

## **Open coordination against poverty: the new EU ‘Social inclusion process’**

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Forthcoming in: *Journal of European Social Policy*, Vol. 12, No. 3, 2002

### **Introduction<sup>1</sup>**

Until the mid 1990s, the notion of Social Europe was primarily associated with the introduction of binding supranational rules aimed at safeguarding and possibly upgrading the social protection systems of the Member States. The political and institutional obstacles to such kind of rules were well known in practice and well understood in theory – especially in the wake of the negative vs. positive integration debate. But ‘hard law’ seemed to be the only effective strategy of action, given the low impact of weaker institutional tools such as recommendations, on the one hand, and the growing incentives for ‘social dumping’ generated by the completion of the internal market, on the other hand.

The second half of the 1990s witnessed a gradual change of climate and perspective. Binding legislation continued to be seen as a very important ingredient of Europe’s social dimension: indeed the debate on fundamental rights and on a possible fully-fledged EU constitution shifted the front of legal ambitions even further. But at the same time another strategy of policy intervention started to be considered and experimented with, resting on a complex mix of *soft* institutional ingredients, endowed with a *strong* potential of conditioning the direction of change at the national level. Originally applied in the area of employment, this new approach was then extended to other policy sectors – and most notably, policies to combat social exclusion – under the name of ‘open method of coordination’ (OMC), coined during the Portuguese Presidency in 2000.

The main institutional ingredients of the OMC are common guidelines, national action plans, peer reviews, joint evaluation reports and recommendations. None of such instruments has a binding character, underpinned by legal enforcement powers. Moreover, while providing policy actors with a relatively clear agenda, the mix of these ingredients leaves ample room

for national contextualizations. The new approach remains ‘soft’ and ‘nation-state friendly’: two features that greatly facilitate the making of coordinated decisions.

Even in the absence of hard regulation and sanctions, the OMC generates however several incentives for compliance on the side of national and sub-national governments. The institutional ingredients listed above are organised in relatively structured ‘processes’, that repeat themselves over time with a regular calendar. Such processes create trust and cooperative orientations among participants and tend to encourage learning dynamics. It is in this sense that the OMC has a strong potential for actually influencing policy developments – at least if compared to *una tantum* recommendations or classical inter-governmental cooperation *à la* OECD.

Social exclusion has been brought under the scope of the open method of coordination in the course of 2001. Even though, as we shall see, the substantive boundaries of this policy area remain relatively vague, its core objective plays a central role for the so-called European social model. Making sure that each citizen can count on a basic floor of rights and resources for participating in society is one of the prime ‘common concerns’ of all EU Member States. National (and even sub-national) traditions and sensitivities regarding how to achieve this objective are however extremely diverse – probably more diverse than in other social policy fields such as pensions or employment. If well designed and calibrated, open coordination policies against social exclusion could thus lead to a virtuous mix of external spurs for ‘puzzling’ about problems and internal efforts for identifying (and implementing) adequate solutions. The next sections of this article will reconstruct the main steps that led to the launching of the new ‘social inclusion process’ at the EU level, will describe the main features of the process itself and finally will discuss its effectiveness and future perspectives.

### **The emergence of social exclusion on the Community agenda**

The original Treaties reflected the golden-age faith in the power of economic growth to enhance the life chances of all the citizens. This belief started to be shaken during the eighties. In 1989 a Council Resolution noted that ‘combating social exclusion may be regarded as an important part of the social dimension of the internal market’ and stated ‘the need for economic development policies to be accompanied by integration policies of a specific, systematic and coherent nature’ (Council, 1989).

The concept of social exclusion rose to prominence in the EU policy discourse during the first phase of the Delors Presidency (from 1985 to the early nineties), owing in particular to

the work undertaken by the Observatory on National Policies to Combat Social Exclusion (1990-94) and under the Third Poverty Programme (1989-94). Born in the context of the French policy discourse, the concept of social exclusion has a rather vague connotation as generally used. As Tony Atkinson (1998) has suggested, it might well be the case that this vagueness is the very source of its ever increasing appeal to policy-makers. When compared to poverty the concept of social exclusion is commonly understood to be both multidimensional and dynamic, and this is how it has been framed in the EU social policy discourse (Room, 1995; Atkinson and Davoudi, 2000; Tsakloglou and Papadopoulos, 2001). Be that as it may, poverty and social exclusion are often inseparably referred to in the EU documents - as in the Joint Report on Social Inclusion, which stipulates that ‘the terms poverty and social exclusion refer to when people are prevented from participating fully in economic, social and civil life and/or when their access to income and other resources (personal, family, social and cultural) is so inadequate as to exclude them from enjoying a standard of living and quality of life that is regarded as acceptable by the society in which they live. In such situations people often are unable to fully access their fundamental rights’ (Council, 2001).

*The first steps: from the 1992 Recommendations to the concerted strategy*

From the aforementioned Council Resolution stemmed, in 1992, two Council Recommendations, originally intended by the Commission as Directives. The first of them, Recommendation 92/441/EEC on common criteria concerning sufficient resources and social assistance in social protection systems (Council, 1992a), appears with the benefit of hindsight to have been remarkably important for at least three reasons:

- it recognized that ‘social exclusion processes and risks of poverty have become more prevalent and more diversified over the last 10 years’, highlighted ‘the multi-dimensional nature of social exclusion’ and how ‘people with insufficient, irregular and uncertain resources are unable to play an adequate part in the economic and social life of the society in which they live and to become successfully integrated economically and socially’, and above all it recognized that economic growth alone is not sufficient to guarantee social integration and specific policies geared at that purpose are needed;
- it invited the Member States (since, according to Article 249 TEC, recommendations have no binding force) to recognize, in the context of their social protection systems,

‘the basic right of a person to sufficient resources and social assistance to live in a manner compatible with human dignity’ – that is to say, to establish or maintain minimum income schemes or functional equivalents;

- it asked the Commission ‘to encourage and organize, in liaison with the Member States, the systematic exchange of information and experiences and the continuous evaluation of the national provisions adopted’ – i.e. the open method of coordination in its embryonic form, with its emphasis on exchange of good practices, mutual learning and peer review.

In its turn, Recommendation 92/442/EEC on the convergence of social protection objectives and policies (Council, 1992b) puts forward the idea of a ‘convergence strategy’. Although ‘without prejudice to the powers of the Member States to establish the principles and organizations of their own systems in the sectors concerned’, such a strategy should have the aim of fixing ‘common objectives able to guide Member States’ policies in order to permit the co-existence of different national systems and [...] to progress in harmony with one another towards the fundamental objectives of the Community’. Moreover, the Recommendation requests the Commission to ‘organize regular consultation with the Member States on the development of social protection policy’, which led to the publication of three important Communications from the Commission in 1995, 1997 and 1999.

The objective of the first among these, named ‘The future of social protection, a framework for a European debate’ (CEC, 1995), was ‘to propose a framework for a European debate on the future of social protection aimed at encouraging the Member States to reflect jointly on the problems which they must face if they are to adopt a system of social protection leading to a more favourable employment situation and greater effectiveness, and enabling them to benefit fully from the advantages of the internal market and economic and monetary union’.

With the second Communication, ‘Modernizing and improving social protection in the European Union’ (CEC, 1997), the Commission launched a series of ‘key actions’ which aimed to improve Member States’ awareness of the common challenges their social protection systems face and to involve them in the goal of ‘modernizing and improving’ social protection. However, the most important contribution given by the Communication to the European social policy debate was the framing of social protection ‘as a productive factor’. The Commission remarked that the problems which European social protection systems face do not stem from globalization and international competition, but are mainly endogenous, and should be tackled with the intent of ‘modernizing and improving’ social protection systems and not downsizing them, bearing in mind the beneficial effects a high

level of social protection can have on social cohesion, political stability and economic progress. Far from being a hindrance to economic growth and efficiency - the Commission noted - social protection can, if suitably 're-calibrated', be a source of competitive advantage for Europe<sup>2</sup>.

Also in 1997, the Treaty of Amsterdam was signed, and the Agreement on Social Policy incorporated in it. Based on the 1989 Social Charter<sup>3</sup>, the Agreement had been annexed in 1992 to the Protocol on Social Policy, which in turn had been annexed to, but not included into, the Maastricht Treaty because of UK opposition. The Labour government, in power since May 1997, ratified the Agreement making its inclusion into the Treaty possible.

For the first time in the history of European integration, the fight against social exclusion is explicitly mentioned in the Treaties: Article 136 lists the 'combating of exclusion' among the objectives of the Community and the Member States. However, the most relevant provisions are set out in Article 137: the integration of persons excluded from the labour market is listed under point 1 among those fields in which the Community 'shall support and complement' the activities of the Member States. This entails that the Council, acting in accordance with the co-decision procedure and thus under qualified majority voting, can adopt, by means of directives, 'minimum requirements for gradual implementation' on that matter (point 2). Also under point 2, the Article innovates with respect to the Social Agreement stating that, with the co-decision procedure, the Council 'may adopt measures designed to encourage cooperation between Member States through initiatives aimed at improving knowledge, developing exchanges of information and best practices, promoting innovative approaches and evaluating experiences in order to combat social exclusion'. Lastly, the Commission is requested to *encourage cooperation* between the Member States and *facilitate the coordination* of their action as regards social policy (Art. 140), whereas the former Article 118 simply mentioned promoting a close collaboration between the Member States.

In 1999, shortly after a Resolution of the European Parliament had invited it to 'set in motion a process of voluntary alignment of objectives and policies in the area of social protection modelled on the European employment strategy' (European Parliament, 1999), the Commission issued a document which marked a turning point in the process begun with the 1992 Recommendations: the Communication titled 'A concerted strategy for modernising social protection' (CEC, 1999). In the wake of the establishment of the single currency, which had taken place on January 1<sup>st</sup> 1999, and of the increasing institutionalization of the European Employment Strategy, the Commission felt that it was 'now time to deepen the existing cooperation on the European level in order to assist Member States in successfully

addressing the modernisation of social protection and to formulate a *common political vision* of Social Protection in the European Union'. Four key objectives were deemed central for the establishment of a concerted strategy:

- to make work pay and provide secure income;
- to make pensions safe and pension systems sustainable;
- to promote social inclusion;
- to ensure high quality and sustainability of health care.

The Council was therefore asked to formally endorse such objectives and 'a framework for closer co-operation in the field of social protection, based on the exchange of experiences, mutual concertation and evaluation of ongoing policy developments with a view to identifying best practices'. It was a request for the establishment, in the field of social protection, of a process similar to the one underlying the European employment strategy, a similarity strengthened by the request that the Member States designate high-level officials 'to act as focal points for this process', that is something close to, and modelled upon, the Employment Committee.

At the end of 1999, under the Finnish Presidency, the Council endorsed the concerted strategy and the four objectives, considered it 'particularly important that this new cooperation towards improving and modernising social protection should be a coherent action, parallel to and interactive with the European employment strategy as well as to the macroeconomic dialogue', and supported the Commission's suggestion to create a group of high-level officials for the implementation of the strategy (Council, 1999). The *High-level Working Party on Social Protection* started its work in January 2000 before being replaced, a year later, by the Social Protection Committee.

#### *The turning point: Lisbon*

The Extraordinary European Council which took place in Lisbon in March 2000 will certainly be remembered as an essential step in the evolution of social policy in the EU (European Council, 2000a). A strategic goal for the decade 2000-2010 was set for the Union to achieve: 'to become the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion'. Such a goal required an 'overall strategy' aimed at, among other things, combating social exclusion.

Two instruments were identified for implementing the strategy: the introduction of a new ‘open method of coordination’, and the enhanced steering and coordinating role of the European Council – a role highlighted also by the Commission’s White Paper on European Governance (CEC, 2001b).

As for the OMC, it is aimed at ‘spreading best practice and achieving greater convergence towards the main EU goals’ and is ‘designed to help Member States to progressively develop their own policies’ along a ‘fully decentralised’ approach. In a nutshell, it involves fixing EU-level guidelines combined with specific timetables for achieving the goals which they set; establishing indicators and benchmarks as a means of comparing best practice; translating these guidelines into national and regional policies; and periodic monitoring, evaluation and peer review organised as mutual learning processes (de la Porte et al., 2001; Hodson and Maher, 2001; Trubek and Mosher, 2001).

The OMC can be considered one of those ‘framing’ mechanisms of Europeanisation Radaelli (2000) deems to be ‘subtle yet powerful’, insofar as they are potential channels of ‘cognitive convergence’ between domestic policy-makers. Though its potential has been downplayed by the Commission in the White Paper on Governance, in fact the OMC might prove to be extremely useful in bridging the gap between negative and positive integration (Ferrera et al., 2000; Scharpf, 2001).

In order for the European Council to be able to coordinate employment, macroeconomic and social policies effectively along a single, internally consistent strategy – henceforth known as ‘the Lisbon strategy’ – the Lisbon Summit decided to introduce a new Spring meeting, in addition to the traditional June and December ones, expressly devoted to ‘economic and social questions’ – and, after the launch of a strategy for sustainable development by the Göteborg Summit, to environmental questions as well<sup>4</sup>. It was also decided that the Commission would contribute to the Spring meeting drawing up an annual ‘synthesis report’, based on agreed structural indicators and geared towards assessing progress made each year in the fields covered by the Lisbon strategy.

The Portuguese Presidency clearly intended to give employment and social policies more weight in the EU policymaking. In addition to putting all such processes under the wing of the European Council, Lisbon also attempted to reduce the virtually exclusive competence of the Ecofin Council over the Broad Economic Policy Guidelines and to take employment and social concerns into account in their drafting. Whether this task has been accomplished is debatable, and the tactic might even have backfired, as regards the application of OMC to pension reforms for instance.

The Lisbon summit decided to apply the OMC to the fight against social exclusion along the lines depicted by the Commission in its ‘Building an inclusive Europe’ Communication (CEC, 2000a), issued shortly before the summit. This proposal entailed the presentation of national action plans by the Member States and the implementation of a Community action programme to support the fight<sup>5</sup>. In its contribution to the summit, the Commission had put forward quantitative targets, similar to those adopted for employment, with respect to poverty as well: the aims were those of reducing the number of people living in poverty in Europe from current 18% of the population to 15% by 2005 and 10% by 2010, and of halving child poverty by 2010 (CEC, 2000b). Such targets were not endorsed by the Lisbon European Council, which invited the Council to agree on ‘adequate’ targets by the end of 2000. These became the qualitative objectives agreed upon in Nice. The European Council also invited the Council and the Commission to establish, with the help of the Working Party, commonly agreed indicators and to ‘mainstream’ the promotion of inclusion in Member States’ employment, education and training, health and housing policies.

In the aftermath of the summit, the role of the Working Party proved of particular importance in framing social protection as ‘the third side of a triangle, the other interrelated but separate sides of which are macro-economic policy and employment policy’, and in establishing an order of priorities for later work. Among the four objectives of the concerted strategy it chose to prioritise the ones relating to social inclusion and pensions (Working Party, 2000).

### **From Nice objectives to national plans. The takeoff of the ‘Social inclusion process’**

#### *The Nice objectives*

The actual launch of the Social inclusion process came in December 2000, with the Nice European Council. On that occasion, the European Council approved the objectives in the fight against poverty and social exclusion agreed upon by the Council, that is:

1. to facilitate participation in employment and access by all to the resources, rights, goods and services
  - 1.1 facilitating participation in employment
  - 1.2 facilitating access to resources, rights, goods and services for all
2. to prevent the risk of exclusion
3. to help the most vulnerable
4. to mobilize all the relevant bodies

The European Council also invited the Member States ‘to develop their priorities in relation to these objectives, to submit by June 2001 a national action plan covering a two-year period and to define indicators and monitoring mechanisms capable of measuring progress’ (European Council, 2000b). On the basis of such national plans (*Naps/incl* in Community jargon) the Commission was invited to present ‘a summary report identifying good practice and innovative approaches of common interest to the Member States’, with a view to a joint report from the Council and the Commission (Council, 2000).

Thus, at least for the first round of the process, the emphasis of the evaluation exercise was placed on highlighting ‘good features’ of the *Naps/incl*, rather than assessing their content. This ‘nurturing’ approach may well prove to have been vital for the newly born process, in the light of the tensions between Member States and the Commission caused by some ‘risqué’ remarks the latter put into its Draft report (see next section). The benevolent stance of the Commission is a significant difference in ‘guidance style’ between the Social inclusion process and the Luxembourg (i.e. employment) process. The structural differences are listed in Table 1.

### [Table 1]

The four Nice objectives (which are actually five, since the first has been dealt with as if it were split in two) are purposely rather loose and can be interpreted in different ways by each Member State, so that they can accommodate the well-entrenched heterogeneity in domestic ‘ways of doing things’ as regards this highly sensitive policy area.

In addition to the objectives in the fight poverty and social exclusion, the Nice European Council also approved the European Social Agenda, which defined ‘specific priorities for action’ for the period 2001-2005 ‘around six strategic guidelines in all social policy areas’. Not surprisingly, one of the six orientations regards ‘fighting poverty and all forms of exclusion and discrimination in order to promote social integration’. It was also agreed to ensure a follow-up to the 1992 Recommendation on minimum guaranteed resources at the completion of the first *Naps/incl* in 2003. It is noteworthy that one of the actions to be taken under the Agenda is to ‘help the applicant countries to take on board ... implementation of the objectives of combating poverty and social exclusion’, which means that the Social inclusion process is considered to belong to the *acquis communautaire*.

After the European Council, an agreement was reached on the Treaty of Nice. ‘The combating of social exclusion’ is now listed among those fields in which the Community

‘shall support and complement the activities of the Member States’ (Art. 137 of the amended Treaty, point 1). The Social Protection Committee (SPC) is now given a formal status by Article 144 of the amended Treaty: made up of two representatives of the Commission and each Member State, it has ‘advisory status to promote cooperation between Member States and with the Commission on social protection policies’.

### *The role of the Social Protection Committee*

Established by a Council Decision in June 2000 but taking the place of the Working Party in December 2000, the SPC immediately found it had to fight hard in order to defend the autonomy of social protection from budget policies. The clearest evidence of such a struggle can be detected in the application of OMC to pension reform, though an account of that is beyond the scope of this paper (see Barbier et al, 2001). Another example can be found in the way the Commission drew up its first synthesis report in 2001. Based on a list of agreed ‘structural’ indicators (see Table 2), the synthesis report is the Commission’s contribution to the yearly Spring summit, and assesses progress made each year in the fields pertaining to the Lisbon strategy<sup>6</sup>. The skin-and-bone account the first synthesis report, presented to the Stockholm European Council, made of the strategy towards greater social cohesion triggered harsh criticism on the part of SPC (CEC, 2001a). The Committee noted that the report did not ‘sufficiently reflect the Lisbon overall balance between economic and social policies’, nor ‘the importance which the Lisbon European Council attached to the fight against poverty and social exclusion’. (Social Protection Committee, 2001b). Nevertheless, despite all the efforts made in 2001 by the Member States, the SPC and the Employment and Social Affairs Directorate General of the Commission, very few significant references to the fight against social exclusion can be read in the 2002 synthesis report, presented to the Barcelona European Council (CEC, 2002a)<sup>7</sup>.

### **[Table 2]**

During 2001, the SPC also worked on producing a list of commonly agreed social inclusion indicators, following the mandate of the Lisbon European Council<sup>8</sup>. The work was carried out by a technical sub-group on Indicators which held its first meeting in February, and a report was presented to the Employment and Social Policy Council in October (Social Protection Committee, 2001c). In December 2001 the Council adopted the set of 18 indicators suggested in the report. The indicators, divided into two levels (10 primary and 8 secondary: see Table

3) cover four dimensions of social exclusion, namely financial poverty, employment, health and education, and will be used by Member States in their Naps/incl and by the Council and the Commission in the Joint inclusion report in the second round of the Social inclusion process<sup>9</sup>. In other words, while in the 2001 Naps/incl the Member States were free to use the indicators they deemed appropriate, from 2003 onwards they will have to use the commonly agreed indicators while accommodating national specificities within a third level of optional indicators which will not be harmonised at the EU level.

### [Table 3]

#### *The Community action programme*

The application of OMC to the fight against poverty and social exclusion consists of two parts: the process involving the submission of Naps/incl on the part of Member States and their assessment by the Commission and the SPC, which brings about a Joint Report of the Council and the Commission; and a multiannual action programme designed to encourage cooperation between Member States to combat social exclusion.

Based on a proposal the Commission put forward in June 2000, and finding its legal basis in Article 137, the programme was finally adopted in November 2001 (European Parliament and Council, 2001). This five-year programme started on 1 January 2002 and will last until 31 December 2006, with a budget of 75 million EUR for the whole period. It aims to ‘enhance the effectiveness and efficiency’ of Member States’ policies to promote social inclusion by stimulating the collaboration between policy-makers, social partners, non-governmental organisations, scientists and excluded people themselves. Among the measures provided for there is core funding for key European networks involved in the fight against poverty and social exclusion. More generally, the overall emphasis is on involving the stakeholders and civil society, as urged by the Commission in its White Paper on governance.

#### *The first round of the Social inclusion process*

In order to assist Member States in drawing up their Naps/incl, the Commission held bilateral meetings with each Member State in February and March 2001, as it had done at the outset of the Luxembourg process. The Naps/incl were submitted in June 2001<sup>10</sup>. In order to facilitate their use in a process of mutual learning, Naps/incl were drafted following a common outline (see table 4) suggested by the Commission and adopted by the SPC (Social Protection Committee, 2001a).

#### [Table 4]

Based on the 15 Naps/incl and a round of bilateral meetings with Member States during the summer, the Commission adopted in October 2001 a Draft Joint Report on Social Inclusion (CEC, 2001c). This Draft was then discussed by the Commission itself and the representatives of Member States in the SPC. Some tensions were generated by those sections of the Draft report which ranked Naps/incl according to their perceived quality<sup>11</sup>. After such sections were omitted, the amended Draft was adopted as the Joint Report on Social Inclusion by the Employment and Social Policy Council in its December 2001 meeting (Council, 2001).

#### **The Joint inclusion report**

The Joint inclusion report is a 250-page document, divided into three parts: the first covers the EU as a whole, the second focuses on each Nap/incl separately, and the third provides a list of the indicators used and the examples of good practice mentioned in Naps/incl. In what follows, the focus will be restricted to the first part of the report.

Following to a certain extent the outline of the Naps/incl, the report is made up of five main sections, concerning: (i) major trends and challenges, (ii) strategic approaches and policy measures, (iii) the identification of good practice and innovative approaches, (iv) an assessment of how gender equality is mainstreamed in the plans, and (v) the use of indicators in the Naps/incl. While their magnitude and intensity vary across Member States, eight 'core challenges' are dealt with by all the Naps/incl:

1. developing an inclusive labour market and promoting employment as a right and opportunity for all;
2. guaranteeing an adequate income and resources to live in human dignity;
3. tackling educational disadvantage;
4. preserving family solidarity and protecting the rights of children;
5. ensuring good accommodation for all;
6. guaranteeing equal access to quality services;
7. improving delivery of services;
8. regenerating areas of multiple deprivation.

Interestingly, the weaknesses of Naps/incl emerge quite clearly from the report. Even though it ‘does not intend to assess Member States’ policies and their effectiveness’, but simply ‘to draw out lessons from the approaches adopted by Member States’ in order ‘to help the identification and exchange of good practice’, some shortcomings of Naps/incl are still identified in the report:

- a rigorous evaluation of the implemented policies was often lacking, which made it extremely difficult to identify which measures deserve good practice status;
- partly as a consequence of the limited amount of time available for their preparation, most Naps/incl tended to concentrate on existing policies rather than on launching new initiatives and policy approaches;
- most policy measures proposed did not include cost estimates;
- only a few Naps/incl moved beyond general aspirations and set specific and quantified targets as a basis for monitoring progress;
- by and large, gender issues were given limited visibility;
- though the social partners and representatives of non-governmental organisations were formally consulted in most countries, on the basis of the information provided it was difficult to assess what their contribution to the Naps/incl has been; in general, their intervention seemed to have been limited;
- no sufficient evidence was provided to assess the effective mobilisation of regional and local entities in drawing up Naps/incl.

However, many of these shortcomings were similar to those identified with respect to National action plans for employment in the early rounds of the Luxembourg process (Goetschy, 2000). Moreover, it is possible that even the patchy and unsatisfactory 2001 Naps/incl have made a contribution to the fight against social exclusion in at least three ways:

- they proved a remarkable source of ‘bottom-up’ information, i.e. of what the Member States perceive as important and well-functioning aspects of their policies. In a nutshell, the new Naps/incl displayed *heuristic potential*;
- the necessity of their making prompted the creation or consolidation of projecting and monitoring structures and skills – they displayed *institutional capabilities building potential*;
- in their drafting, national policy-makers tested the adequacy of existing informational bases of policies and could identify weaknesses in policies themselves or strains in

institutional coordination (e.g. between national and local levels). In this sense, the new Naps/incl displayed *maieutic potential*<sup>12</sup>.

It remains to be seen whether such types of potential will be realised in the future.

## **Conclusions and policy recommendations**

As the preceding discussion indicates, the new EU ‘Social inclusion process’ marks an important development in Europe’s fight against poverty and social exclusion. A new phase has begun, characterised by a more structured approach and, perhaps, a greater determination to achieve real results – i.e. ones that translate to tangible improvements in the standards of living of at least some of those Europeans who are (or risk) being left behind. Needless to say, the final outcome of this new phase is yet unknown: it entails opportunities as well as risks.

The opportunities are quite evident. The process of preparation, submission and peer review of national action plans for social inclusion will certainly raise policy-makers’ awareness of ‘what works and what doesn’t’ in other countries. It will also strengthen national structures of policy co-ordination and monitoring, or even help create them where these do not already exist. Moreover, it will help identify ‘blind spots’, in other words problem areas where more information is needed on the nature or intensity of a certain phenomenon (e.g. homelessness), as well as on the impact of alternative policy approaches.

It may well be the case that, in the present circumstances, the promotion of policy learning, the reinforcement of institutional capacities and the improvement of the ‘knowledge base’ is the most one can hope for. What these circumstances are is clear to all. As all social policy, the fight against poverty and social exclusion is an area jealously guarded by Member States. While social cohesion is a principle no politician can afford not to aspire to, in practice the priority attached to it is determined by a variety of factors. These include the ‘visibility’ of the problem, the existence of policy structures geared to it, the strength of non-governmental organisations, the influence of advocacy coalitions, the attitude of political actors and so on (Mayes et al., 2001). The fact that these can (and do) differ significantly between member states sets a limit to the depth and speed of policy coordination and makes anything but an ‘open method’ a political non-starter.

The risks are equally evident: in the absence of sanctions (as in the run up to Economic and Monetary Union) or even guidelines (as in the European Employment Strategy), the whole process could conceivably degenerate to a biennial ritual of ‘dressing up’ existing policies, at

least on the part of governments with little inclination to direct energy and resources to this policy area.

In view of the above, the question poses itself: can the new process produce significant policy outcomes? Our answer is: yes, given sufficient commitment, and provided that supplementary measures are taken to support it and make it more effective.

To start with, the inevitably separate processes of the national action plans for employment and social inclusion ought to be brought more closely together. The first reason for this is quite obvious: work remains the most effective route out of social exclusion. The second is subtler, and perhaps more controversial. The elevation of 'flexicurity' to predominance as a public policy paradigm requires action on both fronts: in employment policy (a gradual and negotiated effort to make labour markets more flexible), as well as in social policy (a clear commitment to raising social protection standards and to making social safety nets stronger and tighter) (Ferrera et al., 2000). Linking up the two processes is crucial to creating trust and winning over sceptics to 'flexicurity', in other words to enhancing its credibility as a strategy promising efficiency gains and social justice improvements at the same time.

Limiting the scope for 'dressing up' requires opening up national action plans to the social partners and non-governmental organisations. While realistically overall responsibility cannot but belong to government, the active participation of civil society is absolutely essential to ensuring that national action plans reach their intended targets. The involvement of such organisations (and, arguably, of representatives of the poor and socially excluded) could be made more substantial if semi-formal procedures of consultation were set up at national as well as European level.

It is often suggested that the appeal to policy-makers of social exclusion as a concept can be partly attributed to its vagueness. If, as seems undeniable, this is the case, then the obvious policy response is to make national action plans more 'accountable' by raising the quality of relevant information. By and large, this reduces to improving the availability of timely and comparable statistics. As things currently stand, in many countries neither the preparation nor the evaluation of national action plans can rely on recent data. However, unless the impact of national policies on poverty (and with some effort, on social exclusion) can be identified with reasonable confidence, the vagueness affecting this policy area will continue to be endemic (Atkinson et al., 2002; Tsakloglou, 2002).

The significance of Recommendation 92/441 to the evolution of a European policy against poverty and social exclusion is now widely noted. The mere adoption of a recommendation on 'sufficient resources' in the political context of the early 1990s is a reflection on the fact

that – in spite of differences with respect to welfare regime, institutional traditions, political preferences and so on – the existence of a guaranteed minimum below which living decently is no longer possible is a key component of the “European social model”. Ten years later, the time may have arrived for a new policy initiative. Its aim would be twofold: on the one hand to widen the scope of Recommendation 92/441 beyond an income guarantee to include health, housing and lifelong learning guarantees<sup>13</sup>. On the other, to encourage the operation of fully developed minimum income schemes (or functional equivalents) in all current EU members – and those destined to be part of it in the future.

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Table 1 – Differences between the Social inclusion and Luxembourg (employment) processes

	<b>Employment process</b>	<b>Social inclusion process</b>
Treaty base	Specific provisions in the Employment Title (Art. 128 TCE)	General provisions on cooperation to combat social exclusion (Art. 137 TCE)
Periodicity	Annual	Biennial
Recommendations to Member States	Yes	No
Implementation of guidelines by the Member States	Yes	No (Member States pursue <i>appropriate</i> objectives)

Table 2 – Structural indicators of social cohesion

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1. Distribution of income (income quintile ratio)
  2. (*Risk of*) Poverty rate before and after social transfers
  3. Persistence (*Persistent risk*) of poverty
  4. Regional cohesion<sup>†</sup>
  5. Early school-leavers not in further education or training
  6. Long-term unemployment rate
  7. (*Population in*) Jobless households
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In italics the different nomenclature introduced in 2002

<sup>†</sup> coefficient of variation of unemployment rate across regions at NUTS level 3 in 2001, level 2 in 2002

Table 3 – Social indicators

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**Primary indicators**

1. Low-income rate after transfers with low-income threshold set at 60% of median income (by gender, age, most frequent activity status, household type and tenure status; values for typical households as illustrative examples)
2. Distribution of income (income quintile ratio)
3. Persistence of low income
4. Median low-income gap
5. Regional cohesion
6. Long-term unemployment rate
7. People living in jobless households
8. Early school leavers not in further education or training
9. Life expectancy at birth
10. Self-perceived health status

**Secondary indicators**

11. Dispersion around the 60% median low-income threshold
  12. Low-income rate anchored at a point in time
  13. Low-income rate before transfers
  14. Distribution of income (Gini coefficient)
  15. Persistence of low income (based on 50% of median income)
  16. Long-term unemployment share
  17. Very long term unemployment rate
  18. Persons with low educational attainment
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Table 4 – Common outline of Naps/incl

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1. Major challenges

Provide overview of the current situation and major trends in each of the fields covered by the Nice objectives.

2. Strategic approach and main objectives

Present overall coherent strategy for tackling poverty and social exclusion, setting out the main objectives of the Nap/incl for the period 2001-2003. Provide quantified targets and the allocation of resources to each objective. Describe process followed to prepare the Nap/incl and degree of involvement of relevant stakeholders in such process.

3. Policy measures

Set out in detail the policy measures planned over the two-year period, differentiating between on-going actions and new initiatives, for each of the four Nice objectives. Establish priorities between objectives, if applicable. Identify aims, instruments, time schedule and actors involved in each measure. Specify indicators for measuring progress in implementing each measure, where appropriate. Highlight innovative elements within policy measures.

4. Indicators

Outline indicators or other monitoring mechanisms for measuring progress in each of the objectives of the Nap/incl.

5. Good practice

Present examples of good practice drawn from current policy measures.

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## Notes

<sup>1</sup> The article has been jointly discussed and designed by the authors. M. Ferrera has written the introduction, M. Matsaganis the conclusion and S. Sacchi the other three sections.

<sup>2</sup> For a discussion of this issue see Ferrera et al. (2000).

<sup>3</sup> The Community Charter of the Fundamental Social Rights of Workers, adopted at the European Council in Strasbourg on 9 December 1989 by the Heads of State or Government of all Member States but the UK.

<sup>4</sup> It should be noted that the fight against social exclusion is part of such strategy.

<sup>5</sup> The structure and outputs of the application of OMC to the fight against social exclusion – i.e. the Social inclusion process – will be analysed in more depth in the next two sections.

<sup>6</sup> The first list of structural indicators was jointly drafted by the Commission, Ecofin Council and the Economic Policy Committee and endorsed by the Nice summit. It contained 35 indicators, among which 7 concerned social cohesion. A slightly modified list, at least as regards social cohesion, formed the basis for the 2002 synthesis report (see Table 2). It is telling that the shortlist of 12 structural indicators Ecofin Council chose ‘to focus public debate on key messages’ did not include any of the structural indicators concerning poverty.

<sup>7</sup> The references are to the need for reforming means-tested benefits so as to ensure that ‘without jeopardising the social objectives ... each member of a household has an incentive to work’ and to monetary poverty, with the suggestion that the Barcelona Spring European Council should ‘set a target for 2010 of halving the number of people at risk of poverty across the EU’ (CEC, 2001a). However, the Commission Staff Working Paper in support of the synthesis report deals with the issue of social exclusion at greater length (CEC, 2002b).

<sup>8</sup> In March 2001, the Stockholm European Council invited the Council to adopt a set of such indicators by the end of 2001.

<sup>9</sup> Though an agreement could not be reached for housing, it was agreed that second-round Naps/incl should contain quantitative information covering the issues of decent housing, housing costs and homelessness and other precarious housing conditions.

<sup>10</sup> Due to general elections in Italy and the UK, these countries were given more time to submit their Naps/incl.

<sup>11</sup> The Commission classified Naps/incl in four groups. The first contained the Naps/incl of Denmark, France and the Netherlands, which display a ‘holistic approach aimed at supporting structural change’ and a proactive response to key challenges, setting time horizons, objectives and quantitative targets. The Naps/incl of Portugal, Finland, Sweden and the UK were put into the second group. They ‘are solidly underpinned by diagnoses of key challenges and risks and set out reasonably coherent and strategic approaches’. The Naps/incl of Belgium, Germany, Spain, Italy and Ireland are grouped together because they ‘contain elements of a national strategy that is being improved in order to reflect new realities or made more coherent’, but do not set overall targets nor, in the case of the first four Naps/incl, regional or local ones. The fourth group contains the Naps/incl of Greece, Luxembourg and Austria, which ‘basically provide a snapshot analysis of the situation on poverty and social exclusion and the policies that are currently in place’ and ‘do not present long-term quantified targets’ (pp. 21-23).

<sup>12</sup> There is some evidence that this might be the case where, for example, the Joint inclusion report notes that, as regards homelessness, ‘most Member States admit that they know too little about both the magnitude and the nature of the problem, which also prevents them from developing more strategic and preventive measures’ (p. 64).

<sup>13</sup> The idea of a ‘basket of *minima moralia* [that contains] not only a minimum income guarantee and a health promotion guarantee, but also a universal human capital guarantee’ was first discussed by Ferrera et al. (2000). It was developed in the context of capabilities by Begg et al. (2001).