



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 2.7.2008
SEC(2008) 2169

COMMISSION STAFF WORKING DOCUMENT

accompanying the

**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"**

Impact Assessment

{COM(2008) 418 final}
{SEC(2008) 2170}

TABLE OF CONTENTS

Executive summary	4
Modifications following the Opinion of the Impact Assessment Board	5
1. Historical Background on the Origins and the Evolution of the Social OMC.....	5
1.1. Introduction	6
1.2. The origins	6
1.3. The main features of the streamlined Social OMC	7
2. Institutional and Policy Developments calling for continued Evolution of the Social OMC.....	8
2.1. Lisbon Reform Treaty from 2009 – social mainstreaming requirement.....	8
2.2. Social Reality Stocktaking and the revised Social Agenda	9
2.3. Making 2010 a European Year of combating poverty and social exclusion.....	9
2.4. The Active Inclusion initiative – anticipated implementation of Common Principles through the Social OMC	10
3. Consultation of main Social OMC partners and the wider Public, and Input from Experts	11
3.1. Overview	11
3.2. The position of Member States	11
3.3. The views of networks active in the fight against poverty and social exclusion	12
3.4. Results from the public consultation for preparing the renewed social agenda.....	13
3.5. The recommendations of the Network of Independent Experts on Social Inclusion.	13
3.6. Additional elements emerging from academic literature and debates	14
4. Problem Definition.....	16
4.1. Context setting	16
4.2. Trends in social protection and social inclusion	19
4.3. Weaknesses in the Open Method of Coordination.....	19
5. Specification of the Objectives and of the Options considered	21
5.1. General and intermediate objectives	21
5.2. Policy options.....	21
5.3. Legal basis and the principle of subsidiarity.....	25

6.	Analysis of Impacts.....	25
6.1.	Methodological premise.....	25
6.2.	Assessment of impacts and feasibility	26
7.	How do the Options compare?.....	32
8.	Monitoring and Evaluation Arrangements.....	34
8.1.	Monitoring	34
8.2.	Evaluation	35
8.3.	Indicators of success	36
9.	Conclusions	36
ANNEX 1 – LIST OF REFERENCES.....		38
ANNEX 2 – THE SOCIAL OMC: OBJECTIVES, TOOLS AND STRUCTURES		39
COMMON OBJECTIVES		42
COMMON INDICATORS		40
NATIONAL STRATEGY REPORTS.....		42
JOINT ASSESSMENTS		42
PROGRESS.....		42
THE SOCIAL PROTECTION COMMITTEE.....		43

EXECUTIVE SUMMARY

This impact assessment will accompany the Communication on 'A renewed commitment to social Europe: reinforcing the Open Method of Coordination for Social Protection and Social Inclusion', which is part of the set of Commission initiatives accompanying the Communication on the Renewed Social Agenda.

From 2000 the Open Method of Coordination has successively been applied to social inclusion policy, to pension policy and to health and long-term care policy. In 2006 the three separate OMC's were streamlined into one integrated OMC for Social Protection and Social Inclusion (hereinafter "Social OMC").

The open method of coordination comprises an agreement on EU common objectives, setting out high-level, shared goals to drive the entire process, the definition of a set of common indicators to enable monitoring of progress towards the common objectives, the preparation by Member States of national strategic reports translating these agreed objectives into concrete policies, and the joint assessment of progress and of policy efforts by the European Commission and the Member States in the framework of the Social Protection Committee.

The overall assessment of the results of the Social OMC by the different actors involved in the process has been largely positive. The method has supported mutual learning, promoted wider involvement of stakeholders, increased awareness of the multi-dimensional nature of exclusion and poverty, given impulse to the modernisation of social protection systems, forged a shared approach to the common challenges and brought to the fore emerging common issues. However, outcome indicators clearly point to insufficient delivery on the common social objectives and, on the basis of consultation of various stakeholders and experts, one has to conclude that there are weaknesses in the Social OMC. The analysis points to a lack of political commitment and visibility and a need for better horizontal policy coordination and mainstreaming of social protection and social inclusion concerns in all relevant policy areas. Furthermore, there is a need for stronger analytical underpinning of policy and more involvement of regional and local actors in the Social OMC process. Participation of stakeholders can be greatly improved and mutual learning can be further strengthened. The need for reinforcement of the Social OMC is supported by a number of institutional and policy developments, like the Lisbon reform treaty (with its mainstreaming requirement), the social reality stocktaking consultation, the prospect of the European Year of combating poverty and social exclusion and the active inclusion initiative.

If the expectations of EU citizens regarding social protection and social inclusion are to be met, significant strengthening of the Social OMC is necessary.

In order to assess the merit of reinforcement of the method and to identify the most effective ways to achieve it, three policy options have been retained for in depth examination¹.

The first option is described as the "status quo". This takes into account the fact that the Social OMC is by nature an evolutionary process and that, even in the absence of major

¹ Two policy options - complete abandonment of the Social OMC and full integration of the Social OMC in the Growth and Jobs Strategy - have been considered but have not been retained for in depth analysis. The reasons for this are explained in section 5.2.

changes, it will continue to evolve through incremental changes and gradual improvements in working methods.

The second option is described as a “fundamental overhaul” of the process. In this option the scope of the Social OMC is widened and the process is remodelled to embrace all dimensions of EU social policies, to ensure effective mainstreaming and to become a sort of 'Social Lisbon'.

The third option is defined as “comprehensive and ambitious reinforcement within the present structure”. This option builds on the approach used so far in the Social OMC, of consensual and incremental progress, but is at the same time “strategic” and “forward-looking”, as it introduces a new dynamic into the system. It proposes to explore new tools and new working methods that would be tested and introduced in close cooperation with Member States, with a view to reinvigorating the process and optimising its implementation.

The impact assessment concludes by highlighting the third option as the best choice. It is the option which best addresses the problems identified without excessively disrupting current ways of working in the Commission and the Member States. In fact, such an option should be implemented gradually, not only because of its resource implications, but also because of the need to properly discuss and “anchor” the envisaged reforms with Member States and with stakeholders.

MODIFICATIONS FOLLOWING THE OPINION OF THE IMPACT ASSESSMENT BOARD

Following the opinion of the impact assessment board several changes have been made to the impact assessment.

The report more clearly distinguishes between the overall progress on social policy outcomes and progress that can be linked directly to the implementation of the Social OMC. A new context setting section (section 4.1) has been added to the problem identification chapter and references have been included to recent analysis that has shown the bottlenecks the method is confronted with.

Two extra policy options have been brought into the picture, that is, full integration of the Social OMC in the Growth and Jobs strategy and the possibility of abandoning the method. The reasons why these options have not been analysed in detail are provided (see box in section 5.2).

A paragraph indicating the legal basis of the communication and a comment on subsidiarity have been added (section 5.3).

As regards the comparison of the options retained for in-depth analysis, a new table has been added that allows comparison of the options over the four objectives proposed both on the rating of their impact on the problems addressed and on their feasibility rating (table 6 in section 7). An overall assessment of the three options has been added (bottom row).

The report more clearly explains that in view of the nature of the communication no elements are available to calculate precise impacts of the proposed measures on administrative costs in the Member States (only a very rough assessment can be provided as part of the feasibility rating). However, as regards the impact on the community budget, in terms of human and

financial resources, more precise indications are now given for each policy option (section 6.2).

Finally, a new section has been added (section 8.3) to illustrate the indicators that will be used or elaborated to assess the success of the measures proposed.

1. HISTORICAL BACKGROUND ON THE ORIGINS AND THE EVOLUTION OF THE SOCIAL OMC

1.1. Introduction

The Open Method of Coordination (OMC) is a relatively new instrument in the history of European integration. Its implementation in the social field belongs to the more structured and institutionally based examples. The OMC comprises agreement on common objectives setting out high-level, shared goals to drive the entire process, the definition of a set of common indicators to enable monitoring of progress towards the common objectives, the preparation by Member States of national strategic reports translating these agreed objectives into concrete policies, and the joint assessment of progress and of policy efforts by the European Commission and the Member States in the framework of the Social Protection Committee.²

The OMC for social protection and social inclusion has proved its worth by supporting mutual learning, by promoting wider involvement of stakeholders, by increasing awareness of the multi-dimensional nature of exclusion and poverty, by giving impulse to the modernisation of social protection systems, by forging a shared approach to the common challenges and by bringing to the fore emerging common issues.

However, even though the simplified and integrated Social OMC as applied since 2006 has further strengthened EU capacity to support Member States in their efforts to reform social protection systems and promote greater social cohesion, the potential of the method to contribute to making a real impact has not been fully tapped. There are, for example, weaknesses in the EU's capacity to assess accurately both the social situation prevailing in the Member States with respect to the range of social issues, and the action taken to address them, and this hampers the capacity to drive the process in the most effective way. Opportunities for coordinated policies and mutual learning could also be further exploited. Member States have recognised the scope for further developing cooperation in the framework of the Social OMC.

This initiative sets out, therefore, to build on the achievements to date and see in what way EU action could contribute to strengthening delivery on the shared social objectives of the Union.

1.2. The origins

The roots of the Social OMC go back to the mid-1970s when the first EU Poverty Programme was launched. It financed pilot schemes and studies to tackle poverty.

² For a more detailed description of the OMC on Social Protection and Social Inclusion and its main constitutional elements, see Annex 1.

In 1992, two important Council Recommendations were adopted, one identifying the modernisation of social protection as an issue of common concern warranting convergence across Europe; the other establishing as a common objective the guarantee of a minimum level of resources.

With the entry into force of the Amsterdam Treaty in May 1997, the fight against social exclusion became one of the objectives of the Union, and wider powers were granted at EU level to tackle it, although within a framework where the primary responsibility for achieving those objectives remained with Member States. A strategic goal was set in Lisbon 2000 of becoming the "most competitive knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion." The European Council also agreed on the objective of making a decisive impact on the eradication of poverty by 2010. Stemming from these commitments a comprehensive process of coordination at EU level was launched. Common objectives for social inclusion were defined at the Nice summit in December 2000 and Member States were invited to present national action plans (NAP social inclusion), underpinned by indicators and monitoring mechanisms.

On the basis of reports from the High Level Group on "Social Protection" on the evolution of pension systems and from the Economic Policy Committee (EPC), the Nice European Council also agreed to exchange experiences in the area of pensions on the basis of national strategies and in cooperation with the European Commission. One year later, the Laeken European Council (December 2001) launched the OMC on pensions with a three-year cycle on the basis of 11 common objectives under three overall headings relating to the systems' capacity to attain their social objectives, to financial sustainability and to their responsiveness to the evolution of societal needs.

In 2004 the European Council agreed to start an OMC to support Member States' reforms aimed at promoting universally accessible, high-quality and sustainable health and long-term care for all citizens.

1.3. The main features of the streamlined Social OMC

An evaluation of the three social strands of the OMC conducted in 2005 formed the basis for streamlining the processes that started between 2000 and 2004 - social inclusion, pensions and health and long-term care - into one single Social OMC.

The overall assessment of the Social OMC among Member States has been largely positive: all of them credit it with having promoted a shared understanding of the issues and challenges in the field of social protection and social inclusion. Civil society and social partners have started to be involved in the preparation of national strategies and modernisation of social protection. Also, there are signs of better administrative coordination across government ministries. Considerable scope nevertheless remains for developing and consolidating the process, not least as regards the implementation and follow-up of national strategies.

In a Communication published in December 2005, entitled "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), the Commission set out its proposals to create from 2006 onwards a streamlined framework for further development of the Social OMC. It took account of experience gained to date, in particular of how the Member States and other actors assessed the three social strands of the OMC, but also of wider developments

such as the ongoing process of refocusing the Lisbon Strategy. It aimed to create a stronger Social OMC with a heightened focus on policy implementation, which would interact positively with the Strategy for Growth and Jobs, while simplifying reporting and expanding opportunities for mutual learning.

In concrete terms the earlier OMCs in the fields of social inclusion and pensions, and the process of cooperation in the field of health and long-term care which had been initiated, were brought together under common objectives and simplified reporting procedures. It was decided to structure the process as a three-year cycle, with full reporting and preparation of national strategies in the first year and no reporting in the two intermediate years, the latter being devoted to in-depth analysis and mutual learning on priority themes.

Common objectives to underpin the newly integrated framework for the social protection and social inclusion process were adopted by the European Council in March 2006. The continued validity of these objectives was confirmed by the European Council in March 2008.

In September 2006 Member States presented their first National Reports on Strategies for Social Protection and Social Inclusion with an integrated coverage of the three policy strands of social inclusion, health and long-term care and pensions. These Reports from EU-27 thereby launched the first full cycle of the streamlined and simplified Social OMC. The streamlined method OMC is designed to encourage Member States to take a more strategic, comprehensive and cross-cutting approach in their reporting while still allowing the specific characteristics of each strand to be taken into account. The 2007 Joint Report assessed the national reports and concluded that joint consideration of the full set of common social objectives was helping to improve consistency and effectiveness of policies. In general, the national reports were more strategic than in previous years, focusing on a limited selection of priorities and presenting a global strategy for achieving the common objectives.

2007 was the first year under the streamlined OMC for Social Protection and Social Inclusion without full reporting. Following the approach already taken in the area of pensions, this allowed an in-depth examination of a set of issues identified in the Joint Report of the previous year for all three strands. The focus on those selected themes – i.e. child poverty, for the social inclusion strand; access to health care and evolving long-term care needs, for 'health and long-term care'; and longer working lives and privately managed pensions, for the pensions strand – provided an opportunity for deepened analysis of the issues concerned and of the policy responses. A preliminary assessment of that experience shows that this method has served the purpose of creating a shared understanding of the issues at stake while providing Member States with helpful indications of the specific challenges to be addressed in order to achieve the common goals.

2. INSTITUTIONAL AND POLICY DEVELOPMENTS CALLING FOR CONTINUED EVOLUTION OF THE SOCIAL OMC

2.1. Lisbon Reform Treaty from 2009 – social mainstreaming requirement

The Treaty of Lisbon, due to enter into force on 1 January 2009, strengthens the social provisions of current Treaties in several instances.

First, the new Article 2 on the objectives of the Union contains a much stronger commitment to social justice and solidarity than the current one: "*The Union shall combat social exclusion*

and discrimination, and shall promote social justice and protection, equality between women and men, solidarity between generations and protection of the rights of the child".

A new horizontal "social" clause (Art. 5a) stipulates 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."*

The incorporation of a legally binding reference to the Charter of Fundamental Rights, which enumerates under Title IV "Solidarity" a certain number of rights and principles, including *"the right of access to social security and social assistance"*, is also relevant for the Social OMC.

Finally, and particularly significant in this context, Article 140 of the Lisbon Treaty gives explicit recognition to the Open Method of Coordination as an EU tool for fostering cooperation between Member States in the area of social policy, and introduces an obligation to regularly inform the European Parliament about developments under the Social OMC.

2.2. Social Reality Stocktaking and the revised Social Agenda

Following on from its May 2006 Communication "An Agenda for European Citizens" and on the basis of a mandate by the European Council, the Commission launched in February 2007 a broad consultation to examine the dynamics of current social changes. This stocktaking of the social realities³ launched a debate aiming to build consensus on the common social challenges facing the EU. Views were sought on social trends, on the main factors driving Europe's transformation, on "well-being" and what contributes to it.

In November 2007, as part of the Internal Market Review package, the Commission presented a Communication "Towards a new social vision for the 21st century" to enrich the ongoing consultation and broaden the debate from analysis to response. It outlined the main changes which the EU is experiencing in society, related to the economy as well as in lifestyles and values, and proposed a social vision based on "life chances". It suggested that tapping Europe's full human potential and broadening life chances for all would require investment in youth, in fulfilling careers, in longer and healthier lives, in gender equality, in active inclusion and non-discrimination, in mobility and successful integration, and in civic participation, culture and dialogue. While delivering on this would mostly be a matter for local, regional and national authorities, the Communication pointed out that there is scope for the EU to contribute, notably through the reinforced use of existing mechanisms for policy coordination.

Replies to the consultation would feed into the mid-term review of the Social Agenda and contribute to the preparation of a shared agenda on access, opportunities and solidarity. As a number of elements emerging from the replies to the consultation are relevant to this initiative, a partial summary is provided in Section 3.4 below.

2.3. Making 2010 a European Year of combating poverty and social exclusion

As stated above, Member States and the Commission were invited by the European Council, at the launch of the Lisbon strategy in March 2000, to take steps to make "a decisive impact

³ http://ec.europa.eu/citizens_agenda/index_en.htm

on the eradication of poverty by 2010". Subsequent European Councils have reaffirmed this objective. Under the Social Agenda 2005-2010 the Commission announced its intention to propose designating 2010 as the European Year for Combating Poverty and Social Exclusion (EY2010), thereby reaffirming and strengthening the political commitment made at the start of the Lisbon strategy, knowing that European Years have proved to be a valuable instrument for putting European political issues at the top of the EU agenda.

The Commission delivered on this commitment in 12 December 2007 by adopting its proposal for a Decision on the EY2010; Council adoption is expected by July 2008. The EY2010 will complement action under the Social OMC in particular by raising public awareness and reaffirming the importance of both individual and collective responsibility, by putting emphasis on the participation and involvement of all actors concerned, especially giving voice to people experiencing poverty and social exclusion, and by restating the commitment of the EU to fight poverty worldwide.

The EY2010 will thus reaffirm the Union's commitment to solidarity, social justice and greater cohesion, and will promote consistency and boost support for the overarching objectives of the Union. A parallel procedural reinforcement of the Social OMC could help maximise synergies between the overall process and the Year, thereby improving actual delivery.

2.4. The Active Inclusion initiative – anticipated implementation of Common Principles through the Social OMC

In 2006 the Commission carried out a first public consultation on the "Active inclusion of the people furthest from the labour market", underpinned by an integrated strategy based on three pillars, namely adequate income support, access to inclusive labour markets and to quality social services. On the basis of the results the Commission presented a second consultation in October 2007 on "Modernising social protection for greater social justice and economic cohesion: taking forward the active inclusion of people furthest from the labour market".

In this latter Communication the Commission proposed to deepen the Social OMC through the adoption of common principles in the three strands of active inclusion by means of a Recommendation, which would constitute the basis for Council conclusions and a European Parliament resolution. The December 2007 EPSCO Council invited the Commission to proceed along those lines on the understanding that the Social OMC would be used, in full compliance with the principle of subsidiarity, to monitor and evaluate the implementation of the common principles according to modalities to be agreed in the Social Protection Committee. The Commission Recommendation is expected to be adopted in September 2008 (and will be subject to a specific Impact Assessment).

This process provides both an illustration and a test-case of how the Social OMC can be enhanced through the elaboration of common principles, which could give new substance and strength to the Social OMC tools, i.e. monitoring, benchmarking and peer reviewing.

3. CONSULTATION OF MAIN SOCIAL OMC PARTNERS AND THE WIDER PUBLIC, AND INPUT FROM EXPERTS

3.1. Overview

For the preparation of this initiative DG EMPL utilised several channels for dialogue with stakeholders which constitute regular and established features of the process itself. Continuous exchange and interaction with the Member States is ensured through the Social Protection Committee. As far as other actors are concerned, one overall objective of the Social OMC commits the Commission and Member States to ensuring "good governance, transparency and the involvement of stakeholders in the design, implementation and monitoring of policy". In particular under the social inclusion strand, given the decentralised nature of policies to fight poverty and exclusion it should be ensured "that social inclusion policies are well-coordinated and involve all levels of government and relevant actors, including people experiencing poverty". Accordingly, both the diagnosis of the problems to be addressed and the inventory of possible solutions take into account the input received from representatives of Member States, civil society organisations, independent experts, institutional actors at EU level and the wider public.

3.2. The position of Member States

The March 2007 European Council conclusions called for the common social objectives of Member States to be better taken into account within the Lisbon agenda. The Social Protection Committee responded to this in its 2007 work programme by setting up a working group with the mandate of looking into the **mutual interaction between economic, employment and social policies** as well as the coordination and integration between the Social OMC and the "Partnerships for growth and jobs" under the Lisbon strategy.

At its October 2007 meeting the SPC unanimously adopted a report including a wealth of suggestions for how to improve policy interaction and policy consistency⁴:

- Need to reinforce interaction and coordination at national and European level for further improved delivery of Lisbon and Social OMC objectives.
- Coordination of policies as a key tool for progress in the EU on employment and social issues.
- Well-designed social protection systems and social inclusion policies as productive factors that interact in a positive way with economic and employment policies.
- Improved mainstreaming of social objectives and more evidence-based policies, including on the basis of strengthened analytical underpinnings of the Social OMC.
- Social impact assessments in non-social policy areas; large scope for enhanced mutual learning.
- More intensive use of existing or newly-commissioned research.

⁴ The summary above is a shortened and somewhat edited version of the full report on the SPC website:

http://ec.europa.eu/employment_social/spsi/spc_opinions_en.htm

- Coverage of “feeding in” and “feeding out” in Lisbon and Social OMC reporting from Member States and in joint assessments, including the country chapters. Inclusion of assessment of social impacts in Commission evaluations of the Lisbon strategy.
- Further development of indicators measuring "feeding in / out".
- Development through PROGRESS of "mutual interaction" activities including peer reviews.
- Wider publication/dissemination of the key messages in the Joint Report.
- Exploration of social impact assessments under PROGRESS and within the SPC.
- Improved cooperation with other committees or high-level groups, e.g. joint examination of the National Reform Programmes.
- Joint seminars in national capitals gathering officials from all "Lisbon" Ministries in order to foster coordination and true integration.

The SPC also devoted considerable attention in 2007 to exploring ways to further improve the **working methods under the Social OMC**. Agreement was reached on a range of actions, as summarised in the 2008 Joint SPSI Report:

- A shift to a more context- and process-oriented approach, also looking at unsuccessful policies and the continuous adjustment of policies in response to obstacles encountered.
- A more integrated and strategic use of all available instruments to support the implementation of the Social OMC (notably PROGRESS).
- More systematic incorporation of key results in policymaking, resulting from strengthened monitoring.
- A reinforcement of the analytical framework, including the social impact element of integrated impact assessments.
- Further governance improvements by ensuring the continuous involvement of stakeholders, including local authorities, throughout the Social OMC policy cycle.
- Improved dissemination of results.

3.3. The views of networks active in the fight against poverty and social exclusion

Civil society organisations’ views tend to converge on several points. In general, the Social OMC is seen as a very relevant tool for EU action in the social field prioritising needs, embracing big issues, promoting connections between various policy fields and urging reforms where needed. However, there is a widespread perception that the Social OMC is too weak to deliver convincing results in reducing poverty and reinforcing social cohesion. The perceived reduced emphasis on the social dimension after the mid-term review of the Lisbon strategy is seen as a major explanation for weak implementation and impact. Among the elements most strongly advocated are:

- a reconfirmation of the political commitment to the process;
- greater emphasis on the “feeding out” dimension (the contribution of reforms for growth and job creation to social cohesion);

- a stronger commitment at national level, driven by tighter European guidance as well as an intensified mutual learning process between actors and countries;
- improved quality of national strategies, in terms of both substance and methodology.

Civil society organisations also advocate active participation of Parliaments, local authorities and other relevant stakeholders in the definition of national strategies.

3.4. Results from the public consultation for preparing the renewed social agenda

Following the consultations on the “social stocktaking” and on the “new social vision”, almost 150 replies were received from a wide range of stakeholders (from 13 Member States, regional/local governments, national parliaments/individual MPs, social partners, NGOs, universities/research institutes, religious groups, individual citizens of 10 different MS). Most contributions conveyed a firm belief that the confidence of citizens in the European project relies on credible social policies at European level. A number of contributors expressed their conviction that Europe still remains the region of the world with the strongest welfare states and public services, with the social well-being and the fundamental rights of its people at the centre of its political, social and economic life. In this vein, several respondents underlined the role of Europe’s functioning social systems as a factor conducive to productivity and competitiveness and, as such, a precondition for successful economic policies.

While many contributions expressed continuing confidence in the welfare state, there was widespread concern that globalisation might undermine social standards. A number of respondents also stressed that economic growth might not automatically reduce social exclusion and poverty. With reference to this, some contributors felt that the EU tended to be perceived as a part of the problems stemming from globalisation rather than as a part of their solution. Virtually all contributors pointed to the need for a new impulse in terms of social policy at European level. In particular, the challenges arising from globalisation made a fundamental re-assessment of social policies indispensable. Most of the contributors appeared to take the view that the key lies in striking the right balance between social policies on the one hand and the drive for economic growth and competitiveness on the other.

As regards the wider political process in the field of economic and social policies, some contributors insisted that the Lisbon Strategy remains the appropriate platform. Other contributors, however, argued that its current focus on growth and jobs is too narrow. One contribution even suggested expanding the Lisbon Strategy towards a renewed social and sustainable development strategy.

3.5. The recommendations of the Network of Independent Experts on Social Inclusion

The Network of Independent Experts on Social Inclusion was asked to submit practical ideas on how the impact of the Social OMC, in particular the social inclusion strand, could be strengthened in their country. Experts' recommendations can be summarised as follows:

- Focus more on results (room to adapt objectives to national circumstances, promote targeting, better monitoring, strong country-specific recommendations);

- Increase the political status of the Social OMC process, social inclusion policy at the national level (integration in national political process, involvement of parliaments, high-level responsibility for SPSI process, link to budgetary process);
- Increase horizontal coordination and mainstreaming of social inclusion objectives in all relevant policies (horizontal coordination e.g. through central coordination structure, especially to better link Social OMC/Lisbon/SDS at all government levels, increased use of structural funds for social inclusion);
- Involve all levels of government (vertical coordination, also from bottom-up perspective; scope to define and disseminate regional good practice);
- Ensure effective and high-quality participation of stakeholders (involvement throughout policy cycle, focus on quality / impact, two-way communication with more feedback and transparency, financial support for participation and capacity-building, recognition of social partners' role also in Social OMC);
- Work more on common indicators and introduce impact assessment at EU and national level as mainstreaming tool;
- Communicate more effectively on the Social OMC / SPSI policy (national Social OMC websites, using all media, avoid jargon, focus on subjects people can relate to);
- Strengthen mutual learning (strengthened and expanded Peer Reviews, higher political profile to outcomes, comparative analysis as basis, more contextualisation, opening up to regional and local policymakers, national/sub-national/within organisations).

3.6. Additional elements emerging from academic literature and debates

There is a recent substantial body of empirical research on the operations of the Social OMC at national and sub-national levels, drawing on a wide range of official and unofficial sources. Most of the literature focuses on the oldest, most developed OMC processes, i.e. the European Employment Strategy and to some extent the Social OMC.

In terms of strengths of this tool Zeitlin (2007) highlights three forms of positive influence stemming from the Social OMC. The first is substantive policy changes. He argues that the method has helped to raise the ambition of national employment and social inclusion policies in several Member States and has stimulated changes both in national policy thinking and in national policy agendas. An example is the addition to domestic agendas of issues such as child poverty, homelessness, pension reform, childcare provision, gender equality and integration of immigrants. In some cases Member States have seen specific policy shifts in areas such as tax-benefit reforms, active ageing/lifelong learning and pension reform. The second positive influences are procedural shifts in governance and policymaking arrangements. There has been enhanced vertical coordination between levels of governance, and increased consultation with stakeholders and involvement of NGOs. The Social OMC is seen as a promising governance instrument for EU policymaking as it is well suited to pursuing common European concerns while respecting national diversity. Some commentators highlight the potential of the Social OMC for building a consensus around a distinctive European Social Model. A third positive influence exerted by the method is mutual

learning, for example in the identification of common challenges, and in fostering statistical harmonisation and capacity-building.

However, the literature also highlights some shortcomings of the Social OMC. The first is lack of openness and transparency since the required participation of all stakeholders concerned is often not really achieved. Another perceived weakness is the lack of integration into national policy of the strategies presented at EU level with National Reports and Action Plans serving more as reports to the EU than as operational policy-steering documents. De La Rosa (2005) has even commented that reports and action plans from Member States are simply legitimising reforms already made. National plans have been described as purely administrative exercises, not demonstrating genuine commitment.

The fact that the Social OMC bypasses both the European Parliament and, in most cases, the national parliaments, has led to the democratic legitimacy being questioned (Hatzopoulous 2007). Some analysts regard the Social OMC as a threat to the 'community' method of EU policymaking whereby the Commission proposes legislation, which is adopted by the EP and the Council, and the ECJ has the power to impose sanctions on MS for non-compliance (Hatzopoulous 2007). However, Hix (2006) argues that competition among Member States is fiercer under the social strands of the OMC than under the traditional community method.

De La Rosa (2005) defines the OMC as different to previous 'soft' economic policy coordination due to the institutionalised dimension and increasing scope of application. Indeed OMCs have mainly been introduced or proposed in policy areas where the Treaty provisions are limited due to lack of consensus among Member States to enact legally binding directives, or in policy areas where there is much diversity (employment and social protection). Therefore the Social OMC should not be seen as a threat but an alternative to inaction (Daly 2004, Bache and George 2006).

Borras and Jacobsson (2004) have identified seven features that they say constitute evidence that the Social OMC is a new form of governance:

- (1) It is mainly based on intergovernmental cooperation, where the Council and the Commission play a dominant role.
- (2) It is based on mechanisms of political monitoring rather than administrative monitoring.
- (3) It is an iterative process based on clear procedures.
- (4) It provides for systematic linking across policy areas.
- (5) It links EU and national public action.
- (6) It seeks the participation of social actors.
- (7) It aims at enhancing learning processes.

On this basis, they argue that it has been a 'breath of fresh air' to the mechanisms of the EU and that it could lead to new dynamics in the process of European integration.

4. PROBLEM DEFINITION

4.1. Context setting

As illustrated in the previous chapter, there is a rather general agreement among Member States, relevant stakeholders and researchers that the OMC for Social Protection and Social Inclusion has produced important value added over the years. It is perceived as a useful and politically acceptable way for Member States to work together on often similar challenges. The OMC has kept the issues of poverty and social exclusion and social protection on the EU policy agenda in a way it had not been previously. This has led to a more balanced policy approach aimed at simultaneously reaching economic and social policy objectives. The OMC has also contributed to building a consensus around what the key policy priorities are and it has played a role in shaping general social policy approaches across member states (e.g. the active inclusion approach, pension policies based on the recognition that sustainability and adequacy need to go hand in hand).

Because of the reporting requirements many of the Member States have started producing more integrated policy strategies and action plans. In several countries the OMC has led to better policy coordination across different policy sectors and levels of government. This has been particularly evident in the new Member States as a result of the Joint Inclusion Memorandum process.

The Social OMC has promoted the mobilisation of a broad range of actors, especially civil society and including the participation of those experiencing poverty and social exclusion. It has also undoubtedly led to better data collection and to the development of appropriate indicators. It has facilitated better and more comprehensive analysis of the situation in relation to social protection and social inclusion at both EU and national levels. There is now a better basis for developing evidence based policy. The commonly agreed indicators have made it possible for Member States to compare their performance. Over time there has been a growing exchange of learning and good practice.

Although there is a high degree of consensus around this largely positive appreciation of the value added that has been produced by the Social OMC so far, there is an equally high degree of consensus around the recognition that there still is a long way to go when measured against the common objectives regarding social protection and social inclusion agreed by the Member States.

Of course, there are limits to what can be achieved using an instrument like the Social OMC that is based on voluntary cooperation and the principle of subsidiarity. The method doesn't provide sanctions that can be applied if Member States do not make progress towards the agreed objectives and, unlike the Growth and Jobs process, there is no basis for making formal Council recommendations to individual Member States. It also has to be acknowledged that some of the required policy changes and governance reforms will not produce results overnight. The next two sections present the problem definition that is at the basis of this initiative on strengthening the Social OMC.

First, some information on trends in social protection and social inclusion outcomes is presented as measured on the basis of the commonly agreed indicators. The trends described provide an eloquent picture of the challenges ahead and of the need to boost efforts towards the achievement of the common objectives.

The second section looks into the method as it currently operates and identifies a number of weaknesses that should be addressed if Member States are to be adequately supported in their efforts to ensure social protection and social inclusion of EU citizens.

4.2. Trends in social protection and social inclusion⁵

In 2005, 16% of EU-25 citizens lived under the **poverty** threshold defined as 60% of their country's median income, a situation likely to hamper their capacity to fully participate in society. This rate ranged from 10% in the Netherlands and the Czech Republic to 20% or more in Latvia, Greece, Spain, Italy and Lithuania. Women are more exposed than men, with the gender gap particularly acute for single parents and elderly living alone.

Children are often at greater **risk of poverty** than the rest of the population (19% in the EU-25). This is true in most countries, except in Belgium and Slovenia where the poverty risk for children is the same as the overall rate, and in Denmark, Germany, Cyprus and Finland where children are at lower risk than the general population.

In the last 10 years, there have been no signs of an overall reduction in poverty rates at EU level, but situations differ across countries. At-risk-of-poverty rates have even increased in some countries (DE, SE, FI), but have decreased in others that have boosted their strategies to fight poverty (IE, UK), giving reason to believe that EU Member States can learn from each other about how to make a decisive impact on the eradication of poverty and social exclusion.

In 2007, some 9.3% of EU-27 working-age adults (aged 18-59; not students) lived in **jobless households**. This rate has not improved since 2000 in the EU overall, despite the general improvement in employment rates observed in all EU countries, illustrating that new jobs do not necessarily go to those families that need them most. This rate ranged from less than 4.5% in Cyprus, to just below 12% in Hungary and Poland and more than 12.5% in Belgium.

Joblessness of parents also affects children. Living in a household where no-one works affects both their current living conditions and future development. In 2007 9.4% of children in EU-27 lived in jobless households. However, families with children are more affected by joblessness in some countries than in others. The share of children living in jobless households varies greatly across Member States, ranging from 2.5% in Slovenia and 4% or thereabouts in Cyprus, Greece and Luxemburg, to 13% in Belgium and Bulgaria and up to 16.7% in the UK. In the EU as a whole, the situation has not improved since 2000 and in half of the countries, the general increase in employment rates has not benefited those families that are furthest away from the labour market. BG, EE, EL, ES, IT, LT, and to a certain extent DK, LU and the UK are the only countries to have shown signs of improvement.

Having a job does not always protect people from the risk of poverty. In 2005, 8% of EU-25 citizens in employment (aged 18 and over) lived under the poverty threshold. National data indicate that **in-work poverty** has increased over the last ten years, as a result of factors such as an increase in precarious employment, low wages and low work intensity of families. The rate ranges from 3-4% in the Czech Republic, Belgium, Denmark, the Netherlands and Finland to 13-14% in Greece and Poland. On average in the EU the **impact of social**

⁵ This section is based on Eurostat data and on the indicators commonly agreed in the context of the Social OMC (Portfolio of overarching indicators and streamlined social inclusion, pensions and health portfolios. See: http://ec.europa.eu/employment_social/spsi/common_indicators_en.htm).

transfers other than pensions (such as family and unemployment benefits) produces a significant reduction of the poverty risk for the overall population (by 38%). The impact of social transfers is higher on child poverty than on overall poverty for the EU as a whole (42%) as well as in most of the countries. In DK, DE, FR, AT, SI, FI and SE, these transfers reduce the risk of poverty for children by 55% or more. In EL, ES and LV this reduction is less than 20%.

With respect to the pensions strand, in the EU as a whole 19% of the elderly (aged 65 and over) are at risk of poverty, against 16% for the overall population. Among them, elderly, often single, women face the highest risks (21%). The picture differs across the EU since the at-risk-of-poverty rates of people aged 65 or more range from less than 10% in CZ, LU, HU, NL, PL and SK to 25% or more in EE, IE, EL, ES, CY, LV, PT and the UK.

Overall, the situation of the elderly has significantly improved over the last 20 years, thanks to pension systems that have in general managed to achieve widespread reduction of poverty among older people, and those aged 65+ have an income averaging 85% of the income for younger people, ranging from 57% in Cyprus to more than 100% in Hungary and Poland.

However, recent reforms in many Member States have led to decreases in the average pension compared to the average wage of an average worker at a given retirement age (replacement rates). According to estimates by the Indicators Sub-Group of the Social Protection Committee, by 2050 the share of income from public retirement provision is expected to fall, to be compensated by private provision and working longer.

One of the ways to ensure both sustainability of pension systems and an adequate level of income for pensioners is by extending working lives. The Lisbon target is to reach a 50% employment rate of older workers by 2010. In 2006 the employment rate of older workers for the EU-27 was 43,5% compared to 37% in 2001, and Sweden, Denmark, UK, Estonia, Finland, Ireland, Cyprus, Portugal have reached the 50% mark. However, the target is still far away for a group of countries where the employment rate of older workers remains around 30%.

With respect to healthcare and long-term care, life expectancy has increased spectacularly in the last half century. On average, from 1995 to 2005 it increased by three years for men and two years for women. However, there are currently wide disparities across the EU, with men's life expectancy ranging from 65.4 (Lithuania) to 78.4 years (Sweden) and that of women from 75.4 (Romania) to 83.9 (Spain).

Data indicate that all EU countries are faced with substantial inequalities in health within their populations. On average disadvantaged social groups are shown to have shorter lives, suffer more disease and illness and feel their health to be worse than more well-off groups. Health inequalities are not randomly distributed, but reflect systematic differences between people depending on social group, physical and social environments, material conditions, exposure to positive and negative factors, and differences in access to health services.

Against this background, the 2008 Joint Report on Social Protection and Social Inclusion emphasised the need to step up implementation efforts: *"In recent years social protection reforms and active inclusion policies have contributed to higher growth and more jobs. Still,*

more needs to be done to ensure that the benefits of an improved economic framework reach those at the margins of society and enhance social cohesion. Preventing and tackling poverty and social exclusion, and modernising social protection, combining both social adequacy and economic sustainability in a framework of sound fiscal policies, is therefore fundamental to Europe's sustainable development. Policy consistency and coordination, including mainstreaming gender equality and solidarity between generations are essential to achieve the objective of fully including the most vulnerable in society. Sustained efforts will be required during, and beyond, the next cycle of the Lisbon strategy."

4.3. Weaknesses in the Open Method of Coordination

The experience of recent years, the literature reviewed and the inputs received from various stakeholders (section 3) point to a number of weaknesses of the Social OMC that can be summarized as follows:

– *Lack of political commitment and visibility*

The political commitment to the common objectives both at EU and at national level is perceived to be low, not least because of lack of clarity as regards the objectives to be achieved. In most of the Member States the National Strategic reports tend to be treated as an administrative reporting exercise, not the result of strategic policymaking and the common objectives have not been consistently translated in country-specific targets. Ownership of the process at national level and integration in the national policy process is limited. The common objectives have insufficiently been translated into concrete short and mid-term objectives. Monitoring of progress is weak and failure to implement the strategies or to reach the set objectives tends to go unnoticed (let alone be sanctioned). Coordination units that support the Social OMC do not have the resources or the political clout needed for effective policy coordination. Both at the EU and at the national level, Parliaments are insufficiently involved. The visibility of the Social OMC is generally low.

– *Need for stronger horizontal coordination across policy areas and mainstreaming social protection and social inclusion concerns in all relevant policy areas*

Because of the multidimensional nature of the challenges of social protection and social inclusion, they need to be addressed through integrated approaches and with the contribution of many policies (economic, education, competition, etc.). Therefore, the common social objectives should be mainstreamed in all relevant policy areas. Policies aimed at economic and employment growth do not automatically lead to strengthened social cohesion. Both at the EU and at the national level at present there is insufficient mainstreaming of social objectives and the tools that could contribute, like ex-ante social impact assessment, are often lacking. This is both a reflection of weak co-ordination at European level and of a too slow learning process at national level, where appropriate structures and procedures for policy integration are needed.

– *Need for stronger analytical underpinning of policy*

In order to deliver results on the ground, strategies not only need to be backed by strong political commitment, they also need to be evidence-based. There has been considerable progress since the start of the social strands of the OMC and work on the thematic priority issues during 2007 clearly demonstrated the potential usefulness of the combined efforts of the Commission, the Member States, various stakeholders and researchers. But data sources

and analytical capacity need to be further developed, both at national and at EU level, to improve the analytical underpinning of policies so as to reinforce implementation. A recent SPC report on child poverty and wellbeing has reviewed strengths and weaknesses of Member States with respect to the extent to which policies are evidence based and data sources and analytical capacity are in place⁶. It came to clear-cut conclusions that countries which found their policies on robust analytical bases, large data sources on children at special risk, analytical tools, multilevel monitoring systems etc..) are more successful in reaching the objectives.

– *Need to better involve the regional and local level in the Social OMC*

Social protection and social inclusion policies are often implemented at the regional or local level. The current process insufficiently involves regional and local decision-makers and stakeholders in planning, policy implementation and mutual learning. Mechanisms for vertical coordination are still too weak in a large majority of Member States. Hence, in Member States where important responsibilities lie at these levels of government, nationwide strategies risk not being fully operational. Some Member States are already implementing OMC-like mechanisms to coordinate action at sub-national level. Stronger involvement of the regional and local level could boost delivery on the common objectives.

– *Participation of stakeholders leaves a lot to be desired*

The involvement of stakeholders in the policy process is both a question of democracy and a pre-condition for the efficiency and effectiveness of policies. However, this only rarely internalised in national decision making processes, and a culture of partnership and cooperation is often at an embryonic stage. Although progress has been made in recent years, there is still a lack of transparency and openness of the Social OMC process, also linked to its limited visibility. Much more attention needs to be given to the quality of stakeholder participation, which needs to be both supported (capacity building) and sustained. Today, it is often limited to the first stages of the policy process (information, consultation). Stakeholders are less involved in policy implementation, monitoring and evaluation, and often receive no feedback on the impact of their input.

– *Need to strengthen mutual learning*

Mutual learning is at the core of the Social OMC. Results have been obtained, but a lot needs to be done to strengthen it. The scale of the effort both at the level of coordination and on the ground is too limited. Much more opportunities should be provided and the results should be used in a more strategic manner. The methodology of mutual learning instruments like peer reviews can still be improved and the potential usefulness of other tools needs to be explored. The results of mutual learning are not sufficiently disseminated or used in policymaking.

⁶ See: http://ec.europa.eu/employment_social/spsi/docs/social_inclusion/2008/child_poverty_en.pdf

5. SPECIFICATION OF THE OBJECTIVES AND OF THE OPTIONS CONSIDERED

5.1. General and intermediate objectives

The ultimate objective of the Social OMC is to contribute to progress with respect to the shared social objectives of the EU. By definition, any initiative that effectively reinforces the Social OMC in its “*modus operandi*” will have a positive impact on the achievement of the common social objectives.

As illustrated in the previous sections, while there is wide consensus on the need to reinforce the Social OMC, there are quite different views as regards the means to be used and the issues to be tackled as a matter of priority. Therefore, it is important to specify a set of “intermediate objectives” that appear to be particularly relevant in relation to achievement of the general objective. This will help in identifying the options available and assessing them in terms of impact and cost/benefit ratio.

Having regard to the analytical and policy inputs described in the previous sections and the Commission’s internal deliberations, the following intermediate objectives have been identified:

- **Increase political commitment and visibility of the process** in order to enhance delivery;
- **Strengthen the positive interaction with other EU policies**, through better mainstreaming of social objectives in other policy areas and particularly through better interaction with the “growth and jobs” strategy;
- **Reinforce the analytical tools underpinning the process**, with a view to moving towards the definition of quantified targets and more evidence-based policymaking;
- **Increase ownership in Member States, boost implementation and enhance mutual learning**, through better monitoring mechanisms, greater stakeholder involvement and more effective horizontal and vertical governance arrangements.

5.2. Policy options

In relation to the objectives identified three policy options have been considered. They can be briefly described as follows:

- **Status quo:** the Social OMC continues to evolve through incremental changes, on the basis of gradual improvements in working methods (*Option 1*)
- **Fundamental overhaul:** the Social OMC is remodelled to embrace all dimensions of EU social policies, to ensure effective mainstreaming and to become a sort of “Social Lisbon” (*Option 2*)
- **Comprehensive and ambitious reinforcement within the present structure:** a number of substantial improvements and adjustments are identified and “phased-in” over the current Social OMC cycle, according to preparedness and resource availability (*Option 3*)

In addition to these three options, which have undergone an in-depth examination, consideration has also been given to two other options that for the reasons specified in the box below have not been retained for further examination.

Policy options not retained for in depth analysis:

- **Complete abandonment of the Social OMC:** In view of the substantial consensus around the positive results of the Social OMC described in section 4.1 this cannot be considered to be a real option. The abandonment of the method would result in the loss of an important '*acquis*', for which no viable alternative seems to be available. At the moment, the Social OMC seems to be the only tool that strikes an acceptable balance between subsidiarity concerns and the need for coordination at EU level.
- **Full integration of the Social OMC in the Growth and Jobs Strategy:** This option has not been retained for three main reasons. First, full integration of the Social OMC would risk overburdening the Growth and Jobs Strategy. Due to the multidimensionality of social protection and social inclusion issues, policy coordination in this area is already very difficult to achieve. Full integration of the Social OMC into the Lisbon Strategy could make the process unmanageable. Secondly, such a move would lead to excessive instability of policy processes, given that the Lisbon strategy was re-focused only a few years ago. There is a need for stabilisation. Thirdly, the reflection on what will happen with the Lisbon strategy after 2010 is just starting and any decision of modifying the Lisbon architecture should take place in that context. Therefore, such an option could only be considered as part of that broader reflection.

The methodology for defining the three options retained for in-depth examination is essentially based on a "clustering" of the various measures suggested to increase the effectiveness of the Social OMC, taking into account how much they represent a departure from current arrangements and procedures and how much "consensus building" they would require.

For example, the definition of national quantitative targets in relation to European benchmarks would represent a departure from the status quo (hence, would not appear in the first option). On the other hand, a generalisation of the "target-based" approach would represent a "fundamental overhaul" of the system (option 2). Finally, a gradual introduction of quantified targets in areas where the analytical capacity justifies such a move would correspond to the option defined as "comprehensive and ambitious reinforcement within the present structure" (option 3).

Very often, the direction of the measures suggested is the same in the three scenarios, but they entail a different degree of commitment and a different investment in terms of resources. For example, gradual reinforcement of the analytical capacity based on existing resources would belong to the "status quo" (option 1); a massive and concentrated effort in data collection and development of analytical tools in all areas emerging within the Social OMC would belong to the "fundamental overhaul" (option 2); a focused but substantial effort of statistical and analytical capacity-building in priority areas would be consistent with option 3.

Table 1 provides an overview of the three options considered with reference to the four intermediate objectives. The measures listed under the three options are a selection of the proposals emerging from the literature or from the input provided by various stakeholders.

TABLE 1 - Overview of the three options retained for in depth analysis

Objective to be achieved	<u>Option 1</u>	<u>Option 2</u>	<u>Option 3</u>
	Status quo: the Social OMC continues to evolve through incremental changes, on the basis of gradual improvements in the working methods	Fundamental overhaul: the Social OMC is remodelled to embrace all dimensions of EU social policies and to become a sort of “Social Lisbon”	Comprehensive and ambitious reinforcement: within the present structure, a number of substantial improvements and adjustments are identified and "phased-in" over the current cycle, according to preparedness and resource availability
<i>Increase political commitment and visibility of the process</i>	More systematic incorporation of key results in policymaking, resulting from strengthened monitoring. Improved dissemination of results	Targets at EU, national and possibly sub-national level Annual implementation reports Strong monitoring of progress by the Commission with adequate resources Individual recommendations and points to watch for Member States Strong involvement of the European Parliament Strong communication strategy at EU and national level backed up by the necessary resources	Gradually translate the common objectives into quantified targets, in line with the development of analytical capacity Sharpen monitoring of progress Make more use of (general) Commission recommendations based on a diagnosis of countries' key challenges Improve the inter-institutional process and provide for better information and participation of the European Parliament Devote more resources to communication and dissemination
<i>Strengthen the positive interaction with other EU policies</i>	Continue current work on “feeding-in/feeding-out”, developing relevant indicators and endeavour to achieve better mutual interaction between the Social OMC and other relevant EU processes under the Lisbon Strategy Better assess the "social impact" of non-social policies on the basis of existing tools.	Make the Social OMC a central tool to coordinate social policies and to analyse, assess and implement the “social dimension” of non-social policies. Effective mainstreaming based on social impact assessment at EU and national level, backed up by the necessary resources Develop the Social OMC as a powerful process, modelled on the Growth and Jobs strategy and standing on an equal footing with the Growth and Jobs Strategy (see also previous point)	Give the Social OMC a prominent role in the implementation of the social agenda Reinforcing the role of the Social OMC in addressing cross-cutting issues Better coordination with the Growth and Jobs Strategy, based on greater political commitment and visibility of the common social objectives.

Objective to be achieved	<u>Option 1</u>	<u>Option 2</u>	<u>Option 3</u>
<i>Reinforce the analytical underpinnings of the process</i>	<p>Gradual reinforcement of the analytical framework, including the social impact element of integrated impact assessments</p> <p>Limited use of the available social data in which the EU has invested (EU-SILC, ESSPROS, etc)</p> <p>No or limited investment in new EU statistical capacity.</p> <p>More integrated and strategic use of all available instruments to support the implementation of the Social OMC (notably PROGRESS).</p>	<p>Major boost in resources leading to strong analytical work on all relevant areas of the social protection and social inclusion strategy</p> <p>Full use of new social data.</p> <p>Expansion of statistical capacity on all social issues not covered by current EU data sources</p> <p>Large-scale support to Member States for conducting social impact assessment</p>	<p>Develop a common analytical framework on core themes, following the example of "child poverty"</p> <p>Enhanced use of existing social data in which the EU has invested (EU-SILC, ESSPROS, etc)</p> <p>Enhance statistical capacity on priority themes emerging within the Social OMC</p> <p>Launch a concentrated effort to develop the methodology for social impact assessment, in cooperation with Member States</p>
<i>Increase ownership in Member States, boost implementation and enhance mutual learning</i>	<p>Progressive governance improvements, with better involvement of stakeholders, including local authorities, throughout the Social OMC cycle.</p> <p>A shift to a more context-oriented approach, also looking at unsuccessful policies, to facilitate adjustment of policies in response to obstacles encountered.</p>	<p>A strong structure for horizontal and vertical coordination in MS, chaired by a high-level "social coordinator" (similar to the Lisbon coordinator)</p> <p>National strategies complemented with regional and local strategies</p> <p>Mandatory guidelines on stakeholders' involvement</p> <p>Validation of national strategy reports by national parliaments</p> <p>Range of effective mutual learning mechanisms in place ensuring substantial participation at all levels of government</p>	<p>Improve vertical and horizontal coordination (voluntary guidelines on governance arrangements and on stakeholders' involvement)</p> <p>Facilitate differentiation along pathways</p> <p>Have more peer reviews and experiment with new tools for more intensive mutual learning</p>

5.3. Legal basis and the principle of subsidiarity

The legal basis for the OMC and for this initiative can be found in article 137 of the treaty, complemented by article 144. None of the options that have been examined are contingent upon the adoption of the Lisbon Treaty, but as explained in section 2.1, the Treaty reinforces the need for strengthening the working methods of the OMC.

All the options examined fully respect the principle of subsidiarity. The OMC builds on the voluntary political commitment of the governments of the Member States to coordinate their policies based on a consensus around broad common goals regarding social protection and social inclusion in order to achieve a greater policy convergence in policy outcomes. It is up to the Member States to pursue and implement the common goals at the national level, choosing measures suitable in the context of their respective circumstances. The expected integration effect is supposed to result from the information and learning process regarding different strategies and their success and not from explicit legislation. None of the proposals contained in any of the policy options departs from this principle. Any guidelines proposed will be developed on a voluntary basis. No sanctions are foreseen in case a Member State does not respect them.

6. ANALYSIS OF IMPACTS

6.1. Methodological premise

Before evaluating and comparing the three options considered, it is important to clarify the scope of such an evaluation. In fact, there are several ways to evaluate the impact of a policy tool such as the OMC (Kohl and Vahlpahl, 2005). One could assess the **impact on national policymaking**: for example, do MS engage in reforms or adopt measures, i.e. in the field of pensions, which they would not have considered without the OMC? Alternatively, one could assess the impact of the OMC in terms of **policy outcomes**: for example, has the Social OMC led to the implementation of policies that have effectively reduced poverty? Furthermore, one could assess whether the Social OMC has led to **policy convergence**: have Member States developed common approaches to certain policy issues?

Although there is an increasing interest in and some tentative empirical research on these kinds of evaluations, it is still extremely difficult to provide robust evidence of **causal linkages** between the operation of the OMC and developments in terms of national policymaking, policy convergence or, more importantly, in terms of policy outcomes.

One should therefore distinguish between the **procedural and the substantive impacts** of the changes proposed. This proposal is mainly concerned with **procedural and governance aspects**. In this context, the pertinent questions are: Will the measures proposed contribute to making the Social OMC an adequate and viable mechanism of coordination between the national and European level? Will they make it a better tool for pursuing the common social objectives?

In other words, the appraisal of the measures considered is more a **qualitative evaluation** of their **potential effects on the OMC** than of their immediate consequences on policy outcomes. For this reason, this chapter does not present a separate assessment of the overall social and economic impact of the options identified.

It is assumed that, to the extent that they lead to a stronger Social OMC, all options identified will contribute to positive social impacts, i.e. strengthened social cohesion. It is also assumed – in line with the spirit of the common social objectives – that such progress feeds positively into the Growth and Jobs Strategy and to sustainable economic development. For example, active inclusion policies can not only reduce poverty but also increase labour supply. Pension reforms can not only help intergenerational equity but also increase activity rates and public finance sustainability. Similarly, good healthcare systems are not only good for individual well-being but also have positive externalities on labour supply and on labour productivity.

In view of the nature of the Communication, no direct impact on the environment is expected. The microeconomic aspects (administrative costs, resource implications), however, are duly taken into consideration in the impact analysis, while assessing the “feasibility” of the various options.

6.2. Assessment of impacts and feasibility

As a precise quantification of the economic and social impacts is not contemplated, for the reasons explained above, the three options considered have been assessed on the basis of their **impact on the objectives** to be achieved and on the basis of their **feasibility**.

The concept of feasibility refers to:

- political acceptance;
- availability of human resources;
- availability of financial means;
- administrative burden;
- basic tools developed and at our disposal.

Hence, the feasibility rating includes a rough assessment of resource constraints and the potential administrative burden for the Member States. In this regard no elements are available to calculate precise impacts. As regards the impact on the community budget, in terms of human and financial resources, preliminary indications are given for each policy option.

The ranking of impact and feasibility is defined as in the table below:

Table 2 – Ranking criteria

	+++	++	+	0	-	--	---
Impact	big positive impact	positive impact	small positive impact	neutral impact	small negative impact	negative impact	very negative impact
Feasibility	highly feasible	feasible	more or less feasible	feasibility difficult to assess	slightly difficult	difficult	highly difficult

An overview of the estimated **impact** and **feasibility** of each option is provided in the tables below.

Option 1: Status quo - The Social OMC continues to evolve through incremental changes, on the basis of gradual improvements in the working methods

Table 3 – Impact and feasibility of Option 1

Objective to be achieved	Rating of impact on the problems addressed	Rating of feasibility	Comments
<i>Increase political commitment and visibility of the process</i>	+	+++	Some increase in political visibility due to use of the results of monitoring in policymaking and better dissemination of results.
<i>Strengthen the positive interaction with other EU policies</i>	+	+	Some improvement in coordination with the Growth and Jobs Strategy. Feasibility depends on factors external to the Social OMC.
<i>Reinforce the analytical underpinnings of the process</i>	0/+	+++	Limited reinforcement of the analytical underpinnings of the process and development of social impact assessment. A wealth of social statistics in which the EU has invested will remain under-utilised. A lack of investment in statistical and analytical capacity in emerging areas could weaken the Social OMC in the long run.
<i>Increase ownership in Member States, boost implementation and enhance mutual learning</i>	0/+	++	A more strategic use of mutual learning tools is already in the pipeline. It would be feasible for MS to provide for better stakeholder participation and greater involvement of local authorities, but this is unlikely to happen in the absence of stronger political commitment, support and pressure at EU level. Impact on ownership is unlikely to be significant.

Impact on problems identified

Incremental changes by implementing a number of improvements agreed in the previous years are likely to have **a positive but limited impact** on the problems identified. Moreover, the risk attached to the “status quo” option is that the Social OMC falls victim to “process fatigue” and progressively loses credibility and the confidence of its actors and supporters. In any case, it seems unlikely that the improvements envisaged under the “status quo” option will be sufficient to give the Social OMC the strength and the effectiveness that are needed to respond to citizens’ expectations as regards the European social model.

Feasibility

On the other hand, the **measures envisaged under this scenario are, to a large extent, feasible**. Most of these measures have already been agreed by the Commission and the Member States (see Joint Report 2008). The (limited) increase in human and financial resources that is needed (increased monitoring, better dissemination of results, reinforcement of the analytical framework, etc...) can be accommodated through efficiency gains and higher reliance on external expertise. As regards the costs for the community budget, the Social OMC is supported by two units in DG Employment and one strand of the PROGRESS Programme (approximately 30 million euro per year). There is no obvious impact on administrative burden for the Member States.

Option 2: Fundamental overhaul: Social OMC is remodelled to embrace all dimensions of EU social policies and to become a sort of “Social Lisbon”

Table 4 – Impact and feasibility of Option 2

Objective to be achieved	Rating of impact on the problems addressed	Rating of feasibility	Comments
<i>Increase political commitment and visibility of the process</i>	++	--	Implementing this policy option may lead to a substantial reinforcement of the Social OMC, significantly increasing its political visibility and putting it on an equal footing with the Growth and Jobs Strategy. Strong monitoring and individual recommendations to Member States should have a significant impact. It is doubtful whether enough political support will be found to implement this option in the short run. Tools will need to be developed and analytical work will be necessary to support target setting. Resources have to be mobilised and there will be an increase in the administrative burden for MS (reporting).
<i>Strengthen the positive interaction with other EU policies</i>	+++	-	The characterisation of the Social OMC as a strong coordination process, similar to the Growth and Jobs Strategy, would certainly pave the way for a better interaction with other policies, including the Growth and Jobs Strategy. However, it is unlikely that in the short run there will be enough political support among MS to move in this direction.
<i>Reinforce the analytical underpinnings of the process</i>	+++	--	Strong action on the development of data sources and analytical capacity at EU and national level will boost evidence-based policy and targeting. Substantial investment in the development of social impact assessment will make this an effective mainstreaming tool. Feasibility in the short term seems low because of the need to substantially increase resources and to implement quality social impact assessment (administrative burden).
<i>Increase ownership in Member States, boost implementation and enhance mutual learning</i>	++	--	Substantial increase in good governance mechanisms at the level of the Member States will lead to strong ownership. Full involvement of the regional and local level is likely to lead to real impact on the ground. Important steps forward in the democratic legitimacy of the process (involvement of stakeholders and national parliaments). Strong investment in mutual learning instruments, with a real impact on effective mutual learning. Low feasibility in the short term because of the need for extra resources.

Impact on problems identified

The measures envisaged under option 2 are likely to go a long way towards solving the problems identified, as indicated in the table. In most cases, they aim to achieve an almost “ideal” working of the system by means of a combination of considerably tighter procedures and massive investment in resources.

There are, however, downside risks. First of all, the Social OMC works on the basis of consensus and the principle of subsidiarity. A considerable tightening of the procedures proposed by the Commission may be rejected by MS and fail to produce the expected impact in terms of ownership. A radical reform of the method, only a few years after the restructuring and "streamlining", may not be understood and may alienate the actors that have supported and helped design the Social OMC in its present configuration.

Feasibility

The feasibility of this policy option in the short to medium term seems low. As stated above, political acceptance by Member States is far from guaranteed. Although there is strong recognition that Europe has a role to play in helping Member States tackle the important social challenges, MS are very attached to their prerogatives and powers in the social field, and would probably be reluctant to accept some (or most) of the measures envisaged under this scenario. At present, there are no Treaty provisions on the basis of which individual recommendations could be issued. Moreover, this policy option presupposes a strong investment in human and financial resources. It will also lead to an increased administrative burden on governments because of the additional reporting that will be required, the internal coordination effort and the requirements as far as participation of stakeholders is concerned. In terms of impact on the community budget, a remodelling of the OMC as suggested in this option, may require at least a redoubling of staff and financial resources, which may be very difficult given current administrative and budgetary constraints.

Option 3: Comprehensive and ambitious reinforcement within the present structure: a number of substantial improvements and adjustments are identified and "phased-in" over the current Social OMC cycle, according to preparedness and resource availability

Table 5 – Impact and feasibility of Option 3

Objective to be achieved	Rating of impact on the problems addressed	Rating of feasibility	Comments
<i>Increase political commitment and visibility of the process</i>	++	++	Increased use of quantified objectives will contribute positively to visibility and commitment if based on a common analytical framework supported by a policy theory (how will targets be reached). Increased monitoring and better exchange with the European Parliament will increase the democratic nature and the visibility of the process. Greater use of general Commission recommendations based on a diagnosis of key challenges in each country will strengthen the Social OMC. Stronger communication effort should make the process more visible. Feasibility seems quite high because of the gradual approach, although allocation of more resources will be necessary.
<i>Strengthen the positive interaction with other EU policies</i>	++	+	A strong role of the Social OMC in the implementation of the renewed social agenda and better interaction with the Growth and Jobs Strategy will certainly help policy consistency and integrated approaches to social challenges. This option seems feasible, but implementation depends on factors outside the Social OMC.
<i>Reinforce the analytical underpinnings of the process</i>	++	++	Increased investment in a common analytical framework, data sources and analytical capacity is likely to significantly reinforce the process. Development of a strong social impact assessment toolbox will contribute to mainstreaming social protection and social inclusion concerns. Looks feasible because of gradual approach, but additional investment will be needed.
<i>Increase ownership in Member States, boost implementation and enhance mutual learning</i>	+	++	Development of voluntary guidelines for coordination and participation can lead to increased ownership and better implementation. Increased number of peer reviews and stronger evidence-based assessment can lead to stronger mutual learning. Testing of new instruments for mutual learning can bring additional benefits and lead to a broader impact. There are some additional costs involved. Implementation of guidelines may bring additional administrative burden, but implementation is voluntary.

Impact on problems identified

Although remaining within the current structure, this option has the potential to make a significant impact on the objectives identified, thanks to a mix of consolidation of ongoing improvements and a gradual “phasing in” of innovative elements. The gradual definition of EU or national targets, whenever justified on the basis of the evolution of the common analytical framework, would certainly lead to increased political visibility of the process. As illustrated by the example of countries that have adopted them, quantified targets can raise the accountability of governments and help clarify priorities across all relevant policy areas and all levels of government, provided that they are based on a strong analytical underpinning. Reinforced analytical capacity and mutual learning would improve the quality of policymaking in the social area. The development of a common analytical framework would help Member States identify the key shared challenges and learn from each other in the areas that are most relevant for them. It would also feed into other Community policies, and through this channel there would be more evidence-based policymaking also in other areas of policy; in this way, the positive interaction with other policies, including economic policy, would be strengthened.

Feasibility

Most of the measures envisaged under this policy option seem feasible. Again, interaction with other policies largely depends on factors that are outside the Social OMC. Although the changes will be “phased in” only gradually, some reinforcement of the Commission structures in charge of the Social OMC will be necessary, but this could be achieved within the current financial framework, through reallocation and prioritization. As for financial resources, those allocated under the PROGRESS programme should be broadly sufficient. At national level, better coordination across policy areas (horizontal coordination and mainstreaming) and with different layers of government (vertical coordination) will also entail some additional administrative burden, but should offer visible “returns” also in terms of efficiency and effectiveness. Improved ownership of the process in the Member States should lead to a reduction of the administrative burden at the national level.

7. HOW DO THE OPTIONS COMPARE?

The table below compares the policy options with regard to the impact on the problems addressed and the rating of feasibility.

Table 6 - Comparing the policy options with regard to the impact on the problems addressed and the rating of feasibility

	Rating of impact on the problems addressed			Rating of feasibility		
	Status Quo (Option 1) BASELINE	Fundamental Overhauling (Option 2)	Comprehensive/ambitious reinforcement in present structure (Option 3)	Status Quo (Option 1) BASELINE	Fundamental Overhauling (Option 2)	Comprehensive/ambitious reinforcement in present structure (Option 3)
Increase political commitment and visibility of the process	+	++	++	+++	--	++
Strengthen the positive articulation with other EU policies	+	+++	++	+	-	+
Reinforce the analytical underpinnings of the process	0/+	+++	++	+++	--	++
Increase ownership in Member States, boost implementation and enhance mutual learning	0/+	++	+	++	--	++
Overall assessment	0/+	+++	++	++	--	++

Based on the analysis developed in the previous section, the conclusions that can be drawn as regards the three options considered are as follows:

Option 1 (Status quo), which is consistent with a scenario of constant resources and full continuity of the process, would leave the problems identified substantially unanswered. It would also entail the risk of these problems getting worse in the medium or long term, calling into question the “raison d’être” of the process.

Option 2 (Fundamental overhaul) is in many respects attractive, and would have the merit of showing political leadership and determination on the part of the Commission. It could give a strong impulse to social reforms and reinforce the credibility of the Renewed Social Agenda. However, this option entails a substantial overhaul of working methods both for the Commission and for Member States, with a significant mobilisation of resources and reinforcement of administrative procedures. Although it can be argued that the costs identified could be balanced by potentially strong benefits in the medium and long term, the feasibility of option 2 in the short run is doubtful. A Commission proposal to considerably tighten the Social OMC procedures may be rejected by MS and fail to produce the expected impact in terms of ownership. A radical reform of the method, only a few years after the restructuring and “streamlining”, may fail to be understood and may alienate the actors that have supported and helped design the Social OMC in its present configuration. Moreover, such a reform would pre-empt future decisions as regards the architecture and the scope of the Lisbon strategy after 2010.

Option 3 (Comprehensive and ambitious reinforcement within the present structure) has the potential to address the problems identified without upsetting to any great extent current ways of working in the Commission and the Member States. It also builds on the approach used so far in the Social OMC, of consensual and incremental progress, but is at the same time “strategic” and “forward-looking”, as it introduces a new dynamic into the system. It proposes to explore new working methods and new tools that would be tested and introduced in close cooperation with Member States, thus reinvigorating the process and optimising its implementation. Consequently the preferred option is Option 3.

8. MONITORING AND EVALUATION ARRANGEMENTS

8.1. Monitoring

As indicated in section 6.1, the results and impacts of the Social OMC can be monitored and evaluated in different ways, focusing on the **impact on national policymaking**, on **policy convergence** and on **policy outcomes**. All of these aspects are covered under the Social OMC process that is essentially self-monitoring and evaluating.

For monitoring the impact of this Communication several instruments are already available. There is no need for new instruments. First, as far as the **impact on national policymaking and policy convergence** is concerned:

Regular monitoring will be ensured by the SPC. At its monthly meetings the Commission and the Member States continuously monitor progress on the different topics included in the SPC's annual work programme. As an example: one of the priority issues in the coming years

will be Active Inclusion, and implementation of this approach will be monitored within the Social OMC.

Other instruments are the networks of independent experts. Experts report regularly on the impact of the Social OMC both in general and on specific policy and governance topics. The network of experts on social inclusion has supported the operation of the Social OMC for some years. A network of independent experts on social protection is being put in place and will start reporting later this year.

Moreover, there are the EU stakeholder networks that are constantly involved in the various activities of the Social OMC and are in a position to evaluate the results of the method through their members at the national level and their EU secretariats.

Secondly, as far as the **impact on social protection and social inclusion outcomes** is concerned, the use of commonly agreed indicators to monitor progress towards commonly agreed objectives is an essential component of the Social OMC policy coordination process. The Indicators Sub-Group of the Social Protection Committee is constantly working on the further development of the indicators set, as well as the identification of priorities for the development of EU-level statistical capacity.

8.2. Evaluation

Member States' National Strategy Reports on Social Protection and Social Inclusion provide a basis for the Commission to evaluate policy outcomes and Social OMC impacts by Member State (reports will next be presented in September 2008). Conclusions at the level of the EU are drawn in the Joint Reports on Social Protection and Social Inclusion.

Peer Reviews and in-depth reviews in the SPC and the ISG allow Member State participation in evaluating each others' actions and progress in implementing effective and efficient policies.

The PROGRESS programme provides funding for studies and projects aimed at evaluating policy outcomes and governance arrangements.

The Social OMC has been the subject of several comprehensive evaluations. For example, during the mid-term review of the Lisbon strategy Member States, other key stakeholders and independent experts engaged in an in-depth evaluation of the Social OMC, which led to the “streamlining” of the process in 2005.

Especially with regard to the social inclusion strand 2010, the European Year of Combating Poverty and Social Exclusion will provide an opportunity to take stock of Social OMC achievements since the start of the Lisbon strategy. The evaluation will involve stakeholders at all levels of government.

Further, the Commission intends to launch an external evaluation study under the PROGRESS programme that should provide a detailed assessment of the impact of the Social OMC. The results of the study should be available in 2010.

8.3. Indicators of success

In the evaluation study that is to be launched a framework of indicators of success will be developed for monitoring and evaluation purposes. It will cover the objectives retained in the communication. Several building blocks of this framework are already available. They have been developed over the years within the Social OMC process.

Especially the Joint Reports on Social Protection and Social Inclusion that contain the lessons learnt over each reporting cycle provide a wealth of analysis. Other instruments have been produced in the context of peer reviews, studies and transnational projects financed under the SEP and Progress programmes. A few examples:

- *On the visibility of the Social OMC in the Member States*: in preparing for this communication at the start of 2008 the network of independent experts on social inclusion did an internet search in an effort to determine to what extent the method and its results have been mentioned in the national media and among opinion makers.
- *On the use of quantitative targets (evidence based policy)*: in the Joint report on Social Inclusion 2004 there is a table showing to what extent the Member States had set targets in their NAP Inclusion 2003-2005, also indicating whether targets were put on national or commonly agreed indicators and whether they were outcome, intermediate outcome or input targets.
- *On the mainstreaming of social inclusion concerns in other policy areas*. A project funded under the Social Exclusion Programme investigated the concept and came up with proposals on how to measure the extent of mainstreaming of social inclusion concerns in public policy in a range of Member States⁷.
- *On the involvement of stakeholders in social inclusion policy*: at the occasion of a peer review on the NAP Inclusion Social Inclusion Forum organised in Ireland in November 2007 a framework of actor involvement variables was put forward. Variables are clustered around several dimensions: actors to involve, stages of the policy process, degree or spectrum of involvement, quality of the process, preconditions for involvement⁸.
- *On the extent to which policy transfer takes place within the OMC*. in analysing the national strategy reports presented by Member States the Commission always examines the extent of convergence around policy approaches that have been identified as good practice in the OMC process. Indicators in this respect are e.g. the number of Member States that implement pension or health policies that balance adequacy / accessibility with financial sustainability concerns or the number of Member States that apply the three pillar active inclusion approach in their policies for integrating people furthest from the labour market.
- *On the extent of mutual learning taking place through peer reviews*: peer reviews are the subject of a double evaluation by participants: immediate evaluation through questionnaires filled out at the end of each peer review seminar and impact evaluation at

⁷ See the results of the mainstreaming social inclusion in Europe project, notably a publication on the evaluation of mainstreaming social inclusion in Europe http://www.europemsi.org/evaluation_evaluating_MSI_intro.php

⁸ See the synthesis report of this peer review page 18 <http://www.peer-review-social-inclusion.net/peer-reviews/2007/the-napinclusion-social-inclusion-forum/pr-ie-synthesis-report-en>.

least six months after the peer reviews. The impact evaluation is done using a questionnaire that contains questions on the degree to which further bilateral contacts have taken place after the peer review and lessons learnt have been disseminated or used in policy development

9. CONCLUSIONS

The Social OMC has become an important tool for fostering cooperation and coordination of Member States in the field of social inclusion and social protection. However, its potential is largely underused and a number of weaknesses need to be addressed.

Three possible courses of action have been identified, discussed and compared. Of these, the approach that seems to strike a good balance between the need for reform of the system and innovation and the need to preserve the Social OMC achievements is "*the comprehensive and ambitious reinforcement and upgrading of the OMC but within the present structure*".

This option builds on the approach used so far in the Social OMC, of consensual and incremental progress, but is at the same time “strategic” and “forward-looking”, as it introduces a new dynamic into the system. It is geared to exploring new working methods and new tools that would be tested and introduced in close cooperation with Member States, with a view to reinvigorating the process and optimising its implementation.

Such an option should be implemented gradually, not only because of its resource implications, but also because of the need to properly discuss and “anchor” the envisaged reforms with Member States and with stakeholders. In practice, given that the new Social OMC cycle 2008-2010 has just started, the preferred approach would be to implement gradually the proposals starting with those that are more mature and less resource-intensive, and proceeding, after required preparatory work and consensus-building on exact modalities, with those that are more innovative or require substantial changes.

ANNEX 1 – LIST OF REFERENCES

- Bache, I. and George, S. (2006) *Politics in the European Union*, Oxford: Oxford University Press, 2nd edition.
- Borras, S. and Jacobsson, K. (2004) The Open Method of coordination and new governance patterns in the EU, *Journal of European Public Policy*, Volume 11, No. 2
- Daly, M. (2004) The possibility of an EU Social Policy – Lisbon and After. Paper presented at the lecture series on Europeanization and Reform of National Welfare State, October 14, Madison: University of Wisconsin-Madison
- De La Rosa, S. (2005) The Open Method of coordination in the new member states – the perspectives for its use as a tool of soft law, *European Law Journal*, Volume 11, No. 5
- Hatzopoulos, V. (2007) Why the Open method of coordination is bad for you: a letter to the EU, *European Law Journal*, Volume 13, No. 3
- Hix, S. (2006) The European Union as a Polity (I), in Knud-Erik Jørgensen, Mark Pollack and Ben Rosamond (eds) *Handbook of European Union Politics*, London: Sage, pp.141-158.
- Kohl, J. and Vahlpahl, T. (2005) The "Open Method of Coordination" as an Instrument for Implementing the Principle of Subsidiarity? *WP C.S.D.L.E. "Massimo D'Antona"*, No. 62
- Zeitlin, J. (2007) Strengthening the social dimension of the Lisbon Strategy, Paper prepared for presentation to an informal meeting of the EU SPC, Germany
- Zeitlin, J. (2007) A Decade of Innovation in EU Governance: The European Employment Strategy, the Open Method of Coordination, and the Lisbon Strategy, *La Follette School Working Paper*, No 2007-031, The University of Wisconsin

ANNEX 2 – THE SOCIAL OMC: OBJECTIVES, TOOLS AND STRUCTURES

COMMON OBJECTIVES

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.

COMMON INDICATORS

Defining common objectives in terms of social protection and social inclusion implies the definition of common indicators to compare best practices and to measure progress towards these common objectives. As such, common indicators do not mean common policies.

The broad methodological framework consists of a list of primary and secondary indicators for an overarching portfolio and the three strands (Social Inclusion, Pensions, Health and Long-Term Care). Primary indicators are a reduced set of lead indicators, which cover all essential dimensions of the defined objectives. Secondary indicators are designed to support these lead indicators by providing greater insight into the nature of the problem.

These indicators are used for the overall National Reports on Strategies for Social Protection and Social Inclusion and the specific National Reports on the different strands (Social Inclusion, Pensions, Health and Long-Term Care) as well as for the joint report presented by the European Commission and the Council.

New common indicators from 2006.

In June 2006, the Social Protection Committee adopted a set of common indicators for the social protection and social inclusion process.

It consists of a portfolio of:

- 14 overarching indicators (+11 context indicators) meant to reflect the newly adopted overarching objectives (a) "social cohesion" and (b) "interaction with the Lisbon strategy growth and jobs objectives";
- and three strand portfolios for social inclusion, pensions, and health and long-term care.

The use of commonly agreed indicators to monitor progress towards commonly agreed objectives is an essential component of the OMC policy coordination process.

In this context, indicators have been agreed using a consensual approach and using a set of criteria which include comparability based on sound EU harmonised data, policy responsiveness, clear normative interpretation, focus on outcomes, etc.

The ISG also agreed on a new typology of indicators which distinguish between those that can directly be used for benchmarking, and those that can only be used to monitor progress within a single country.

The report that presents the agreed list of indicators identifies a number of areas for further development of indicators and statistical capacity-building.

In 2006 the decision was also taken to enhance the role of the ISG in developing common analytical frameworks for the use and interpretation of indicators on specific themes. One particular topic addressed in 2007 was the issue of child poverty, and in 2006 the focus was on the adequacy and sustainability of pensions. On these two issues, in-depth analysis has proved instrumental in drawing common policy conclusions and in fostering evidence-based policymaking at the national level.

As relevant statistics become increasingly available (full implementation of EU-SILC, EHIS and SHA⁹), the use of indicators will be enhanced both at EU and at national level.

At national level, Member States will continue to use the EU agreed indicators and analytical framework in the preparation of their National Strategy Report. In doing so, they will be better equipped to compare their situation to that of other EU countries. This year, a new cycle for the years 2008-2010 has begun and the European Council confirmed in March the continued validity of the Common Objectives adopted in March 2006. Member States have been asked to report, in their renewed National Strategic Reports on Social Protection and Social Inclusion, on progress with respect to the priorities established in the 2006-2008 NSRs.

At EU level, the Commission and the Council will make increased use of the indicators and agreed analytical framework in order to assess Member States' progress towards the common objectives in the context of the preparation of the yearly Joint Report. A yearly assessment will be published in the annual Social Situation Report. The Commission will also be in a position to contribute to the identification of policy priorities in the Member States by

⁹ Instruments currently developed by Eurostat which are gradually coming to maturity: EU-SILC: EU harmonised Survey system on Income and Living Conditions; EHIS: European Health Interview Survey; SHA: System of Health Accounts.

providing a broad diagnosis based on international benchmarking on specific themes (such as was done on child poverty).

NATIONAL STRATEGY REPORTS

Following the streamlining of the three OMC strands in the social field into one OMC on Social Protection and Social Inclusion, Member States are now charged with translating the common objectives into National Plans for each of the three areas of Social Inclusion, Pensions and Health and Long-Term Care. The first National Report on Strategies for Social Protection and Social Inclusion (NSRs) were prepared by Member States in 2006.

As from 2008 the cycle is synchronised with that of the Strategy for Growth and Jobs. This means that the renewed NSRs which Member States are due to submit by September 2008 will cover a period of three years. They will be prepared on the basis of a Guidance Note proposed by the Commission and endorsed by the Social Protection Committee at its February 2008 meeting: http://ec.europa.eu/employment_social/spsi/strategy_reports_en.htm

JOINT ASSESSMENTS

On the basis of the national strategy reports, the Commission draws up an initial assessment which is summarised in a Commission communication: proposal for a joint report on social protection and social inclusion, complemented by supporting documents, horizontal analysis and country profiles. On the basis of the Commission's proposal the Council then adopts a joint report on social protection and social inclusion which is submitted to the spring European Council. In the light years, Member States do not provide national strategy reports but supply ad hoc information on the specific themes identified for work during that year.

PROGRESS

The Community Programme for Employment and Social Solidarity was established to support financially the implementation of the objectives of the European Union in the fields of employment and social affairs, as set out in the Commission Communication on the Social Agenda, and thereby contribute to the achievement of the Lisbon Strategy goals in those fields. PROGRESS supports the implementation of the open method of coordination (OMC) in the field of social protection and inclusion.

PROGRESS is the EU's new employment and social solidarity programme. Working alongside the [European Social Fund \(ESF\)](#), it started in 2007 and will run until 2013. This programme replaces the four previous ones that ended in 2006 covering anti-discrimination actions, equality between men and women, employment measures and the fight against social exclusion. The EU opted for a single programme to rationalise and streamline EU funding and concentrate its activities to improve the impact. The EU set up PROGRESS to accompany Member States' efforts to promote more and better jobs and equal opportunities for all. The public are looking to the EU to strengthen social Europe so that it can deliver growth and more jobs and fight poverty and social exclusion. Member States have set targets as part of the [European Employment Strategy](#) and explained the paths they will follow to achieve them in their [national action plans](#). The EU will support this policy development and its delivery in

five areas: [Social inclusion and protection](#), [Employment](#), [Working conditions](#), [Non-discrimination](#), and [Gender equality](#)

PROGRESS will ensure that EU social policy remains on course to face the key policy challenges and concentrates on actions that need a combined European effort. It will give support to Member States to ensure they deliver on their EU commitments and implement and apply EU laws uniformly. The work thus required will be carried out in partnership with governments, local authorities, employers, trade unions and the voluntary sector.

PROGRESS will fund three types of actions: Analysis, Mutual learning, awareness and dissemination, Support to main actors.

It will focus on activities with a strong European dimension to guarantee EU added value. These activities are designed to inform policy analysis and development. In this respect, PROGRESS differs from the [ESF](#), which invests in the implementation of employment and social inclusion policies in the Member States.

PROGRESS has a global budget of €743,25 million for seven years (2007-2013), of which 30% is assigned to [Social protection and inclusion](#).

THE SOCIAL PROTECTION COMMITTEE

In response to shared challenges with respect to modernising social protection and fighting exclusion, and on the basis of Article 144 of the EC Treaty, the Social Protection Committee (SPC) was established in 2000 to serve as a vehicle for cooperative exchange between the European Commission and the Member States with a view to modernising and improving social protection systems.

The Committee's work since the establishment of this group of high-level officials has been largely determined by the strategic goal for the EU's socio-economic progress set out at the Lisbon European Council of March 2000.

In carrying out its tasks the Social Protection Committee works closely with other Committees dealing with EU-level social and economic policy, most notably the Employment Committee (EMCO) and the Economic Policy Committee (EPC).