

Second phase of the open method of co-ordination on social inclusion

At the Lisbon and Santa Maria da Feira summits in 2000, the European Union set itself an overarching strategic objective for the decade ahead: to become the most dynamic and competitive knowledge-based economy in the world while ensuring a high degree of economic and social cohesion. Promoting social integration is a vital component in the modernisation of the European social model, itself in turn a key factor in the realisation of the Lisbon strategy. The first phase of the open method of co-ordination (OMC) in the field of combating poverty and social exclusion dates back to 2001, when the Member States drew up National Action Plans (NAPs) in this area covering the period 2001-2003, and when an initial assessment of these Plans was carried out by the Commission in consultation with the European Council. This assessment resulted in the publication of the first Joint Report on poverty and social inclusion in Europe (CEC, 2002a) ⁽¹⁾.

We shall begin this chapter by reviewing the various elements emerging from an analysis of the second generation of NAPs, focusing thereafter on two points which represent fundamental changes to the climate prevailing during the first phase of the open method of co-ordination on social inclusion. The first of these points concerns the forthcoming enlargement of the EU and its implications for social exclusion. The

¹ For further details about the European process for combating poverty and social exclusion, the reader is referred to the detailed presentation which we gave in a previous article in the same series (Peña-Casas, 2002 and Peña-Casas *et al.*, 2002).

second relates to the future of the process which, from 2006 onwards, is likely to form part of a new streamlined structure for Community-level policy co-ordination on social protection.

1. Assessment of the NAPs by the Commission

The Member States submitted their second generation of National Action Plans on social inclusion (“NAPs/incl”) in July 2003 ⁽²⁾. They had been asked to lay down clear, i.e. numerical, targets in their NAPs/incl, so as to demonstrate the progress made, and to give greater prominence to the gender dimension as well as the high risk of poverty and social exclusion to which immigrants are exposed (SPC, 2002a). The Commission carried out an assessment of these Plans ⁽³⁾ and drafted a preliminary report ⁽⁴⁾ (CEC, 2003c).

The Commission’s report analyses the key trends and implications of the fight against poverty and social exclusion for the Union as a whole, but also for each of the Member States. It reasserts the multi-dimensional nature of poverty and social exclusion. The Commission notes with satisfaction that this multi-dimensional approach has now been adopted by all the Member States, albeit to varying degrees. This multi-dimensional perspective is backed up by the first ever set of operational definitions of what is to be understood by poverty, social exclusion and social inclusion in the OMC context (CEC, 2003c: 9).

1.1 Poverty in the European Union

Even though matters have improved since 1995 as concerns poverty, there is still cause for concern. Almost 55 million Europeans, representing 15% of the population, were living in conditions of

² Portugal and Belgium, however, submitted their Plans a little later because elections had previously been held in those countries, and the Plans therefore needed to be revised and approved by new governments.

³ The national plans and the Joint Report are available on the Commission website http://europa.eu.int/comm/employment_social/news/2001/jun/napsincl2001_fr.html.

⁴ This report will be submitted to the spring European Council in March 2004, becoming the Second Joint Report on social inclusion.

poverty in 2001. Nearly half of them had been continuously poor throughout the last three years. Certain particular groups were always at greater risk of poverty, namely the unemployed, elderly people living alone and single parents (especially women in the last two cases), as well as large families.

Table 1: At-risk-of-poverty rates* 1995-2001

	BE	DK	D	EL	ES	F	IR	IT	L	NL	AU	P	FI	SU	UK	UE 15
1995	16	10	15	22	19	15	19	20	12	11	13	23			20	17
1996	15	9	14	21	18	15	19	20	11	12	14	21	8		18	16
1997	14	9	12	21	20	15	19	19	11	10	13	22	8	9	18	16
1998	14	12	11	21	18	15	19	18	12	10	13	21	9	10	19	15
1999	13	11	11	21	19	15	19	18	13	11	12	21	11	9	19	15
2000	13	11	10	20	18	16	20	18	12	10	12	21	11	11	19	15
2001	13	11	11	20	19	15	21	19	12	11	12	20	11	10	17	15
chge 95-2001	-3	1	-4	-2	0	0	2	-1	0	0	-1	-3	3**	1**	-3	-2

* proportion (in %) of population living in households with an income below the threshold of 60% of standardised median income.

** Finland: 1996-2001 and Sweden: 1997-2001.

Source: European Household Panel.

Poverty rates are very unequal from one European Union country to another, as is illustrated by Table 1. In 2001 most Member States came within a range where 10 to 15% of the population was living in poverty. The Mediterranean countries and the United Kingdom had higher rates of poverty (around 20%), while Ireland was the country where poverty is most acute, with 21% of the population at risk of poverty.

Overall, poverty in the European Union has declined in recent years, falling from 17% of the population to 15%. This fall has been most obvious in Germany (-4%), as well as in Belgium, Portugal and the UK (-3%). France, Spain, the Netherlands and Luxembourg saw no change between 1995 and 2001. But poverty has worsened in some countries:

this is the case especially in Ireland, but also more surprisingly in all the Scandinavian countries ⁽⁵⁾ and most of all in Finland (+3%). The factors which might explain this development include the reform of social protection systems, in particular a hardening of activation policies, and increasing numbers of immigrants who tend not to be covered by social protection mechanisms. For all that, the Nordic countries still have the lowest instances of poverty, but the gap between them and the other Member States has narrowed appreciably.

Ireland is another interesting case. It disproves the theory generally propounded, demonstrating that there is in fact no relationship between economic growth and a reduction in poverty. Dubbed the “Celtic Tiger” by economists enthused by the highest rates of economic growth and employment in the Union, Ireland also became the European country with the highest level of poverty in 2001, on the increase since 1995. Germany, in comparison, with far lower rates of economic growth and employment, managed to reduce poverty by 4% over the same period. The relative nature of the poverty threshold, which tends to rise in step with overall resources, implies that a decline in the poverty rate can only be brought about by a rise in the incomes of households living beneath the poverty threshold that is in excess of the national average. In other words, in order to lessen poverty it is not enough to boost a country’s wealth; a better distribution of resources is needed, most notably in the direction of the poorest population groups. Similarly, a rise in the employment rate for people living in poverty will reduce poverty only if the transition into employment means the take-up of quality jobs, translating into a significant increase in their incomes on a lasting basis but also in their human and social capital.

These last two factors are actually the principal vectors of economic growth, if we are to believe a very detailed report from the OECD, an institution hardly noted for this type of pronouncement. The OECD

⁵ The Scandinavian countries are at the same time the only ones where income inequality has risen during the same period, as measured by the earnings ratio of the richest 20% to the poorest 20%. Denmark, where inequality remained constant, is an exception. All the other European countries, by contrast, saw a reduction in income inequality.

finds that the only real means of promoting growth and increasing the well-being of individuals is to develop human capital (the level of knowledge and skills) and social capital (the existence of networks of individuals sharing common norms, values and convictions on a basis of trust) ⁽⁶⁾. Such developments can only be fostered through a huge amount of State investment in education and training policies, but also in policies promoting a reconciliation of family, social and working life, and active participation by citizens in society in the broadest sense of the term (OECD, 2001).

1.2 Common challenges and priorities

In 2002 the first Joint Report highlighted **eight core challenges** to be met by all the Member States. Analysis of the 2003-2005 NAPs/incl reveals that these eight common challenges are still topical, even though some of their dimensions have gained in importance. A lack of space here prevents us from describing in detail the great diversity of issues inherent in these varied challenges ⁽⁷⁾. For the record, these eight challenges were: (a) developing an inclusive labour market and promoting employment as a right and opportunity for all; (b) guaranteeing an adequate income and resources to live in human dignity; (c) tackling educational disadvantage by prevention and lifelong learning opportunities; (d) preserving family solidarity while promoting gender equality and protecting the individual rights and benefits of family members and the rights of the child; (e) ensuring good accommodation for all; (f) guaranteeing equal access to quality services (health, transport, social, care, cultural, recreational, legal); (g) improving delivery of services; (h) regenerating areas of multiple deprivation.

However, given the continuing uncertainty surrounding the international economic and political situation, the Commission calls on the Member States to pay special attention over the next few years to

⁶ The best “places” for these to develop are, in declining order, the family and then the community (people living or working together), followed by public and private institutions (schools, associations, trade unions etc.) (OECD, 2001).

⁷ For an in-depth description of all the issues relating to these eight priorities, see CEC (2003c: 33-35).

six key priorities, regarded as particularly important in keeping up the momentum towards the Lisbon objectives. The six priorities are as follows (CEC, 2003c: 35-36):

1. Promoting investment in and tailoring of active labour market measures to meet the needs of those who have the most difficulty in entering the labour market and a better linkage between social protection, lifelong learning and labour market policies so that they are mutually reinforcing.
2. Ensuring that social protection systems, including minimum income schemes, are adequate for all to have a sufficient income to live life with dignity and that they provide effective work incentives for those who can work.
3. Increasing the access of the most vulnerable and those most at risk of social exclusion to decent housing conditions, to quality health and long term care services and to special and regular mainstream lifelong learning opportunities, including to cultural activities.
4. A concerted effort to prevent early leaving from schools and other areas of formal education and training and to tackle the continuing problem of the transition from school to work in particular of young people leaving school with low qualifications.
5. A focus on ending child poverty as a key step to combat the intergenerational inheritance of poverty with a particular focus on early intervention and early education initiatives which identify and support children and poor families.
6. A concerted drive to reduce the levels of poverty and social exclusion and to increase the labour market participation of immigrants and ethnic minorities to the same levels as the majority population.

1.3 Strategic approaches adopted in the NAPs/inclusion

In order to achieve these objectives, the Member States have to develop integrated, co-ordinated strategies at local and regional level. However, they approach this task from very different starting points both in terms of the level of poverty within their borders, and their attitude to it, and

in the light of different structures of governance. Member States also differ significantly in the extent to which they already focus on access to rights, including social rights. The Commission states that there is a noticeable trend in several of the 2003 NAPs/incl for Member States to adapt the framework drawn up on the basis of the common objectives and to prepare a Plan that fits more closely with their own national policy-making tradition.

To some extent this “nationalisation” of the Plans can be seen as a positive step towards mainstreaming the preparation of Plans into national policy-making processes. However, in the Commission’s view, there is a risk that some important dimensions of poverty and social exclusion identified in the common objectives might be neglected. For this reason, the strategic nature of Plans for tackling poverty and social exclusion in the context of the common objectives is assessed by the Commission on the basis of three criteria: (a) Plans need to be comprehensive and multi-dimensional – that is, they should reflect all the common objectives in an integrated approach; (b) Plans need to be coherent and logically planned, thus moving from an in-depth analysis of the situation, to setting clear objectives and priorities and then proposing specific actions to meet those objectives; (c) they must set clear targets that need to be achieved if significant progress is to be made towards the overall goal of eradicating poverty.

1.3.1 Completeness and the multi-dimensional approach

The NAPs mostly highlight the multidimensional nature of poverty and social exclusion. However, the extent to which they go on to address the broad range of policy domains outlined in the common objectives in an integrated and comprehensive manner varies significantly. The Commission identifies three groups of countries on the basis of this criterion.

The first group comprises countries where a real start has been made in developing a multidimensional approach to combating poverty and social exclusion. Most of these are countries which already had in place a strategy to combat poverty and social exclusion, or were in the process of devising one, before the launch of the social inclusion OMC in 2000. This group consists of countries such as Belgium, France,

Ireland and the United Kingdom. They are joined by Greece and above all Portugal, which have more recently established integrated strategies.

A second group of Member States has devised Plans where there is evidence of a multi-dimensional approach to poverty and social exclusion, but by setting more limited objectives in response more to national priorities and circumstances than to the common objectives. These countries already have a universal social welfare system, and are strengthening their systems while adopting specific measures to tackle the problems of the most vulnerable people (groups such as the homeless, people with disabilities, migrants and ethnic minorities, children in care, illiterate persons). This is for example the case in Finland and Sweden, but also in Luxembourg and Germany.

The third and last group of countries adopts a more individualised approach directed towards those most at risk of poverty and social exclusion. This applies to the family in Spain and Italy, as well as to certain particularly disadvantaged groups in Denmark (drug abusers, families with alcohol abuse, the mentally ill, the homeless and prostitutes, etc.). The Netherlands and Austria also fall into this group.

Despite clear progress, the Commission believes that since the first generation of NAPs/incl there has still been a lack of a comprehensive and strategic approach in a number of important areas, notably access to lifelong learning opportunities, to culture, to transport and to “eInclusion”.

1.3.2 Coherent and planned approach

We should remember that this aspect constituted one of the weaknesses of the first generation of National Action Plans, many of which more closely resembled a detailed report and/or a description of a medley of diverse measures than a coherent and ambitious approach. The Commission based itself on three criteria to assess the way in which the Member States framed their policy measures in a coherent and planned approach in their Plans: first, the quality of analysis and the diagnosis of key risks and challenges to be addressed by the Plans; secondly, the extent to which the Plans took into account this analysis and their past experience in setting clear and detailed priorities and goals; and, thirdly,

the extent to which specific policy measures and actions are detailed which link with the preceding analysis and setting of objectives.

According to the Commission, the 2003-2005 Plans tend to be more coherent than the first round: “*They contain more extensive analyses and a more in-depth identification of those who are at greatest risk and reflect wider consultation in their preparation. Many have clearer objectives, more focused priorities and more specific targets (...)*” (CEC, 2003c: 39).

Nonetheless, the Commission finds that, while documenting well the situation and describing existing programmes and local or nation wide actions, some of the Plans tend to lack ambition and lack clear and precise details of what actions will be undertaken to further enhance the effectiveness of national policies. There would seem to be a conflict between a desire for completeness and multi-dimensionality and a desire for coherence and planning. It is striking that the countries previously singled out as those most successful in covering the full range of common objectives are among those described as having less coherence between strategic objectives and goals (Belgium, France, Greece, Italy and Portugal). By contrast, those Member States focusing more on a narrow range of priorities geared towards specific groups are the ones which, the Commission believes, best define clear, coherent Plans backed by sound analysis, formulate strategic objectives and priorities following logically from that analysis, and set out policy measures for achieving them (Netherlands, Sweden, Denmark, Finland, Austria and Germany). Only Ireland and, to a lesser extent, Luxembourg and the United Kingdom manage to marry a general approach covering the common objectives with a coherent framework that properly links analysis, action and objectives. It is interesting that in several of the countries with devolved structures (Belgium, Germany, Spain, Italy, France, United Kingdom) considerable emphasis is put on developing integrated strategies in this regard. However, co-ordination of inclusion policy with a view to creating a strategic approach is often difficult between the different levels.

1.3.3 Objectives and indicators

Target-setting was without doubt the weakest point in the 2001 NAPs, whereas targets are crucial when it comes to putting into perspective, assessing and monitoring any self-respecting strategy. These shortcomings

were already noted in the first Joint Report, causing the Barcelona European Council to invite the Member States to set targets, in their NAPs, for significantly reducing the number of people at risk of poverty and social exclusion by 2010. This request was subsequently included in the revision of the common objectives that was agreed by Member States in December 2002 (SPC, 2002a), then developed into the common format adopted by the Commission and the Member States for the formulation of the 2003-2005 Plans (SPC, 2002b). It spelled out the need to set quantified targets for reducing the number of people at risk of poverty and social exclusion. These objectives were to be based on the jointly agreed indicators (the Laeken indicators) but could perhaps also stem from national data which is a better reflection of a given country's priorities in respect of poverty and social exclusion. Numerical targets were also to be set in number of areas other than financial poverty on the basis of the so-called level 3 indicators, i.e. purely national indicators not comparable from one Member State to another (deprivation in terms of living conditions, housing and the lack of a fixed abode, the problem of illiteracy and innumeracy, better visibility of the gender and regional dimensions).

The Commission identifies three sets of quantified targets related to policy outcomes and inputs:

1. **Direct outcome targets** are those targets that directly indicate a reduction in poverty and social exclusion in a key policy domain (i.e. unemployment, low income, poor housing/homelessness, educational disadvantage, poor health);
2. **Intermediate outcome targets** are those outcome targets which may indirectly contribute to a reduction in poverty and social exclusion (e.g. reduction in number of people depending on assistance payments; general increase in employment levels; reduction in level of sick leave);
3. **Input targets** are those targets which aim at an increase in policy effort (e.g. increasing the number of homeless assisted; ensuring that all immigrants can participate in an integration programme).

The table below, summarising the use made of quantified targets in the NAPs/incl shows clearly that only a few Member States have set ambitious, achievable and time-specific quantified targets for the reduction of the number of people at risk of poverty and social exclusion across a range of relevant policy domains. A more common approach has been to set either intermediate outcome targets that are indirectly linked to the reduction of poverty and social exclusion or to set input targets related to policy effort.

We see from this table that few Member States were able to set quantified targets based on the common indicators. In the Commission's view, the Member States which most consistently and systematically set quantified targets derived from the priorities and objectives they set in their plans are Ireland, France, Netherlands, Portugal, Sweden and the UK. In a number of Member States, the Commission points out, numerical targets are more common in the area of employment, unemployment or training, which might reflect the choice of targets already set in the employment process (Italy, Finland, Germany). But perhaps this may also reflect a certain reluctance to engage in the European process on social inclusion by focusing instead on the Employment Strategy. This employment/unemployment-centred view, to the detriment of a more multi-dimensional perspective on poverty and social exclusion, is worrying in the context of the OMC on social inclusion.

Disappointingly, few Member States take the gender dimension into account when developing quantitative targets in their NAPs, and usually relate it to the general Lisbon target of increasing the employment participation of women to an average of more than 60% by 2010. Nor are there any specific targets relating to immigrants, apart from an indirect undertaking by Sweden on a general, unquantified target.

The difficulty encountered by Member States in setting quantified targets based on the commonly agreed indicators is a major obstacle in monitoring and assessing progress made in a co-operative process like the OMC, the main reason being that the Laeken indicators derive from a Community source, the European Household Panel. Whereas this is the only source capable of providing indicators allowing for reliable comparisons, it suffers from a number of shortcomings, not least its

tardiness in producing results. For the first wave of NAPs/incl the most recent data available dated back to 1997!

Table 2: Use of quantified targets in the NAPs/inclusion

Country	Direct outcome targets		Intermediate outcome targets	Input targets
	Laeken	Non Laeken		
Belgium ⁸				
Denmark			*	
Germany			*	
Greece	*		*	
Spain	*			
France		*	*	*
Ireland	*	*	*	*
Italy			*	
Luxembourg			*	*
Netherlands		*	*	*
Austria		*	*	*
Portugal	*	*	*	*
Sweden			*	
Finland			*	*
United Kingdom	*	*	*	*

Source: CEC, 2003c: 39.

⁸ Belgium does not include quantified targets in its NAP but is intending to draw up an annex specifically containing numerical targets.

The efforts made by the Commission's statistical office (Eurostat) and the national offices to supply results more rapidly are to be welcomed, but the fact remains that the second round of Plans cannot be based on any indicators other than those depicting the state of affairs at the launch of the first phase in 2001. Therefore the current indicators, insofar as they are able to do so, still fail to reflect the effects of the inclusion OMC. It is vital for the Union, but also its Member States, to improve their statistical capabilities if we are one day to have indicators worthy of the name ⁹⁾.

1.4 Involvement of relevant bodies

The involvement of all relevant bodies in the OMC on social inclusion is crucial and forms one of the four core objectives of the open method of co-ordination. Six broad strands can be identified.

The first of these is **reinforcing dialogue at national level**. Several Member States have taken or are in the process of taking significant steps to ensure structured and ongoing dialogue between different actors on poverty and social exclusion at national level by establishing commissions or consultative committees involving the different actors (BE, DK, DE, GR, FR, IE, LU, AU, FI, SE).

The second strand is **promoting partnerships at local level** and networking. A growing emphasis in the NAPs is on ensuring that the integrated approach at national level is translated into integrated and multi-dimensional action on the ground. In particular stress is placed on bringing the knowledge and resources of different actors together so that their efforts are integrated and mutually reinforcing (PT, AU, DK, FI, SE, DE, IE, UK).

The third strand is aimed at **involving NGOs and civil society** in the process of combating poverty and social exclusion. The important role played by NGOs in this area, both in terms of participating in the formulation of Plans and policies and in work on the ground, is

⁹⁾ The launch of a new European survey on incomes and living conditions (EU-SILC) in 2004, designed to make results available more rapidly, should help to improve matters.

acknowledged by all the Member States. Certain countries (GR, FI, DE, SE) also stress the role of churches and religious organisations in this process. NGOs may also be involved in specific fields of the OMC. However, the Commission points out that there is little evidence in most NAPs of the financial volume, the exact kind of activities and the number of persons among the excluded and in the mainstream reached by NGOs and the social economy; future action plans will have to take these details into account. The Commission also believes that, while important progress has been made, there is still room for improvement.

A fourth strand, which complements the previous one, relates to **involvement of the social partners** in formulating the Plans. Some countries make specific mention of this (BE, FI, DE, IE, LU, PT, ES, SE), but in other countries their role does not feature clearly. In general, states the Commission, it is difficult to assess whether and to what extent this involvement is really proactive and covers also areas which are not traditionally part of the social dialogue.

The fifth strand concerns creating wider **public awareness** of poverty and social exclusion and of the existence of the NAPs/inclusion process. Several countries have published their Action Plans and/or held conferences to make them known (BE, FR, SE, ES, IE, UK).

The sixth and last means of involving relevant bodies in the OMC process concerns promoting the **Corporate Social Responsibility** of business as a factor for social integration. Even though this features among the common objectives, few Plans refer to it (DK, ES, FR, IE, IT, SE). It is achieved through partnership agreements between government and business (SE) or by using Foundations as intermediaries (IE).

2. Verdict of the social partners and civil society

The European Trade Union Confederation (ETUC) reasserts its commitment to the OMC process on social inclusion, but emphasises that there is still a long way to go to achieve the aim of eradicating poverty by 2010, as set out in the Lisbon strategy. Be that as it may, some changes for the better are evident in the second-generation National Action Plans, such as a linkage with the other processes and the definition, albeit still tentative, of quantified targets (ETUC, 2004).

Concerning the major priorities laid down in the Joint Report for the next two years, the ETUC recalls that the first of these priorities – investment in active labour market measures – is all too often put into practice by the Member States as activation measures at any cost, without really generating the wherewithal for long-term social integration. The ETUC calls for social activation that is respectful of the most disadvantaged groups, providing them with both up-front assistance in finding employment and subsequent help in coping with the return to work. A clear emphasis must also be placed within this priority on quality of work. Activation must mean the take-up of lasting employment which provides a reasonable income enabling a person to emerge from poverty and social exclusion; it must not mean enforced take-up of low-quality, poorly paid jobs. That only promotes the development of the “working poor” phenomenon. The priorities for the two years ahead should be clarified in this respect, according to the ETUC.

The second major priority – ensuring that social protection schemes provide effective work incentives for those who can work – tacitly stigmatises the “voluntarily” unemployed. The ETUC responds by recalling that benefit eligibility conditions in most Member States have become increasingly restrictive while at the same time jobs are difficult to access, for personal reasons (little or poor education) and also due to a lack of jobs and discriminatory attitudes. The ETUC moreover asks that greater prominence be given in this context, in particular by providing examples, to the message being put out by the Commission ever since 1997, namely that social protection is not merely a cost but also a factor of production contributing to economic growth.

The ETUC would also like to see more emphasis given to the issue of access to services, especially services of general interest ⁽¹⁰⁾, and points out that the strategies of Member States are contradictory in this respect: on the one hand the stated intent of the NAPs/incl is to promote access

¹⁰ On this subject see also the Opinion on social inclusion from the European Centre of Enterprises with Public Participation and of Enterprises of General Economic Interest (CEEP, 2003).

to services, healthcare and high-quality, affordable housing, while on the other there has been a disengagement on the part of the public authorities – to the extent of privatising these goods and services – and a reduction in social welfare coverage. The net effect has been to exclude the most disadvantaged groups from access to these services.

It is regrettable, in the ETUC's opinion, that the NAPs/incl still say as little about the budgetary and human resources allocated to combating poverty and social exclusion as did the first round. To adhere to the objectives laid down in Lisbon, it is necessary not merely to redeploy existing resources but also to release new ones. The tax-cutting strategies being pursued by the Member States give cause for concern here, since they could deprive governments of the means to fulfil their aspirations.

Finally, the ETUC also regrets that the Joint Report deals with the involvement of the social partners in just two paragraphs, and considers that a more thorough analysis of ways of bringing about their participation would be worthwhile. There should be greater incentives for Member States not to confine consultations to imparting vague information about Plans that have already been virtually finalised, where the opportunities to respond are minimal. Rather, the social partners should be involved in the early stages of drafting, especially on the issue of employment which is ever-present in the NAPs/incl.

The European Anti-Poverty Network (EAPN) and ATD Fourth World International have likewise examined the National Action Plans and issued their recommendations (EAPN, 2003; ATD Fourth World, 2003). These two organisations have broadly similar views, but due to a lack of space we shall comment here mainly on the arguments put forward by EAPN.

According to EAPN, the governments did not respond thoroughly enough to the commitments made in Lisbon and Nice when formulating the second round of NAPs/incl. There was insufficient political momentum, and hence the European social model is in jeopardy, especially on the eve of EU enlargement. The existence of a European process and the obligation to draw up National Action Plans have nevertheless kept the fight against poverty and social exclusion on the political agenda.

EAPN stresses the need to examine whether the Plans have led to in-depth analysis in the Member States of the impact exerted by policies on poverty (“poverty-proofing”) and to a mainstreaming of this issue within other policies. Progress is still needed in this regard, and EAPN also points out that the Plans lack a strategic vision and clear numerical targets.

The NAPs/incl should also be assessed in terms of their capacity to mobilise all relevant bodies. The realisation of this objective, one of the most innovative in the social inclusion strategy, requires time, resources and funding. Further, the relevant bodies at European level should be involved in a more structured fashion, be it within the Social Protection Committee, the Community Action Programme Committee or the organisation of the annual Round Table on social inclusion.

3. Preparation for enlargement

Enlargement to take in ten new Member States is the greatest challenge being faced by the European Union’s institutions and policies alike, most notably in the fields of social cohesion and inclusion. According to preliminary studies carried out for the Commission, large sections of the populations in these countries lack access to some basic services and facilities, unemployment is high and social protection systems are not sufficiently developed in order to provide secure income to elderly, sick or disabled people. In some of these countries, the social situation of ethnic minorities, of children and of mentally ill persons raises serious concerns.

The situation appears less clear-cut as concerns low income and its distribution. The Commission states in its Report on social inclusion: *“It is possible to infer from comparative social indicators based on national data, as well as studies, that large sections of the populations in the applicant countries live on low income (...) On the other hand, income inequality is generally lower”* (CEC, 2003c: 11). The data deriving from the EU structural indicators ⁽¹⁾, however, which are the official barometer for monitoring the Lisbon

¹¹ <http://europa.eu.int/comm/eurostat/Public/datashop/print-product/EN?catalogue=Eurostat&product=struct-EN&mode=download>.

strategy, paint a much subtler picture. For instance, in 2001 the rate of poverty risk (60% of median income) was 15% for the EU and just 13% for the acceding countries (7 countries). Indeed, the Czech Republic had the lowest poverty rate of all the 25 countries (8%), and the poverty rates in Hungary and Slovenia were similar to those of the best-performing EU Member States. The highest poverty rates in the acceding countries were of the same order as those in the Mediterranean countries. All of which certainly contradicts the stereotypes (and fears) uppermost in the minds of the EU population about overwhelming poverty in the acceding countries, but it likewise runs counter to empirical observations carried out in particular by NGOs and other meticulous observers of social circumstances in these countries, who report widespread poverty especially in rural areas and former industrial regions. Thus it is difficult at present to form a proper, quantitatively substantiated, idea about poverty in the acceding countries – not least because, in the absence of standardised data, Eurostat is obliged to calculate poverty rates for the acceding countries on the basis of differently structured national sources. One of the specific, and sizeable, challenges of enlargement will be to improve the statistical capabilities of the acceding countries, just as it still remains a challenge for the Fifteen and for the European Union as a whole.

The EU began to prepare and involve the acceding countries in the social inclusion process back in 2002. DG Employment was tasked with initiating bilateral co-operation with the acceding countries, focused on the formulation of Joint Inclusion Memoranda (JIM). Basically, the purpose of the JIMs is to identify the major social challenges, to define broad policies either underway or in the pipeline, and to single out some key political issues for further analysis. The JIMs were signed in December 2003¹². This process should enable the acceding countries to gear themselves up for full participation in the social inclusion process which is to begin around mid 2004 with the submission of their first National Action Plans for the period 2004-2006. The NAPs of the new Member States will therefore be out of synch with those of the

¹² The JIMs are available on the Commission's website at: http://europa.eu.int/comm/employment_social/soc-prot/soc-incl/jim_en.html.

existing Members (2003-2005), a fact which begs the question of a coherent OMC for all 25 countries in the future; this question needs to be resolved so that everyone can fall into step in the future.

Another specific question mark placed over the social inclusion process by EU enlargement is what significance the incoming countries attach to the issue of poverty and social inclusion, and also to the inclusion OMC itself. As the Commission points out, *“In a general context where the concept of social exclusion as defined above is still rather recent and where there is a risk that the promotion of social inclusion may be seen as a secondary goal subordinate to competitiveness or economic growth, it will be essential to emphasise the complementarity between policies and strategies aiming for economic growth and social cohesion”* (CEC, 2003c: 11). It will therefore be essential to promote, and fully justify, the “philosophy” of the European social model as a factor of production. Mainstreaming social inclusion as an issue across all Union policies will without doubt be even more difficult in a Europe of 25. Nevertheless, enlargement may – indeed it must – have some positive effects on the process of social inclusion.

4. Future of the OMC on social inclusion

Another key change of context affecting the social inclusion process in 2003 was brought about by a streamlining of the various processes underway in the European Union, primarily in the light of the Lisbon strategy. Throughout the Union’s existence, a large number of Community co-operation policy processes have been grafted onto one another, making it a rather complex task to monitor all of these processes as well as to ensure that they all send out similar political messages. Thus there was a need to move towards a more integrated approach to governance, acknowledging the interdependence and complementarity of economic, monetary, employment, social and environmental policies. This approach was first introduced by the Lisbon strategy, which defined a “virtuous triangle” consisting of economic, employment and social policies.

Two sides of this triangle – economic and employment policies – were streamlined in 2002 (CEC, 2002b). The Commission then moved on to streamlining the social protection process (comprising the OMCs in the

fields of social inclusion, pensions and healthcare) and bringing them into line with the other sides of the Lisbon triangle (CEC, 2003b).

The Commission proposes to synchronise the OMCs underway in the field of social protection with the employment and economic policies, and also to streamline the social processes. This entails creating a standardised process based on a common set of objectives – concerning healthcare, pensions and social inclusion – and simplifying the procedures for submitting reports: there would be just one triennial strategic report, complemented as from 2006 by shorter annual updates in the intervening years. This should mean that by 2006 the social processes will be in step with those of the European Employment Strategy and the Broad Economic Policy Guidelines. The Commission has moreover proposed that the first Joint Report on social protection and inclusion should be published in 2005.

This Commission communication provoked a number of reactions both from certain Member States, from the social partners speaking with one voice (CEEP *et al.*, 2003), and from civil society (EAPN, 2003, ATD Fourth World, 2003). There was a remarkable convergence of views among all these bodies on two points. They all welcome and endorse the need for better co-ordination of the various processes. However, at the same time they all stress that it is vital not to lose the momentum built up in a number of Member States through the formulation and monitoring of the NAPs/incl; the OMC on social inclusion must not be lost from sight amidst the other OMCs in the field of social protection, and separate national Plans must continue to be drawn up. These comments were taken up in an opinion of the SPC (SPC, 2003), subsequently adopted by the Employment and Social Affairs Council in October 2003 (Employment, social policy, health and consumer Council, 2003: 13). The Commission has in addition been asked to submit to the 2004 spring Council a high-level document conveying a coherent, integrated policy message corresponding to the key aspects of the various OMCs in the field of social protection.

Conclusion

Whereas there can be no doubting the progress made in the second round of the OMC on social inclusion, there is still a long way to go to achieve the Lisbon objective of substantially reducing, or even eradicating, poverty by 2010 through the creation of a more inclusive society. Analysis of the National Action Plans reveals that many of them still lack a strategic, integrated view of how to tackle the multiple challenges posed by poverty and social exclusion. Few of the Plans are based on clear, quantified targets reflecting a strategic, planned approach at national, regional and local level. Important cross-cutting dimensions, in particular gender equality and non-discrimination towards immigrants, still barely feature even though they were explicitly called for. Efforts are also required to improve the visibility of the NAPs as vectors of debate and strategy at national – but also local – level. Similarly, the participation of the various responsible bodies must be stepped up, even though some headway certainly has been made here, especially by involving them in the formulation of some parts of the NAPs as from their inception.

The OMC on social inclusion will also have to confront two major new developments in the years ahead. EU enlargement poses the challenge of how to operate a co-operation based method among 25 Member States whose circumstances, social protection systems and priorities are different. Persistence will be required to ensure that social inclusion remains a priority issue for all countries, and all the various stakeholders have an important role to play in this respect. As for streamlining the different processes, whereas this would seem desirable with a view to better dovetailing the social, employment and economic dimensions of the Lisbon strategy, a degree of caution will be required in order that the process for combating poverty and social exclusion is not diluted in the general pool but retains its own specific goals. The Lisbon triangle can only be a virtuous one if all of its three sides are properly balanced.

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