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

**Working together, working better:  
A new framework for the open coordination of social protection and inclusion policies in  
the European Union**

## **1. INTRODUCTION**

The European Union is committed to modernising its social model, based on the shared values of social justice and the active participation of all citizens in economic and social life. In its contribution to the recent informal meeting of Heads of State and Government in Hampton Court, the Commission reaffirmed the need for Europe to modernise social protection systems in order to ensure their future viability. Policies must continue to promote social cohesion, equal opportunities and solidarity between generations while responding better to economic and social change and promoting growth and employment.

The EU has in recent years sought to foster coordination and learning among Member States about modernising and improving policies. The Open Method of Coordination (OMC) has allowed the Commission, Member States and other actors to have a constructive exchange about shared policy objectives, good practice and good governance, all the while respecting subsidiarity. The OMC has stimulated Member States to intensify their efforts to fight poverty and social exclusion and promoted policy exchange about ensuring adequate and sustainable pensions in the future.

This communication sets out the Commission's proposals to create a streamlined framework for further development of these exchanges. It takes account of experience gained to date; of how the Member States and other actors assessed the OMC – what works, what doesn't – in a recent evaluation; and of wider developments, notably the revision of the Lisbon Strategy. It aims to create a stronger, more visible OMC with a heightened focus on policy implementation, which will interact positively with the revised Lisbon Strategy, while simplifying reporting and expanding opportunities for policy exchange.

### **1.1. Background: OMC as applied to social inclusion and pensions**

The OMC in this area developed in the light of the strategic objective of the Lisbon European Council of March 2000, which included the creation of "greater social cohesion". Following the Council's call for EU-level work "to make a decisive impact on the eradication of poverty" (para. 32) and on the future adequacy and sustainability of pension systems (para. 31), the Social Inclusion Process and the OMC on Adequate and Sustainable Pensions were established. The European Council later sought to extend the work to the future of healthcare and long-term care.

Under the Open Method of Coordination, Member States agree to a measure of joint development of policies without calling into question subsidiarity. It is a flexible method, allowing exchange and coordination in a way and to a degree appropriate to the policy in question. As applied to social inclusion and pensions, it has involved: agreeing common objectives which set out high-level, shared goals; preparation of National Action Plans (NAPs) for Inclusion and National Strategy Reports (NSRs) for pensions, in which Member States set out their policy plans for an agreed time period to meet the common objectives; evaluation of these plans/strategies in Joint Commission/Council Reports; and joint work on indicators to allow mutual understanding and evaluation and, where appropriate, target setting. The OMC has provided a framework for exchange and learning and has promoted

openness, transparency and the involvement of stakeholders, European and national, as a means to better policymaking.<sup>1</sup>

The added value of the inclusion process has been to make clear the multi-dimensionality of poverty and exclusion and the consequent need for full, joined-up policy responses. It has also promoted good governance, openness and the participation of actors. The pensions process has forged a consensus that a concern with adequacy, sustainability and modernisation of systems must underpin pension reforms. Both processes have brought new issues to the fore – for example, the need to fight child poverty in order to break the inter-generational perpetuation of exclusion; and the need to promote longer working lives if pension systems are to be sustainable. Both continue to grow and have successfully involved new Member States, who produced their first NAPs on inclusion in July 2004 and first NSRs for pensions in July 2005.

## 1.2. Why streamlining?

The Commission proposed to "streamline" the work on inclusion and pensions, together with the planned work on health and long-term care, to form an integrated process, as far back as May 2003. The aim was twofold: to create a stronger process; and to integrate better with the Lisbon process, in particular the Broad Economic Policy Guidelines (BEPGs) and the European Employment Strategy<sup>2</sup>. The Commission proposed a structure for reporting and evaluation across the three fields and a timetable synchronised with the BEPGs and Employment Guidelines. Member States were broadly supportive: they wanted a simplification of reporting but not a weakening of the distinct nature and scope of the inclusion and pensions processes. It was agreed to proceed gradually, with certain elements of the package – the start of work on health and long-term care and the creation of an annual Joint Social Protection and Social Inclusion Report – being addressed during 2004-2005. The final element – the adoption of new common objectives for the three strands plus new procedures to apply from 2006<sup>3</sup> – is the subject of this Communication. This Communication, therefore, builds on a broad shared understanding between the Commission and the Member States.

It also takes account of developments since 2003, such as the launch of work on health and long-term care. Member States submitted Preliminary Policy Statements in April 2005 and a reflection paper based on them has been agreed. Member States agree **that the streamlined OMC can usefully be applied to this area to stimulate policy development, highlight common challenges and facilitate mutual learning.**

Most importantly, the relaunch of the Lisbon process in March 2005 has sharpened the context into which work on social protection and inclusion must fit. The revised Lisbon strategy concentrates on policies to boost growth and employment<sup>4</sup> and seeks to overcome the implementation gap identified in the review of Lisbon. Separate reporting under the OMC on social protection and social inclusion will continue, with social protection issues relevant to

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<sup>1</sup> For the evolution of the two processes, including common objectives, national reports, joint Council/Commission Reports, studies and ancillary activities, see the following websites: for social inclusion [http://europa.eu.int/comm/employment\\_social/social\\_inclusion/index\\_en.htm](http://europa.eu.int/comm/employment_social/social_inclusion/index_en.htm); for pensions [http://europa.eu.int/comm/employment\\_social/social\\_protection/pensions\\_en.htm](http://europa.eu.int/comm/employment_social/social_protection/pensions_en.htm)

<sup>2</sup> These have now been combined to form the Integrated Guidelines for Jobs and Growth 2005-2008

<sup>3</sup> 2006 was chosen to allow synchronisation with the then timetable for the BEPGs and the EES

<sup>4</sup> European Council of 22-23 March 2005, Presidency Conclusions

the new Integrated Guidelines also being reflected in national reform programmes.<sup>5</sup> At the same time, reflecting the European Council's vision of "growth and employment making for social cohesion", policies within the revised Lisbon agenda will contribute to social cohesion and inclusion. Thus, the OMC should parallel and interact closely with revised Lisbon – "feeding in" to growth and employment objectives while Lisbon programmes "feed out" to advance social cohesion goals. The OMC should also respond to the implementation gap challenge.

### **1.3. The evaluation of work under the OMC: the views of Member States and policy actors**

The Commission sought to take account of the views of stakeholders before putting forward its proposals for streamlining. It asked Member States, social partners, NGOs and social protection institutions to complete a questionnaire on the OMC and its working methods. There has been a large response which provides a comprehensive view of what Member States and other stakeholders want.<sup>6</sup>

It is clear that stakeholders value the OMC and feel that it has a positive impact on policy making. They welcome the fact that it shows the Union's support for the shared values behind social policies and ensures a social policy voice within EU decision making. They want it to make more visible the positive role played by good social protection and inclusion policies and to support the modernisation of policies. Accordingly, **streamlining should make the OMC more effective and give it a higher profile.**

Stakeholders broadly support a sharpened process with simplified reporting, provided that this does not erode what has been achieved. **Streamlining should bring together the three strands of work, but allow the specific features which are important to each to further develop.**<sup>7</sup> **New integrated common objectives should not reduce the scope for an in-depth focus in each policy field.**

Stakeholders particularly value the OMC as a means to learn and exchange on policies. They value the mechanisms, such as the peer review programme and trans-national projects, which have grown up alongside the core task of reporting and evaluation. They welcome the fact that the new Progress budget line will in future facilitate such activities across the full range of the OMC. **Streamlining should support more learning and integrate it better with the work of reporting and evaluation.**

The importance of good links between the OMC for social protection and social inclusion and other EU-level processes is stressed. **Good interaction with the revised Lisbon Strategy and the re-launched Sustainable Development Strategy is underlined.**

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<sup>5</sup> Commission Staff Working Paper SEC (2005) 622 of May 2005

<sup>6</sup> A full summary and conclusions are contained in a Commission staff report which accompanies this Communication. Contributions to the evaluation are published on the internet at [http://europa.eu.int/comm/employment\\_social/social\\_inclusion/index\\_fr.htm](http://europa.eu.int/comm/employment_social/social_inclusion/index_fr.htm)

<sup>7</sup> The evaluation did not review work in relation to health and long-term care. Nevertheless, the view that the OMC should respect the specific circumstances of the field can be drawn from the exchanges discussed in section 1.2.

Promoting good governance and openness in policy making is seen as a key objective. **The streamlined process should aim to further the practice of involving actors, to date most developed on the inclusion side.**

## **2. NEW COMMON OBJECTIVES FOR THE STREAMLINED OMC ON SOCIAL PROTECTION AND SOCIAL INCLUSION**

The Commission proposes the following common objectives for the streamlined OMC on social protection and social inclusion. They build on the Nice objectives for inclusion and the Laeken pensions objectives and aim to allow the momentum developed in both spheres to be maintained. The primary concern continues to be to promote good policy-making for a high level of social protection and social cohesion, while, secondly, ensuring good interaction with the revised Lisbon priorities of growth and employment and with bridging the implementation gap identified in the review of Lisbon. Particularly for social inclusion, the more general presentation of objectives should allow Member States to focus on the policy priorities most important in each national context, for example, homelessness, child poverty and the alienation of youth, immigrants and ethnic minorities, disability, e-inclusion or inequalities in education and training.<sup>8</sup> They reflect lessons from the analysis of the 2005 implementation NAPs for inclusion: that inclusion objectives need to be mainstreamed into relevant public policies, including structural fund programmes and education and training policies; and that policy making is enhanced by good governance.

The proposal comprises "overarching" objectives, providing a general framework for the work across the OMC as a whole; plus three groups of objectives specific to each policy area.

### **2.1. The overarching objectives of the OMC for social protection and social inclusion are to:**

- (a) Promote social cohesion and equal opportunities for all through adequate, accessible, financially sustainable, adaptable and efficient social protection systems and social inclusion policies.
- (b) Interact closely with the Lisbon objectives on achieving greater economic growth and more and better jobs and with the EU's Sustainable Development Strategy.
- (c) Strengthen governance, transparency and the involvement of stakeholders in the design, implementation and monitoring of policy.

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

#### **2.2.1. *Making a decisive impact on the eradication of poverty and social exclusion:***

- (d) Ensure the active social inclusion of all by promoting participation in the labour market and by fighting poverty and exclusion among the most marginalised people and groups.

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<sup>8</sup> See the key policy priorities identified in the Joint Council/Commission Report on Social Inclusion 2004 and the 2005 Report on Social Inclusion in the 10 new Member States and the challenges ahead listed for Member States in the Joint Social Protection and Social Inclusion Report 2005.

- (e) Guarantee access for all to the basic resources, rights and social services needed for participation in society, while addressing extreme forms of exclusion and fighting all forms of discrimination leading to exclusion.
- (f) Ensure 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 and that they are gender mainstreamed.

**2.2.2. *Providing adequate and sustainable pensions:***

- (g) In the spirit of solidarity and fairness between and within generations, guarantee adequate retirement incomes for all and access to pensions which allow people to maintain, to a reasonable degree, their living standard after retirement.
- (h) In the context of sound public finances, ensure the financial sustainability of public and private pension schemes, notably by: supporting longer working lives and active ageing; ensuring an appropriate and fair balance of contributions and benefits; and promoting the affordability and ensuring the security of funded and private schemes.
- (i) Ensure 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.

**2.2.3. *Ensuring accessible, high-quality and sustainable healthcare and long-term care:***

- (j) Guarantee access for all to adequate health and long-term care and ensure that the need for care does not lead to poverty and financial dependency. Address inequities in access to care and in health outcomes.
- (k) Promote quality in health and long-term care and adapt care to the changing needs and preferences of society and individuals, notably by establishing quality standards reflecting best international practice and by strengthening the responsibility of health professionals and of patients and care recipients.
- (l) Ensure that adequate and high quality health and long-term care remains affordable and sustainable by promoting healthy and active life styles, good human resources for the care sector and a rational use of resources, notably through appropriate incentives for users and providers, good governance and coordination between care systems and institutions.

### 3. PROCEDURES AND WORKING ARRANGEMENTS FOR A STRENGTHENED OMC

#### 3.1. Reporting and evaluation arrangements.

Based on these common objectives, **national strategies for social protection and social inclusion**, which address the specific challenges of each pillar while drawing out high-level and summary messages across the sector as a whole, will be drawn up. They will include:

A common section containing:

- **An assessment of the social situation**, reporting on major trends and challenges in poverty and social exclusion, pensions and health and long-term care; and
- A presentation of the **overall strategic approach** for modernising social protection and social inclusion policies.

This part would be prepared by reference to the common **overarching objectives** and supported by appropriate EU-level indicators.

Three thematic plans covering social inclusion, pensions and healthcare. They should be **forward looking** and set out **prioritised national objectives** translating the common objectives into national policy plans. Each will serve as a national plan for the specific policy field. Thus, for inclusion, the aim is to maintain the role of strategic planning and objective setting of the National Action Plans for Inclusion, with an enhanced focus on being strategic, setting priorities and policy implementation. For pensions, the role of the National Strategy Report in setting out a strategy for modernisation of the pension system to meet current and future challenges should continue. In practice, given that Member States submitted National Strategy Reports for Pensions in July 2005, the first streamlined submissions on pensions in 2006 should be very light. The plan for health and long-term care will focus on identifying issues on which mutual exchange and learning can take place.

The Commission will draft a Joint Social Protection and Social Inclusion Report for Council/Commission adoption prior to the subsequent Spring European Council. This will summarise main issues and trends and assess Member States' progress in reaching the common objectives. It will review "feeding in" to Lisbon and assess how progress towards the Lisbon goals of employment and growth is impacting on social cohesion.

More detailed exploration of key issues and good practices in the three policy fields will be undertaken in occasional Commission staff reports.

#### 3.2. Timetable for reporting and evaluation

The National Strategies on Social Protection and Social Inclusion would normally cover a forward-looking period of three years. In order to fit in with the new Lisbon timetable, first reports should be submitted in September 2006. This will facilitate "feeding in" relevant issues – such as how benefit systems support labour market participation and how longer working can be supported by pension systems and healthy ageing strategies – to National Reform Programmes due in October 2006. Given that the first reports will arrive one year into the Lisbon three-year cycle (2005-2008), they would, exceptionally, cover a two-year period only (2006-2008).

Member States will not be required to deliver national strategies in intervening ("light") years. They may, if they wish, report on any new initiatives or on progress in implementation<sup>9</sup>. The OMC in light years will concentrate on in-depth analyses of specific issues and on disseminating policy findings. The Joint SP and SI Report in such years could report on: indicators, both common and national, of progress; policy developments reported by Member States; a review of interaction with the Lisbon process; and analyses of specific policy issues.

### **3.3. Working arrangements: supporting more mutual learning**

One of the clearest findings from the evaluation is the value which stakeholders attach to exchanges of practice and mutual learning, such as the peer review programme, trans-national exchange projects, the annual Round Table on Poverty and Social Exclusion and the annual encounter with people experiencing poverty. The planned **PROGRESS** budget line will in future support similar exchanges across the full range of the OMC. They should be given more prominence within the future OMC and be better integrated with reporting and evaluation. The Commission proposes to take advantage of the new timetable proposed above to promote more mutual learning and the exchange of good practices, particularly in the light years.

### **3.4. Working arrangements: involvement of actors and governance**

The streamlined OMC should redouble the focus on promoting good governance, transparency and involvement of actors. Involving stakeholders in the process will strengthen it by enhancing its visibility, encouraging ambition in objective setting and increasing the focus on policy implementation.

Accordingly, the stakeholder involvement which has grown up in the inclusion field could be extended to the other strands, always having regard to the differences between them. Moreover, as the third overarching objective suggests, the OMC could promote good governance, transparency and involvement not simply in its own working but as an objective for social policy making more generally. This will require a focus on different issues in the different strands. For inclusion, the emphasis would be on promoting participation in decision-making, ensuring policy coordination between branches and levels of government and mainstreaming a concern with poverty and exclusion into national planning. For pensions, a particular challenge is to make pension systems understandable and to provide citizens with the information they need to plan their retirement. For health, the priority is likely to be good policy coordination between different parts of the system and good information to citizens.

### **3.5. Working arrangements: indicators**

As outlined at 3.1 above, the National Strategies for Social Protection and Social Inclusion could, at the level of overarching objectives, be supported by common indicators illustrating main social trends and broad objectives; and by more detailed indicators within each policy field.

The Commission and Member States could work during 2006 to reinforce and simplify the use of indicators to support the new common objectives, while taking account of the specific objectives, policy priorities, methodological approaches and state of development of the three

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<sup>9</sup> They could also do so in the Annual National Lisbon Reform Programmes.

strands. The work on indicators should aim to better support the monitoring of policy outcomes, including how they impact on women and men and families. Indicators to monitor deprivation also need to be strengthened. During the transition to EU-SILC, there will be a lack of comparable data on income and living conditions on which many of the indicators are built. The Commission and Member States will therefore have to reflect on how to measure progress and allow cross-country comparisons during this time.

There should be a renewed focus on target setting in relation to poverty and social exclusion. Target setting has always been a part of the social inclusion process, in line with the European Council's demand at Lisbon to "make a decisive impact on the eradication of poverty" and its invitation to Member States at Barcelona in March 2002 to set targets "for significantly reducing the numbers of people at risk of poverty and social exclusion". There has been steady but slow growth in their use. There have also been many recent exchanges between Member States about issues surrounding the formulation, implementation and measurement of targets; these should be developed.

The evaluation of the OMC produced many suggestions for new indicators and possible targets, as did the Luxembourg Presidency Conference of June 2005 on "Taking Forward the EU Social Inclusion Process".<sup>10</sup> The work should draw on these.

### **3.6. Enhancing the visibility of the OMC**

Greater visibility for the OMC would achieve several objectives. It would inform citizens of the EU's supportive interest in social protection and inclusion policies. The common objectives and the policy exchanges taking place under the OMC could contribute positively to the policy debates taking place in all Member States.

Taking advantage of the planned lighter rhythm of reporting and evaluation, more attention could be given to publicising the OMC. The practice of holding national seminars open to all actors has heretofore been seen only as part of the process of putting together national plans. There could be more such seminars during "light" years, thereby bringing lessons learned in the OMC to bear on the national debate.

The European Parliament has often indicated a wish to engage more fully with OMC processes. The Commission and the Member States should explore with Parliament ways of doing so.

## **4. CONCLUSION: A STRENGTHENED OMC**

Major challenges confront Europe's social protection systems and social inclusion policies. The work undertaken within the OMC on social inclusion and on pensions has already done much to highlight these. The responses to the evaluation show that those who have been close to the OMC value it. The question to be asked is not whether the OMC has been valuable but whether it has been sufficient to the challenge? The mid-term review of the Lisbon process has been blunt in demanding that all of the EU's socio-economic processes should be more focused on implementation and more visible. And the current debate about the future of

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<sup>10</sup> For full details of the Conference including the academic study, see <http://www.ceps.lu/eu2005%5Flu/inclusion>

Europe's social model has placed policies for social protection and social inclusion under an unprecedented political spotlight.

The proposals made here for a new framework aim to make the OMC a stronger and more visible process, better integrated with the Lisbon strategy and with more room for the learning, exchange and policy dissemination which participants value. But meeting some of the main challenges – for example, bridging the gap between objective setting and policy implementation – will require more than simply changing procedures. It is hoped that, coming as it does in the wake of the focus by Heads of State and Government on the social dimension of the European Union, this proposed streamlining of the OMC can receive the strong political support which it needs to succeed.