy learning. It is now widely acknowledged that the OMC can only have an impact if it is being "picked up" by actors at the domestic level, who use it as a leverage to (selectively) amplify national reform strategies (Visser, 2005). This has important consequences for any future analysis of the Social OMC's impact, which will have to take into account the degree to which a variety of actors at different levels have engaged in, and appeal to the OMC to pursue their objectives. At the same time, this "creative appropriation" dimension appeals for more investment, including from the European Commission, in the real involvement of stakeholders, for example through national peer reviews based on the country fiches.

Another striking feature is that, in contrast to earlier accounts of the OMC as a largely bureaucratic (administrative) exercise, this review informed us about the highly political nature of the Social OMC, which at every step of its emergence (in every of its three strands) and current operation leads to fierce debate, opposition, debate and bargaining, including but not only regarding indicators. The "hard politics of soft law" is not fiction: this review has shown that OMC in different policy areas is felt and perceived as being much "harder" than could be expected. At the same time, this makes OMC highly vulnerable to political preferences in the Council as well as at Member State level. Once again, this is of utmost important to analyse in more detail for the new Member States.

In spite of this, the Social OMC has been institutionalised – at national and EU levels - in ways that may not have been expected: OMC has become a "template" for soft governance, not only in the crowded EU health space, but also for coordinating social (inclusion) policies in federalised countries; OMC has become linked to other EU policy instruments such as legislation and the EU funds; and OMC has become a trusted resource – admitted, amid others – for a variety of domestic and EU actors.

The linkages with other EU policy instruments bring some authors to shed doubts about the clear-cut distinction between "hard" and "soft" modes of governance. Systematic comparisons between OMC strands are rare, but there seems to be evidence that it is not merely the "infrastructure" of the processes that matters most (having recommendations, NSR, indicators) but rather actor involvement, leverage and funding. The European Court of Justice's actual (as opposed to theoretical) use of soft law mechanisms in its judgements and the influence of OMC on ESF Regulations are further arguments to nuance views that oppose hard and soft law.

The analyses that have a mainly theoretical ambition tend to over or under-estimate the effect of the OMC. The empirical analyses, while sometimes not theory-driven in the academic sense, provide rich empirical data, and provide a more nuanced picture than any of the exclusively theoretical accounts would predict. Most of the analyses implicitly if not explicitly use theoretical concepts from the literature on institutionalisation and on Europeanisation. This is, indeed, useful, although it is not the fit/misfit presumption itself that identifies conditions of potential impact, but instead, whether and if so, how, actors consider that it can be used (for agenda-setting, conflict resolution, maintaining focus on a policy issue, developing a policy dialogue, etc) which determines its impact.

In view of the results of this literature review, one can only hope that when domestic and European decision makers decide on the next steps to be taken as regards the Social OMC, those choices will be evidence-based (rather than purely political). In spite of the flaws and pitfall surrounding the Social OMC (with its three strands), it seems that “Social Europe” would lose something if this process were to be abandoned (formally or – more likely – in practice) or reduced to a “Platform against Poverty”. Revamping it in the context of the Europe 2020 Strategy seems a more adequate strategy in view of the fact that the Social OMC has - in some respect at least - delivered the goods after all.

References

AGE (2009), *Assessment of the 2008 National Strategy Reports on social protection and social inclusion*, February.

Amitsis, G. (2004), *The boundaries between Directive 2003/41 and the OMC process on occupational welfare*, Paper presented at the *Public Seminar on Pensions at Risk*, European Network for research on Supplementary Pensions, Leuven, Belgium, September 17.

Ania, A.-B. and Wagener, A. (2008), “The Open Method of Coordination (OMC) as an Evolutionary Game”, *Discussion Paper 2008*.

Armstrong, K. (2005), “How Open is the United Kingdom to the OMC Process on Social Inclusion?”, in J. Zeitlin *et al* (editors), *The Open Method of Coordination in Action: The European Employment and Social Inclusion Strategies*, Brussels: PIE-Peter Lang: 287-310.

Armstrong, K. (2006), “The ‘Europeanisation’ of Social Exclusion: British Adaptation to EU Co-ordination”, *British Journal of Politics and International Relations*, Vol. 8: 79–100.

Barbier, J.-C. (2010), “‘Stratégie de Lisbonne’ : les promesses sociales non tenues”, Documents de travail du Centre d'Economie de la Sorbonne, *CES Working Papers 2010.18*, Paris : Centre d'Economie de la Sorbonne.

Behning, U. (2006), “National Social Policy-Making in the European Multi-Level System of Governance: Institutional Change and the Open Method of Co-ordination”, Paper presented at the ECPR's - Joint Sessions of Workshops, Nicosia, Cyprus, 25-30 April.

Branden, T. *et al* (2005), “The National Action Plan on Social Inclusion: An Opportunity for the Third Sector?”, *Third Sector European Policy (TSEP)*, Working Papers, No. 14, London School of Economics.

Brousse, C. (2005), “Définir et compter les sans-abri en Europe: enjeux et controverses”, *Genèses*, 58: 48-71.

Büchs, M. (2008), “The Open Method of Coordination as a ‘Two-Level Game’”, *Policy & Politics*, Vol. 36, 2: 21-37.

Büchs, M. (2009), “The Open Method of Coordination – Effectively Preventing Welfare State Retrenchment?”, in S. Kröger (editor) *What we have learnt: Advances, pitfalls and remaining questions in OMC Research*, European Integration online Papers (EIoP), Special Issue 1, Vol. 13, Art. 11. Available from: <http://eiop.or.at/eiop/texte/2009-011a.htm>.

Büchs, M. and Friedrich, D. (2005), “Surface Integration. The National Action Plans for Employment and Social Inclusion in Germany”, in J. Zeitlin *et al* (editors) *The Open Method of Coordination in Action: The European Employment and Social Inclusion Strategies*, Brussels: PIE-Peter Lang: 249-86.

Council of the European Union (2009), *Updated Joint Assessment by the Social Protection Committee and the European Commission of the Social Impact of the Economic Crisis and of Policy Responses*, Full Report, 10133/1/09 REV 1 ADD 1, Brussels, 29 May 2009.

Daly, M. (2007), "Whither EU Social Policy? An Account and Assessment of Developments in the Lisbon Social Inclusion Process", *Journal of Social Policy*, Vol. 37, 1: 1-19.

Dawson, M. (2009), "EU law 'transformed'? Evaluating accountability and subsidiarity in the 'streamlined' OMC for Social Inclusion and Social Protection", in S. Kröger (editor) *What we have learnt: Advances, pitfalls and remaining questions in OMC research*, European Integration online Papers (EIoP), Special Issue 1, Vol. 13, Art. 8. Available from: <http://eiop.or.at/eiop/texte/2009-008a.htm>.

de la Porte, C. and Nanz, P. (2004), "The OMC - A Deliberative-Democratic Mode of Governance? The Cases of Employment and Pensions", in *The Open Method of Co-ordination in the European Union*, Special issue of *Journal of European Public Policy*, Vol. 11, 2: 267-288.

de la Porte, C. (2007), "Good Governance via the OMC: the cases of employment and social inclusion", *European Journal of Legal Studies*, Vol. 1, No. 1.

de la Porte, C. (2008), "The European Level Development and National Level Influence of the Open Method of Coordination: The Cases of Employment and Social Inclusion". *Unpublished PhD thesis*, Department of Social and Political Studies, European University Institute, Florence.

de la Rosa, S. (2007), *La méthode ouverte de coordination dans le système juridique communautaire*, Brussels: Bruylant.

EAPN (2008), *Building Security, Giving Hope. EAPN Assessment of the National Strategic Reports on Social Protection and Social Inclusion (2008-10)*, November.

Eckardt, M. (2005), "The open method of co-ordination on pensions: an economic analysis of its effects on pension reforms", *Journal of European Social Policy*, Vol. 15, 3: 247-267.

European Economic and Social Committee (2005), *Implementation of the Lisbon Strategy - Summary Report for the European Council (23 and 24 March 2006)*, European Economic and Social Committee, CESE 1468/2005 rev.

ESN (2009), "Perspectives from practice". *Review of the National Reports on Strategies for Social Protection and Social Inclusion 2008-10*, January.

European Centre for Social Welfare Policy and Research *et al* (2008), *Quality in and equality of access to healthcare services*, Study on behalf of the European Commission, Directorate-General for Employment, Social Affairs and Equal Opportunities, March.

European Commission (2006), *Evaluation of the Open Method of Coordination for Social Protection and Social Inclusion*, SEC(2006)345, Brussels: European Commission.

European Commission (2010), *Europe 2020. A strategy for smart, sustainable and inclusive growth*, Communication from the Commission, Communication COM(2010) 2020, Brussels: European Commission.

European Parliament (2007), *Draft Report on institutional and legal implications of the use of 'soft law' instruments*, Doc 2007/2028(INI) of 15 March 2007.

FEANTSA (2007), *Untapped Potential: Using the Full Potential of the OMC to Address Poverty in Europe*, Brussels.

Featherstone, K. (2005), "Soft' Co-ordination Meets 'Hard' Politics: The European Union and Pension Reform in Greece", *Journal of European Public Policy*, Vol. 12, 4: 733-50.

Ferrera, M. and Sacchi, S. (2005), "The Open Method of Co-ordination and National Institutional Capabilities. The Italian Experience", in J. Zeitlin *et al* (editors) *The Open Method of Coordination in Action: The European Employment and Social Inclusion Strategies*, Brussels: PIE-Peter Lang: 137-72.

Ferrera, M. (2009), "The JCMS Annual Lecture: National Welfare States and European Integration: In Search of a 'Virtuous Nesting'", *JCMS: Journal of Common Market Studies*, Vol. 47, 2: 219-233.

Flear, M. (2009), "The Open Method of Coordination on Health Care after the Lisbon Strategy II: Towards a Neoliberal Framing?", in S. Kröger (editor) *What we have Learnt: Advances, pitfalls and remaining questions in OMC Research*, European Integration online Papers (EIoP), Special Issue 1, Vol. 13, Art. 12. Available from: <http://eiop.or.at/eiop/texte/2009-012a.htm>.

Frazer, H. and Marlier, E. (2008), *Building a stronger EU Social Inclusion Process: Analysis and recommendations of the EU Network of independent national experts on social inclusion, prepared on behalf of the European Commission*, Brussels: European Commission.

Frazer, H. and Marlier, E. (2009), *Assessment of the extent of synergies between growth and jobs policies and social inclusion policies across the EU as evidenced by the 2008-2010 National Reform Programmes: Key lessons*, Brussels: European Commission.

Friedrich, D. (2006), "Policy Process, Governance and Democracy in the EU: The Case of the Open Method of Co-ordination on Social Inclusion", *Policy & Politics*, Vol. 34, 2: 367-383.

Greer, S. and Vanhercke, B. (2010), "Governing Health Care through EU Soft Law", in: E. Mossialos, T. Hervey, R. Baeten (editors) *Health System Governance in Europe: The Role of EU Law and Policy*, Cambridge: Cambridge University Press: 186-230.

Hamel, M.-P. and Vanhercke, B. (2009), "The Open Method of Coordination and Domestic Social Policy Making in Belgium and France: Window Dressing, One-Way Impact, or Reciprocal Influence?", in M. Heidenreich and J. Zeitlin (editors) *Changing European Employment and Welfare Regimes: The Influence of the Open Method of Coordination on National Reforms*, London: Routledge: 84-111.

Héritier, A. and Lehmkuhl, D. (2008), "Introduction. The Shadow of Hierarchy and New Modes of Governance", *Journal of Public Policy* (2008), 28: 1-17

Hervey, T. and Vanhercke, B. (2010), "Health care and the EU: the law and policy patchwork", in: E. Mossialos, T. Hervey and R. Baeten (editors) *Health System Governance in Europe: The Role of EU Law and Policy*, Cambridge: Cambridge University Press: 84-133.

Hervey, T. (2008), "The European Union's Governance of Health Care and the Welfare Modernization Agenda", *Regulation & Governance*, Vol. 2, No. 1: 103-120.

Hervey, T. (2010), "Adjudicating in the Shadow of the Informal Settlement?: The European Court of Justice, 'new governance' and social welfare", Submitted to *Current Legal Problems*, January.

Horváth, A. (2007), "Committee Governance after the Enlargement of the EU: Institutionalisation of Cooperation within the Social Protection Committee", *European Political Economy Review*, 6: 53-73.

INBAS GmbH, and ENGENDER asbl, Directorate-General Employment, Social affairs and Equal opportunities (2009), *Study on Stakeholders' Involvement in the Implementation of the Open Method of Coordination (OMC) in Social Protection and Social Inclusion, Draft Interim Report: Country Reports & Case Studies*, August.

IRS *et al* (2009), "Ex post evaluation of the 2000-2006 ESF support to the Open Method of Coordination in Social Protection and Social Inclusion, Final Report", Istituto per la Ricerca Sociale in association with The Tavistock Institute, The Research Institute for Quality of Life and The Rehabilitation Foundation, European Commission, on behalf of the European Commission, Directorate-General Employment, Social affairs and Equal opportunities.

Jacobsson, K. (2005), "Trying to Reform the 'Best Pupils in the Class'? The Open Method of Co-ordination in Sweden and Denmark", in J. Zeitlin *et al* (editors), *The Open Method of Coordination in Action: The European Employment and Social Inclusion Strategies*, Brussels: PIE-Peter Lang: 107-36.

Jacobsson, K. and Vifell, Å. (2007), "Deliberative Transnationalism? Analysing the Role of Committee Interaction in Soft Co-ordination", in I. Linsenmann, C.O. Meyer and W. Wessels, Basingstoke (editors), *Economic Government of the EU: A Balance Sheet of New Modes of Policy Coordination*, New York: Palgrave Macmillan: 163-186.

Jacobsson, K., and Johansson, H. (2009), "The Micro-Politics of the Open Method of Coordination: NGOs and the Social Inclusion Process in Sweden", in M. Heidenreich and J. Zeitlin (editors) *Changing European Employment and Welfare Regimes: The Influence of the Open Method of Coordination on National Reforms*, London: Routledge: 173-91.

Johansson, H. (2008), "Europeanization from below: The OMC process on social exclusion in the Swedish welfare state" in *Citizenship in Nordic Welfare States Dynamics of Choice, Duties and Participation In a Changing Europe*, London: Routledge.

Joint Centre for Scottish Housing Research *et al* (2007), *Measurement of homelessness at EU level*.

Kröger, S. (2006), "When Learning Hits Politics or: Social Policy Coordination Left to the Administrations and the NGOs?", *European Integration online Papers (EIoP)*, Vol. 10, No. 3.

Kröger, S. (2008), *Soft Governance in Hard Politics: European Coordination of Anti-Poverty Policies in France and Germany*, Wiesbaden: VS Verlag für Sozialwissenschaften.

Kröger, S. (2009), "The Open Method of Coordination: Underconceptualisation, Overdetermination, De-politicisation and Beyond", in S. Kröger (editor) *What have we learnt: Advances, pitfalls and remaining questions in OMC research*, European Integration online Papers (EIoP), Special Issue 1, Vol. 13, Art. 5. Available from: <http://eiop.or.at/eiop/texte/2009-005a.htm>.

Lendvai, N. (2004), "The Indigenisation of Social Inclusion Policy in Post-Communist Europe and its Implication for EU Social Policy After Enlargement", Paper presented at the *second annual ESPAnet conference*, Oxford, 9-11 September.

Letzner, P. and Schmitt, V. (2007), "La mise en œuvre de la méthode ouverte de coordination dans le secteur de l'assurance vieillesse en Allemagne: un processus d'harmonisation", *Retraite et Société*, 50: 234-242.

Lodge, M. (2007), "Comparing Non-Hierarchical Governance in Action: the Open Method of Co-ordination in Pensions and Information Society", *Journal of Common Market Studies*, Vol. 45, 2: 343-365.

Natali, D. and de la Porte, C. (2004), *Questioning the Effectiveness of OMC Pensions: Does Europe Co-ordinate the EU's diverse Pension Systems?* Working Paper, Brussels: Observatoire social européen.

Nedergaard, P. (2007), "Maximizing Policy Learning in International Committees: An Analysis of the European Open Method of Coordination (OMC) Committees", *Scandinavian Political Studies*, Vol. 30, 4: 521-546.

- Norris, J. (2007), *Searching for Synergy: Governance, Welfare, and Law in Two EU Member States*, unpublished Ph.D. thesis, Department of Sociology, University of Wisconsin-Madison.
- O'Donnell, R. and Moss, B. (2005), "Ireland: The Very Idea of an Open Method of Coordination", in J. Zeitlin *et al* (editors) *The Open Method of Coordination in Action: The European Employment and Social Inclusion Strategies*, Brussels: PIE-Peter Lang: 311-50.
- OSB Consulting (2006), *Final Technical Report: Peer Review and Assessment in Social Inclusion*, prepared in cooperation with CEPS/INSTEAD and IES.
- Pochet, P. and Natali, D. (2005), "Réseaux européens relatifs aux pensions: la participation d'intérêts organisées au processus décisionnel de l'UE", *Revue belge de sécurité sociale*, No. 2: 307-38.
- Preunkert, J. and Zirra, S. (2009), "Europeanization of Domestic Employment and Welfare Regimes: The German, French, and Italian Experiences", in M. Heidenreich and J. Zeitlin (editors) *Changing European Employment and Welfare Regimes: The Influence of the Open Method of Coordination on National Reforms*, London: Routledge: 192-213.
- Radulova, E. (2007), "Variations on Soft EU Governance: the Open Method(s) of Coordination". In D. De Bievre and C. Neuhold (editors) *Dynamics and Obstacles of European Governance*, Cheltenham: Edward Elgar: 3-27.
- Sacchi, S. (2006), "Il metodo aperto di coordinamento", *URGE, Working Paper*, No. 8. Available from: http://www.urge.it/files/papers/2_2_wpurge8_2006.pdf.
- Sirovátka, T. and Rákoczyová, M. (2009), "The Impact of the EU Social Inclusion Strategy: the Czech case", in A. Cerami and P. Vanhuysse (editors), *Post-Communist Welfare Pathways. Theorizing Social Policy Transformations in Central and Europe*, Palgrave/Macmillan.
- Social Protection Committee (2007), *Report from the SPC Working Group on the Mutual Interaction between the Common Social Objectives and the Strategies for Growth and Jobs*, Brussels: European Commission.
- Social Protection Committee (2007a), Proposal generated from the summary of the Member States' replies to the follow-up questions on how to enhance mutual learning with OMC social protection and social inclusion, unpublished paper.
- Social Protection Committee (2008), *Child Poverty and Well-being in the EU – Current Status and Way Forward*, Brussels: European Commission.
- Social Protection Committee (2009), *Growth, Jobs and Social Progress in the EU: A Contribution to the Evaluation of the Social Dimension of the Lisbon Strategy*, Brussels: European Commission.
- The Tavistock Institute (2006), *Evaluation of the EU Programme to Promote Member State Co-operation to Combat Social Exclusion and Poverty*, Final Synthesis of the Main Report, Engender and ECWS.
- Vandenbroucke, F. (2001), "Open Co-ordination on Pensions and the Future of Europe's Social Model", Closing speech at the Conference *Towards a new architecture for social protection?*, Leuven, 19-20 October, 2001.
- Vanhercke, B. (2009), "Against the odds. The Open Method of Coordination as a selective amplifier for reforming Belgian pension policies", in S. Kröger (editor) *What we have learnt: Advances, pitfalls and remaining questions in OMC research*, European Integration online Papers (EIoP), Special Issue 1, Vol. 13, Art. 16. Available from: <http://eiop.or.at/eiop/texte/2009-016a.htm>.

Vanhercke, B. (2009a), Hoezo, ver van ons bed? Over de wisselwerking tussen het Belgische en Europese armoedebeleid, in J. Vranken, G. Campaert, D. Dierckx en A. Van Haarlem (editors) *Arm Europa. Over armoede en armoedebestrijding op het Europese niveau*, Leuven: Acco, 79-100.

Vanhercke, B., Cincinnato, S. and Nicaise, I. (2008), Belgium - The Social Inclusion Strand of the EU Social Protection and Social Inclusion Process - Awareness and perception of the process, strengths and weaknesses, suggestions for the enhancement of its impact, HIVA, K.U.Leuven, on behalf of European Commission Directorate-General Employment, Social affairs and Equal opportunities.

Visser, J. (2005), "The OMC as Selective Amplifier for National Strategies of Reform: What the Netherlands Want to Learn from Europe", in J. Zeitlin *et al* (editors), *The Open Method of Coordination in Action: The European Employment and Social Inclusion Strategies*, Brussels: PIE-Peter Lang: 173-216.

Zeitlin, J. (2005), "Conclusion: The Open Method of Coordination in Action: Theoretical Promise, Empirical Realities, Reform Strategy", in J. Zeitlin *et al* (editors), *The Open Method of Coordination in Action: The European Employment and Social Inclusion Strategies*, Brussels: PIE-Peter Lang: 441-98.

Zeitlin, J. (2008), "The Open Method of Coordination and the Governance of the Lisbon Strategy", *Journal of Common Market Studies*, Vol. 46, 2: 437-46.

Zeitlin, J. (2009), "EU Policy Coordination Beyond 2010: Towards an Inclusive Governance Architecture", in *La Rivista delle Politiche Sociali* (Italian Journal of Social Policy), No 4.

Zeitlin, J. (2009a), "The Open Method of Coordination and National Social and Employment Policy Reforms: Influences, Mechanisms, Effects", in M. Heidenreich and J. Zeitlin (editors) *Changing European Employment and Welfare Regimes: The Influence of the Open Method of Coordination on National Reforms*, London: Routledge: 214-45.

8. ON THE ROLE OF TARGETS IN FOSTERING POLICY DEVELOPMENT: LEARNING FROM THE FRENCH EXPERIENCE

(Robert Walker)⁶⁵

Abstract: The aim of this chapter is to draw selectively on the experience gained from the use of targets at national level to begin reflection on the challenges that will need to be overcome if targets are to drive rather than obstruct progressive European policymaking. No claim is made to the comprehensiveness of the review; rather, the recent French experience with the “Scoreboard” is taken as a case-study to illustrate particular issues. The chapter therefore begins with a brief account of the Scoreboard and the political strategy that underpins it before addressing four issues: the politics of targets, criteria for setting targets, the risk of policy distortion and the symbiosis with policy design. In each case the issues are first discussed in a French context before considering the implications for the European strategy. The chapter ends with interim conclusions.

8.1 Introduction

Decisions taken by the European Union (EU) Heads of State and Government at their meeting on 17th June 2010 arguably marked a new chapter in the story of European policymaking. Most notable was the adoption of five EU headline targets to be achieved by 2020. They include quantifiable targets for reducing poverty (by 20 million, the number at risk of poverty and social exclusion), increasing education attainment (the share of 30-4 year olds with tertiary education to at least 40 per cent), and raising the employment rate (to 75 per cent for persons aged 20-64). Targets not only establish goals but encourage and facilitate the measurement of progress. They increase accountability and, by doing so, ratchet up the pressure on politicians and policy makers to deliver against the targets, thereby stimulating public debate and engagement and adding momentum to the policy making process. Member States are obliged to act to implement these policy priorities and “in close dialogue with the Commission, rapidly [to] finalise their national targets, taking account of their relative starting positions and national circumstances” (European Council, 2010, page 3).

The introduction of targets is a logical but not inevitable development of the approach to policy making triggered by the Lisbon Strategy and epitomised by the Open Method of Coordination (OMC). The OMC is characterised by experimentation and knowledge creation and by participation of the social partners and civil society more generally, thereby giving credibility and legitimacy to a process that could otherwise be seen as light on democratic input. It makes a virtue of decentralised policy-making that, in turn, accommodates a wide diversity of normative perspectives and policy mechanisms. At the same time, peer review and friendly competition is intended to propel national policies forward in ways that are consistent with European goals. The introduction of targets can exploit the same mechanisms but might, in theory at least, shift the change dynamic from achievements to performance. Whereas the beauty competition that is the OMC, with Member States placed alongside each other, is intended to stimulate admiration and emulation, the introduction of targets means that Member States can be ranked by performance, thereby potentially creating the pressures and policy adrenalin that characterise a race.

Targets are not new in policy making at the level of Member States. Moreover, it is at least arguable that the OMC and associated peer review have been important in the adoption of policy targets across Europe. To take the example of poverty, Ireland introduced a quantitative poverty reduction target in 1997. Initial success encouraged the Irish government to make the target more ambitious and, with adoption of EU-SILC as the mechanism for

⁶⁵ Robert Walker is at the University of Oxford (Green Templeton College). Address for correspondence: robert.walker@socres.ox.ac.uk.

monitoring performance, to target the elimination of “consistent” poverty (defined as combination of income poverty and material deprivation) by 2016. Various countries including Belgium, Greece, Portugal and Spain, have since established quantitative targets to reduce general poverty under the rubric of the EU Social Inclusion Process while the United Kingdom introduced a child poverty target in 1999 and gave it legislative authority by including it in the Child Poverty Act 2010. The French government is committed to reducing poverty by a third between 2007 and 2012 and, in May 2009, introduced a set of indicators – *le tableau de bord* or “Scoreboard” – against which to assess progress and which formed the topic of a peer review in Social Protection and Social Inclusion held in Paris in December 2009 (Walker, 2010). As from now, all Member States are to be required to adopt national poverty reduction targets consistent with that of the Commission at European level. The latter is to be defined in terms of the number of persons who are at risk-of-poverty and exclusion according to three indicators (at-risk-of poverty; material deprivation; jobless household). Member States are at liberty “to set their national targets on the basis of the most appropriate indicators, taking into account their national circumstances and priorities” (European Council, 2010, page 12) raising obvious issues about the relationship between national and European targets.

The new European policy rubric agreed in June 2010 establishes a style of governance powered by targets, albeit they apply, as yet, to only five areas. If the strategy is perceived to be successful it seems improbable that targets will not be applied more widely. Hence, the June 2010 agreement by EU Heads of State might be viewed as a pilot, a further element in the experimentation and knowledge building that has characterised European policymaking since the Lisbon Treaty. The aim of this contribution is to draw selectively on the experience gained from the use of targets at national level to begin reflection on the challenges that will need to be overcome if targets are to drive rather than obstruct progressive European policymaking. No claim is made to the comprehensiveness of the review; rather, as requested, recent French experience with the “Scoreboard” is taken as a case-study to illustrate particular issues. The chapter therefore begins with a brief account of the Scoreboard and the political strategy that underpins it before addressing four issues: the politics of targets, criteria for setting targets, the risk of policy distortion and the symbiosis with policy design. In each case the issues are first discussed in a French context before considering the implications for the European strategy. The chapter ends with interim conclusions.

8.2 The French poverty target and “Scoreboard”

When, on 17 October 2007, Nicolas Sarkozy, President of France, announced the intention of the French government to reduce poverty by a third within five years, he also made clear the point of introducing a target, namely to galvanise political forces for change:

I want to see this long neglected social issue become a political issue. I set this target to force us to deliver. It will force us to unearth the mechanisms that spawn poverty and to set up the ones that will eradicate it. (UEF, 2008)

In order to monitor performance against this target the French government, through a process of extensive consultation, developed a set of indicators – *le tableau de bord* or “Scoreboard” – comprising some 38 indicators organised within 11 thematic policy objectives (Table 8.1). The number of specific indices within each theme varies but in each case includes one or more quantified targets – 18 in total that are required to be met within five years, the clock having been set running at October 2007. The “central” index, required to fall by a third, is an “anchored in time” measure of income poverty defined with respect to a threshold of 60 per cent of median. This measure reflects living standards at the beginning of the monitoring period, maintains the value of the threshold in terms of what can be purchased but is not adjusted to take account of rises (or falls) in general French living standards.

Table 8.1: Thematic objectives of the French “Scoreboard”

<i>To fight</i>	<i>To promote access to:</i>
1. Poverty and inequality; 2. The accumulation of difficulties in living conditions; 3. Child poverty; 4. Youth poverty; 5. Poverty in old age; 6. Poverty of people who have a job;	7. Employment; 8. Housing and maintaining housing; 9. Education and training;
<i>To support access to</i>	<i>To fight</i>
10. Care;	11. Financial (banking) exclusion.

Source: Walker (2009)

Multiple indicators are included in the scoreboard in order to compensate for the limitations of a single measure of poverty, to reflect better the multi-dimensional nature of poverty and to recognise the contribution required from the whole of government for the poverty reduction target to be met. Relative poverty rates, the thresholds set at 40, 50 and 60 per cent of median household income after adjustment for household size, are included specifically to ensure that the reduction in poverty achieved is not associated with increased inequality and social cohesion.

Comparison of Scoreboard with the latest incarnation of the Laeken indicators used to monitor the risk of poverty and social exclusion at European level is instructive (European Commission, 2009). The Scoreboard gives much greater prominence to “anchored in time” measures of income poverty than do the Laeken indicators where such measures only appear as contextual ones. Two primary level Laeken indicators are excluded: the difference between the employment rates of immigrants and non-immigrants, (possibly a reflection of the nature of French assimilation policies) and the rate of long-term unemployment. The Scoreboard includes some poverty dimensions that were not, at the time of implementation, agreed for inclusion in the Laeken indicators and which are at some variance from them and yet others that are still not on the Laeken list (and which, therefore, may be of particular interest to other Member States). Measures in the first group include material deprivation and housing, while additional unmet care needs and financial exclusion feature in the second. The Scoreboard adds measures of financial, or banking, exclusion, a dimension of poverty not yet considered for inclusion in the Laeken indicators but one shown to be a considerable problem for people living on low incomes (Carbo *et al*, 2007; Collard *et al*, 2001). Finally, while the Scoreboard employs measures of relative poverty to capture inequality, omitting direct indices of income inequality such as the Gini coefficient and the 80/20 income quintile ratio, it includes substantive indicators that nevertheless also reflect inequality. There are two indicators that both directly measure class-based aspects of inequality, namely in dental treatment received by young people and in terms of access to continuing education, and two measures that indirectly reference inequality. The latter, relative health expenditures by persons in the lowest income decile, and the rate of non-negotiable (*Préengagées*) expenditure among persons in the lowest income quintile, refer indirectly to inequality through focusing on one section of the income distribution and thereby calling into question the relative circumstances of persons with different levels of income.

The intent of the French leadership is that the poverty target should simultaneously fulfil three functions: to stimulate interest in poverty and social exclusion; to build support for reform, and to pressurise all parts of government to deliver reform and policy outcomes. The “Scoreboard” is the stimulus through which these goals are to be achieved – a mechanism of accountability that is to take two forms: the political equivalent of the victor’s

podium when targets are seen to have been met and the counterpart of medieval punishment stocks, with public humiliation and opprobrium, when they were missed. Moreover, in the same way that the poverty target is enshrined in legislation through the law of December 1, 2008, so, too, is the Scorecard. The same law referred specification of the measurement of poverty to a decree to be issued by the *Conseil d'Etat* (Council of State) which, when published on 21st May 2009, specified that a monitoring scorecard, annexed to the Decree, should be used.

With the target and scorecard intended to create an institutionalised momentum for change, the policy package was completed by the introduction of “active inclusion”, a mechanism based on the premise, to cite President Sarkozy, that it is necessary, “to consistently reward work as opposed to government benefits, and to ensure that work invariably provides a door out of, and protection from, poverty”. (UEF, 2008, p.1). In the French version, “active inclusion” is based on “three complementary and inseparable principles”: a guaranteed adequate minimum income; policies promoting labour-market integration; and access to quality social services. Among the most important of the reforms introduced in 2007 were: the replacement of *revenue minimum d'insertion* (RMI) and certain other benefits by the “*revenu de Solidarité active*” (rSa) which was piloted in 34 départements prior to full implementation on 1st June 2009; the *Grenelle de l'insertion* (Roundtable on Inclusion) which sought to gather ideas from stakeholders and produced a set of shared guidelines and priority projects in 2008; and a call for innovative policy ideas to be tested by social experiment.

The poverty target and the associated scoreboard are not simply a technical exercise. Rather they are central elements in a larger strategy designed to make poverty more visible, to stimulate public debate, to mobilise policy intent and to incentivise effective policy delivery designed to reduce poverty. The Scoreboard is viewed as an instrument of observation, evaluation and partnership: it will record trends and suggest whether policy changes are having the desired effect. It is intended to stimulate interaction within government and beyond in developing sensitive indicators and in implementing policies likely to be effective given the multi-faceted nature of poverty.

8.3 Strategy and politics

Where used, targets frequently become a natural part of the policy process, essential for establishing attainable policy objectives and useful for incentivising and monitoring performance. However, there is rarely much that is natural or neutral about the introduction of targets. They symbolise proactive policymaking, dissatisfaction with the status quo and a deliberate initiative to shake up policy by doing things differently.

This was clearly the case in France where targets and the Scoreboard were part of bold, not to say audacious, attempt to shift the terms of debate premised on the belief that there was currently insufficient support both inside and outside government to do more to tackle poverty. The idea was that targets, their publication and discussion about them builds support and public interest that can further motivate and increase pressure for reform.

It is a little premature to assess the extent to which these premises hold in France since only one set of results have been published (in October 2009; “*Haut-Commissaire Aux Solidarités Actives Contre La Pauvreté*” (HCSACP) [2009]). There is evidence that targets in Ireland and the UK built sustained political support. The Irish Anti-Poverty Strategy remained in place for over 12 years, while in the UK, the Child Poverty Act, giving a legal basis to the target and the establishment of a Commission to monitor it was passed in the last days of the 2004-10 Labour government without objection from the opposition parties subsequently elected into power. Moreover, in the UK the political risks of failing to meet anti-poverty targets have proved to be less than those in the case of health, possibly because the targets are recognised to be ambitious and because comparatively few people perceive themselves to be personally affected by the outcome (Child Poverty Action Group (CPAG), 2008).

On the other hand, there is limited evidence that targets stimulate popular support; rather they empower non government organisations (NGOs) and pressure groups to lobby and engage with government (Bamfield, 2005). Voters typically underestimate the chances of ever suffering from poverty and attach greater importance to quality health care, good education services and sustained employment (European Commission, 2009a). The evidence is that public support divides on ideological lines (Kelly, 2008; Castell and Thompson, 2007). Therefore to ensure ongoing debate, the British government explicitly encouraged civil society organisations to lobby to keep child poverty on the agenda and funded them to do so. In Ireland, the Combat Poverty Agency fulfilled a similar pressurising function until its absorption by the Office for Social Inclusion, a move some commentators feared would remove a powerful irritant for change. The French government engaged extensively with NGOs in drawing up the content of the Scoreboard. Then, following the onset of the 2008 recession when the need to develop real-time monitoring of the changing circumstances of low income families, it similarly consulted the largest associations concerned with the fight against poverty, involving them in the collection of data on trends in the number of applicants for services such as food aid, housing assistance, clothing assistance and job search and information on the nature of problems being encountered.

Experience suggests that there is a need to have powerful and sustained support from the very top of government and a strong champion to lead, incentivise (possibly financially) and cajole government departments and agencies to take ownership of the anti-poverty targets. This is perhaps particularly the case when progress falters or other demands become pressing. The French presidential language emphasises that the French poverty reduction target is “a goal for the government as a whole” and a “goal for every minister” and, insofar as the Scoreboard is the product of an inter-ministerial committee, it reflects this across government perspective. Moreover, when announcing the poverty target, the French President gave very public backing to the High Commissioner charged to champion delivery of the targets. Nevertheless, it may yet prove to be a considerable challenge for a junior minister to break the mould of ministerial policy making. In Britain, under Labour governments, this formal responsibility changed hands between senior ministers but the personal interest of Gordon Brown, as Chancellor of the Exchequer and subsequently Prime Minister, is generally viewed to have been the critical motivator. Indeed, under his auspices, the poverty targets were incorporated as Public Sector Agreements (PSAs) between HM Treasury and individual government ministries and underpinned by the possibility of financial sanction. Where sustained championing is not forthcoming poverty targets easily fall into disuse much as commitments to mainstreaming social inclusion have been shown to be very vulnerable in the face of political neglect (O’Kelly, 2007)

In the European context, championing is likely to be required at both Union and Member State levels. The inclusion of social policy goals as European wide targets is a landmark development bringing social policy issues more centre stage and creating new interdependencies both between the Commission and Member States and between Member States themselves. Nevertheless, ongoing concerns about both the global and domestic economies could easily cause politicians and policymakers to neglect issues of poverty, inclusion and social cohesion. Not every government will be equally committed to the European target and there is the ever-present risk that national political realities will dominate over European concerns. There is clearly a role, therefore, for the Commission, no doubt with the aid of civil society organisations, to champion contributions made by individual Member States to the achievement of the European goal.

The European-wide targets leave open the contribution expected to be made by each Member State to the overall European goal. Will some Member States be expected to make a larger contribution to meeting the target than others or will an equal proportionate contribution be demanded from each Member State even if this is not necessarily be the most cost effective way of attaining the European anti-poverty target? It is certainly important that the European targets and the national ones to be agreed are mutually supportive and that the connecting logic

is both transparent and comprehensive. Getting an effective logic agreed is likely to require persuasive champions as will the sustaining the commitment if progress slips and some Member States prove to be less successful than others.

Champions will also be required at Member State level where the demands of competing policy goals are, if anything, more severe and are often reinforced by the power of economic ministries, the impermeability of departmental boundaries and the difficulty of coordinating the cross-governmental action necessary to tackle poverty and social exclusion that are both multi-causal nature in nature. Experience in France, the UK and elsewhere suggests than anything less than the public and continuing commitment of a president or prime minister is insufficient. Championing of OMC social inclusion has generally been at lower level with senior ministers more engaged in the newer Member States where European support is seen as essential to enhance basic provisions. Often National Reports on Strategies for Social Protection and Social Inclusion have been seen as addenda to the real process of national policy making and relegated to the responsibility of comparatively junior officials in relatively peripheral ministries. While a missed target ready to be scooped by an investigative journalist might pose a greater political threat than the off centre critique offered by peer review, it remains critical that national targets reflect national policy objectives and are integral in the delivery and monitoring of policy nationally. Achieving this is perhaps made more difficult by the narrowly focussed European targets.

In the absence of strong political champions at national level, representative organisations of civil society have tended to perform the roles of appraiser, auditor and critic and may well need to continue to do so in the new age of targets (McKendrick, *et al*, 2008). An important bi-product of the preparation of National Reports and Action Plans under the Open Method of Coordination has been a strengthening of the capacity of civil society in many Member States to engage in policy debate. This may well have aided the French government in its consultations on the Scorecard. However, interpretation of statistical trends and the impact of policies are inherently complex and technical matters that require specialist skills. It is highly probable, therefore, that the monitoring and interpretation of indicators is going to require sustained investment in the analytic capacity of civil society. For many years the Irish government supported the Combat Poverty Agency to undertake analyses of poverty and to promote critical discussion.

Targets, therefore, are not a simple addition to OMC provisions. For targets to be successful, to generate policy outcomes different from those that would have occurred anyway, they need to create a new dynamic that generates additional incentives for relevant stakeholders or added pressures on them. As they are intended to work in France, targets increase the transparency and accountability of all levels of government, between each level and to the public and hence strengthen democracy. For targets to work well at European level, similar developments are likely to be necessary.

8.4 Setting targets

Targets should be set to stretch organisations but need to be realistic and attainable. Ideally they should also be simple, understandable and as few in number as is appropriate given the policy goals and the nature of the implementation logic. Targets must also accurately reflect both the policy objectives and the priorities among them so that policy distortion is prevented and the scope for creaming and gaming is curtailed⁶⁶. The metrics in which the

⁶⁶ Creaming refers to the process of targeting individuals and resources explicitly to maximise measured outcomes, for example by focussing help on those just beneath the poverty threshold. Gaming refers to the adoption of practices that deliberately serve to overstate actual success.

targets are expressed, for example, the indices of poverty, employment and educational attainment, need to be statistically robust, to capture the essence of the problem, to be responsive to policy intervention and not to be amenable to manipulation (European Commission, 2006).

Targets need to be realistic to maintain the credibility of the process and evidence of some measurable success appears to be important in keeping the continued involvement of stakeholders this occurred in both Ireland and the United Kingdom but not in Lithuania where targets quite rapidly fell into disuse (Jones, 2009; Walker 2009). However, judgements about what is attainable are not straightforward and depend on context. They need to be informed, but not entirely constrained, by prior experience including knowledge of local institutions, analysis of the policy problem and studies of recent trends and policy outcomes. They should take account of the implementation logic by means of which it is anticipated policies will have purchase on the targets and meaningful assessments of the likely effectiveness of new policies. Step changes of enormous proportions are unlikely to be attainable and certain policies cannot achieve particular results. However, the rationale for setting targets is to encourage change that makes it more likely that policy objectives will be reached. This may require a change of policy, the reorganisation of institutions and/or working practices and/or an alteration in the nature and level of funding.

Engaging stakeholders in the design of measures and building a shared understanding of the scale and nature of the challenge of reducing poverty, as the French government has done, may lessen criticism if progress proves not to be as anticipated. The British experience demonstrates this to be true such that the political costs of missing targets do not have to be excessive. Moreover, it is probable that a common understanding of the nature and scale of the problem enables politicians and policymakers to take chances that may support policy innovation and advance. Whether involving civil society directly in setting targets would further lessen the political costs of missing targets is unclear but is at least a possibility. Nevertheless, the policy logic for targets and public accountability requires some external critique to maintain a pressure on governments to deliver as promised; while consultation is essential, taking it to the point of capturing civil society within the inner policy family is likely to prove counterproductive. Some judicious balance of engagement and independence is required. ,

Above all, of course, what is attainable is determined by the available volume, quality and use of resources, financial, institutional, managerial and staffing.

It is not clear how the French government determined the level and timing of the core poverty reduction target and the resources that it is prepared to invest in ensuring that the target is met. However, as Table 8.2 shows, to reach the target will require a considerable step-change over past performance. Nevertheless, the simulated results for 2007-09 presented in the first annual report on the French Scoreboard look very promising with respect to both the anchored in time indicator and the relative measure, and it will be interesting to learn how closely these projections match with the actual figures when they become available (See Table 8.3 and HCSACP, 2009).

To the outsider, it is similarly not immediately evident how the European wide targets were chosen and therefore the extent to which the above considerations played on the minds of decision takers. The core poverty target implies a reduction in poverty of a sixth (18 per cent) over the next decade. There is no long-term statistical series that is directly comparable that can indicate how reasonable this target might be. However, poverty on this core measure fell by 0.84 per cent between 2007 and 2008, or 8.4 per cent extrapolated over a decade which, even discounting the effects of the recession, is a rate of improvement that falls far short of the target requirement. The more straightforward risk of income poverty measure (with the threshold set at 60% of equalised median income) fluctuated between 15 and 16.2 per cent in the decade to 2008 and was higher at the end of the decade than at the beginning. This again underlines the ambition of the poverty target.

The employment target is possibly even more vulnerable to external economic shocks than the poverty rate. The aspiration is to increase to employment rate among 20 to 64 year olds from its current (2009) level of 69.1 per cent to 75 per cent, which represents a rate of improvement over twice that which was achieved between 2000 and 2009 (2.5 per cent). In fact, the European employment rate peaked at 70.5 per cent in 2008 which means that in a single year the recession wiped out more than a third of the gross improvement accomplished during the decade. Only Denmark, The Netherlands, Finland and Cyprus bettered the European target in 2009.

Table 8.2: French scoreboard: Selected income based measures and targets

	Latest Value	Latest Trend	Target (5yrs)
Poverty rate anchored in time (initial threshold at 60% of equivalent median income)	12.5% (2007)	-4% (2002-5) -5% (2006-7)	-33%
Rate of income poverty threshold at 60% of median equivalent income	13.4% (2007)	Stable (2002-5) +2% (2006-7)	-15%
Poverty Intensity/Severity	18.2% (2007)	+12% (2002-5) +1% (2006-7)	Stability
Poverty Persistence Rate	9% (2000)	Stable (1997-2000)	Stability
Rate of non-negotiable (Préengagées) expenditure for individuals in the lowest income quintile	53 (2005)	+18% (2002-5)	Stability

Source: HCSACP (2009)

Table 8.3: French scoreboard: Selected simulation results for income based measures 2007-2009

	2007-2009		% points	% change
1	Poverty rate anchored in time (2006)	All Workers	-1.6% -1.3%	-14% -19%
2	Rate of income poverty threshold at 60% of median equivalent income	All Workers	-0.7% -0.8%	-5.5% -10.4%
5	Poverty Intensity/Severity		-0.8%	-4.5%

Source: HCSACP (2009)

The educational attainment target to increase participation in tertiary education from 32 per cent to 40 per cent is, by contrast, only a little more challenging in statistical terms than extrapolating the achievements of the preceding decade during which rates rose from 22.4 per cent to 32.3 per cent. Moreover, the 2020 target is already exceeded by 10 of the 27 Member States. That said, one would expect each marginal gain in educational attainment to be increasingly difficult to deliver.

The easy gains, the “hanging fruit”, will already have been taken and further progress will require substantial improvements in the quality of primary and secondary education so as to qualify students for tertiary education rather than merely to provide it for already qualified students. While some countries fall a long way short of the European-wide target (Italy, Romania Slovakia and the Czech Republic would all need to double their provision) and therefore might be expected to contribute quickly to the European target, many others may be faced with very high marginal costs of improvement.

At face value, therefore, it seems likely that for these European targets to be attained there needs to be a step change in the aspirations and political ambition of Member States. Whether the targets are attainable is a moot point but it is imperative, if they are to retain their motivational purpose, that they are not considered to be purely aspirational, rhetorical window dressing separate from the real world of policymaking. For this to happen, for politicians and civil society to remain engaged to create the stimulus of public accountability, waypoint targets should be clearly established to mark progress towards the global goal. In the light of actual developments it might even be appropriate to modify the targets to keep them attainable. This could mean lowering the targets or, if progress is unexpectedly fast, increasing them as happened in Ireland when economic growth eased the task of reducing poverty.

8.5 Targets and distortion

A longstanding criticism of targets used in public policy is that their very success in directing energies leads to distortion, causing the bigger picture of strategic objectives to be lost with administrations focusing, instead, on meeting targets rather delivering the full range of services most cost effectively.

It is too soon to say whether application of the French scoreboard, *let alone* the European targets, will have unintended consequences but the potential is there. The Scoreboard comprises many indicators but it does not provide a definitive or a comprehensive measure of either poverty or social exclusion; rather it is inevitably a device that reflects current French policy objectives and political preoccupations. The choice of “anchored in time” poverty measures creates the incentive to focus on economic growth rather than income redistribution as the principal policy driver, thereby probably stimulating inequality and, possibly, reducing social cohesion. The French government is sensitive to this latter possibility, including measures of relative poverty to capture this effect. However, relative poverty measures necessarily focus on low incomes and will miss the global changes in income distribution and attenuation resulting from increased higher incomes that direct measures of income inequality would detect. With a generic poverty target in place, the policy inducement is to focus on those social groups that are most easy to lift above the poverty threshold at the expense of others that are more difficult to help. Those difficult to help are likely, during their lifetimes, to contribute most poverty-years to the poverty rate, thereby contributing to high poverty rates in the longer term and adding disproportionately to the severity and persistence of poverty.

The Scoreboard is explicitly designed to shift media interest away from an exclusive focus on income poverty, but it nevertheless retains a heavy emphasis on quantitative measures of income poverty omitting qualitative aspects of

the poverty experience and many dimensions of the broader concept of social exclusion. There are no measures, for example, of the sense of personal failure, worthlessness, alienation, powerlessness and lack of choice associated with poverty, all features that people with direct experience of poverty tend to prioritise (Castell and Thompson, 2007; Walker *et al*, 2009). Similarly, there are few indicators in the Scoreboard that relate to social capital or to the political, cultural and ethnic exclusion associated with poverty. Measures of victimisation, exploitation, gender inequality and discrimination, of security, substance abuse and crime, and of isolation, homelessness, poor infrastructure, physical dilapidation and access to energy are all largely omitted (Jones, 2009).

While some of these omissions are no doubt explicable in terms of a lack of available data as well as policy intent, they ensure that the Scoreboard is, at best, partial and, at worst, biased as a measure of poverty and social exclusion. This difficulty is exacerbated by the fact that, with one exception, namely the priority given to the anchored in time measure, equal weight is assigned to each indicator. This effectively means that the importance attached to an aspect of poverty is determined by the number of measures included. Moreover, while it might be argued that criticism concerning a lack of weighting is misplaced because no attempt is being made to provide a single cumulative poverty index, the emphasis given in the cut and thrust of political debate is likely to be determined by what measures are included and their number.

The European poverty target measures (at-risk-of poverty; material deprivation; jobless households) avoid the trap of relying on “anchored in time” measures of poverty that make targets easier to meet but prioritise growth while ignoring any associated increase in income inequalities that might prove corrosive to social cohesion. However, the at-risk-of poverty measure is prone to a number of distortions. It can be unstable when incomes are clustered around the poverty threshold (which can occur if benefit rates are fixed with the intention of keeping people just out of poverty). It takes no account to the severity of poverty and ignores both improvements and deterioration in the circumstances of the very poorest families. It is also prone to record counterintuitive falls in poverty in good economic times and increases during bad ones on account of the sensitivity of median incomes to growth-associated inequality. This last problem is, in part, countered by inclusion of material deprivation which is more stable but is sensitive to the choice of measures of deprivation included and vulnerable to becoming outdated due to technological advance and market penetration (e.g. mobile phones replacing landlines and becoming universal rather an index of deprivation⁶⁷). Adding the third measure, workless households, draws attention to the possible need to accommodate trade-offs between competing targets; reducing the number of workless households through the supply of low waged employment could increase income poverty if persons find themselves to be worse off in work than on benefits. While basing the target on a combination of just three measures could be justified on grounds of parsimony and to focus administrative energies, it also increases the risk of distortion and the ease of gaming. It would seem to be essential, therefore, to follow the French example and to continue to monitor a wide range of Laeken-style indicators to guard against both possibilities.

The European poverty target is based on a simple additive measure that takes no account of the trade-offs between the three chosen dimensions of poverty. It counts the number of people who are either at risk-of-poverty and/or materially deprived and/or living in households with very low work intensity. It generates higher estimates of poverty than the combined measures used nationally in Britain and in Ireland because it counts as poor any person who scores below the poverty threshold on one or more dimensions rather than on all three. Equally, it does not

⁶⁷ The European measure does not distinguish mobile telephones from landlines. The measure of “material deprivation” covers indicators relating to economic strain, durables, housing and environment of the dwelling. Severely materially deprived persons have living conditions severely constrained by a lack of resources, they experience at least 4 out of 9 following deprivations items: cannot afford i) to pay rent or utility bills, ii) keep home adequately warm, iii) face unexpected expenses, iv) eat meat, fish or a protein equivalent every second day, v) a week holiday away from home, vi) a car, vii) a washing machine, viii) a colour TV, or ix) a telephone.

acknowledge the possibility that persons who are multiply poor might warrant higher policy priority and, therefore, policy success in effectively targeting this group would not be disproportionately rewarded as might be appropriate. Indeed, no account is taken to the multi-dimensional and cumulative nature of poverty that means that there are many different kinds of poverty (experiential and behavioural) that need to be tackled by different packages of policies (Tomlinson and Walker, 2009). Furthermore, equal weight is implicitly given to each of the three dimensions of poverty. This clearly allows for different national priorities but both ignores debates about the relative merits of each dimension as a index of disadvantage and permits countries to choose the easiest route to reducing measured poverty which might result in creaming and short-termism.

The failure to prioritise among the poverty targets, instead assigning them equal weight and ignoring trade-offs between them, is, of course, repeated with the five headline targets. It is neither self evident that there are no trade-offs between the headline targets, at least in the short term, nor clear that targets on energy intensity and “greenhouse gas” emissions, for example, are necessarily compatible with increased employment or lower poverty rates, especially given the perspective of tight public finances. What is presumed depends on the theory of change that is employed. The lack of priorities can be seen as evidence of the determination to leave Member States in the driving seat of policy reform or, again, one could argue that the choice of just five targets demonstrates a great deal of prioritisation. Either way, a lack of prioritisation between policy targets and the various indices used for monitoring progress has been found, at national level, to lessen the effectiveness of targets in stimulating fundamental institutional reform. It remains to be seen whether the same is true of supra-national policy targets.

8.6 Targets and policy design

As already noted, policy targets should be fully compatible with the underlying policy logic or theory of change. Insofar as they are, targets provide scholars with evidence of the ideological underpinnings of policy while providing policy makers with information as to the effectiveness or otherwise of policy and evidence on any need for reform.

In the French case, the ideology and policy logic was made clear by the President of the Republic (UEF, 2008, p.1) when he stated that the welfare system (*minima sociaux*) had to be reformed: *“In order to consistently reward work as opposed to government benefits, and to ensure that work invariably provides a door out of, and protection from, poverty”*.

The Scoreboard includes certain intermediate indicators, such as in work poverty, jobless households and access to training, that are consistent with the important role assigned to employment as a defence against poverty. A priori, these would seem to fulfil the Laeken criterion for effective indicators, namely being responsive to policy interventions but not readily subject to manipulation. However, other important measures are omitted including, for example, unemployment rates, unemployment duration, benefit replacement rates, wage rates and wage dispersion, security of employment and job quality, employment retention and progression, labour market discrimination and childcare availability. It follows that the Scoreboard is likely to provide a good assessment of trends in the level and nature of poverty across the dimensions covered but may not, on its own, contribute much to understanding the effectiveness of the active inclusion policies put in place or to further developing policy.

Europe’s supranational policy targets need adequately to reflect two tiers of policy logic. The first relates to the mechanisms by means of which national policies address the social problems underlying the targets. The second concerns two sets of logic: one refers the mechanisms through which it is intended that the introduction of targets will influence the priorities and policies of Member States, the other the aggregation algorithms that ensure that the cumulative achievements of individual governments will guarantee that the European headline targets are met.

The expectation of the European Commission is that Member States will rapidly finalise their national targets reflecting local circumstances. Rapidity might seem counterproductive given that the many issues discussed above relating to target setting are germane to these decisions, as are additional European-level relevancies to be discussed below. Moreover, the policy logic linking policies to the solution of social problems, as found, for example, in the European Commission's proposals for Integrated Guidelines to deliver on the Europe 2020 Strategy (European Commission, 2010a), is aspirational more than technical and of limited value in setting national targets. The presumption is that national targets will be expressed in the same metrics as European ones but the matter of the reasonableness of targets has to be addressed by each Member State. In addition, as already noted, there is also potentially much to be gained in terms of sustainability from actively engaging stakeholders in setting targets. Finally, there is considerable advantage in developing intermediate indicators that plot diagnostic steps in the implementation logic so as to help establish the effectiveness of policy, a process that needs to reflect the idiosyncrasies of national policies.

Moving to the policy rationale at European level, the targets represent a strengthening of the OMC logic of a systematic commitment to policy improvement built upon partnership, performance measurement and peer review that is driven forward by a cyclical process of agreed objectives, plans and reports. Targets, arguably make performance or lack of performance transparent and set Member States in clear competition against each other, such competition substituting for the lack of any explicit formal sanction. For targets to work, on effectively a voluntary basis, there has to be a minimum political commitment to the policy goal and target and the presumption must be that the process of agreeing the objectives through the EU Heads of State will deliver at least this degree of commitment. However, Member States have, to date, shown a variable commitment to the OMC, policies are sometimes packaged differently for presentation to the Commission than to domestic audiences and gaming and creaming are not unknown. As previously mentioned, therefore, the championing of targets that has proved necessary to promote them in France and elsewhere domestically is likely to be needed both at the EU level and within Member States. The EU Social Protection Committee (SPC), which coordinates the Social OMC together with the European Commission, might have an important bridging function in this regard.

Whether champions will suffice is unclear. In the UK, as discussed above, policy targets have been fuelled by financial sanctions and conditionality is a central component in the logic underpinning the use of targets in management when used in either the public or private sector. The UK has also funded civil society organisations both to champion targets and to articulate accountability while, as previously noted, the French government has consulted closely with them. At European level, anti-poverty groups have lobbied for European targets and can therefore be expected to exploit them in their campaigning (Jones, 2009). There is a risk, though, that focussing on targets and performance might divert attention away the partnership in mutual learning that has helped erode a natural tendency towards defensiveness and enabled governments to admit to policy failure and to recognise scope for policy improvement.

Also unclear, is the policy logic that will generate success against European targets based on the actions of Member States. The French experience is instructive. The central government is attempting to engage lower tiers of government in targeting and monitoring poverty and social exclusion. In France much of the responsibility for delivery of services and anti-poverty programmes lies with the *départements* and the 36,700 *communes*, 60 per cent of which have less than 500 inhabitants. Nevertheless, communes are legally required, either singly or in concert, to establish social action centres (CCAS; CIAS) that, among other responsibilities, are obliged to prepare social needs analyses (ABS) that include specifying goals, indicators and policy strategies to inform local policy making and support national targets. A working party has also been established to develop indicators at *département* level and in time, to develop associated targets.

The French government therefore recognises that it is reliant on local government but it has not always gained the local political support necessary for implementation. The European Commission is similarly dependent on the activities of Member States to deliver on European targets and may, by analogy, likewise be frustrated in its dealings with Member States, especially if targets look in danger of being missed. What action it might seek to take is uncertain. It is also difficult to predict whether the European target will create a dynamic in which governments take seriously the interdependency which means that all Member States have to deliver on their targets if the supranational target is to be met. This is possibly unlikely, but if it occurred the Commission might find allies among Member States in its attempt to influence a recalcitrant government.

It is possible that, like France, other Member States will find the need to develop and devolve targets to local and regional government in order to ensure that the national ones are met. This may have significant implications for the different levels of government. Lithuania, for example, although it has not to date set policy targets, has established a system analogous to the OMC in which a range of indicators are published for all municipalities with the intention of encouraging local politicians to compare policy outcomes with those of neighbouring municipalities (Lazutka, 2009).

While national governments may wish to impose on local authorities targets consistent with their national goals, the European Commission will presumably be keen to negotiate targets for Member States consistent with its European ambitions. However, these ambitions are far from clear to policy makers outside Brussels. Even if it is presumed that the European headline targets are real, and not merely rhetorical, they could be achieved in numerous ways. For example, the target of reducing the numbers of people poor by 20 million (approximately 18 per cent) could be achieved by an 18 per cent reduction in all countries, or by targeting countries with the highest poverty rates or the largest populations, by focussing on the countries with the smallest poverty gaps (creaming) or, most cheaply, by concentrating energies on countries with the lowest per capital GDP and, hence, the lowest poverty thresholds. It is at least arguable that this last strategy is not only economical but preferable on grounds of social justice, targeting resources to those whose poverty is most severe by European-wide standards. However, it seems unlikely that Member States will prioritise the European target above their national interests. Nevertheless, a government intent on curtailing domestic spending might seek to negotiate a less ambitious national target while arguing that other Member States could more easily contribute to European goal. Equally, the European Commission might not favour a uniform 18 per cent reduction since that would make the fate of the European target dependent on the contribution of the lowest performing Member State unless target overshoots in some countries happened to exceed shortfalls in others.

The policy logic that the European Commission will seek to follow in its discussions with Member States has not yet found its way into the public domain. Nor is it clear what approach Member States will be taking to setting and negotiating targets. It may be that the Commission views targets as little more than a quantifiable objective and that it sees little change in the underlying logic of the OMC. It is unlikely that civil society organisations will see targets this way. Instead, it is highly probable that civil society will use the targets to ratchet up pressure on national governments and the Commission to deliver on what they will take to be “promises”. If this happens, and especially if civil society succeeds in engaging the public, targets may usher in a new era of political accountability in European policy making.

8.7 Conclusions

Only with hindsight can one know whether introducing targets into the European policy process will prove to be of lasting significance. What one does know is that if something of significance is not achieved, targets will have proved to be a failure. Policy targets are typically intended to shake up the policy making process, to challenge ways of working and to change institutional cultures. Moreover, if they do not achieve these things, targets are unlikely to make a difference and therefore to work. It is difficult to judge the level of commitment to targets among the various stakeholders so early in the process of implementing them at European level. If stakeholders are expecting that little will change as a result of the introduction of targets, they are being unrealistic and might well be insufficiently prepared for the consequences of working with targets. However, if stakeholders are determined that nothing will change, they may well be able to guarantee that targets prove to be ineffectual.

Targets work at national level by adding a new dynamic - measured progress - to policymaking, thereby increasing accountability and stimulating public debate and engagement that is often led by civil society organisations. Provided targets are attainable, progress is demonstrable and the system has effective political champions, policy targets can shift policymaking cultures, enhance the role of evidence and increase achievements. However, targets need accurately to reflect the causal mechanisms embodied in policy logic, that is, they must measure the right outcomes in an appropriate manner so as to avoid distortion and not to encourage gaming that means targets may be met but policy objectives are forgotten or ignored.

There are many unknowns and uncertainties as policy targets are transferred from national to European level. These include questions about the degree of political support that exists, the nature, robustness and specificity of the policy logic at both European and Member State levels, the attainability of the European targets already set, the criteria for setting national targets and the linkages envisaged between European, Member State and possible regional and sub-regional targets. Targets cannot capture the full complexities of the social and economic issues being tackled nor reflect all the subtle processes involved in policy delivery especially at supranational level. Hence, the targets are partial and gaming is certainly possible, particularly if a culture of competition rather than collaboration is fostered between Member States; it is important that targets are used to drive policymaking rather than to replace it.

Statistics on poverty, exclusion and disadvantage of all kinds demonstrate the imperative to tackle social problems across Europe and to build the political support needed to do so. Targets could fit well within the institutional structures that have been created by the OMC and add a new dynamism. Whether the dynamic will embrace the European targets as a collective venture to be addressed through collaborative action rather than by the simple summation of nationally focussed activities remains to be seen.

References

Bamfield, L. (2005), "Making the public case for tackling poverty and inequality", *Poverty*, 121. Available from: <http://www.cpag.org.uk/info/Povertyarticles/Poverty121/making.htm>.

Carbo, S., Gardener, E. and Molyneux, P. (2007), "Financial Exclusion in Europe", *Public Money & Management*, 27(1): 21–27.

Castell, S. and Thompson, J. (2007), *Understanding Attitudes to Poverty in the UK: Getting the public's attention*, York: Joseph Rowntree Foundation.

- Collard, S., Kempson, E and Whyley, C. (2001), *Tackling Financial Exclusion*, Bristol: The Policy Press.
- Child Poverty Action Group (CPAG) (2008), *Child poverty: the stats: Analysis of the latest poverty statistics*, London: CPAG Policy Briefing.
- European Commission (2009), *Portfolio of indicators for the monitoring of the European Strategy for Social Protection and Social Inclusion – 2009 update September 2009 update*, Brussels: European Commission. Available from: <http://ec.europa.eu/social/main.jsp?catId=756&langId=en>
- European Commission (2009a), *Economic crisis in Europe: Causes, Consequences and Responses*, European Economy series, No. 7/2009, Brussels: European Commission.
- European Commission (2010), *Proposal for a Council Decision on guidelines for the employment policies of the Member States Part II of the Europe 2020 Integrated Guidelines*, Communication COM(2010) 193/3, Brussels: European Commission. Available from: http://ec.europa.eu/eu2020/pdf/proposition_en.pdf.
- European Commission (2010a), *Europe 2020: A strategy for smart, sustainable and inclusive growth*, Communication COM(2010) 2020, Brussels: European Commission.
- European Council (2010), *European Council: 17th June 2010, Conclusions*, Brussels: European Council.
- Haut-Commissaire Aux Solidarités Actives Contre La Pauvreté (HCSACP) (2009), *Suivi de l'objectif de baisse d'un tiers de la pauvreté en cinq ans*, Paris: Rapport Au Parlement, Haut-Commissaire Aux Solidarités Actives Contre La Pauvreté, October.
- Jones, S. (2009), *Measuring the impact of active inclusion and other policies to combat poverty and social exclusion, A Contribution from the European Anti Poverty Network*, Paper presented to the Peer Review on “Measuring the impact of active inclusion”, Paris, 3-4 December.
- Lazutka, R. (2009), *Active inclusion and other policies to combat poverty and social exclusion from Lithuanian perspective*, Paper presented to the Peer Review on “Measuring the impact of active inclusion”, Paris, 3-4 December.
- McKendrick, J., Sinclair, S., Irwin, A., O'Donnell, H., Scott, G. and Dobbie L. (2008), *The media, poverty and public opinion in the UK*, York: Joseph Rowntree Foundation.
- O'Kelly, K. (2007), *The evaluation of mainstreaming social inclusion in Europe*, Dublin: Combat Poverty Agency.
- Tomlinson, M. and Walker, R. (2009), *Coping with Complexity: Child and adult poverty*, London: CPAG.
- UEF (2008), *High Commissioner for active Inclusion against poverty*. Available from: http://www.eu2008.fr/webdav/site/PFUE/shared/import/1015_table_ronde_pauvrete/Active_inclusion_against_poverty.pdf.
- Tomlinson, M., Walker, R and Williams, G. (2008), “Measuring Poverty in Britain as a Multi-dimensional Concept, 1991 to 2003”, *Journal of Social Policy*, 37(4): 597-620.
- Walker, R. (2010), *France 2009: Measuring the impact of active inclusion and other policies of combat poverty and social exclusion: Synthesis Report*, Vienna: European Commission, Directorate-General Employment, Social affairs and Equal opportunities.

Walker, R. (2009), *Measuring the impact of active inclusion and other policies to combat poverty and social exclusion*, Discussion Paper presented to the Peer Review on “Measuring the impact of active inclusion”, Paris, 3-4 December.

Walker, R., Tomlinson, M and Williams, G. (2009), “The problem with poverty”, in G. Walford and E. Tucker (editors), *The Sage Handbook of Measurement*, London: Sage, 353-376.

9. EU POLICY COORDINATION BEYOND 2010: TOWARDS AN INCLUSIVE GOVERNANCE ARCHITECTURE

(Jonathan Zeitlin)⁶⁸

Abstract: The Lisbon Strategy, which was launched by the European Council in March 2000 as a medium-term framework for EU socio-economic policy coordination, formally elapsed in June 2010 with the adoption by the European Council of the new Europe 2020 Strategy. This chapter examines and contributes to the ongoing debate about the future of the Europe 2020 Strategy and the appropriate governance architecture for EU policy coordination beyond 2010. The first part of the chapter looks backward at the governance of the Lisbon Strategy since March 2000, providing a critical overview of the three principal phases of its development. The second part looks forward, examining the appropriate future governance architecture for EU policy coordination after 2010. The argument proceeds in two main steps. The first sets out five architectural design principles for EU policy coordination. The second examines the risks and opportunities for EU social policy coordination arising from the initial choices that have been made by policymakers.

9.1 Introduction

The Lisbon Strategy, which was launched by the European Council in March 2000 as a medium-term framework for EU socio-economic policy coordination, formally elapsed in June 2010 with the adoption by the European Council of the new Europe 2020 Strategy. Almost from the outset, the Lisbon Strategy was the subject of sharply contrasting interpretations, while its governance architecture has been formally or informally revised several times. This chapter, written in 2008-2009, examines and contributes to the ongoing debate about the future of the Lisbon Strategy and the appropriate governance architecture for EU policy coordination beyond 2010.

The chapter is divided into two main parts. The first part looks backward at the governance of the Lisbon Strategy since March 2000, providing a critical overview of the three principal phases of its development. The second part looks forward, examining the appropriate future governance architecture for EU policy coordination after 2010. The argument proceeds in three main steps. The first sets out five architectural design principles for EU policy coordination. The second examines three alternative governance options for EU policy coordination after 2010: (i) the status quo (the existing Lisbon Strategy for Growth and Jobs); (ii) “Lisbon Minus” (the Cohen-Tanugi Report prepared for the French Presidency of the EU); and (iii) a new inclusive architecture, based on four equal, mutually reinforcing pillars (economic development, employment, social cohesion, environmental sustainability). The third step assesses the risks and opportunities for EU social policy coordination arising from the third, preferred option of a new inclusive governance architecture.

⁶⁸ Jonathan Zeitlin is at the University of Amsterdam. Versions of this chapter were published in Committee of the Regions (2009) and *La Rivista delle Politiche Sociali/ Italian Journal of Social Policy* (2009). Address for correspondence: j.h.zeitlin@uva.nl.

9.2. The governance of the Lisbon Strategy, 2000–2010: A critical overview⁶⁹

9.2.1 Lisbon I (2000–2005)

As is well known, the original Lisbon Strategy laid out a broad, ambitious agenda aimed at making the EU by 2010 “the most dynamic and competitive knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion”. This inclusive agenda was based on the concept of a “socio-economic policy triangle”, with equal weight for full employment and social cohesion alongside economic growth and competitiveness as EU objectives. In 2001, under the Swedish Presidency, environmental sustainability was added as a fourth “pillar” or core strategic objective.

To advance this ambitious agenda, the Lisbon Strategy inaugurated a new approach to EU governance, the Open Method of Coordination (OMC), based on iterative benchmarking of national progress towards common European objectives and organised mutual learning. Extended across an ever broader set of policy fields in the wake of the Lisbon Summit, the OMC appeared for a time to have become the EU governance instrument of choice in complex, domestically sensitive areas where Member State diversity precludes harmonisation and strategic uncertainty encourages mutual learning at the national as well as the European level (Zeitlin, 2005). But the OMC was never intended to serve as the sole governance instrument for the Lisbon Strategy: it was always supposed to be combined with other EU policy tools, including legislation, social dialogue, Community Action Programmes, and the structural funds.

Lisbon I was widely criticised by the 2004–5 Mid-Term Review for its lack of strategic focus and multiplication of objectives, targets, and coordination processes. The OMC in particular was harshly criticised by the Kok Report and the incoming Barroso Commission for failing to deliver Member State commitment to the implementation of agreed reforms needed to reach the Lisbon targets (Kok, 2004; European Commission, 2005). Some of these criticisms of Lisbon I were arguably justified, notably the weakness of the overarching governance architecture for integrating and reconciling overlapping sectoral policy coordination processes (coordination of coordination). But other criticisms were much less justified, since the review process ignored much of the available evaluation evidence, both official and academic, which suggested that the OMC should be considered a qualified success in some key policy fields, while in others no definitive assessment was possible since the method had not yet been systematically implemented.

The national influence and effectiveness of OMC processes is notoriously difficult to assess, not only because of their variety, complexity, and relative newness, but also because of the methodological problems involved in disentangling the independent causal impact of an iterative policy-making process based on collaboration between EU institutions and Member State governments without legally binding sanctions.⁷⁰ Yet there is now a substantial body of empirical research on the operations of the OMC at national and sub-national levels, drawing on a wide range of official and unofficial sources. Most of this research focuses on employment, social inclusion, and social protection as the oldest, most fully developed, and best institutionalised OMC processes.⁷¹

Although the findings of this research remain controversial and subject to multiple interpretations, my reading of the available evidence supports the view that the OMC in these policy fields should be considered a qualified success in a number of important respects.⁷² The first of these concerns substantive policy change. Thus, these OMC

⁶⁹ For fuller analysis and documentation, see Zeitlin (2007, 2008).

⁷⁰ For a fuller discussion of these methodological problems, see Zeitlin (2005a, pages 26–27; 2009, pages 214–217).

⁷¹ For synthetic overviews, see Zeitlin and Pochet (2005); Heidenreich and Zeitlin (2009).

⁷² For a fuller assessment, see Zeitlin (2005b, 2009) and Chapter 7 by Vanhercke in this volume.

processes have helped to raise the salience and ambition of national employment and social inclusion policies in many Member States. They have contributed to changes in national policy thinking (cognitive shifts) by incorporating EU concepts and categories (such as activation, prevention, lifelong learning, gender mainstreaming, and social inclusion) into domestic debates, exposing policy makers to new approaches, and pressing them to reconsider long-established but increasingly counterproductive policies (such as early retirement). These OMC processes have likewise contributed to changes in national policy agendas (political shifts) by putting new issues on the domestic agenda and/or raising their relative salience (such as activation, pension reform, childcare provision, gender equality, child poverty, and integration of immigrants). There is also evidence from both official reports and interviews that OMC objectives, guidelines, targets, and recommendations have contributed to changes in specific national policies (programmatic shifts), in areas such as activation/prevention, tax-benefit reforms, active ageing/lifelong learning, gender equality, child care, social assistance, and pension reform. Yet given the active role of Member States in shaping the development of OMC processes, their relationship to national policy making should be understood as a two-way interaction rather than a one-way causal impact.

A second form of positive influence on the part of the OMC concerns procedural shifts in governance and policy-making arrangements. Here there is abundant evidence that the EES and the OMCs in social protection/inclusion have contributed in most Member States to better horizontal coordination and cross-sectoral integration of interdependent policy areas; enhanced vertical coordination between levels of governance; improved steering and statistical capacity; increased consultation and involvement of non-state actors (especially in social inclusion, but also to a significant extent in employment); and the development of horizontal or diagonal networks for participation of non-state and sub-national actors in EU policy making. Here too, however, OMC processes are not the only cause of these shifts in governance arrangements, and the degree of involvement of non-state/sub-national actors in particular also depends both on domestic institutional configurations and the actors' own strategies.

A third form of positive influence exerted by the OMC concerns mutual learning. Here we see a prevalence of indirect or higher-order over direct or first-order effects. Thus for example there are relatively few examples of direct policy transfer, as national reforms typically draw analogic inspiration rather than detailed policy blueprints from other Member States. Even here, however, we find some surprising examples of more direct borrowing, such as the influence attributed by the UK to learning from Ireland and several northern European countries on its childcare, lone parents, indebtedness, and social inclusion policies.⁷³ More prominent instead has been the influence of OMC processes on the identification of common challenges and promising policy approaches at European level (heuristic effects); statistical harmonisation and capacity building (at both EU and national levels); and their stimulus to Member States to rethink established approaches and practices, as a result of the obligation to compare national performance to that of other countries on the one hand, and the obligation to re-examine and re-evaluate national policies against their relative progress in meeting common European objectives on the other (maieutic or reflexive effects).

Yet as empirical research shows, these OMC processes in employment and social protection/inclusion also suffered from significant weaknesses, which are discussed in more detail by Frazer and Marlier (see Chapter 4 in this volume).⁷⁴ Chief among these were a lack of openness and transparency, with bureaucratic actors playing a dominant role at both EU and national levels; weak integration into national policy making, with National Action Plans (NAPs) serving more as reports to the EU than as operational policy steering documents; and limited bottom-up or horizontal policy learning, with few examples of upwards knowledge transfer and cross-national diffusion of innovative local practices. Yet most of these observed shortcomings arguably stemmed not from any intrinsic

⁷³ For these examples, see European Commission (2006, page 6).

⁷⁴ See also Kröger (2009)

weaknesses of the OMC *per se*, but rather from procedural limitations of specific OMC processes. Hence a potentially fruitful strategy for improving the effectiveness of existing OMC processes would be to apply to their own procedures the key elements of the method itself: benchmarking, peer review, monitoring, evaluation, and iterative redesign. Ongoing initiatives within the EES and the OMC on Social Protection and Social Inclusion (Social OMC) over the past few years provide evidence of the practical viability of this reflexive reform strategy, such as the strengthening of mutual learning and peer review programs on the one hand, and proposals by EU institutions and NGOs for greater openness, stakeholder participation, and “mainstreaming” of OMCs into domestic policy making on the other.⁷⁵

If the OMCs in employment and social protection/inclusion may be judged a qualified success, the same cannot be said of their counterparts in fields such as innovation, enterprise promotion, and information society. There the OMC has been widely blamed for Member States’ lack of progress towards the R&D investment target of 3% of GDP set by the 2002 Barcelona European Council, and for the limited impact and visibility of eEurope policies. Yet OMC processes in these areas are characterised by “lite” recipes and fragmentary architectures, with no agreed National Action Plans or country-specific recommendations, limited monitoring and reporting, little peer review, and weak mutual learning mechanisms. Hence according to an independent evaluation prepared for the Commission by the Tavistock Institute (2005), OMC in these areas “cannot yet be said to be a success or failure”, because it “simply has not been fully implemented”.⁷⁶

9.2.2 Lisbon II (2005-2008)

The Lisbon Strategy was formally relaunched in 2005, with a sharper focus on growth and jobs. The architectural core of Lisbon II was the fusion of the European Employment Guidelines (EEGs) and the Broad Economic Policy Guidelines (BEPGs) into a single set of 24 Integrated Guidelines (IGs) for Growth and Jobs, divided into separate macroeconomic, microeconomic, and employment chapters. In line with this architectural shift, the National Action Plans for Employment (NAPs/employment) and the Joint Employment Report (JER) were replaced by sections within Member States’ National Lisbon Reform Programs (NRPs) and the Commission’s Annual Lisbon Progress Report respectively. This relaunched, refocused Strategy was to be implemented through a new set of reform partnerships between the Commission and Member States on the one hand, and between national governments and domestic stakeholders on the other. These new reform partnerships were explicitly designed to shift the focus of the Lisbon Strategy away from “co-ordination through multi-lateral discussions between 25 Member States and the Commission, on individual policy themes (the OMC)” towards “a bilateral in depth dialogue between the Commission and Member States on a commitment based national action programme” (European Commission, 2005).

On the social side, the three “strands” of the Social OMCs (inclusion, pensions, health and long-term care) were “streamlined” into a single overarching Social OMC, with both common and sector-specific objectives. According to successive European Council conclusions, the relaunched Lisbon Strategy was designed to provide “a framework where economic, employment and social policy mutually reinforce each other, ensuring that parallel progress is made on employment creation, competitiveness, and social cohesion in compliance with European values”. This mutually reinforcing dynamic within the revised Lisbon Strategy was supposed to be achieved by a reciprocal relationship between the streamlined Social OMC and the Integrated Guidelines for Growth and Jobs at both

⁷⁵ For a fuller discussion of this reflexive reform strategy, see Zeitlin (2005b, pages 483-93). For recent policy proposals along these lines, see European Commission (2008a) and Platform of European Social NGOs (2009).

⁷⁶ For an unfavourable contrast of the institutionalisation of the OMC in R&D with that in education and training, see also Gornitzka (2006). For a more positive assessment of the contribution of the OMC in R&D to mutual learning, and recommendations for improving its effectiveness in policy coordination, see European Commission (2009).

national and European levels, whereby the former “feeds in” to growth and employment objectives, while the latter “feed out” to advance social cohesion goals.

A central objective of the relaunched Lisbon Strategy was to close the implementation gap through better governance. But the experience of the recent years (2005-2010) suggests that the revised governance architecture introduced under Lisbon II has proved problematic in a number of major respects.

First, the integration of the European Employment Strategy with the Broad Economic Policy Guidelines, the enhanced freedom for Member States to set their own priorities within the NRPs, and the concomitant disappearance of the JER and NAPs/employment has reduced the visibility of employment policy coordination at both EU and national levels. No less significantly, the revised arrangements have led to greater unevenness in national employment policy reporting and a loss of European-level monitoring capacity.⁷⁷

Second, in the absence of any specific institutional mechanisms to ensure a mutually reinforcing feedback between the social, economic, and employment dimensions of the relaunched Lisbon Strategy, the practical effectiveness of such feedback has remained decidedly limited, with wide variations across Member States. Only a minority of Member States have included social cohesion objectives in their NRPs, most of which make relatively limited cross-reference to the Social OMC. Nor was there much evidence under Lisbon II of explicit “feeding out” from the Integrated Guidelines and NRPs to the Social OMC, for example through systematic impact assessments of the actual or prospective effects of Member States’ economic and employment policies on social cohesion/inclusion outcomes (Begg and Marlier, 2007).

Third, according to a variety of independent sources, the NRP implementation process has continued to lack public visibility in most Member States, while involvement of non-state and sub-national actors was often confined to formal consultation and/or information exercises, with limited opportunity to influence substantive policy direction or content. By all accounts, civil society actors, such as NGOs and voluntary associations, were much less involved in most Member States, often because of difficulties in obtaining access to consultation and coordination processes dominated by Finance or Economics ministries with whom they had little previous contact (Begg and Marlier, 2007; European Anti-Poverty Network, 2007; Begg, 2007; Committee of the Regions, 2008, 2009a).

Fourth, it has proved extremely difficult to sustain the simplified focus of the revised Lisbon Strategy and the shift from multilateral policy coordination to bilateral reform dialogue between the Commission and Member States. Unsurprisingly, the European Council has been unable to resist adding new priorities to the 24 Integrated Guidelines as circumstances change, such as the four cross-cutting priority areas for more growth and jobs agreed at the 2006 Spring European Council.⁷⁸ Unsurprisingly, too, the European Council and the Commission have also launched new coordination processes and reporting obligations for Member States in response to these and other emergent priorities such as the integration of immigrants or the reduction of administrative burdens. Finally, the Commission itself appears to have recognised the limits of bilateral dialogue with Member States on their NRPs, as can be seen, for example, from its efforts to organise mutual learning workshops within the Network of National Lisbon

⁷⁷ To compensate for this, the Lisbon Methodology (LIME) Working Group of the EU Economic Policy Committee (EPC) has developed a Lisbon Assessment Framework (LAF) comprising a national implementation grid, labour reform database, impact assessment of key reform drivers, and macroeconomic modelling exercise. The EU Employment Committee (EMCO) has sharply criticised the capacity of this centralised growth accounting approach to capture accurately the relationship between the EES, national reforms, and employment outcomes, and is working to develop alternative methodologies. See EPC (2008); EMCO (2008).

⁷⁸ These four cross-cutting priority areas are: investing more in knowledge and innovation; unlocking the business potential, especially of SMEs; greater adaptability of labour markets based on flexicurity; and energy and climate change.

Coordinators on issues such as one-stop shops for setting up new enterprises, business-university cooperation, and extending working lives of older workers – albeit at some risk of duplicating the work of the sectoral OMCs.

Nor does it appear to be the case, finally, that the revised governance arrangements of Lisbon II have significantly helped to unblock reforms at the national level. Thus an official evaluation of the Integrated Guidelines for Growth and Jobs conducted on behalf of Directorate-General Economic and Financial Affairs (DG ECFIN) concluded that they had induced an “incremental impact” on national reform processes, not through peer or public pressure, but “mainly through framing policy issues, mutual learning, legitimising reform promoters, and enlarging stakeholders” consensus’ (Euréval/Rambøll Management, 2008).

9.2.3 Lisbon III (2008-2010)

In response to persistent complaints about the weakness of the mutually reinforcing dynamic between economic, employment, and social policies within the revised governance architecture of Lisbon II, the Spring 2007 European Council resolved that the “common social objectives of Member States should be better taken into account within the Lisbon Agenda...in order to ensure the continuing support for European integration by the Union’s citizens.” The result was a year-long public debate under the German and Portuguese Presidencies of the EU (during the first and second half of 2007, respectively) about how best to strengthen the social dimension of the Lisbon Strategy. Two countervailing positions emerged within this debate: one advocated incorporating the EU’s common social objectives into the Integrated Guidelines and linking the Social OMC more closely to the Lisbon Strategy; the other favoured maintaining the stability of the Guidelines while focusing on better implementation of national reforms. The solution adopted split the difference: at the Commission’s insistence, the Integrated Guidelines were retained unchanged for 2008–2011, but their social dimension was strengthened by revision of the accompanying explanatory text, which called for closer interaction with the Social OMC and more systematic monitoring of “feeding in/feeding out”. The Commission’s Renewed Social Agenda for 2010–2015 takes this approach a step further, proposing to reinforce the Social OMC by bringing it closer to the Lisbon Strategy through the use of targets, common principles, enhanced monitoring, and recommendations (European Commission, 2008).

It is hard to consider the governance architecture of Lisbon III as anything other than a flawed compromise. The disconnect between the old guidelines and the new explanatory text will not improve European citizens’ understanding of EU policies, nor will it enhance ownership of the Lisbon Strategy by national actors. Neither is the institutional divide between economic and employment policies on the one hand and social policies on the other conducive to the joined-up governance and stakeholder participation needed for innovative structural reforms. Nor has there been much tangible progress in promoting greater synergy between the IGs/NRPs and the Social OMC.⁷⁹ At a deeper level, moreover, this governance architecture leaves the EU with multiple, overlapping, and potentially inconsistent “mega-strategies”, including not only Lisbon and the Social OMC, but also the Sustainable Development Strategy and the Energy Policy for Europe (Larsson and Begg, 2007).

⁷⁹ The SPC established a Task-Force for the analysis of the interaction between social cohesion and growth and jobs, which produced an important report on *Growth, Jobs and Social Progress in the EU*, as a contribution to the Lisbon post-2010 debate (Social Protection Committee, 2009).

9.3 Towards an inclusive governance architecture for the post-Lisbon era

9.3.1 Architectural design principles for EU policy coordination

What should the governance architecture of EU policy coordination look like after 2010? In approaching this question, it may be helpful to lay out five architectural design principles, informed by the strengths and weaknesses of EU policy coordination under Lisbon I, II, and III.

1. Enhance overall policy coherence: avoid multiple, overlapping, potentially inconsistent strategies.
2. Improve horizontal coordination and cross-sectoral synergies, without sacrificing the Union's core policy objectives (e.g. economic growth, full employment, social cohesion, environmental sustainability).
3. Ensure autonomy, specificity, and visibility of sectoral processes necessary for effective coordination of complex policy fields.
4. Promote mutual learning and evidence-based policy making through consistent reporting against common indicators, diagnostic monitoring, peer review, and evaluation of different national approaches to achieving common European objectives.
5. Mobilise increased commitment and participation by Member State governments, national publics, and other stakeholders, including civil society and sub-national actors.

9.3.2 Governance options for EU policy coordination beyond 2010

Three principal governance options can be identified for EU policy coordination beyond 2010: (1) the Lisbon status quo (the existing Strategy for Growth and Jobs); (2) "Lisbon Minus" (proposed by the Cohen-Tanugi Report); and (3) a new inclusive architecture, based on four equal, mutually reinforcing pillars (economic development, employment, social cohesion, environmental sustainability).

The Lisbon status quo

The first option would be to retain the existing governance architecture, centred around the Lisbon Strategy for Growth and Jobs in its present form. This is clearly the path of least resistance. But as argued above, it is also incoherent and unsustainable, because of the disconnect between the form and content of the revised Integrated Guidelines; the growing interpenetration between the Lisbon Strategy and the Social OMC; and the persistence of multiple, overlapping, and potentially inconsistent "mega-strategies".

"Lisbon Minus"

A second option, proposed by *Euroworld 2015*, the Cohen-Tanugi Report (2008) prepared for the French Presidency of the EU, would be to recast Lisbon as a European strategy for globalisation and refocus its internal component on competitiveness through innovation. This would interlink the environmental, social, and economic dimensions of a knowledge-driven economy and society, without monopolising all national and European policies in these areas. In social policy, it would mean concentrating the Strategy on education, lifelong learning, mobility, globalisation adjustment, integration, dealing with an ageing population, flexicurity, and relaunching social dialogue, while leaving other issues to the European Social Agenda and the Social OMC. This approach is presented as "Lisbon Plus" in the Cohen-Tanugi report, but it should really be termed "Lisbon Minus", because it represents a further *narrowing* of scope relative to the Strategy for Growth and Jobs.

Like the status quo option, Lisbon Minus suffers from major architectural design flaws. First, even more than the current Strategy for Growth and Jobs, it leaves the EU with overlapping, potentially inconsistent strategies and processes, because some issues within the same policy fields would be dealt with within the new European strategy for globalisation, while other issues in these fields would be left to separate European and national processes. Thus

coordination of coordination would become a still greater problem at both European and national levels. Second, it risks subordinating social and employment policies to competitiveness and innovation goals, without providing a legitimate and effective mechanism for balancing and reconciling countervailing but equally indispensable goals (e.g. more and better jobs; flexibility and security; adequate and sustainable pensions; accessible, high-quality, and sustainable health care). Third, the narrowed scope of this approach makes it even less likely to inspire national ownership and participation than the current Strategy for Growth and Jobs.

A new, inclusive governance architecture

A third option for the EU would be to develop a new, overarching strategy and inclusive governance architecture for the post-Lisbon era based on four equal and mutually reinforcing pillars: economic development, employment, social cohesion, and environmental sustainability.⁸⁰ Within such an architecture, each pillar should have its own objectives, guidelines, targets, indicators, national strategies, monitoring, peer review, and evaluation process. Incorporating these common sectoral objectives and indicators into the EU's overarching strategy is not like adding unnecessary ornaments to a Christmas tree, as a widely used metaphor has suggested, but rather like equipping a cockpit of a high-speed aircraft with the full set of instruments needed to avoid flying blind.

But in order to avoid overloading the centre, the Integrated Guidelines and National Reform Programmes should be reconceived as twin apexes of a synthetic policy coordination process built up from sectoral OMCs for each pillar (including the existing OMC on education and training). The IGs and NRPs should thus become sites where conflicting priorities and approaches can be provisionally reconciled, rather than as unified, centralised replacements for the sectoral coordination processes themselves. To this end, each sectoral policy coordination process should explicitly incorporate indicators for monitoring mutual interactions between them (e.g. feeding in/feeding out, mainstreaming, ex ante/ex post impact assessment).

To maximise opportunities for mutual learning, Member States should report consistently on progress towards each objective/guideline, using common European indicators as far as possible. Common indicators should be outcome-oriented, responsive to policy interventions, subject to clear and accepted normative interpretation, timely, and revisable. Indicators should also be sufficiently comparable and disaggregable to serve as diagnostic tools for improvement and self-correction by national and local actors, rather than as soft sanctions or shaming devices to secure Member State compliance with EU targets.⁸¹

Within this four-pillar architecture, horizontal coherence and cross-sectoral synergies could be enhanced through joined-up thematic strategies, based on the adoption of common European principles; intensive follow-up, monitoring, and evaluation; and common and/or country-specific recommendations. Such strategies have already been proposed by the Commission for flexicurity and active inclusion, but a similar approach could easily be extended to other cross-cutting issues, such as child poverty and well-being/investing in youth, active ageing, and gender equality/work-family reconciliation.

⁸⁰ For largely convergent proposals, see European Anti-Poverty Network (2009); Platform of EU Social NGOs (2009); Spring Alliance (2009).

⁸¹ The current Lisbon Assessment Framework, developed by the EPC LIME Working Group, does not meet these criteria. In addition to the objections discussed earlier, it is explicitly designed as an "expertocratic" approach, inspired by the OECD, which does not incorporate self-assessment, peer review, and mutual evaluation by national policy makers and other stakeholders. For in-depth discussions of the appropriate design and use of indicators in OMC processes, see Marlier *et al* (2007, Chapter 5); Atkinson *et al* (2002).

To expand stakeholder participation, finally, both sectoral coordination processes and NRPs should be opened up to active involvement by civil society and sub-national actors. To facilitate this objective, NRPs should be coordinated by Prime Ministers' or Cabinet Offices rather than by Finance or Economics Ministries (as also proposed by Cohen-Tanugi, 2008); National Action Plans for Employment and National Action Plans for Social Inclusion should be revived and/or reinvigorated; and local and regional action plans should be promoted. To monitor and evaluate this process, indicators of participatory governance should be developed, which could be used to benchmark national performance and compare good and bad practices.

9.4 Risks and opportunities of an inclusive governance architecture for EU social policy coordination

Based on the design principles outlined above and the experience of EU policy coordination under the three phases of the Lisbon Strategy, the development of a new, inclusive governance architecture should arguably be the preferred option. Yet even those in favour of strengthening the social dimension of the Lisbon Strategy may fear that it would create risks for EU social policy coordination. Two main concerns stand out in this regard: subsidiarity and loss of autonomy.

9.4.1 Subsidiarity

Member States retain primary competence for the organisation and development of their social protection systems. There are also wide variations across the EU in the institutional structure and programmatic design of national welfare states, whose reform is often a highly sensitive issue in domestic politics. Under these circumstances, Member States have so far remained understandably reluctant to move beyond the agreement of common objectives and indicators for social protection/inclusion to the establishment of European guidelines and country-specific recommendations.

But this horse is already out of the stable. Member States are *already* subject to EU guidelines and recommendations on the reform of their social protection systems for financial sustainability and higher employment under the Lisbon Strategy for Growth and Jobs. The Commission has also proposed extending targets, common principles, enhanced monitoring, and recommendations to the Social OMC as part of its Renewed Social Agenda. The territorial closure and autonomy of national welfare states has likewise been significantly challenged in recent years by the jurisprudence of the European Courts on health care, supplementary pensions, and social assistance. The real question is thus not *whether* but *how* the EU should be involved in coordinating Member State responses to the common challenges of reforming their social protection systems, while respecting legitimate national diversity.

Nor is it necessarily the case that European guidelines and recommendations will lead to backdoor efforts at harmonisation of national social protection systems through the imposition of "one-size-fits-all" policy models. Here the experience of the European Employment Strategy (EES), the original model for the OMC, provides a broadly positive example. In a series of iterations over the past decade, the European employment guidelines have proved highly adaptable to the wide variety of employment systems across the Union, encouraging convergence of objectives, performance, and broad policy approaches through contextualised benchmarking, self-assessment, peer review, and exchange of good practices rather than harmonisation of institutions, rules, or programs. Although the country-specific recommendations have remained more controversial, they too have arguably added value to national policy making by feeding the results of the European evaluation process back into domestic debates, and drawing attention to overlooked problems even in the best performing Member States. At a deeper level, the EES and the OMC more generally should be understood as embodying a new form of dynamic subsidiarity, based not on a rigid allocation of competences, but instead on collaboration between different levels of governance in which each

participating unit contributes its distinctive expertise and resources to tackling common problems cutting across jurisdictions.

9.4.2 Loss of autonomy

A second concern is that incorporating the Social OMC into a new inclusive governance architecture could weaken EU social policy coordination and reduce its autonomy. This is a legitimate concern, as demonstrated by the experience of the EES under Lisbon II and III, where integration of the economic and employment policy guidelines has led to the dominance of economic policy actors and reduced visibility, monitoring, and mobilising capacity of employment policy coordination at both European and national levels.

But retaining procedural autonomy while sacrificing political influence is the greater risk facing the Social OMC, since Member States are already subject to one-sided coordination of their social protection reforms under the existing Lisbon Strategy for Growth and Jobs. Any risk of reduced autonomy for EU social policy coordination would in any case be substantially offset by the new governance architecture outlined above, based on four equal, mutually reinforcing pillars, each with its own objectives, guidelines, targets, indicators, national strategies, monitoring, peer review, and evaluation process. Consistent with this balanced, inclusive governance architecture, it would be important to ensure that NRPs are coordinated by Prime Ministers' or Cabinet Offices rather than by Finance or Economics Ministries, and that the EU's Spring Socio-Economic Summit is prepared by the General Affairs rather than the ECOFIN Council.

9.5 Conclusion

With this new, inclusive governance architecture in place from 2010, European social, economic, environmental, and employment policies could at last begin to work together in a mutually reinforcing way to deliver faster sustainable growth, more and better jobs, and greater social cohesion, as envisaged by the designers of the original Lisbon Strategy a decade ago.

References

Atkinson, T., Cantillon, B., Marlier, E., and Nolan, B. (2002), *Social Indicators: The EU and Social Inclusion*, Oxford: Oxford University Press.

Begg, I. (2007), *Lisbon II, Two Years on: An Assessment of the Partnership for Growth and Jobs*, Brussels: Centre for European Policy Studies.

Begg, I., and Marlier, E. (2007), *Social Inclusion 2006: Second Semester Report. Independent Overview Based on National Report of Independent Experts*, Brussels: European Commission.

Cohen-Tanugi, L. (2008), *EuroMonde 2015: Une stratégie européenne pour la mondialisation*, Report prepared for the French Presidency of the EU, April. Published in English as *Beyond Lisbon: A European Strategy for Globalization*, Brussels: Peter Lang.

Committee of the Regions (2008), *Achieving the Lisbon Goals through Coordinated and Integrated Territorial Policymaking: The LMP 2008-2009 Monitoring Report*, Brussels: Committee of the Regions.

Committee of the Regions (2009), *Contributions to the 2008 Ateliers (Proceedings of the multilevel governance workshops)*, Brussels: Committee of the Regions, 213-225.

Committee of the Regions (2009a). *Consultation of European Regions and Cities on a New Strategy for Sustainable Growth: A New Lisbon Strategy after 2010*, Brussels: Committee of the Regions.

Economic Policy Committee (2008), *Progress Report of the Lisbon Methodology Working Group*, ECFIN/EPC(2008)REP/53233_rev1, Brussels.

Employment Committee (2008), *Chair's Summary: Meeting of the Employment Committee, 27 November*.

Euréval/Rambøll Management (2008), *Evaluation of the Integrated Guideline Package (IGP) for Growth and Jobs*, final report to the European Commission, ECFIN/R/3/2007/004-IGP. Available from:
http://ec.europa.eu/economy_finance/multiannual_eval_prg/multiannual_eval12403_en.htm.

European Anti-Poverty Network (2007), *Making Lisbon Deliver for People Experiencing Poverty: EAPN Response to 2006 Implementation Reports on the National Reform Programs*, Brussels: EAPN.

European Commission (2005), *Working Together for Growth and Jobs: A New Start for the Lisbon Strategy. Communication to the Spring European Council from President Barroso in agreement with Vice-President Verheugen*, Communication COM (2005) 24, Brussels.

European Commission (2006), *Evaluation of the Open Method of Coordination for Social Protection and Social Inclusion*, SEC (2006) 345, Brussels.

European Commission (2008), *Renewed Social Agenda: Opportunities, Access and Solidarity in 21st Century Europe*, Communication COM(2008)412 final, Brussels.

European Commission (2008a), *A Renewed Commitment to Social Europe: Reinforcing the Open Method of Coordination for Social Protection and Social Inclusion*, Communication COM(2008)418 final, Brussels.

European Commission (2009), *The Open Method of Coordination in Research Policy: Assessment and Recommendations, A Report from the Expert Group for the Follow-up of the Research Aspects of the Revised Lisbon Strategy*, DG Research, January.

Gornitzka, A. (2006), *The Open Method of Coordination in European Education and Research Policy: Animating a Label*, Unpublished paper presented to the European Union Centre of Excellence, University of Wisconsin-Madison, 13 October. Available from:
<http://eucenter.wisc.edu/GornitzkaPaper.pdf>.

Heidenreich, M., and Zeitlin, J. (editors) (2009), *Changing European Employment and Welfare Regimes: The Influence of the Open Method of Coordination on National Reforms*, London: Routledge.

Kok, W. (2004), *Facing the Challenge: The Lisbon Strategy for Growth and Employment. Report from the High Level Group Chaired by Wim Kok*, Brussels: European Commission.

Larsson, A., and I. Begg (2007), *Time for Better Governance of EU "Mega-Strategies?"*, Paper prepared for the European Panel for Sustainable Development (EPSD), Gothenburg, Sweden.

Kröger, S. (editor), *What we have learnt: Advances, pitfalls and remaining questions in OMC research*, European Integration online Papers (EIoP), Special Issue 1, Vol. 13.

La Rivista delle Politiche Sociali/ Italian Journal of Social Policy (2009), *Special issue on the Lisbon Strategy*, Volume 2, 4: 33-54.

Marlier, E., Atkinson, A.B., Cantillon, B., and Nolan, B. (2007), *The EU and Social Inclusion: Facing the Challenges*, Bristol: Policy Press.

Platform of European Social NGOs (2009), *5 recommendations for an effective Open Method of Coordination on social protection and social inclusion*, Brussels: Social Platform. Available from:
http://cms.horus.be/files/99907/MediaArchive/Policies/Social_Inclusion/20090929_SP%20Social%20OMC_final.pdf.

Social Protection Committee (2009), *Growth, Jobs and Social Progress in the EU: A contribution to the evaluation of the social dimension of the Lisbon Strategy*, Brussels: European Commission. Available from:
<http://ec.europa.eu/social/BlobServlet?docId=3898&langId=en>.

Spring Alliance (2009), *Manifesto*, Brussels: Spring Alliance. Available from:
<http://www.springalliance.eu/manifesto>.

Tavistock Institute *et al* (2005), *The Analysis of Impacts of Benchmarking and the eEurope Actions in the Open Method of Co-ordination. How the eEurope OMC worked: Implications for the Co-ordination of Policy under i2010*, Final report prepared for Directorate-General Information Society by the Tavistock Institute, London, Net Effect Ltd., Helsinki, and Istituto per la Ricerca Sociale, Milan.

Zeitlin, J. (2005), *Social Europe and Experimental Governance: Towards a New Constitutional Compromise?*, in G. de Búrca (editor), *EU Law and the Welfare State: In Search of Solidarity*. Oxford: Oxford University Press, 213-241.

Zeitlin, J. (2005a). "Introduction: The Open Method of Co-ordination in Question", in J. Zeitlin and P. Pochet (2005), 19-33.

Zeitlin, J. (2005b), *Conclusion: The Open Method of Co-ordination in Action: Theoretical Promise, Empirical Realities, Reform Strategy*, in J. Zeitlin and P. Pochet (2005), 447-503.

Zeitlin, J. (2007), *A Decade of Innovation in EU Governance: The European Employment Strategy, the Open Method of Coordination, and the Lisbon Strategy*, Paper prepared for the Portuguese Presidency of the European Union and presented to the Informal Meeting of Ministers of Employment and Social Affairs, Guimaraes, Portugal, July 5-7, 2007; published in *Perspectives on Employment and Social Policy Coordination in the European Union*, Portuguese Ministry of Labour and Social Solidarity, Lisbon, July 2007, 129-144.

Zeitlin, J. (2008), *The Open Method of Coordination and the Governance of the Lisbon Strategy*, *Journal of Common Market Studies* 46(2), 437-446.

Zeitlin, J. (2009), *The Open Method of Coordination and Reform of National Social and Employment Policies: Influences, Mechanisms, and Effects*, in M. Heidenreich and J. Zeitlin (2009), 214-245.

Zeitlin, J., and Pochet, P., with Magnusson, L. (editors) (2005), *The Open Method of Co-ordination in Action: The European Employment and Social Inclusion Strategies*. Brussels: P.I.E.-Peter Lang.

em trio.be



Event co-financed by the European Commission
DG Employment, Social Affairs and Equal Opportunities