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Convergence and open method of coordination in European social policy

Abstract. The objective of the article is to theoretically characterise the European social policy as an expression of competences of the European Union in social area, its key intervention types, especially focusing on convergence and the open method of coordination (OMC), and to specify ways how they support the achievement of European strategic objectives in social policies of the EU member states. Subsidiarity is predominantly applied in the social sphere. The EU only intervenes in an extent to which the member states cannot satisfactorily achieve the goals of their intended activities, as they can be achieved better at the EU level because of their scope or effects. Harmonisation and the open method of coordination are among the key types of European community intervention in the social sphere. On the grounds of convergence approach, OMC enables the implementation of social strategic objectives for 2020 in national social policies.

Keywords: European Social Policy; Subsidiarity; European Social Intervention; Convergence; Open Method of Coordination

JEL Classification: F50; H50; H55; I00

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Конвергенція та відкритий метод координації в соціальній політиці Європейського Союзу

Анотація. Метою роботи є розгляд теоретичних аспектів, які характеризують європейську соціальну політику як вираження компетенції Європейського Союзу в соціальній сфері, основних видів втручань з акцентом на конвергенцію та відкритий метод координації, а також визначити шляхи досягнення європейських стратегічних цілей у соціальній політиці держав-членів Європейського Союзу. Принцип субсидіарності застосовується, зокрема, в соціальній сфері. При цьому втручання інститутів Європейського Союзу є таким, що не дозволяє державам-членам ЄС достатньою мірою реалізувати свої цілі окремо з огляду на те, що їх реалізація може бути кращою на рівні Європейського Союзу. Застосування принципу гармонізації та використання відкритого методу координації є одними з основних видів втручань інститутів Європейського Союзу в соціальній сфері. Відкритий метод координації на основі конвергенції сприятиме реалізації стратегічних цілей соціальної політики на період до 2020 року.

Ключові слова: Європейська соціальна політика; субсидіарність; конвергенція; відкритий метод координації.

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Конвергенция и открытый метод координации в социальной политике Европейского Союза

Аннотация. Целью работы является рассмотрение теоретических аспектов, которые характеризуют европейскую социальную политику как выражение компетенции Европейского Союза в социальной сфере, основные виды вмешательства с акцентом на конвергенцию и открытый метод координации, а также определение путей достижения стратегических целей в социальной политике государствами-членами Европейского Союза. Принцип субсидиарности применяется, в частности, в социальной сфере. При этом вмешательство институтов Европейского Союза является таким, что не позволяет странам-членам ЕС в достаточной мере реализовывать свои цели по отдельности, поскольку их реализация может быть эффективнее на уровне Европейского Союза. Применение принципа гармонизации, а также использование открытого метода координации являются одними из основных видов вмешательства институтов Европейского Союза в социальную сферу. Открытый метод координации на основе конвергенции позволит реализовывать стратегические цели в социальной политике на период до 2020 года.

Ключевые слова: европейская социальная политика; субсидиарность; конвергенция; открытый метод координации.

1. Introduction. Each phase of European integration has contributed to building social Europe. The member states have not given up their social competences upon the EU formation. According to the Treaty on European Union and the Treaty on the Functioning of the European Union (2008), the EU currently exercises the powers shared with the member states in the determined aspects of social policy and common issues of safety in the matters of public health and economic, social and territorial cohesion. The EU adopts measures to ensure the coordination of employment policies of the member states, especially by defining guidelines for such policies. It can take initiative in order to ensure the coordination of social policies of the member states. It has a power to carry out activities supporting, coordinating or complementing the activities of the member states at the European level in the area of education and training.

2. Brief Literature Review. The issues of social policy in the context of European development have been dealt with by a number of authors, as this sphere is extraordinarily extensive. Buchs (2007) [5] states that a stronger role of the EU in the sphere of social policy faces significant difficulties, as it

could undermine the position of national policies in the sphere of social systems. According to Esping-Andersen and Palier (2008) [8], the national systems of social protection are significantly differentiated. The member states have powers upon organising and managing these systems, which can be classified into certain types, while none of them corresponds precisely to the theoretical model. The authors were also dealing with relationships between the European social model, which has been developed by the European social policy and can essentially be defined as *acquis communautaire*, and individual welfare state models in the EU. Julienne and Lelievre (2004) [10] opine that single market affects these models, which have undergone significant reforms in individual countries. Harmonisation of social security systems is appearing as a spontaneous result of convergence within the market. Creation of a European social protection model is not involved; however, traditional lines separating individual systems are partially fading. Erhel, Mandin and Palier (2005) [7] were dealing with the effects of European social policy on national policies, reflecting the possibilities and limits of measures divided between the national and European levels. Ac-

cording to Radaelli (2000) [15], convergence has been undoubtedly reflected in the development of national employment policies. The open method of coordination was first evaluated by some experts as a manifestation of legitimating the policies from elsewhere. According to Mosher and Trubeck (2001) [11], the achievement of goals identified by means of benchmarks related to evaluation procedures, which do not imply legal or financial sanctions, reduces political restrictions in achieving good results in the sphere of European strategy. Barbier and Galatanu (2004) [2] were dealing with the issues of European employment strategy and national action plans which present the objectives of employment policies and the adoption of effective measures. The European employment strategy implementation had a number of positive effects at the national level, e.g. the so-called socialisation of responsible officials and actors of employment policy at the administrative level, as well as in relation to social partners. A significant report of the French Centre D'Analyse Strategique led by Aubin, Aubry and Giorgi (2006) [1] comprehensively analysed the system of the European social policy and drew special attention to convergence and the open method of coordination. The issues of the significance of community social policy are dealt with by Sapir (2006) [14]. In his view, the EU social standards (acquis) are frequently exposed to the effects of euro-liberalism, social dumping and globalisation. According to Lopez (2006) [3], economic instruments within the European employment strategy have affected the deregulation of labour markets and are connected to European minimum standards. In most of the member states, the European employment strategy has led to the development of forums for dialogue with social partners at the national level. In the context of national employment plans, some countries created a tripartite framework, in some cases even specifically for this purpose. According to Buchs (2007) [5], the open method of coordination represents a new approach of administration to the European social policy. The European social policy, especially the sphere of social protection, is currently focused on the social investment concept, and social policies should converge towards social investment. According to Delors a Dolle (2009) [6], social investment represents a new policy configuration among the state, market and individuals. It is a policy of social investment in individuals and effective and transparent prevention. Bouget, Frazer, Marlier, Sabato and Vanhercke (2015) [4] assessed the overall extent to which there is a social investment approach to tackling key social challenges and to the development of national social policies in their countries. It is clear from their reports that, while most countries have some elements of a social investment approach, the extent to which this is the case varies very widely. According to Palier (2014) [12], the availability of quality and enabling social services has a key role in ensuring the integration of policy measures. According to Frazer and Marlier (2014) [9], a recommendation on «Investing in children» breaking the cycle of disadvantage is a key element of the Commission's Social Investment Package, which sets out a framework that brings together initiatives in a range of key social protection and social inclusion issues (including child poverty and social exclusion).

3. Purpose. To analyse the European social policy as an expression of competences of the European Union in social area, its key intervention types, with the focus on convergence and the open method of coordination, and to specify ways how they support the achievement of European strategic objectives in social policies of the EU member states.

4. Results. The European social policy is not a transposition of national social policies at the European level. It is a common project unifying European nations and encouraging them to support common values while respecting national privileges. It has a significantly smaller area of competences, instruments and specific forms of intervention and distribution as a privilege of national policies is rather of minor importance. The European, respectively community social intervention, is only subsidiary to the intervention of the member states. It includes regulatory intervention (which is focused on

achieving minimum standards common for the member states or the coordination of national instruments, guaranteeing the single market introduction) and redistribution intervention (which is significantly limited by the subsidiarity principle and the level of fiscal costs on which states have agreed. The EU does not provide direct services to European citizens.

Community intervention can take place using different variable ways, which can be divided into four types – harmonisation, coordination, convergence and, as a supplement of intervention, the European financial funds. The substantive harmonisation of laws is applied exceptionally. It is expressed by adopting a set of common rules in the form of minimum requirements, especially in labour law. Coordination is related to e.g. the free movement of persons. It means that upon maintaining their differences, national social protection systems allow, through coordinated functioning principles, the regulation of situations when persons change the member state during their professional career. Convergence is simpler. For instance, in the areas of employment policy, social protection and fight against exclusion, community intervention enables the identification of common objectives and comparison of policies and achieved results using the open method of coordination. Convergence is preferred to harmonisation, as the member states can create their own social models upon solving the existing social problems. It is based on objectives, not on institutional arrangement. Intervention is complemented by the redistribution function of the European social policy. It is a type of intervention where the EU complements national interventions, especially by financial support, which is implemented through the funds created at the EU level.

Social Europe is essentially functioning on the subsidiarity principle. The EU intervenes at the community level only if it is the only adequate manner how it can achieve a necessary scope or results of proposed measures in relation to which the EU does not have exclusive competence. Social policy represents a fundamental area of applying this principle. The member states implement their competences in solving social issues. Areas like employment, health care, social protection or social inclusion have remained in the competence of the member states. Full harmonisation in these areas is in fact excluded. The EU competences in the social sphere are predominantly focused on the issues related to economic integration, e.g. the free movement of workers or fight against discrimination.

The community intervention proportionality principle is applied besides the subsidiarity principle, leading to the identification of what is necessary. In the area of social policies, the EU supports activities of the member states. Under the proportionality principle, competences of the Member States can be respected. Interventions by the EU cannot exceed what is necessary in order to achieve identified objectives.

In the 1990s, a closer integration between economic and social areas started to be searched under the EU conditions. The creation of economic and monetary union was a strategic priority at that time. Since the adoption of the Treaty of Amsterdam (1997), regulation in the social area has mainly had developmental, not normative character. Coordination of policies rather than their harmonisation, and benchmarking rather than monitoring have been applied. The EU requires national policies coordination. The European Commission evaluates these policies and formulates recommendations which are not legally binding for individual states. This new approach was first used in the area of employment. It subsequently expanded to the whole social area as part of the Lisbon strategy. The current priority is modernisation of the European social model and investments in human resources in order to preserve the European social values of solidarity and justice at the current economic performance increase. The open method of coordination and benchmarking create the guiding principle of the implementation of this strategy, and they can be used in different areas of social policy. Standardisation of the European Union is therefore focused on common values and employee protection (e.g. the fight against harassment and discrimination at the workplace).

1. *Development of Convergence to Support the Achievement of Common Social Objectives in EU.* Convergence is currently implemented in the areas of employment, social protection and pensions, fight against social exclusion, systems of education and training and in public health. This type of community intervention has been developing gradually since 1997, when it started to be implemented in employment and later, when it expanded to other social areas. The objectives of national social policies convergence in employment, pensions and fight against social exclusion are defined in relation to the economic orientation of the EU. The European councils in Lisbon in March 2000 and in Gothenburg in 2001 led to the definition of global economic and social strategy for Europe for the following ten years (the Lisbon Strategy). The member states authorised the European Union to act in the areas where it has no competences by specifying convergence objectives. The effects of the strategy were monitored by synthetic indicators specified for each state, which attributed an important place to social sphere – the active employment policy, social integration and social protection modernisation especially from the viewpoint of demographic problems.

The employment policy recorded the most significant and most innovative development in the second half of the 1990s in the context of high unemployment rate. The Treaty of Amsterdam recognised employment as a matter of common interest. The European Council meeting in Luxembourg in 1997 shaped these provisions by specifying four pillars of the European employment strategy. The so-called Luxembourg process included the coordination of employment policies of the member states in accordance with the guidelines for employment and national action plans. The approach which started to be applied in order to implement the European employment strategy has a convergent character and is used in relation to the economic and monetary union. Pensions and the fight against social exclusion are currently approached based on the same logic. The fight against social exclusion was recognised as a policy not sooner than at the end of the 1990s. After the adoption of the Treaty of Amsterdam, the fight against social exclusion was included among the goals of the Community and the member states. A need for community intervention, similarly leading towards convergence in the area of social inclusion, was recognised at the Lisbon summit of the European Council. At its Laekene summit in December 2001, the Council decided to converge pension schemes (part of social protection) on the grounds of three key areas, which are: the preservation of the system's ability to fulfil its social objectives, the preservation of their financial sustainability and the reaction to the development of societal needs.

A significant turning point in the area of education and training systems convergence was a definition of specific European competences in education and training in the Maastricht Treaty (1992). In compliance with the subsidiarity principle, the EU can support and complement steps of the member states in those areas of education and training where quality can be improved by creating the so-called European added value.

The most important reason for convergence in the area of health at the EU level is the fact that benefits in the area of health differ significantly in the EU with regard to geographical location, ethnicity, gender and social and economic status. The EU is seeking access to health in all corresponding policies. There are challenges common for the whole EU, including the ageing population, an access to technological development for all, greater choice for patients and ensuring financial viability.

2. *The Open Method of Coordination (OMC).* The EU has developed the instruments of the so-called soft law in order to be able to respond to the issues of common interest, which are related to the areas where situations in the member states differ significantly and where states want to maintain their autonomy. Convergence methods enable approaching to policies traditionally having a subsidiarity character at the community level.

The European employment strategy implemented OMC as a new work method which started to be applied in order to implement the Lisbon strategy. In this so called intergovernmental method, the Member States are evaluated by other member states (peer pressure) and the role of the Commission is limited to supervision. The European Parliament and the Court of Justice of the EU are almost completely excluded from the OMC process. OMC is predominantly based on identifying and defining common objectives which need to be fulfilled (adopted by the Council); commonly defined measurement instruments (statistics, indicators, guidelines); and on benchmarking, i.e. on comparing the performance of the Member States and exchange of well-established procedures (monitored by the Commission). In its individual areas, OMC includes the so-called soft law, which is more or less binding for the member states. However, it has never had a form of directives, regulations or decisions. In social area, OMC determines the process of exchanging experience and identification of the best-established procedures, which should enable the convergence of social protection national systems in order to achieve common objectives.

The first OMC cycle ended in 2010 and the second OMC cycle is in progress within the Europe 2020 strategy. OMC is predominantly applied in employment, social protection, fight against social exclusion, and education and training. The coordination mechanism created for the area of employment is most formalised from the method viewpoint. The existing integrated guidelines are focused on labour market activation and means to fight against unemployment, mobilisation of resources into workforce and investment in human capital and flexibility in order to adapt to market needs upon guaranteeing the security of workers. The European employment strategy is currently focused on the creation of new and better jobs in the whole EU, while it is based on the Europe 2020 strategy. The strategy is based on the annual growth survey, which specifies priorities of the EU for the upcoming year, aiming at encouraging growth and job creation. The annual growth survey has also been started by the European semester, which supports a closer coordination of national governments in the area of their economic and financial policies. The European semester includes four steps every year. The first step includes guidelines for employment policies – common priorities and employment policy objectives (proposed by the Commission, approved by national governments and adopted by the Council). The second step is a common report on employment which is based on the employment situation in Europe, implementation of guidelines for employment policy and results of the assessments of draft national reform programmes. The third step includes national reform programmes, i.e. reports submitted by governments of the member states, whose compliance with the Europe 2020 strategy objectives is assessed by the Commission. The fourth step includes recommendations for individual member states, which are issued by the Commission on the grounds of national reform programmes assessment.

The OMC application in social protection is interconnected with the impact of single market and European monetary union, which can cause certain problems from the social viewpoint. In order to be able to respond to risks resulting from competition, the member states and the Commission have agreed on strengthening the social dimension in the EU. Within the Europe 2020 strategy implementation, OMC in the areas of social exclusion and social protection is changing to a platform for cooperation, peer review and exchange of well-established procedures in relation to the key initiative of the European platform against poverty. The EU encourages national health policies coordination through OMC with an emphasis on approach, quality and sustainability.

Elaboration of national pension strategies enables a more extensive cooperation between the social and economic spheres. Based on the subsidiarity principle, individual states decide on the selection of financing methods and possible combinations of pension pillars. By means of OMC, the EU supports, monitors and evaluates the impact and implemen-

tation of national reforms focused on the development of adequate pensions and ensuring of pension schemes sustainability. Progress in the EU countries has been achieved especially from the viewpoint of motivation to work longer, support of additional (including private) pension insurance, stronger links between allowances and social benefits, sufficient financial resources for a minimum pension and a minimum income and control mechanisms.

The basic OMC objectives in the area of social protection and social inclusion encompass support of social cohesion and equal opportunities for all through adequate, available, financially sustainable and effective social protection systems and social inclusion policies; close interconnection in an effort to achieve greater economic growth and a higher number of better quality jobs as well as with the sustainable development strategy; consolidation of administration, transparency and participation of interested parties in proposal, implementation and monitoring of policies.

In 2002, as a response to Lisbon Challenge, the European Commission created a detailed work programme called «Education and Training 2010» (ET 2010), which formulated the objectives of education systems and was carried out on the OMC grounds. The existing strategic framework in this area (ET 2020) further applies OMC. Individual political agenda for schools and training is being established («Improving competencies for the 21st century: An Agenda for European Cooperation on Schools», the Copenhagen Process), university education (modernisation of universities, the Bologna Process) and adult learning (mobility and European instruments in lifelong learning).

The current European strategy decade (Europe 2020) includes an objective-based focus on social policies in the member states. The strategy is based on three mutually complementing priorities, which include smart growth (establishment of an economy based on knowledge and innovation), sustainable growth (support of a more ecological and competitive economy which uses resources more effectively) and inclusive growth (support of an economy with a high level of employment, which ensures social and territorial cohesion). Basic benchmarks like convergence objectives, which will be subject to application of the open method of coordination, were identified in the social sphere for 2020. They include the employment level of citizens between 20 and 64 years of age, which should achieve 75%, the share of early school leavers, which should be reduced at a level under 10% and minimum 40% of young people should have university education, and reduction of the number of people under poverty threat by 20 million.

However, the challenges posed by the crisis have led to growing risks of poverty and social and labour market exclusion in many countries. Divergences within and between the member states are also increasing. Public spending on social policies, largely covering pensions and healthcare, comprises around 29.5% of GDP on average in the EU. Securing the sustainability and adequacy of social policies requires that the member states find ways to raise efficiency and effectiveness, whilst addressing key demographic and societal changes. The pressure on public budgets and the risk of structural labour market shortages in the future reinforce the need to modernise social policies to optimise their effectiveness and efficiency, and the way they are financed. It is essential to ensure the best use of existing resources and to avoid potential long-lasting side effects of the crisis, both in the countries with serious fiscal constraints and in the member states that have more fiscal space. Future economic growth and competitiveness require investing in human capital, which lays the foundation for productivity and innovation in the EU.

5. Conclusions. 1. At the community level, convergence methods enable an approach to national policies, which traditionally have a subsidiarity character. They include employment, social protection, fight against social exclusion and education and training. Community intervention enables carrying out the function of coordination and recovery without threatening national competence. OMC as a less formalised

method is applied to rationalise the existing procedures. 2. OMC is an instrument of flexible management, whose objective is the convergence of national policies focused on achieving certain common objectives. It is based on the exchange of information and established procedures as well as the multilateral supervision. It is based on the elaboration of long-term guidelines at the European level including objectives in short-term, medium-term and long-term horizons, which are divided into quantitative and qualitative indicators evaluating the progress of the member states in achieving such objectives. These measures are then incorporated into national policies by the member states, and the outcomes are multilaterally evaluated by the Commission on a regular basis. It is to compare the performance and development of established procedures. The main benefit of this method is its flexibility and ability to contribute to gradual convergence of national policies in the areas where harmonisation with the EU legislation is impossible. Thus, OMC at the European level defines convergence objectives without interfering with national sovereignty. On the grounds of convergence approach, OMC enables the implementation of social strategic objectives for 2020, expressed in the form of benchmarks, in national social policies. 3. However, OMC as a work method has its limits. Its implementation is basically based on the will of the member states. It does not have a binding character and does not specify any sanctions for the member states if they do not meet specified objectives. OMC has limited powers in supporting the convergence of the member states in different EU areas. With regard to certain insufficiencies of this mechanism, it is necessary to improve its functioning in order to enhance its effectiveness and credibility. 4. Opinions on the necessity of social investment, which can contribute to the development and achievement of the strategic objectives identified for 2020, have started to be enforced in the European Union. Social investment thus represents a new social policy paradigm and a new approach to economic challenges, which the European states are facing at present. The objective is to solve occurring social risks and unsatisfied needs and focus on investment strategies in the areas of public policies and human resources, which helps to prepare individuals, families and society for acquiring abilities to adapt to changing social and economic conditions.

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Received 20.09.2015