

# EU Social Policy after Lisbon\*

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## Abstract

This article focuses on the Lisbon strategy, the latest 'moment' in EU social policy. Following developments up to the end of 2005, it seeks to assess the significance of the poverty/social inclusion open method of co-ordination in terms of what it indicates about the EU's engagement with social policy. The article proceeds by interrogating a series of arguments for and against significance. It considers in turn different interpretations of: the functions and rationale of the EU policy process on poverty and social inclusion; the application and unfolding of the method of open co-ordination in this particular policy domain; and the politics underlying it. In elaborating the *sui generis* aspects of EU social policy especially as associated with Lisbon, the analysis discusses the possibility that social policy is developing its own dynamic at EU level. However, although significant elements can be identified, the relative fragility of poverty and social exclusion within the EU policy portfolio is highlighted. It is there but lacks firm foundation.

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## Introduction

From the perspective of social policy, there are two main questions about the agreement reached at Lisbon in 2000 and the subsequent unfolding of social policy in its wake. The first is whether Lisbon represents a significant engagement with social policy on the part of the EU, which up to now has been

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something of a slowcoach in relation to social policy. The second question is how one is to interpret the new EU policy focus on poverty and social exclusion. This choice was neither automatic nor self-evident and yet scholarship has tended to overlook this particular focus of policy in the rush to examine the open method of co-ordination (OMC) as a novel method of governance. The analytic endeavour here is to elaborate the OMC as applied to poverty and social exclusion as a form of social policy-making on the part of the EU. This requires that EU social policy be doubly contextualized: in terms of its own history and also as to how it has been explained and studied. Determining significance, therefore, is treated as a relatively complex analytic exercise, addressed in terms of a number of key propositions suggested by a consideration of both the nature of EU social policy to date and how it has been viewed by the literature.

The article is organized into four parts. The first sets the context, a key purpose being to note critical features of EU social policy *qua* social policy. The second section briefly outlines how poverty and social inclusion have been elaborated as part of the Lisbon process. It is intended as a general introduction before the third part moves on to consider a set of questions focusing around whether Lisbon represents a significant departure for EU social policy. A final overview section brings the article to a close. By way of clarification, a few words are in order on my use of terms and the analytic focus. In relation to 'Lisbon' or the 'Lisbon process', while it has broadened over time to take in a number of social policy fronts (such as pensions and healthcare), poverty and social inclusion are at the forefront of its treatment of social policy. Given this and the fact that this is the most 'social' of the different policy areas processed under the OMC, the analytic focus of the piece is the 'social inclusion OMC'. The article focuses its assessment of Lisbon on the social policy orientation of the EU at central level, as expressed in key policy documents, rather than on the 'domestication' of EU policy at Member State level. This is not to deny the significance of the latter, but to make it clear that its organizing interest directs the piece to policy formation and paradigm development rather than policy implementation.

## **I. Taking Stock: The *Acquis* of EU Social Policy**

When approaching EU social policy, one is faced with a generally fragmented literature, riven not just by focus and conclusion about subject matter but also by originating discipline and approach. It is suggested that the literature on EU social policy be thought of as comprising three main strands. One – the largest – holds that the EU has at best a 'social dimension' in that its social policy is hollow and, over time, halting and limited. Mainly the product of

work within a political science canon, the EU is judged harshly for not having achieved systemic change in national social policy and convergence towards a supranational model of social policy. The second literature has a different departure point and focus. The product of, if not exactly, social policy specialists then, scholars who focus explicitly on social policy, this literature espies a particular logic and integrity to EU social policy. While it would not be so bold as to lay claim to a coherent body of social policy for the Union, it does hold that the EU has an articulated social policy in a number of key domains (for example, worker protection, health and safety in employment, equal opportunities between women and men). Thirdly, there is a more sociological literature which maintains that, to understand EU social policy, one must look beyond it, to the EU's engagement with, if not European society, then a European social realm. In this, the smallest and generally newest literature, the EU is represented as carving out a social space for itself which allows it to fashion key aspects of social identity, institutions and social relations in the Member States, as well as a social sphere that transcends national boundaries. Social policy, then, is not an end in itself.

The study of EU social policy, while not a strong field in its own right, is a rich literature and, among other things, has served to advance understanding of conventional social policy in a number of respects. It has, for example, forced some rethinking of the constituent elements of social policy. It is not unusual to see social policy at EU level defined to include matters relating to labour (especially labour mobility), unemployment, workers' rights, industrial health and safety and gender equality – fields that have not generally been seen as core constituents of social policy on the European landscape. The analytical gaze has also turned on the extent to which the EU is a different if not unique model of social policy. There is, for example, an obvious asymmetry between EU and nation-state social policy: EU social policy is most hollow in the domains that are considered the core of social policy at national level, that is, social protection and income redistribution. EU social policy lends itself well to the study of the relationship between social policy and market-related processes. Scholars such as Leibfried and Pierson (1995), Streeck (1995) and Scharpf (2002) have scouted this trail to differentiate between a social policy that is market-creating and one that is market-correcting. Consideration of the boundaries between economic policy and social policy has led to theorizing about form and function. Majone (1993, 1996), for example, has utilized EU developments to elaborate a regulatory model of social policy. Regulatory social policy seeks, and draws its legitimacy from, the resolution of problems created by market failures in regard especially to public goods, negative externalities and information, whereas social policy as we know it in nation-state guise has been more concerned with redistribution, correcting for socio-economic

insensitivities or failures of the market. Research on the EU has also treated matters of legitimacy and subsidiarity and how these impact on social policy. In particular, it has been argued by Majone (1996) that the EU's legitimacy rests on the separation of efficiency from redistribution and that one reason why the EU fights shy of social policy is that it secures legitimacy by maximizing economic efficiency. By implication, the EU will engage with social policy to the extent to which it is efficiency-enhancing.

In effect, the distinctiveness of EU social policy stands out, especially in relation to national welfare states. For a start its purpose is different: not part of state-building and group identity and placement as at national level, but providing the underpinnings for a European integration project that is envisaged foremost as market integration. The distinctiveness of the key values underlying EU social policy is also noteworthy – for example the importance attributed to both subsidiarity and a competitive form of solidarity marks it out as quite unique. In terms of substance or content, EU social policy lacks the core notions of social protection and redistribution that are synonymous with social policy at national level. The methods of policy-making in the EU also have their distinct aspects: strong emphasis is placed on a rationalist model of policy-making and also on discursive processes. Hence, when studying the EU, lexicon is as valid a focus of analytic enquiry as is policy programme. Finally, there is the (broad-ranging) agency around policy-making. EU social policy is notable for its commitment to social dialogue, its promotion of social partnership and the involvement of civil society actors and for the role of the European Court of Justice, a non-state supranational legal agent.

All of this richness and complexity notwithstanding, the over-riding image conveyed by the literature on social policy as it has emerged within the aegis of the EU is negative, a 'frozen landscape' (Carmel, 2003, p. 1). EU social policy has been given relatively short shrift by scholarship, either because it does not conform to social policy in the image of the nation-state or is too shallow and hollow. One of the most pervasive themes in the literature is that social policy issues are addressed at EU level almost entirely through measures consistent with policies designed to advance the market, and that where social policy measures exist they are largely passive and represent some kind of spillover effect. The story told is often of how 'unsocial' is the EU policy repertoire, but there are some countercurrents in the literature also. One focuses on (the particularity of EU) agency. Within this general framework, Falkner (1998) argues that a state-centric perspective ignores the growing importance of European-level actors (such as the Commission and social partners). She represents policy development in terms of joint preference formation, a process leading to the emergence of a corporatist policy community. A second literature turns its back on the functionalist *v.* intergovernmental debate to suggest that the significance

of EU social policy lies in how it serves to construct and create a social sphere or space for EU action which in turn has dynamic effects on European identity and European society (Carmel, 2003; Savio and Palola, 2004). The view here is that the EU's governance extends deep into Member States, not necessarily through social policy as it is conventionally understood, but rather in terms of shaping discourses and processes through subtle patterns of influence on and insinuation of particular values, ways of thinking and agency.

A review of existing scholarship, then, underlines the specificity of EU engagement with social policy to date. There is little about it or its depiction that would lead one to anticipate the emergence of an EU-driven focus on poverty and social inclusion.

## **II. The Lisbon Strategy and Process**

That is what happened in 2000 in the Lisbon spring. The main components of the Lisbon process of social inclusion comprise: the conclusions of the European Council meeting at Lisbon (March 2000), the elaboration of the objectives on poverty and social exclusion agreed at the Nice European Council (December 2000) (updated at the Laeken meeting in December 2001), the benchmarks drawn up by the Social Protection Committee (in May 2001), the two rounds of national action plans submitted to date by the EU-15 Member States and the one round submitted by the ten new members, as well as the feedback reports issued jointly by the Council and the Commission on these plans. It is important to underline that none of these is static in that Lisbon is continually being reworked, not just because it is a process and was initially no more than a blueprint, but also because as the showcase EU strategy it has been subject to quite intensive review and assessment. In fact, one should think of Lisbon in terms of two phases: before and after the period of vigorous interrogation marked by the report of the high-level group chaired by Wim Kok in 2004 (Commission, 2004). With 2005 as the break year, a revamped or 'new Lisbon strategy' was put in place in which, to cut a long story short, growth and jobs were designated as overarching objectives. This will be discussed further below.

As is now well known, the agreement reached in 2000 offered both a model of future EU development and a policy-making methodology to realize it (Council of the European Union, 2000). In terms of vision, the watchword of Lisbon was 'knowledge-based economy' focused on jobs, competition and social cohesion. The challenge that the Union set for itself is to 'make the EU the world's most dynamic and competitive economic area'. In relation to social policy, the overarching rhetoric is of 'modernizing social protection', a theme that has appeared for some ten years now in EU discourse on social policy (albeit

interpreted or represented in different ways). Lisbon interpreted this mainly in terms of bolstering the sustainability of social benefits (especially pensions) and promoting social inclusion. The underlying philosophy is of activation, which is seen primarily in terms of adapting education and training systems for more specialized learning (and on a lifelong basis), raising employment and employability, sustaining pensions and generally taking advantage of the potential offered by the new knowledge-based society for reducing social exclusion. The suitability of national welfare state configurations for this challenge is the sub-text – if social protection has to be modernized and the European social model reconfigured, then national welfare states are, by implication, old-fashioned, their view of social protection an artefact of a ‘pre-modern’ age. In terms of approach, Lisbon codified a methodology based on common guidelines, review and deliberation, consolidating and expanding a form of policy-making that had been operating since at least 1997 in the field of employment policy and even earlier in the case of economic policy. This process involves Member States agreeing on a set of non-binding common objectives and engaging in a series of rounds of planning and review activities with the aim of progressively establishing a European-wide framework of analysis and action. The process is rooted in an understanding of policy-making that emphasizes problem-solving and policy development and learning through peer review, dialogue, soft incentives, normative reflection and experimentation. The main expression of policy is the production of national plans on poverty and social inclusion on a biennial basis. These are then subjected to review by the Commission and also to peer review and the resulting evaluative report is issued with the imprimatur of the European Council.

At the Nice Council in December 2000, the fight against poverty and social exclusion was elaborated in terms of four general objectives:

- to facilitate participation in employment and access by all to resources, rights, goods and services;
- to prevent the risks of exclusion;
- to help the most vulnerable;
- to mobilize all relevant bodies.

Taken together, these objectives spell a broad-ranging social programme, covering participation, prevention, assistance and political mobilization. The further elaboration of the objectives spells out how they are to be achieved (Commission, 2000). It is to these objectives that Member States were supposed to direct themselves in their biennial social inclusion plans (known as NAPS/incl). The objectives serve a similar function to guidelines in the processes for employment and economic policy. As of December 2005, two sets of plans have been submitted by the EU-15, the first in June 2001 and the second

in July 2003. The ten new Member States submitted their first plans in July 2004. In 2005 the EU-15 Member States submitted implementation reports, where they were required to outline progress and impact in implementing the 2003 plan and provide an update on actions proposed for the 2005–06 period. A five-year Community action programme (2002–06) was also put in place with the purpose of funding co-operative and complementary research, review and networks across Member States.

The evidence-based nature of the process was sharpened by the outcome of the Council meeting at Laeken in December 2001 which agreed a common set of indicators (identified by the Social Protection Committee – the group of ‘policy experts’ that service the social inclusion process) – which has guided the process since (with some minor adjustments). Eighteen indicators in all were agreed on, ten primary and eight secondary. Welfare, in the primary indicators, is constructed around four axes: income, employment, education and health. Together, the ten primary indicators constitute a mix of micro and macro references and focus on income poverty risks, income distribution, regional cohesion in employment, long-term unemployment, jobless households (distance from labour market), early school leaving, literacy, life expectancy and health status.<sup>1</sup> Work on refining and extending indicators has continued, with the Luxembourg presidency in 2005 organizing a major review of how well served the Lisbon process is by the available data and indicators (Atkinson *et al.*, 2005). This is in line with the general push from the Commission and Council over time to sharpen the strategic focus of the national reports. For the second round of plans, for example, presented in July 2003, Member States were asked to prioritize the setting of national targets and give greater attention to gender issues and immigration as risk factors for poverty and social exclusion. The theme of target-setting is one that has strengthened over time, being especially emphasized since the review undertaken by the high-level group identified an ‘implementation gap’ as a critical failure of Lisbon (Commission, 2004).

### III. Assessing the Significance of Lisbon

What might be significant about all of this? This question is addressed by framing it in terms of three propositions which emerge from a close reading of the literature on the history, role and function of social policy within the aegis of

<sup>1</sup> There are also eight secondary indicators which relate to dispersion around the risk of poverty threshold, at risk of poverty rate anchored at a moment in time, at risk of poverty rate before social transfers, Gini coefficient, persistent risk of poverty rate, long-term unemployment share, very long-term unemployment rate, persons with low educational level.

the EU. The propositions draw on different dimensions, relating to ideology, methodology and politics:

- in terms of policy focus and ideology, the Lisbon embrace of poverty and social inclusion is a continuation of the subsidiary, market-making role attributed to social policy in EU development to date;
- Lisbon does not spell a significant change because its method for progressing policy is weak and ineffectual (in its own right and in comparison with other methods);
- poverty and social inclusion are too far down the EU 'policy hierarchy' to have any real impact.

### *The Ideological Approach of Lisbon to Social Policy*

The relationship between social and economic policy is fundamental here. The EU has primarily been a project of market-making and so, one argument goes, it has not only systematically prioritized different aspects of economic policy but engaged with social policy mainly to the extent that it is functional for the project of market integration. This has meant, among other things, a framing of social protection measures and their reform in terms of their potential distorting effects on market integration and competitiveness. Scharpf (2002) has read the development of policy in the EU over the course of its history in terms of a 'decoupling' of economic and social policy; selective Europeanization of policy domains and functions has led to a higher constitutional status being accorded to economic policy as against social policy and a different legitimizing process for each. There is a counter view. It could and has been argued that Lisbon represents, if not a recoupling of economic and social policy, then at least an intervention that addresses the dichotomy between them at the EU level (Wincott, 2003, p. 544). The process certainly represents itself in such terms: as an 'integrated socio-economic strategy for Europe for the decade to 2010' (Commission, 2003, p. 7). Let us consider the evidence.

From the very first, the relationship between economic and social policy at EU level was cast in ambivalent terms, with the Treaty of Rome, especially Article 117, unclear about whether social progress would follow from economic development or whether it had to be addressed in its own right (Collins, 1975, pp. 17–18). Lisbon may be said to follow in this tradition in that the text of the presidency conclusions tends towards vagueness about the role of social policy (Council of the European Union, 2000).

Moreover, the fact that this and other documents can move hardly without pause for breath between concepts that are from different intellectual universes and spell quite different approaches to social policy (for example, social cohesion, poverty, social in/exclusion) gives some cause for concern. However, this

article takes the view that the objectives elaborated at Nice mark a significant development, in a number of respects. First, they have a strong integral or programmatic character. Second, they are unambivalent and multi-causal in their view of poverty and social exclusion. So, rather than concentrating on access to the labour market only, they cover the key dimensions of welfare and anti-poverty policy such as access to social services (with social protection, housing, health, education and justice, among others, expressly mentioned), measures to prevent exclusion (with access to technology, the prevention of life crises and the promotion of family solidarity specifically mentioned, as well as culture, sport and leisure) and measures to help particular 'disadvantaged' groups (especially those with disabilities, those at risk of poverty and children). This is in many ways a textbook analysis of social exclusion, although it might be said to lack the cumulative and progressive character of social exclusion as identified in academic work (Silver, 1994; Barnes, 2005).

However, the content of policy is not the whole story. What also matters in relation to the present argument is the service to which policy is put and how it fits into an overall framework and philosophy. In this regard also there are grounds for seeing Lisbon as a continuation of the past; in other words as strengthening the role of social policy as a productive (as against protective) factor. There is no doubt but that in Lisbon the market and employment are seen as primary *loci* of integration. This, true even in the first phase of Lisbon, has been strengthened in the last year. In terms of underlying approach, there are visible elements of what Streeck (2001, p. 26) has called 'competitive solidarity' wherein 'supply side egalitarianism' prevails, with policies aiming not for decommodification but for the creation of equal opportunities for commodification. This approach tends to frame the role of the state in terms of investment in productive capacities, especially in the human capital endowments of individuals. Dynamism and flexibility are the sub-text – ideally these are envisaged as properties of both individuals and social security systems which should be active in their own welfare and sufficiently reflexive and 'intelligent' to know when they have to change. Chalmers and Lodge (2003, p. 10) view the outcome of Lisbon as a colonization of the welfare state by the economic policy-making process, rather than an economic policy that is sensitive to social concerns.

But there are strong countercurrents also to the claim that Lisbon embodies a productivist welfare model. The following are among the most noteworthy:

- The market is not the overarching or sole reference point for social inclusion. Certainly if one takes the Nice objectives (which are intended to provide the frame of reference for the OMC social inclusion in the absence of guidelines as in the economic and employment processes),

only one (actually part of one) relates to the market and treats inclusion as inclusion in employment. While admittedly the first objective, the fact that it is set alongside the goals of prevention of the risks of social exclusion and of helping the most vulnerable dilutes a potential overarching market focus. Moreover, the Nice objectives are framed not in terms of market categories but in non-market categories: those who ‘people’ them are children, persons with disabilities and ‘women and men at risk of facing poverty’.

- The Nice objectives contain a vision of the ‘good society’ – one where people have access to a range of social goods, where family solidarity prevails, where life is not blighted by crises and where, politically, all relevant actors (and especially those experiencing poverty and social exclusion) are mobilized and involved. One could summarize this dimension by saying that the community is seen as a social and political (rather than just economic) community.
- The Nice objectives also contain a vision of the role of social policy. This is an expansive vision, one which certainly goes beyond minimum standards. Moreover, although the exact policies to achieve the desired objectives are not spelled out, in theory redistributive measures are within the frame and implementing the Nice objectives is not without costs for Member States.
- The significance of Lisbon in identifying and framing poverty and social exclusion as European problems should not be forgotten (Tucker, 2003, p. 46). While it is not the first time that poverty has been the object of EU attention, Lisbon has instituted a process to address this domain of Member State policy. This is a huge change because, in the past, poverty has tended to be addressed by the EU by time-limited programmes which funded a small number of anti-poverty oriented projects and activities on the ground in Member States.

Most fundamentally of all perhaps, it is difficult to reconcile a focus on poverty and social exclusion with market-making policy. Markets can easily operate with current levels of poverty and efficiency is impaired only to the extent that costs associated with maintaining the poor or socially excluded rise to an unacceptable level. All of the above considerations lead to the suggestion that ‘the social’ has an additional meaning in Lisbon, that is, additional to or beyond the market.

However, this should not be over-interpreted. One must be wary of seeing social inclusion as either embedded or settled in the EU landscape. The recent ‘almost disappearance’ of the social OMC is evidence of its fragility as an EU priority. The report of the high-level group and the Commission’s response

to it make it clear that social inclusion is not accepted by an important group of policy actors within the EU system (Commission, 2004, 2005a, b). Such actors took advantage of political changes in the Council and the Commission, as well as renewed anxieties about the differential growth performance of the European and US economies, to push for a reorientation of the Lisbon strategy that would see inclusion as no more than a descriptive characteristic of labour markets, subordinate to the pursuit of higher rates of growth and employment, while reducing the role of the OMC in favour of 'national reform programmes'. This reorientation did not go unchallenged, however, provoking sharp resistance from within the Parliament, Commission and the Council, as well as from social NGOs and trade unions. This 'coalition of socially-oriented actors' succeeded in securing significant modifications to the Commission's proposals to the spring 2005 Council meeting. In the event, the Council affirmed that 'social inclusion policy should be pursued by the Union and the Member States' (Council of the European Union, 2005).

The social inclusion programme as envisaged has not survived intact, however. For one, the original Nice objectives are in the process of being reframed. A recent document from the Commission recommends the following as the overarching objectives for the OMC for social protection and social inclusion: ensure the active social inclusion of all by promoting participation in the labour market and by fighting poverty and exclusion among the most marginalized; guarantee access by all to the basic resources, rights and social services needed for participation in society; ensure that social inclusion policies are well co-ordinated and involve all levels of government and relevant actors (Commission, 2005c). This could be seen as a 'watering down' of the original objectives. Even if one is willing to hold out against such an interpretation, there are other changes that suggest that the second phase of Lisbon is considerably less social than the first. The prioritizing of jobs and growth serves to cast social exclusion in a subservient role. Moreover, the merging of the economic and employment processes could be seen to isolate the social OMC further, increasing the distance between it and the other processes and removing the employment process from the bridging role it played between the economic and financial, on the one side, and the social, on the other. Although 'mutual reinforcing feedback' is promised, there is a strong sense in which the social OMC is cast adrift of the newly integrated economic and employment policy, in terms, for example, of method (the newly reformed economic and employment process is based on partnership rather than OMC), reporting schedules and status in relation to the European Council and the new Lisbon strategy overall.

It is difficult to draw conclusions at this stage. However, there are three important points to take from all of this: Lisbon goes beyond the pragmatic

orientation of EU social policy to date in instituting and developing a policy programme to combat poverty and social exclusion as social problems; poverty and social exclusion have no secure place in the policy programme of the EU; even within their short life span, poverty and social exclusion have been the fundament of political agency, with powerful interests lining up against and for them.

### *Weakness of the Method*

For scholarship, the procedure or method involved in the Lisbon process has proved to be one of its most interesting aspects. The OMC, emerging first in the economic arena<sup>2</sup> but subsequently widely developed in relation to employment policy following the Amsterdam Treaty in 1997, has been seized upon by the academic community as a great research opportunity. Not only has it generated a large volume of scholarship<sup>3</sup> but it has served to shift the motor of EU research from the integration process to how the EU works as a decision-making system (Eberlein and Kerwer, 2002). Most widely, research on the OMC queries its credentials as a mode of governance and explores how it relates to other modes of (EU) governance and its likely effectiveness in overcoming some classic EU dilemmas (such as that between effectiveness and legitimacy).

A form of non-binding steering, the OMC is oriented to modifying not just the outcomes of policy but also, and especially, the process. The focus is on sharing policy experiences and practices, learning from them and adapting European policies to national contexts (de la Porte and Pochet, 2003, p. 27). Its flexible and participatory approach serves to distance it from more established EU methods. Its *modus operandi* is to involve, create even, a community of policy-makers in a policy learning and development process that is fashioned, on the one hand, by guidelines and the use of indicators and, on the other, by monitoring and peer review. While convergence figures among the aims, participation and change have a voluntaristic character to the extent that no formal sanctions are applied. The method places its faith in persuasion and the possibility of naming and shaming. An epistemological process is to the fore and the currency of exchange is knowledge and norms rather than law or legal tenets (Tucker, 2003, p. 14). Instead of a means to achieve harmonization, the method is intended to improve Member States' own policy in the dedicated domains and also to achieve some commonality across Member States (especially in terms of outcomes such as levels and intensity of poverty and social

<sup>2</sup> The new governing mode, although it was not named as such, was established by the Maastricht Treaty (Article 98-104) for the purposes of co-ordinating national economic policies through 'broad economic policy guidelines' and recommendations of the Council. It was again used by the Amsterdam Treaty to develop a co-ordinated strategy for employment (Articles 125-128) (Scharpf, 2002, p. 652).

<sup>3</sup> For a good overview, see Radaelli (2003).

exclusion) and convergence towards overall EU objectives. The OMC aims especially to alter the environment within which policy-making takes place, not least by creating a process engendering a dense level of interaction and learning among policy-makers at different levels.

There are, in essence, two main types of argument against the OMC: its relative strengths or weaknesses *vis-à-vis* other methods, and its force as a change agent.

In the first regard, the argument against the OMC is about what it is not: a 'hard law' procedure that requires states, on the basis of directives and other forms of regulation, to comply with EU prescriptions. In contrast to the characteristic 'hard' approach – the Community method which is rule-bound and top-down – the OMC steers policy through relatively gentle means. *Ipso facto* those wedded to the Community method tend to regard the OMC as inferior (and hardly a method of governance at all) (Chalmers and Lodge, 2003). An important part of the background here is that the relatively low level of social policy-related regulation in the EU's history was always a point of criticism and central to the depiction of the EU as weak on social policy.

There are several things to be said in response to the claim of OMC's relative weakness.

- Apart from placing huge faith in a method that has proved problematic politically and less than optimum from an efficiency perspective, this perspective tends to reify the two approaches as different. This might well be a false dichotomy, to use the phrase of Trubek and Trubek (2005). Developments on the ground as well as research indicate that they cannot be rigidly separated. For example, faced with a supposedly 'hard' governing mechanism like the Stability Pact, Member States have considered themselves still to have leeway for independent action. Moreover, Wincott (2003) has questioned how 'hard' the Stability Pact really is, not least because implementing fines and penalties acts to deplete the key resources of in-group closeness and feelings of belonging.
- In any case the Union has been in the process of changing its mode of policy regulation since at least the 1990s. For example, the use of non-binding processes, such as recommendations, resolutions and communications, has been growing apace, especially in the social domain where they constitute a parallel development to the use of directives (Falkner *et al.*, 2005, pp. 45–54). In a nutshell, it may well be that the goal posts have been moved in that the form of EU governance has changed, and so the use of directives as a counterfactual in EU social policy analysis has a feel of the past about it.

- Furthermore, one must not forget the specificity of the social domain within the EU, policed as it is by the principle of subsidiarity. The origins of the OMC lie in enhancing policy co-ordination in areas that have traditionally been too sensitive for Member States to relinquish to the EU.<sup>4</sup> Hence the OMC is not a substitute for law, it is an alternative approach.

All of this suggests that the use of the Community method as a counterfactual for identifying the weakness of the OMC in developing social policy could be argued to be intellectually flawed.

The second type of argument against the OMC focuses on its capacity to bring about change. A core critique here is that the OMC is just discourse, a talking shop or 'discursive bandwagon' (Radaelli, 2003, p. 32), masking the absence of action and real change. There are grounds for this reservation, in general and also *vis-à-vis* social inclusion. For example, in comparison to the economic and employment policy domain, the OMC on social inclusion is different in key respects: it has no treaty base; Member States are required to pursue common objectives rather than to implement guidelines; there are few if any targets or benchmarks. Moreover, it has few competitive elements: there is no 'naming and shaming' in that the Commission does not issue recommendations to the Member States on corrective actions. Hence, the social inclusion OMC is represented as weaker. But there is another way of looking at it and this involves recognizing the specificity of the social inclusion OMC (in other words the matter of the counterfactual is again at issue). If taken on its own terms, it can be claimed that the social inclusion OMC has led to a process that has been not just sustained but deepened over time. There has been repeated affirmation of Lisbon's goals and the package of causal/moral norms has grown larger and more specific (Tucker, 2003, p. 25). Comparing the first two rounds of national action plans shows, for example, that Member States followed the guidelines more closely in the second round. Although one has to be mindful that the Member States' tendency in their national plans is to report and list developments, one could argue that they have become more accepting of the frame. In addition, successive feedback reports from the Commission and the Council are consistent in their thinking and relatively probing in their analyses of the extent to which Member States adhere to the common objectives. Certainly, there is a consistent thrust to push Member States to adopt a

<sup>4</sup>The legal situation in the Union remains that important areas of social policy continue to require unanimous voting, including social security and the social protection of workers, the protection of workers when their contract is terminated, the representation and collective defence of interests of workers and employers, the conditions of employment of third-country nationals legally residing in Community territory, and financial contributions for the promotion of employment and job creation.

strategic approach, and to be specific and consistent about setting targets and evaluating progress.

A genuine question remains, however, about whether the OMC processes have the capacity to stimulate reform and indeed, generally, to address issues of power holding. One of the key criticisms made of the OMC is that it depoliticizes issues by treating policy domains in relative isolation from one another and emphasizing the technical aspects of policy-making. Both are strong tendencies in the EU. In addition, there is a collective actor problem in the OMC<sup>5</sup> in that the most powerful are arguably not engaged in it and the compulsion to act rests largely on moral grounds. While the OMC creates a discursive space, as Chalmers and Lodge (2003) point out it has been confined so far more or less to elites rather than institutionalizing open access. Finally, the point has to be made that the process of change envisaged by and possible under the OMC is slow and painstaking. This is a problem, especially in a context where Lisbon is designed as a response to a globalization process that is seen to wait for no one.

### *Social Policy and the Political Hierarchy of the EU*

Intuitively, we all know that the EU is a hierarchical arena. If we needed research to confirm this, we would not have to look very far. For the purposes of my analysis and argument, the findings of Tucker (2003, p. 30) are useful. He found from his interviews with key participants in the different EU committees that there is nearly unanimous agreement on the existence of a hierarchy which is seen to take the following form (from highest to lowest): finance, economics, employment, social protection.

There are a number of different ways of interpreting the significance of poverty and social inclusion in terms of political hierarchy. One concerns the degree to which it is the object of policy attention. In this regard, there are grounds to confirm a low status. The relaunched Lisbon strategy institutionalized the updating and integrating of the economic and employment processes, casting the social inclusion OMC somewhat adrift. Separate reporting will continue as part of the renamed OMC on social protection and social inclusion, although the three social OMCs – social protection and social inclusion, pensions, and healthcare and long-term care – are to be ‘streamlined’ or integrated into a single process. This might suggest a lower level of perceived importance of the latter. However, there are two counterposing views. First, rather than being neglected, a process of consolidation of the social inclusion OMC in its own right is underway, headlined by the streamlining of the three social policy domains from 2006 on. Moreover, the timetable for the ‘new streamlined process

<sup>5</sup> I owe this phrasing to Stefan Collignon.

of social protection' is to be fully synchronized with that of the economic and employment processes (Commission, 2003, p. 6). Secondly, there are advantages to remaining separate from the economic/employment policy process. Among these is the chance for the social OMC to develop a coherent identity. Integration at this stage could seriously constrain its 'developmental space'.

A second way of assessing the place of poverty and social inclusion politically is in terms of political agency. In this regard, one could read recent developments to confirm not just the existence of powerful interest groups that oppose social inclusion as a legitimate policy concern at the EU level, but a readiness on their part to take up arms against it. Effectively, those who sought through the 2004 Kok report and the Commission's 2005 spring paper to refashion the Lisbon strategy around growth and jobs were the so-called 'economically-oriented actors', centred around DG ECFIN, the Ecofin Council and the Economic Policy Committee. Yet, while the opposition to the social aspects of Lisbon cannot be denied, such opposition did not succeed. In the event, the 2005 spring European Council reaffirmed the EU's commitment to the fight against poverty and social exclusion (Council of the European Union, 2005). In any case, taken on its own terms, at least part of the significance of the social inclusion process hinges on a political legitimacy that extends beyond the democratic process narrowly conceived. For one of the objectives of the process is to 'mobilize all actors' – an objective that sets the social inclusion OMC apart from all the others. In this regard the evidence on outcomes is positive. One of the most consistent findings of the, admittedly limited, research that has been carried out on the social inclusion OMC is that it has led already to an increase in participation on the part of social partners and civil society actors and also learning 'from the bottom' within and across countries (de la Porte and Pochet, 2003). Indeed, the social inclusion OMC has been identified as being an exemplar in respect of participation by civil society actors (Zeitlin, 2005). More than this, the recent political engagement in defence of social Lisbon could be taken as evidence of the process mobilizing in defence of itself. Lobbying on the part of powerful NGOs that are part of the process, *viz.* the European Anti-Poverty Network and FEANTSA, was critical in the turnaround effected at the 2005 spring Council meeting.

## Conclusion

Writing contemporary history is fraught with hazard. One has the additional problem with Lisbon that it is not just a work in progress, but was the subject of major reform over the period when this article was being written. The metaphor of 'shifting sands' seems an understatement. One implication is that we must remain open not just about the robustness of the answers given,

but also about the questions that should be posed. The systematic review of different types of argument and evidence undertaken here shows that for every 'pro' there is a 'con'. The significance of the social inclusion OMC requires a balanced and, at this early stage, careful judgement. On the basis of the underlying ideas, methods and politics that are involved, what can be said about its significance?

For a start, it seems appropriate to differentiate between outcomes and potential effects that are still in process (simplistically: between the past and present tenses). Proceeding from this departure point, poverty and social inclusion have been brought within the EU policy-making fold and the EU is in the process of elaborating a policy frame for a concept – social exclusion – that has not previously been the basis of a social policy model in any Member State. Moreover, the EU itself can now be said to have a 'process' underway in poverty, social inclusion, pensions and healthcare. Moving to the present tense, the Lisbon OMC is instituting itself as a reference frame for national policy, creating a new reporting and review process on social policy and initiating a dialogue with a range of actors around welfare policy and its reform at national level. Lisbon could also claim to be updating discourse on the European social model, offering a new set of references (in part anyway) and a set of reasons to debate if not change Members States' social protection systems. In sum, the social inclusion OMC does appear to be a significant departure for the EU in that it is serving to raise the profile of issues that are not narrowly oriented towards market functioning, is evolving a new method for advancing social policy issues and has succeeded in routing, for the moment anyway, powerful opposing interests. In this context, the negative thrust of much of the literature seems excessive. However, caution is advised because social inclusion is far from embedded in EU policy or the political landscape. First, an unambivalent case has still not been made for why the EU should have a process in this area. Second, there is a real sense in which the reforms introduced in the process in the last year set the social inclusion OMC adrift of developments governing the economic and employment process. While these reforms are still too new to be assessed decisively, they might spell a diminishing of the social inclusion process in the longer term (as many predict). Third, there are powerful countervailing interests which have shown themselves to be ready (if not eager) to jettison social inclusion from the Lisbon process.

It would be ill-advised therefore to present too stylized or over-interpreted a picture of Lisbon and the social inclusion OMC. It is, on the one hand, contested and still immature and, on the other, flawed. The Lisbon strategy, in both its latest and original versions, is quite unsettled, riddled with tensions and precarious balances, intellectual as well as political. Intellectually, Lisbon asks us to see competitiveness and 'social Europe' as consistent, and to close

our eyes to the fact that the reform programme instituted in its name is, at least in part anyway, contributing to the social ills that it claims to be addressing. It is difficult to ignore the tensions, contradictions even, inherent in the ideas of 'more and better jobs', 'flexibility and security', 'socially adequate and financially sustainable pensions' (Zeitlin, 2005). Politically, tensions arise between the OMC as a form of politicization and at the same time depoliticization, between emphasizing co-operation and imitation and yet also diversity and competition, between bottom-up or top-down (Radaelli, 2003). These tensions (if not contradictions) will not be easy to resolve. There is also another set of reasons as to why the future of the process cannot be foretold at this stage. These reside in what may be termed a 'disjuncture' between the task and the method. There is a real question about whether the method of Lisbon (OMC) is equal to the task – to implement arguably the most expansive vision of EU social policy and effect the greatest inroad into social policy yet on the part of the EU. Can the method carry the weight of the words? However one reads it, Lisbon requires that Member States reinvent their social policy in the image of a policy model that is at best experimental and has nowhere formed the template for a national social policy model. This is to be achieved by a method that places its faith in, and faith it is, the gradual 'conversion' of a range of stakeholders, many of whom have limited power to effect change. One has to question if there is not a flaw in the design of Lisbon in expecting such a mammoth task to be accomplished by a method that is so small, and so alone.

The fact that Lisbon allows for different interpretations poses a series of challenges to scholarship. In the first instance, it directs attention to the counterfactual. Those who look through the lens of 'hard' approaches will be disappointed at the lack of concrete outcomes. For them Lisbon was too vague and wishy-washy to begin with and leaves the power constellation of EU policy unchanged. Others will see 'intervention', and even positive integration, and treat the process as a step in the direction of a convergence process which is organic and derives its legitimacy from its deliberative and participatory nature. Given the schism in the literature between the convinced and the unconvinced, it is vital that scholars make their assumptions and their counterposing models explicit. This seems a minimum benchmark in a context where we have to strain to recognize what exists and what is evolving at the EU level.

Second, it seems indisputable that Lisbon challenges our concepts and methodologies. This article has suggested that the significance of Lisbon has to be interpreted in a three-fold manner: ideologically, methodologically and in terms of agency. The complexity is daunting. In terms of ideology, a more refined argument is needed about the relationship between social and economic policy within the aegis of the EU than is allowed by a neo-liberal interpretation. While it might use different (and sometimes incoherent) terms,

there is no doubt that Lisbon, in both its first and second phases, is concerned about processes and problems that are inherently social in nature. Moreover, Lisbon names these problems as social, seeing them as rooted above all in the declining integrative power of key institutions.

The divergence in EU processes suggests that we need to be specific about our unit(s) of analysis and, in particular, to treat the method together with the domain in which it is being applied. This is not a call for isolated analyses of policy domains but rather to recognize that, in relation to poverty and social inclusion, the method is the licence for EU engagement with the domain. If the EU is going somewhere new with the latest version of policy-making, then we have to see that we have the (range of) tools necessary to study it. Here there are grounds to question whether the widely-accepted differentiation between 'hard' and 'soft' serves scholarship well in the current situation. Hybrids are everywhere, as scholars like Trubek and Trubek (2005) and Falkner *et al.* (2005) point out.

As an innovative form of (social) policy-making, analysis of EU social policy will undoubtedly prove taxing of our frameworks and methods. There is no doubt that it will prove exciting as well.

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