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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN  
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL  
COMMITTEE AND THE COMMITTEE OF THE REGIONS**

**"A renewed commitment to social Europe: Reinforcing the Open Method of  
Coordination for Social Protection and Social Inclusion"**

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## 1. INTRODUCTION

This Communication is part of the Commission's Communication on a "Renewed Social Agenda: Opportunities, access and solidarity in 21<sup>st</sup> century Europe". It proposes the reinforcement of one of the most important instruments in support of social development in the EU and the Member States, i.e. the Open Method of Coordination in the field of social protection and social inclusion (hereinafter, "Social OMC"). This method, launched in 2000 as voluntary self-evaluating process, based on common objectives, complements a comprehensive *mix* of legislation, financial instruments (including the European Social Fund) and coordination processes (particularly the Lisbon Strategy) that have supported social cohesion and solidarity within the EU.

Over the last eight years, Member States have used the Social OMC to coordinate their efforts to address old and new social challenges and to adapt their social protection systems to the new social realities. They have defined common objectives and agreed on indicators to orient their policies for social inclusion, for the reform of pension systems and in the field of healthcare and long-term care. Throughout this period the Social OMC has proved its worth by supporting mutual learning, by promoting wider involvement of stakeholders, by giving impulse to the modernisation of social protection systems, by increasing awareness of the multi-dimensional nature of poverty and social exclusion, by forging a shared approach to the common challenges and by bringing to the fore emerging common issues.

However, delivery on common objectives - fighting poverty and social exclusion, ensuring pension adequacy and sustainability, ensuring equitable access to health and long-term care – remains a challenge. An open coordination process, based on voluntary cooperation between numerous and diverse Member States, cannot, by definition, produce large-scale results in a limited period of time. Yet, there is a broad consensus – as illustrated by a large number of written and oral exchanges in the Social Protection Committee (SPC) and among all relevant stakeholders<sup>1</sup> - that more can and should be done to make full use of the potential of the Social OMC.

This Communication proposes to strengthen the Social OMC by improving its visibility and working methods, strengthening its interaction with other policies, reinforcing its analytical tools and evidence base, and enhancing ownership in Member States through peer review, mutual learning and involvement of all relevant actors. The reinforcement will in particular be achieved by adopting progressively, in agreement with the Member States, some of the successful methods applied under the Lisbon strategy. This approach, respecting the principle of subsidiarity and the voluntary nature of the OMC, will create a new stimulus in the development of national policy analysis and definition. At the same time, it will improve the efficiency and the visibility of the EU's social dimension as an integral part of the Lisbon Strategy and ensure better integration of economic, employment and social policies, as requested by the European Council in March 2008.

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<sup>1</sup> See the Impact Assessment for details.

## **2. EVOLUTION AND MAIN ACHIEVEMENTS OF THE SOCIAL OMC**

The overall assessment of the Social OMC among Member States and stakeholders is largely positive. It is recognized as a tool to promote progress in the social sphere and as an innovative instrument in European governance<sup>2</sup>. It has furthered reform, fostered a willingness to cooperate and learn from each other in the search for the best solutions to achieve social progress, without the obligation to define a “minimum common denominator”. Regular reviews of its policy impact and of the effectiveness of its working methods are conducted within the Social Protection Committee (SPC), in the dialogue with civil society stakeholders and social partners and in the regular reports of independent experts.

The Social OMC has undergone substantial reform since its launch in 2000. In 2005, the three coordination processes (social inclusion, adequate and sustainable pensions and high quality and sustainable healthcare and long-term care) were merged into one single Social OMC<sup>3</sup>. Common objectives were established and updated by the European Council, which confirmed their validity during its 2008 spring session (see Annex 1). The Social Protection Committee (SPC) agreed indicators, both overarching and specific for the three strands to monitor progress towards the commonly agreed objectives (see Annex 2).

In addition, the process was structured as a three-year cycle with simplified reporting. Member States submit National Strategic Reports in the first year, which are synthesised in a Joint Council and Commission Report on Social Protection and Social Inclusion. This "Joint Report" includes separate country profiles highlighting the priority themes and national challenges. The intervening years, without reporting, are dedicated to in-depth analysis and mutual learning on priority themes.

The streamlining of the social OMC has led to a stronger focus on policy implementation and a positive interaction with the renewed Lisbon Strategy for Growth and Jobs. The 2006 national reports were more strategic, focusing on a limited selection of priorities and coherent approaches for achieving the common objectives. The 2007 Joint Report concluded that joint consideration of the full set of common social objectives was helping to improve policy consistency and effectiveness. Moreover, the new cycle contributed to deeper analysis and boosted the learning process on key priorities. The 2008 Joint Report, focusing on child poverty, access to health care, evolving long-term care needs, longer working lives and privately managed pensions, confirmed the richness of the new approach.

## **3. THE NEED TO STRENGTHEN THE SOCIAL OMC**

These positive results of the OMC don't take away the necessity to strengthen the method, especially in order to improve delivery on the agreed common objectives and make a better use of the commonly agreed indicators. In spite of the European Council's commitment in 2000 "to make a decisive impact on the eradication of poverty", there are no signs of an overall reduction in poverty rates in the EU. 16% of EU citizens (78 million) are at risk of poverty. Among them, children are at even greater risk: 19%. Pension reforms have not removed the risk of inadequate pension provisions for future generations, and health inequalities (shorter lives, worse health status in disadvantaged groups) persist.

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<sup>2</sup> The Impact Assessment gives large account of the scientific and public debate on the Social OMC.

<sup>3</sup> Working together, working better: A new framework for the open coordination of social protection and inclusion policies in the European Union, COM(2005) 706 final.

Finding solutions to these problems is in the first place the responsibility of national authorities, in line with the principle of subsidiarity. As shown by its achievements, the OMC has been a catalyst for reform in the Member States; it can be even more effective by following the approach outlined below.

### 3.1. Increasing political commitment and visibility

#### *The Lisbon Strategy model*

The renewed **Lisbon Strategy for Growth and Jobs**, with its focus on implementation and with its advanced governance arrangements, involving Member States, the Commission, the Council of Ministers and the European Parliament in a partnership approach, provides both a model and a key reference for the reinforcement of the Social OMC. The success of the Lisbon Strategy in terms of economic and employment performances over the last few years show that strong political commitment at the highest level, coordinated efforts for reform and peer review can produce concrete and visible results.

One of the strengths of the Growth and Jobs Strategy lies in the fact that it is based on a partnership approach and driven by a commonly agreed policy agenda. At the same time, its sophisticated methodological framework is supplemented by a combination of selected indicators and quantitative targets, which makes policy scrutiny more effective, transparent and credible. On this basis, the Commission provides a systematic assessment of the progress achieved by each country and proposes country-specific recommendations and/or points to watch. These proposals allow Member States, in the European Council and the Council of Ministers, to reach consensus on the best policies to pursue at the European and national level. Moreover, the emphasis on easily understandable targets facilitates comprehension and public awareness of the process.

The importance of positive interaction between the Social OMC and the Lisbon Strategy was highlighted in the Commission Communication on the OMC of 2005: "*the OMC should parallel and interact closely with revised Lisbon, "feeding-in" to growth and employment objectives, while Lisbon programmes "feed out" to advance social cohesion goals*". Higher growth and more jobs have in themselves not been sufficient to achieve the hoped-for results in terms of poverty reduction and improvement of the circumstances of the most vulnerable. Consequently, the European Council reconfirmed, in March 2008, "the importance of the social dimension of the EU as an integral part of the Lisbon Strategy" and stressed the need further to integrate economic, employment and social policies<sup>4</sup>.

It seems therefore logical to progressively adopt some of the methods and the approaches, which are used under the renewed Lisbon Strategy for Growth and Jobs for the Social OMC. It would strengthen the effectiveness of the Social OMC. It would enhance implementation of national policies towards the achievement of common social objectives and increase the commitment and visibility. It would produce a more substantial input into the Lisbon Strategy, in line with the European Council's conclusions, and ensure optimal interaction between jobs, growth and social policy. At the same time, this approach would be fully compatible with the principle of subsidiarity and the voluntary nature the Open Method of Coordination. This is illustrated in other areas of open coordination (education and

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<sup>4</sup> The Single Market Review of November 2007 also called for such an integrated approach, highlighting that market opening and social reforms can and should go hand in hand. See: A single market for 21<sup>st</sup> century Europe. COM(2007) 724 final, 20.11.2007.

employment) for which EU targets have been set, such as employment rates, school drop-outs, lifelong learning, and which add substantially to the dynamism of the Lisbon Strategy.

### *Setting targets*

A number of indicators have already been agreed among Member States in the areas of social protection and social inclusion (see annex 2), and they are sufficiently robust as a basis for the introduction of quantitative targets. This could in particular be considered for "making a decisive impact on **poverty eradication**". In spite of this commitment, taken by the European Council in 2000, there is still a long way to go. Targets would introduce a new dynamism; they could be set for the reduction of poverty in general as well as for specific forms of poverty, such as child poverty which is currently three points higher than the poverty rate for the total population (19 against 16%), and concerns one child in four in some countries; in-work poverty which hits 8% of the working population and is on the increase; persistent, long-term poverty, for which robust indicators will be available soon; and poverty of older people (65+), which is also an indicator of pension adequacy.

Since there is a need to monitor carefully the adequacy of future pensions, a target for the **reform of pension systems** could be related to a minimum level of income provided through pensions, whether publicly or privately provided. The implementation of the objectives in the field of **healthcare and long-term care** could be supported by targets related to access and quality of healthcare and social care. In addition, there could be health-status related targets, for example on increasing life expectancy (differing among Member States by as much as 13 years for men and 7 years for women) and healthy life years, and reducing infant mortality (still around 10 per thousand live births in some Member States). Health status is decisive for active participation in the labour market, longer working lives and for reducing poverty.

The introduction of these quantified targets, supported by the commonly agreed indicators, based on robust analytical tools, will help Member States to sustain commitment and work more concretely towards the achievement of common objectives. In order to take account of their diversity, particular national context and different points of departure, Member States could **define national targets**.

The national targets could be part of a **differentiation along pathways**, making it possible for groups of countries with a similar situation or problems, to work together. This method is already being implemented for flexicurity within the Lisbon Strategy and was to some extent used in a thematic analysis of child poverty in 2007. The experience so far, although still limited, suggests that it is a good basis for more tailor-made policy analysis and advice and can realistically connect individual Member States to common objectives. The Commission will explore the development, in the OMC context, of pathways as well as of common principles on the analogy of its proposals on flexicurity endorsed by the European Council in December 2007.

### *Commission Recommendations*

Discussions in the Social Protection Committee cover a wide range of subjects related to social protection and social inclusion. 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. Political endorsement from the other Institutions will give strength and visibility to such common principles. The Commission intends to develop this approach gradually, building on the experience of the Recommendation on Active Inclusion which the

Commission envisages presenting in October 2008 as a basis for Council Conclusions and a European Parliament Resolution.

#### *Better reporting, communication and dissemination*

On the basis of the approach outlined above, **the Commission will enhance its capacity to assess and monitor progress** both at EU and at national level. Reinforced monitoring should be reflected in the periodical Joint Council and Commission Report on Social Protection and Social Inclusion, which constitutes the basis for the contribution of the EPSSCO Council to the Spring European Council. The European Parliament will be informed on a regular basis. Moreover, the Commission will use the Social Situation Report, prepared each year under Treaty Article 143, to present its own assessment of current trends and of progress towards the common objectives to the other institutions, with a view to broaden and enrich the political debate. Member States are invited to continue to report every third year on progress achieved within the OMC in an integrated way, subject to future discussions on the future of the Lisbon Strategy.

**Communication and dissemination** of results will be made more effective through the continuous development of a proactive communication strategy drawing on all possibilities provided by the PROGRESS programme. This is part and parcel of the Social OMC as a way to share knowledge, to stimulate "positive competition" among peers and to contribute to sustained mobilisation and commitment. In particular, the Commission will increase its efforts to make information related to the achievements of the Social OMC widely accessible, comprehensible and useful. The renewed web-site on social protection and social inclusion<sup>5</sup> will be an important tool in this regard.

### **3.2. Strengthening the positive interaction with other EU policies**

#### *Mainstreaming*

As underlined in the Commission's Communication on a holistic, cross-cutting Renewed Social Agenda, it is generally recognized that **social policy considerations must also be mainstreamed throughout EU policies** (e.g. competition, internal market, economic policy, health, immigration, trade, agriculture, etc.). The Commission will pursue its own efforts to produce robust impact assessments on each new policy initiative, and in this context pay particular attention to **social impacts**. The Social Protection Committee has already paid increasing attention to mainstreaming of social objectives, also drawing on the specific experience already gained in the EU on gender mainstreaming<sup>6</sup>. The Commission will further work with the Social Protection Committee in order to strengthen the shared impact assessment capacity.

#### *Horizontal coordination*

The Social OMC has increasingly become a reference point for a wide range of social issues that are high on Member States' agendas and cut across different policy areas, such as the social impact of migration; the social inclusion of ethnic or disadvantaged minorities, including Roma communities; poverty in rural areas; long-term care and social inclusion of the disabled; social consequences of climate change, environmental degradation and trends in energy prices; educational disadvantage and unequal access to continuous training and

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<sup>5</sup> [http://ec.europa.eu/employment\\_social/spsi/social\\_protection\\_en.htm](http://ec.europa.eu/employment_social/spsi/social_protection_en.htm)

<sup>6</sup> Article 3(2) of the EC Treaty requires the EU to eliminate inequalities, and to promote equality, between women and men in all its activities.

lifelong learning; financial education and access to basic financial services; digital divide and social exclusion; active ageing and intergenerational solidarity.

The opening of the Social OMC to cross-cutting issues has visibly increased its relevance and impact, and paved the way to better horizontal coordination. Fruitful cooperation between the Social Protection Committee and other relevant Committees, including the Employment Committee and the Economic Policy Committee, has been established and should be further strengthened. The same is true for the ongoing process of developing synergies with closely related policy areas, such as the OMC on Education and Training, the EU Health Strategy<sup>7</sup> and the European Agenda for the Integration of Migrants. The Commission will further explore ways to **reinforce the coordination between the SPC and other Committees** and High-Level groups; it will also ensure the efficiency of its own permanent inter-service group for mainstreaming social inclusion and social protection.

### **3.3. Reinforcing the analytical tools**

The PROGRESS programme will support the enhancement of **statistical capacity and data collection**, particularly in areas where comparable data are lacking or insufficient. For example, existing EU-wide surveys must be reviewed in order better to cover material deprivation (including digital exclusion), household wealth, the situation of migrants, the transition from work to retirement; to collect data on life expectancy by socio-economic status; and to improve the availability and analysis of data disaggregated by gender.

The PROGRESS programme will also support the Survey on Health, Ageing and Retirement and the new European Household Survey, as well as in-depth analysis of specific subjects, helping Member States improve their policies in particularly critical areas. **Greater involvement of the scientific community and stronger links with other ongoing research activities**, within the Commission and international organisations, will further contribute to developing knowledge- and evidence-based policies.

### **3.4. Better ownership through peer reviews, mutual learning and involvement of all relevant actors**

#### *Peer reviews*

**Peer reviews** have proved to be useful and enriching exercises for enhancing mutual learning. They should be used more extensively in the Social OMC and in a more strategic manner. Better context information, a stronger analytical base and broader dissemination of the results would contribute to the identification of good practices and facilitate policy transfer. Ensuring greater involvement in peer reviews of officials at local and regional levels will also be important. The Commission, together with the Social Protection Committee, will examine how to upgrade the modalities of the 2009 round of peer reviews.

#### *New tools for mutual learning*

The PROGRESS programme offers support for the testing of **new tools for mutual learning** and exchange of best practices, e.g. projects for temporary pooling and transfer of expertise between Member States; training on strategic planning, mainstreaming, coordination,

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<sup>7</sup> The healthy life years indicator in the Lisbon strategy is an example of the integration of the social and economic dimensions of better health.

involvement of stakeholders, monitoring and evaluation in the Social OMC process. PROGRESS can also help the development of "social experimentation" as a way to test innovative ideas before engaging in large-scale social programmes, for example in the field of minimum income, child benefits, or long-term care; the programme will support the study, the dissemination and the evaluation of social experimentation projects.

#### *Involvement of all relevant actors*

**Regional and local authorities** should be better involved in the EU process for social protection and social inclusion. At present their involvement remains limited in most Member States. Several countries have made considerable progress in involving civil society and other relevant stakeholders in the policy planning phase, but this is rarely continued into the implementation phase. Experience shows that coordination and participation of relevant actors throughout the full policy cycle are essential for effective implementation. The Commission proposes to make these governance aspects increasingly the subject of mutual learning efforts within the Social OMC. On this basis the Commission will develop voluntary guidelines for Member States.

## **4. SUMMARY AND CONCLUSION**

In order to make full use of the potential of the Social OMC, the present Communication has set out a number of areas where the method can be improved, reinforced or further developed. These measures revolve around four objectives: first, increasing political commitment and the visibility of the process; second, strengthening the positive interaction with other EU policies; third, reinforcing the analytical tools underpinning the process, with a view to moving towards the definition of quantified targets and enhancing evidence-based policymaking; fourth, increasing ownership in Member States, by boosting implementation and enhancing mutual learning.

Some of the measures amount to a consolidation of existing practices. Others, in particular target setting, imply more substantial changes and will require consensus-building among Member States and stakeholders. Therefore, the Commission envisages a gradual approach of which the sequencing and the necessary prioritisation will be discussed with Member States and other key stakeholders.

A reinforced OMC in the field of social protection and social inclusion will provide an important contribution to the implementation of the Renewed Social Agenda and will underpin the renewed commitment to social Europe.



**OBJECTIVES OF THE OMC FOR SOCIAL PROTECTION**  
**AND SOCIAL INCLUSION**

**The overarching objectives of the OMC for social protection and social inclusion are to promote:**

- (a) 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;
- (b) effective and mutual interaction between the Lisbon objectives of greater economic growth, more and better jobs and greater social cohesion, and with the EU's Sustainable Development Strategy;
- (c) good governance, transparency and the involvement of stakeholders in the design, implementation and monitoring of policy.

**The following objectives apply to the different strands of work:**

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

- (d) 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;
- (e) the active social inclusion of all, both by promoting participation in the labour market and by fighting poverty and exclusion;
- (f) 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 ESF) programmes.

***Adequate and sustainable pensions by ensuring:***

- (g) adequate retirement incomes for all and access to pensions which allow people to maintain, to a reasonable degree, their living standard after retirement, in the spirit of solidarity and fairness between and within generations;
- (h) the financial sustainability of public and private pension schemes, bearing in mind pressures on public finances and the ageing of populations, and in the context of the three-pronged strategy for tackling the budgetary implications of ageing, notably by: supporting longer working lives and active ageing; by balancing contributions and benefits in an appropriate and socially fair manner; and by promoting the affordability and the security of funded and private schemes;
- (i) that pension systems are transparent, well adapted to the needs and aspirations of women and men and the requirements of modern societies, demographic ageing and structural change; that people receive the information they need to plan their retirement and that

- reforms are conducted on the basis of the broadest possible consensus.

***Accessible, high-quality and sustainable healthcare and long-term care by ensuring:***

- (j) access for all to adequate health and long-term care and that the need for care does not lead to poverty and financial dependency; and that inequities in access to care and in health outcomes are addressed;
- (k) quality in health and long-term care and by adapting care, including developing preventive care, to the changing needs and preferences of society and individuals, notably by developing quality standards reflecting best international practice and by strengthening the responsibility of health professionals and of patients and care recipients;
- (l) that adequate and high quality health and long-term care remains affordable and financially sustainable by promoting a rational use of resources, notably through appropriate incentives for users and providers, good governance and coordination between care systems and public and private institutions. Long-term sustainability and quality require the promotion of healthy and active life styles and good human resources for the care sector.

## OVERARCHING INDICATORS FOR MONITORING THE SOCIAL OMC

**1a - At-risk-of-poverty rate (total, children and elderly) + Illustrative threshold value – EU**  
Share of people with an income below 60% of the national median income<sup>8</sup>.

**1b - Relative median poverty risk gap – EU**  
Difference between the median income of people living below the at-risk-of poverty threshold and the threshold itself, expressed as a percentage of the at-risk-of poverty threshold.

**1c - Persistent at-risk-of poverty rate (only available from 2010 onwards) – EU**  
Persons at-risk-of poverty in the current year and at least 2 years during the previous 3 years.

**2 - Inequality of income distribution (S80/S20) – EU**  
Ratio of the total income received by the 20% of the country's population with the highest income to that received by the 20% of the country's population with the lowest income.

**3 - Healthy life expectancy – NAT**  
Number of years that a person at birth, at 45, at 65 is still expected to live in a healthy condition (not hampered in activities of daily living). To be interpreted jointly with life expectancy

**4 - Early school leavers – EU**  
Share of persons aged 18 to 24 who have only lower secondary education and have not received education or training in the four weeks preceding the survey.

**5 - People living in jobless households – EU**  
Share of adults (18-59 and not student) and children living in households where no one works

**6 - Projected Total Public Social expenditures – NAT**  
Age-related projections of total public social expenditures (pensions, health care, long-term care, education and unemployment transfers), current level and projected change in share of GDP

**7a - Median relative income of elderly people – EU**  
Median income of people aged 65+ as a ratio of median income of people aged 0-64

**7b - Aggregate replacement ratio – EU**  
Median individual pensions of 65-74 relative to median individual earnings of 50-59, excluding other social benefits

**8 - Self reported unmet need for medical care – NAT + Care utilisation – NAT**  
Total self-reported unmet need for medical care due to "financial barriers" or "waiting times" or "too far to travel", by income quintile. To be analysed together with the number of visits to a GP or specialist during the last 12 months.

**9 - At-risk-of-poverty rate anchored at a fixed moment in time – EU**  
Share of people with an income below the at-risk-of-poverty threshold calculated in income year 2004, adjusted for inflation over the years.

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<sup>8</sup> Unless otherwise specified, poverty indicators in this list relate to the equivalised disposable income of households defined as the household's total disposable income (after benefits and taxes) adjusted to take account of its size and composition. See full list of indicators at:  
[http://ec.europa.eu/employment\\_social/spsi/common\\_indicators\\_en.htm](http://ec.europa.eu/employment_social/spsi/common_indicators_en.htm)

**10 - Employment rate of older workers – EU**

Persons in employment in age groups 55 - 59 and 60 – 64 as a share of the same age group

**11 - In-work poverty risk – EU**

Individuals who are classified as employed and who are at risk of poverty.

**12 - Activity rate – EU**

Share of employed and unemployed people in total population of working age 15-64

**13 - Regional disparities – coefficient of variation of employment rates – NAT**

Standard deviation of regional employment rates divided by the weighted national average.

**14 - Total health expenditure per capita – NAT**

Total health expenditure per capita in PPP