

# PROBLEMS IN THE FORMATION OF THE COMMON EU SOCIAL POLICY

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***Abstract.** European Union social policy is a popular subject of research in the academic circles and is an important topic for its every member state and its citizens. The formation of a common social policy in the EU has an interesting history and related issues, thus this article is an attempt to find out why certain difficulties are encountered in the integration of social affairs, and to offer certain suggestions for their improvement. The aim of this study is to reveal the problems encountered in the formation of common EU social policy in the context of its development. The article presents some analysis of the history of the development of the European Community to determine the position of the goal to have a common social policy in the integration processes and the attention is given to the examination of the variety of social policy models in the EU member states as one of the problems of the integration of social policy. Furthermore, using an analysis of the academic literature, this article evaluates the main social policy management-coordination measure – the Open Method of Coordination, and presents the arguments highlighting its inefficiency, comments on its structure and organisation, and suggests the ways of improving this method.*

***Key words:** European Union social policy, Open Method of Coordination.*

## Introduction

Rapid economic development has necessitated the appearance of social policy in the developed countries of the world. Integration and globalisation processes of the European Union (EU) could not avoid social affairs – from the middle of the 20th century the EU was known worldwide for its welfare states, otherwise acclaimed as having a unique social policy model. It is a collection of ideas concerning the social justice, social

solidarity and social protection widespread and implemented throughout Europe. The reason behind the appearance of the social policy was to maintain social equality, i.e., defend weaker market participants, not to allow them to become vulnerable, provide support and protection, and guarantee acceptable standards of living. Prior to 1970s social welfare systems in the EU served as an example for the rest of the world – they functioned relatively smoothly and a

large majority of the aims were achieved. However, they were soon forced to face great challenges, such as EU expansion and integration, growing competition among member states for investments, and globalisation processes that had a negative impact on the states' social security systems. Falling birth rates, increasing average life expectancy, population migration processes, growing income inequality and the existing social exclusion, on the one hand, challenged the survival of state social security systems, and on the other, raised the need to bring uniformity to and reform social policy systems, thereby guaranteeing the social welfare of citizens across the whole EU territory. After the Lisbon Strategy (2000), which aimed at turning the EU into "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", the European Commission chose the Open Method of Coordination (OMC) for the implementation of the Lisbon Strategy aims, and moving towards the formation of a common EU social model. As an EU member state, Lithuania has also been actively involved in this coordination process since its accession to the EU. Thus, the formation process of a common EU social policy is as important for every EU member state, as for every citizen of an EU state.

The main aim of the given article is to reveal the problems encountered in the formation of the common EU social policy in the context of its development. The study starts from the shared scholars' opinion that in the development of the European Community, the integration of social

policy was not given adequate attention, and this area was among the lowest in priority. Comparing the achievements made in creating a free, single market, the monetary union and regional policy on the one hand, with social affairs on the other, the common European social policy stage is usually evaluated as merely an initial step in the process. In this work the following questions are analysed: what social policy models exist in EU member states and how does their variety affect the formation of common EU social policy; how does the chosen social policy coordination measure – the OMC – help to meet the aims of the EU social policy; and finally, what are the main shortcomings of the OMC in the field of social protection? The object of the research is the EU social policy and its coordination process. The topic is important in the context of the present day globalisation, and uncontrollable and dynamic economic development since, on the one hand, the financing of social policy measures demands greater tax burdens, thus negatively influencing the competitiveness of the country in the world. In other words, the EU cannot implement the ambitious aims of the Lisbon Strategy of 2000 regarding social cohesion, full employment and other areas. The following methods were employed in the preparation of this study: a systemic analysis of the academic literature, a general and comparative analysis and generalisations, and the analysis of documents and expert opinions. The article consists of four parts. The first part gives the analysis of the chronology of EU development with the aim of determining the position of the social policy in EU integration processes.

The second part concerns the validation of the variety of social policy models on the current EU territory. The third part gives a summary and comparison of the academic literature that analyses the efficiency, effectiveness, advantages and disadvantages of selecting the OMC. Finally, the last part of the article presents a detailed analysis of the disadvantages of the OMC in the field of social welfare, and offers suggestions for its improvement.

The OMC only really started to be implemented in the coordination of social policy in recent times, which is why it has received special attention. But before that, it would be worthwhile to analyse why in general the coordination of social policy is necessary and important in the EU member states.

### **The Variety of Social Policy Models in the European Union**

The EU aims to form a common social policy are especially aggravated by different social policies pursued by member states. There are many social security measures programs designed to operate in various areas of social policy: unemployment, pension systems, disability and invalidity, health care, long-term care, family assistance, etc... In the countries located in the current territory of the EU There are no two similar social policy models in the countries located on the current territory. Over the last twenty years the European social model has been a particularly popular research object in the academic community. Academics are interested in what social policy models exist, how they can be categorised, and what their similarities and differences are.

To compare the practical characteristics of the social policy programs implemented by EU member states, the following Tables present systemised information on the sources of financing of the temporary disability and unemployment social programs and the respective benefit payment rules; beside each country there is a brief overview of the academic debates concerning the country's social policy classification into the suggested models, with the 15 old EU member states shown in Table 4, and the 10 new states in Table 5.

It is important to note the importance of Social expenditure / GDP ratio (Boeri; 2002) in the classification of social models. Tito Boeri has made the study according to Eurostat data of 2002 and confirmed the social policy classifications according to this criterion. In his study, the Continental and Northern social models have this 28 percent ratio; Anglo-Saxon model – 24,98 %, Southern model only 22,5 percent. According to the Eurostat data of 2008, the below picture presents the view of social model dependence on SE / GDP, % ratio.

As can be seen from the analysis of these academic studies, there is no unanimous opinion about all existing social policy models. Their classification into types depends on methodology, the selected dimensions and the scope of the analysis. In different academic literature sources the same country may be identified as having a different social policy model in place, which leads to the conclusion that the EU faces a huge challenge – too many different social policies in the member states hinder the process of forming a common social policy model. The OMC, which has been

**Table 4. Information on financing sources and benefit rules for temporary disability and unemployment social programs and the variety of social model classification in the EU-15.**

	<i>Temporary disability</i>	<i>Unemployment</i>	<i>Social policy model</i>
Austria	Employer and insured individuals' contributions, taxes. Employer pays 50 % EW for up to 4 weeks, insurance covers 50 % EW, from day 43–60 % EW.	Employer and employee contributions, taxes cover the deficit. Unemployment benefits depend on the insurance period and age, from 20 to 52 weeks.	Social Democratic (Espring-Andersen, 1990), Bismarkian (Ferrera, 1996), Continental (Bonoli, 1997), Corporatist (Korpi and Palme, 1998), Old European (Ferreira and Figueiredo, 2005)
Belgium	Part of common policy - common contributions, state subsidies, alternative financing from the GDP, depending on needs. In case of illness employer pays 100% EW for 7-14 days, thereafter insurance pays 60% EW.	Part of common policy - common contributions, state subsidies, alternative financing from the GDP, depending on needs. Unlimited benefits payment period.	Social Democratic (Espring-Andersen, 1990), Bismarkian (Ferrera, 1996), Continental (Bonoli, 1997), Corporatist (Korpi and Palme, 1998), Old European (Ferreira and Figueiredo, 2005)
Denmark	Taxes and employee contributions. Employer pays 14 days EW based on hourly rate.	Employer and insured individuals' contributions. Unemployment benefits paid for 4 years, with the possibility of extension for persons aged 55 or more.	Social Democratic (Espring-Andersen, 1990), Scandinavian (Ferrera, 1996), Northern (Bonoli, 1997), Basic security (Korpi and Palme, 1998), Old European (Ferreira and Figueiredo, 2005)
Finland	Subsidies, insured individuals' contributions. Employer pays full EW until day 9, thereafter insurance pays fixed allowance per day.	Taxes, state, employer and employee contributions. Unemployment benefits paid for 500 days.	Conservative (Espring-Andersen, 1990), Scandinavian (Ferrera, 1996), Northern (Bonoli, 1997), Encompassing (Korpi and Palme, 1998), Old European (Ferreira and Figueiredo, 2005)
France	Taxes, employer and employee contributions. DEmployer pays difference from the insurance benefit, which is 50% of EW, 66.66 % of EW if receiver has 3 children.	Employer and employee contributions, state subsidy. Dependent on age and insurance period, unemployment benefits payment period varies from 4 - 36 months.	Conservative (Espring-Andersen, 1990), Bismarkian (Ferrera, 1996), Continental (Bonoli, 1997), Corporatist (Korpi and Palme, 1998), Old European (Ferreira and Figueiredo, 2005)
Germany	Taxes and employee contributions. Employer pays EW for 6 weeks, thereafter insurance pays 70 % EW	Taxes and employee contributions. Benefits are paid for 12, 16, 20, 24 months, dependent on insurance period.	Conservative (Espring-Andersen, 1990), Bismarkian (Ferrera, 1996), Continental (Bonoli, 1997), Corporatist (Korpi and Palme, 1998), Old European (Ferreira and Figueiredo, 2005)
Greece	Employee and employer contributions (for those insured before 1993). Employee and employer and state financing (for those insured after 1993). Employer does not pay EW, whole EW covered by insurance plus supplements for any dependants.	Employer and employee contributions. Unemployment benefits paid for 125 days if had been employed for 5 months, then respectively: 150 days - up to 6 months ; 180 days - up to 8 months, 220 days - up to 10 months; 250 days - up to or more than 12 months.	Southern (Ferrera, 1996), Southern (Bonoli, 1997), Mediterranean (Ferreira and Figueiredo, 2005)

	<i>Temporary disability</i>	<i>Unemployment</i>	<i>Social policy model</i>
Ireland	Employer and employee contributions, taxes. Employer does not pay EW, illness allowance 185.80 EUR per week plus supplements for any dependants.	Employer and insured individuals' contributions. Unemployment benefits paid for 390 days.	Liberal (Espring-Andersen, 1990), Anglo Saxon (Ferrera, 1996), British (Bonoli, 1997), Basic security (Korpi and Palme, 1998), New European (Ferreira and Figueiredo, 2005)
Italy	Employer contributions. Employer pays EW for up to 21 days, but no more than 180 days in a year, from day 21 insurance covers 66.66% of EW.	Employee and employer contributions. Unemployment benefits paid for 210 days, and for 300 days if aged over 50.	Conservative (Espring-Andersen, 1990), Southern (Ferrera, 1996), Southern (Bonoli, 1997), Corporatist (Korpi and Palme, 1998), Mediterranean (Ferreira and Figueiredo, 2005)
Luxembourg	Employer and insured individuals' contributions, subsidies. Employer pays full EW for month of illness and 3 months thereafter.	Special tax, subsidies. Unemployment benefits paid for 365 days with the possibility of extension in certain cases.	Bismarkian (Ferrera, 1996), Continental (Bonoli, 1997),
The Netherlands	Employee contributions. Insurance covers 70 % of EW, daily maximum - 174.64 EUR.	Employer and employee contributions. Short term unemployment benefits paid for up to 6 months. EW-dependent benefits paid for as many months as number of years worked, for no more than 38 months.	Social Democratic (Espring-Andersen, 1990), Bismarkian (Ferrera, 1996), Basic security (Korpi and Palme, 1998), Old European (Ferreira and Figueiredo, 2005)
Portugal	Taxes, employer and employee contributions. Employer does not pay EW, insurance covers 65 % of EW for up to 90 days, 70 % - up to 365 days, 75 % - over 365 days.	Taxes, employer and employee contributions. Unemployment benefits paid dependent on work period and age, at least 270, at most 900 days.	Southern (Ferrera, 1996), Southern (Bonoli, 1997), Mediterranean (Ferreira and Figueiredo, 2005)
Spain	Taxes, employer and employee contributions. Employer pays 60% of EWa from 4-15 days, thereafter insurance, from day 21 - 75% of EW.	Employer and employee contributions. Benefits are paid from 4 - 24 months, dependent on contributions in last 6 years.	Southern (Ferrera, 1996), Southern (Bonoli, 1997), Mediterranean (Ferreira and Figueiredo, 2005)
Sweden	Employer contributions. Employer pays 80 % of EW from day 2-14. Thereafter insurance covers 80 % of set coefficient.	Taxes, employer and insured individuals' contributions. Unemployment benefits paid for 300 days, possibility to extend to 600 days.	Social Democratic (Espring-Andersen, 1990), Scandinavian (Ferrera, 1996), Northern (Bonoli, 1998), Encompassing (Korpi and Palme, 1998), Old European (Ferreira and Figueiredo, 2005)
United Kingdom	Taxes, employee and employer contributions. Employer pays 72.55 GBP per week of illness from 4 days to 28 weeks. Insurance pays a fixed sum per week as a supplement.	Income tax, employee and employer contributions. Unemployment benefits supported by contributions paid for 182 days. Benefits based on EW - unlimited, so long as unemployed status conditions are met.	Liberal (Espring-Andersen, 1990), Anglo Saxon (Ferrera, 1996), British (Bonoli, 1997), Basic security (Korpi and Palme, 1998), Old European (Ferreira and Figueiredo, 2005)

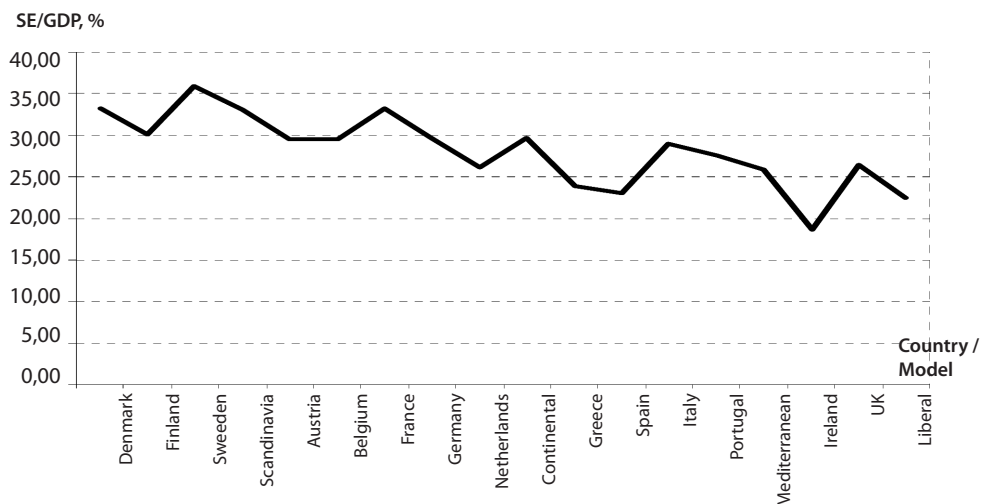
Compiled by the author according to the data from MISSOC (Mutual Information System on Social Protection). EW – employee wage

**Table 5. Information on financing sources and benefit rules for temporary disability and unemployment social programs and the variety of social model classification in the EU-10.**

	<i>Temporary disability</i>	<i>Unemployment</i>	<i>Social policy model</i>
Bulgaria	Employer and insured individuals' contributions. Employer pays 100 % of EW until day 15, thereafter insurance pays daily benefits - 80% of average of daily wage over last 6 months.	Employer and insured individuals' contributions. Benefits paid for 4-12 months, depending on period of insurance.	
Cyprus	Budget, employer and insured individuals' contributions. Employer does not pay EW, 60% of EW covered by insurance, plus any dependent supplements.	Budget, employer and insured individuals' contributions. Unemployment benefits paid for 153 days.	
Czech Republic	Employer and insured individuals' contributions, taxes. Employer does not pay benefits, for first 3 days allowance is 25% of daily EW, thereafter 69% daily EW.	Employer and insured individuals' contributions. Benefits paid for 6 months if under 50, 9 months if aged 50-55, 12 months if over 55.	East European (Soede et al., 2004), Old European (Ferreira and Figueiredo, 2005)
Estonia	Employer contributions. Employer does not pay EW, insurance covers 80 % of EW in case of illness.	Employer and insured individuals' contributions, taxes. Unemployment benefits paid for 180 days if insurance period up to 56 months, respectively: for 270 days if from 56-110 months, 360 days if over 111 months.	East European (Soede et al., 2004), New European (Ferreira and Figueiredo, 2005)
Hungary	Taxes, employer and employee contributions. 85% of EW covered by employer for up to 15 days, insurance covers 70-60 % daily EW depending on insurance period.	Employer and insured individuals' contributions. One day's benefit paid for every 5 days worked, but no more than 270 days of benefits paid.	East European (Soede et al., 2004), Old European (Ferreira and Figueiredo, 2005)
Latvia	Budget, taxes, insured individuals' and employer contributions. Employer pays 75% of EW for 2-3 days, 80% of EW for 4-14 days, thereafter insurance covers 80% for up to 6 months.	Employer and insured individuals' contributions, budget (for receiving categories). Unemployment benefits paid for 9 months.	East European (Soede et al., 2004), New European (Ferreira and Figueiredo, 2005)

	<i>Temporary disability</i>	<i>Unemployment</i>	<i>Social policy model</i>
Lithuania	Insured individuals' and employer contributions, taxes. Employer pays 80-100% of EW until day 2, thereafter insurance covers 85% of EW.	Employer contributions. Unemployment benefits paid for 6 months for insurance period of up to 25 years, then respectively, 7 months for 25-30 years, 8 months for 30-35 years, 9 months for 35 years or more.	East European (Soede et al., 2004), (Guogis, 2002), New European (Ferreira and Figueiredo, 2005)
Malta	General budget, employer and employee contributions. Collective treaties outline a decided period during which employers pay full EW. Insurance covers dependent supplements.	General budget, employer and employee contributions. Unemployment benefits paid for up to 156 days.	
Poland	Insured individuals' contributions and taxes. Employer pays 80% of EW for 33 calendar days, thereafter 70-80-100 % of wage is covered by insurance.	Employer contributions and taxes. Dependent on unemployment levels in the region, age and the insurance period, unemployment benefits are paid for 6, 12 or 18 months.	East European (Soede et al., 2004), New European (Ferreira and Figueiredo, 2005)
Romania	Subsidies, employer and insured individuals' contributions. Employer pays allowance up to 5 days, thereafter social insurance covers 75% of EW, 100% of EW in case of serious illness.	Employer and employee contributions. Dependent on age and insurance period unemployment benefits paid for 6, 9 or 12 months.	
Slovakia	Subsidies, insured individuals' and employer contributions. Allowance equalling 25% of 1.5 x average state EW paid for 3 days, -55% for up to 10 days.	Subsidies, insured individuals' and employer contributions. Unemployment benefits paid for 6 months, or 4 months if work contract was terminated.	East European (Soede et al., 2004), New European (Ferreira and Figueiredo, 2005)
Slovenia	Employer and insured individuals' contributions, taxes. Illness allowance of 80-90-100 % paid for first 30 days by employer, thereafter - insurance.	Employer and insured individuals' contributions, taxes. Dependent on age and insurance period unemployment benefits paid between 3-24 months.	Old European (Ferreira and Figueiredo, 2005)

Compiled by the author according to data from MISSOC (Mutual Information System on Social Protection). EW – employee wage



Picture 1. Social Expenditures % of GDP, Year 2006.

Compiled by the author according to data from Eurostat.

proven in the coordination of social affairs, should help to work effectively towards the formation of a common social policy model. Whether this is the case will be revealed later in the article.

### Efficiency of the Open Method of Coordination

Since the signing of the Maastricht Treaty, “soft law” management measures have been employed in the implementation of the EU activities. Such is the title given to the control measures that are based on voluntarism, education and the sharing of best practices (Sand, 1998; Teague, 2001). These measures are known as the voluntary participation in an exchange of information, the voluntary preparation of national action plans, formation of work groups and non-obligational meetings and discussions on topics such as the implementation of the employment strategies, boosting social cohesion, spread of innovation, the information society, environment protection, etc...

One of the first measures of this kind was economic coordination, used to implement the European Employment Strategy and to create the monetary union. Naturally, in 2000 in Lisbon, the European Council generalised all the soft law management measures in use to date and gave them the title of Open Method of Coordination (OMC). The European Council internet site states that the OMC is a process consisting of the following stages: firstly, a set of common goals are reached for a particular policy area among the member states (supervised by the European Council); secondly, indicators are selected to assist in the measuring and monitoring of the goal implementation process (supervised by the European Council); thirdly, member states prepare national action plans, where each member state presents how they plan to alter their national policies, so that indicators would reflect the movement in the right direction towards meeting their set goals (supervised by the member states); fourth, national ac-



tion plans and the coordination processes are evaluated (supervised by the European Commission); and the fifth, the Progress program is used to ensure best practices are followed (supervised by the European Commission). In other words, with the OMC, set goals are monitored and supervised, best practices are shared, and there is a scope to share. An important feature of the OMC is that goals and indicators are set at the EU level, while the measures for achieving them are left for the competence of the national governments.

The OMC has received mixed reviews in the academic literature. Certain academics welcomed this management method, claiming it as a long-awaited and necessary innovation that truly encourages the spread

of the European political thought among member states, drawing more participants into the creative process of the policy implementation measures, empowering the parliaments of the member states to produce better quality legislation by employing best practices (Tapio, 2006), speeding up the development process of national measures and creating the conditions for sharing best practice with other member states, thereby creating and fostering EU policy standards (Ekengren and Jacobsson, 2000; Scott and Trubek, 2001). Other academics counter these opinions by trying to evaluate empirically the efficiency of the OMC, and have reached the conclusion that the efficiency of the OMC in the implementation of national policies is poor (see Table 6):

*Table 6. Empirical research on the effectiveness of the OMC and the conclusions*

<i>Authors</i>	<i>Research object</i>	<i>Conclusions</i>
Lodge, 2005	Experiences of Spain, the United Kingdom and Ireland implementing soft law measures in the area of innovation	This control method was not found to have any important impact on national policy in this area.
Featherstone, 2005	Pension reform in Greece	Irrespective of the agreement, pension reform did not commence. The author states, that EU control methods are too weak compared to national government interests and privileges, besides, the consequences of not acting on an agreement are very slight.
Lopez-Santana, 2006	Implementation of the European Employment Strategy in Belgium, Sweden and Spain	It was found that the OMC influenced the policy process of the national governments, but that this did not guarantee any positive results.
Zeitlin, Pochet and Magnusson, 2005	Impact of the OMC on employment and social cohesion policies in various countries	It was found that National Action Plans were used as reports to the EU, but not as actual tools in policy implementation. The OMC was not found to have any direct influence on government political activities in these areas.

Compiled by the author

The overview of the academic literature has led to the conclusion that, as a control measure, the OMC has its advantages and disadvantages. Giving the European Commission a limited authority to influence national social policy measures is an innovative and compromising way of working towards social policy harmonisation. The method itself is more orientated towards the process, where information is shared, there is an active monitoring of the goal achievement, and best practices and achievements are shared. However, as revealed in the empirical research, the actual effectiveness of this method is doubtful. Even in those cases where it was found that the OMC had influenced national government policies, there was no further evidence that those policy changes actually produced any positive results. In other words, national governments did not give in to any policies merely suggested by the EU, and they did not necessarily or adequately orient their active measures according to OMC goals. It is no wonder that the OMC is identified as a soft law method in the academic literature. It should be noted, that one of the main disadvantages of the OMC is the lack of obligation to implement any agreements, and the lack of sanctions for failing to meet any obligations (Szyszczak, 2006). Although the method is theoretically complete and logically sound (traditional organisational strategic management model < Mission -> Vision -> Strategy -> Long-term goals -> Short-term goals -> Monitored tasks measured by indicators), it is universal and can be ideally applied in the various country management areas, it cannot be efficient if it is employed only as a theoretical mea-

sure, avoiding the set goals and preparing only reports rather than realistic national plans that are meant to serve as tools for implementing policy measures.

To summarize this part of the article, it can be concluded that although the OMC simplifies the spread of information about the EU policy in action among the member states, and is beneficial in learning and sharing best practice, it is not an efficient way to control the national governments in the formation of a common social policy. In addition to this, as will be revealed in the next part of the article, the practical organisation of the OMC in social affairs also has many shortcomings.

### **The OMC in Social Affairs**

The European Commission's Communication "Working together, working better: A new framework for the open coordination of social protection and inclusion policies in the European Union" presents goals that are intended to formulate a common EU social policy, that shares several common features: the wording is too broad and vague, which is why the vision cannot be seen, perceived?, and undefined terms are used. The objectives presented in the communication may be analysed according to the way they have been grouped into four fields. The first, fundamental objectives, seek "social cohesion, equality between men and women and equal opportunities for all through adequate, accessible, financially sustainable, adaptable and efficient social protection systems and social inclusion policies", "effective and mutual interaction between the Lisbon objectives of greater economic growth, more and better jobs and greater social cohesion, and

with the EU's Sustainable Development Strategy", "good governance, transparency and the involvement of stakeholders in the design, implementation and monitoring of policy". It must be stressed, that European member states need to agree on the terminology of how to define concepts such as social cohesion, social inclusion, what is equality between men and women and good governance, and many other frequently used terms. In order to reach some specific definition, the boundaries of these terms must be unavoidably identified. If this is not case, each EU member state is free to make its own interpretation. With this disparity unresolved, it is difficult to relate the set indicators with the fundamental objectives, which means that it is not clear how their implementation can be measured. In the author's opinion, the most important shortcoming in the formulation of the fundamental objectives is that there is no mention of the family policy to counterbalance demographic problems, which are in effect the reason why the the European social model needs to be reformed. Analysing the objectives of the second area – social inclusion, the will to help everyone, using all measures, including all members of the society everywhere is not completely realised. The objective to "ensure access for all to the resources, rights and services needed for participation in society, preventing and addressing exclusion, and fighting all forms of discrimination leading to exclusion", sounds more like a declaration, firstly because the first part is overly broad, to the extent that it is not clear what in fact i is meant. Every individual is unavoidably a memeber of the society, and in particular with regard

to the EU, participation is dependent on the individual's free will, ability and inclination to use any available resources and services. The second part, dealing with the fight against exclusion and discrimination, must use defined terms and introduce the actual indicators. The objective in the field of social inclusion to ensure "active social inclusion of all, both by promoting participation in the labour market and by fighting poverty and exclusion" is basically a different formulation of the first objective. There are more generalisations in the objective to 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". What is good coordination, or efficient and effective policy direction? The only merit of this objective is the definition of clear policy areas, however, the use of "including" once again leaves the true meaning open to interpretation.

The greatest number of faults is found in the third area – Pensions, where the first objective is to ensure "adequate retirement income for all and access to pensions, which allow people to maintain, to a reasonable degree, their living standard after retirement, in the spirit of solidarity and fairness between and within generations". First of all, using elementary logic, it is clear that it is impossible to promise "adequate retirement income for all". People are too different in their personal needs, thus claiming something to be adequate

for all is not feasible. Would it not be more logical to state that a set minimum pension sum be guaranteed, identifiable by an indicator of a clearly determinable size (average statistical wage, past salary earnings, minimum living standards, etc...) and add that the government is obliged to facilitate the conditions for people to seek a higher pension (either through the insurance market, state or private, via state funds, or investment instruments, etc...). Similar comments may be made about the right living standard, which is also understood differently by different people, while the solidarity and fairness principle between and within generations demands a separate theoretical analysis starting with an explanation of terms, and finishing with potential problems in implementation in the context of the negative demographic trends. The same applies to the second objective, to ensure “the financial sustainability of public and private pension schemes, bearing in mind pressures on public finances and the ageing of populations, and in the context of the three-pronged strategy for tackling the budgetary implications of ageing, notably by: supporting longer working lives and active ageing; by balancing contributions and benefits in an appropriate and socially fair manner; and by promoting the affordability and the security of funded and private schemes”. A rhetorical question arising from this objective is as follows: does the solidarity principle between generations apply when a man who has worked his whole life and solidarily paid his taxes to support the older generation himself needs to (or is encouraged to) extend his period of employment and delay retirement, which simply means refusing

his access to a remarkable part of his earned pension. In addition, the formulation of this objective reveals what is hidden between the declarative lines of the objective of having “adequate pension systems” – the budget, as the “budgetary implications of ageing” need to be “tackled”. How is it possible to ensure balanced “contributions and benefits in an appropriate and socially fair manner” if firstly, the balance between contributions and benefits is constantly fluctuating and is highly dependent on the number of people who will learn to use cleverly the system for their own needs, and secondly, it is not clear just what the “appropriate and socially fair manner” is. Finally, the last objective to 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”, only adds to the substantiality of the questions raised earlier. People’s needs are too different and multi-faceted for such formulations to appear realistic and implementable.

The fourth area – Health care objectives – are the best and most clearly formulated of all mentioned. It is right that the state is obliged to ensure “access for all to adequate health and long-term care and that the need for care does not lead to poverty and financial dependency” – an open question arises, how should we understand the term “an adequate health and long-term care system”. The implementation of such system and its functioning should be included into the common objectives. Some of the features of this system are described

in the objective “to ensure quality in health and long-term care and by adapting care, including developing preventive care, to the changing needs and preferences of the society and individuals, notably by developing quality standards reflecting the best international practice and by strengthening the responsibility of health professionals and of patients and care recipients”.

Another problem with the OMC in the field of social affairs is that the indicators selected for monitoring results are divided into groups according to the social policy area, and not according to the established common objectives. Their quantity is astounding in its volume. The indicators system comprises four groups, which are described in Table 7 below:

**Table 7. Open Method of Coordination indicators for Social affairs, measuring the achievements of the commonly agreed social policy objectives.**

<i>Indicator group</i>	<i>Indicators</i>
Overarching indicators	At-risk-of-poverty rate by age, relative median poverty risk gap, healthy life expectancy by age, early school leavers, people living in jobless households, projected total public social expenditures, median relative income of elderly people, care utilisation, employment rate of older workers, at-risk-of-poverty rate among employed, activity rate, regional disparities - coefficient of variation of employment rates.
Social inclusion indicators	At-risk-of-poverty rate by age, gender, work activity, household type, activity level, inequality of income distribution, long-term unemployment rate, early school leavers, low reading literacy performance of pupils, persons with low educational attainment by age and gender, dispersion around the at-risk-of-poverty threshold.
Pensions indicators	At-risk-of-poverty rate by age, gender, work activity, household type, activity level, inequality of income distribution, employment rate by age and gender, regional disparities, employment rate of older people, median relative income of elderly workers, total current pension expenditure (% of GDP), effective labour market exit age, projections of pension expenditure, total social protection expenditures, gender differences in relative income of older people.
Health care indicators	Infant mortality, total health care expenditure as a % of GDP, proportion of the population covered by health insurance, self-perceived limitations in daily activities, self-perceived general health, public and private expenditure as a % of total health expenditure, pharmaceutical product expenditure, number of health specialists, number of hospital beds.

Compiled by the author according to the European Commission’s “Portfolio of Overarching Indicators and Streaming Social Inclusion, Pensions, and Health”, Brussels, 2006 07 07.

Analysys of the common objectives and the set indicators makes it clear why the efficiency of the OMC was rated so poorly in the academic literature. If there is no clear relation between the set objective and the indicator, which would help to measure the implementation of the objective, it is hard to talk about the results of efficiency. . For example, does the objective to ensure “the active social inclu-

sion of all, both by promoting participation in the labour market and by fighting poverty and exclusion” mean that the aim is to reach 0% unemployment among all age groups, both in the older person’s age group, and in regional unemployment indicators? Perhaps a natural unemployment rate could serve as a balance point and the numerical expression of the given objective? How can the aged people’s income

indicator, poverty indicators, and expenditure on pensions as a percentage of GDP reveal whether “adequate retirement income for all and access to pensions, which allow people to maintain, to a reasonable degree, their living standard after retirement, in the spirit of solidarity and fairness between and within generations” are really ensured? These examples illustrate the existing divide between the objectives and the measurement indicators. It should be noted, that member states can present their own conclusions on the achievements in certain policy areas in their national action plans, which is why it is necessary that guidelines for changes in indicator evaluation are set, thereby blocking the way for different interpretations. For example, public system expenditure on health as a percentage of total health expenditure in Austria in 2000 was 68.9%, 72.1% in Belgium, 80.9% in Great Britain and 85% in Sweden. The question arises, how this data should be evaluated, whether it is good or bad, how the achievement should be evaluated the following year when the indicator will have fallen or increased? At present, member states prepare national action plans and reports in a free manner (i.e. there is no set template used by all) and have every opportunity to make their own interpretations of their achievements in the area of social policy. In the author’s opinion, a significantly more transparent and correct method would be to use standardised national action plan and report forms, where upon entering indicator values they would be automatically evaluated.

Thus, the objectives raised in the Communication are too general, very unclear, misleading and unattainable. Even creating

the broadest objectives, it would be worthwhile remembering the SMART business objective model introduced in the management studies (author unknown), according to which objectives must be Specific, Measurable, Achievable, Realistic and Timely. Objectives that are formulated ignoring the SMART recommendations are no more than attractive sounding declarations and have a meagre influence on the improvement of the work that realistically has to be done. It would be much wiser to dare agree on and inform the EU citizens what the boundaries of obligation under a common EU social policy model are, i.e., what boundaries the EU states for its goals in the various fields of social policy. If the problem, that the desired common objectives are overly broad, is addressed, it would be possible to apply a strategic organisation management model, which firstly formulates a vision (How do we see ourselves in the future?), and only then formulates the goals and objectives for bringing the vision into being. . In July, 2008 the European Commission announced its communication “A renewed commitment to social Europe: Reinforcing the Open Method of Coordination for Social Protection and Social Inclusion”, which informed that the European Commission had reflected on the comments from the academic community and was trying to implement some of its recommendations. In this communication, the Commission admits that “(...) fighting poverty and social exclusion, ensuring pension adequacy and sustainability, ensuring equitable access to health and long-term care – remains a challenge”. Recommendations are that the Social OMC be strengthened by:

1) increasing political commitment and the visibility of the process; 2) strengthening the positive interaction with other EU policies; 3) reinforcing the analytical tools underpinning the process, with a view to moving towards the definition of quantified targets and enhancing evidence-based policymaking; 4) increasing ownership in Member States, by boosting implementation and enhancing mutual learning. There is no doubt that this step made by the European Commission is very positive as it shows that the OMC is being improved as a process seeking greater effectiveness. Unfortunately, the communication does not mention either the necessity of an enforcing obligation, or sanctions, or the need to detail social policy objectives and relate them to the indicators used to measure them. In the author's opinion, it is necessary that EU Social policy objectives be more specific and the indicator system be simplified, that national achievement evaluation tools be introduced, that the European Council be convinced to agree with more effective management measures and that the OMC be supplemented with the opportunity to enforce obligations and apply sanctions where necessary.

## **Conclusions**

This article has started from the general opinion that the fundamental problem with the formation of a common social policy model – compared to the achievements of the EU in fields such as a single market and free trade, a single customs system, the monetary union, and the free movement of people, the formation of a common social policy is today, only in its initial stage.

The difficulties in the formation of a common social policy process have been compounded furthermore by the fact that today the EU consists of 27 member states, each implementing different social programs and social policy measures. The analysis of the academic literature completed as part of this study showed, that at least five social policy models characteristic of the EU states were found in the academic theory. Social policy models differ in the degree of state intervention into the public social life and the obligation to guarantee their citizens a certain acceptable standard of living. That is why the second fundamental problem concerning the formation of a common EU social policy is a great variety of models in operation in the member states and their differences.

It is understandable that with the great variety in the social policy systems, it is necessary to find and apply the best common social policy formation method. The model chosen for the coordination of social affairs in 2000 at the signing of the Lisbon Strategy was the Open Method of Coordination. This measure, as was revealed in the analysis of academic literature, was more educational in nature and a process for sharing best practice, rather than an effective management tool for policy implementation. The main shortcomings of the OMC were identified as the lack of obligation and no sanctions for failing to carry out the activities set out in the agreements reached.

The study finds that the reasons for the inefficiency of the Open Method of Coordination may be related to several fundamental social policy formation problems: the objectives raised in the field of social affairs are too broad, the same applies to

the indicators, that are impossible to relate to the common objectives. The agreed common objectives contain many faults unrelated to their essence and meaning: they are unspecific, unmeasurable, unattainable and unrealistic, they have no set time-frame, and have been formulated by means of vague and undefined terminology. The worth of the indicators that are meant to measure the degree of achievement of the objectives, regarding their volume and comprehensiveness, is lost. The gap between the objectives and the indicators is left too open to a broad and free interpretation by the member state officials who do the work. It is also not clear how indicators and their fluctuations should be assessed. The article suggests that the social policy coordination system be simplified, its common objectives as well as its indicators, and that someone be daring enough to give a more specific description of the powers behind the issue and obliga-

tions to meet the EU social policy model to a certain degree in every field of social policy.

When this study was being prepared, the European Commission announced it was strengthening the OMC in the field of social affairs. The analysis of the Commission's communication showed that governments should be encouraged to take on obligatory agreements, the system should be more transparent and there should be more information-sharing concerning the implementation of the agreements. However, it was found that the recommendations of the academic community to legalize the adoption of obligations and the application of sanctions if the agreements were not implemented had been ignored. This is why the comments and recommendations of this study remain relevant in the renewed coordination of the formation processes for a common EU social policy model.

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