

3

3e trimestre

2002

44e année

3

3e trimestre

2002

44e année

' Information ' et ' formation ', ce sont là, plus que jamais, deux mots clefs de notre époque et deux exigences auxquelles la Revue belge de sécurité sociale veut souscrire en publiant des articles de haut niveau consacrés aux aspects juridiques, économiques, sociologiques ... de la protection sociale, tout à la fois matière de connaissance et de réflexion pour le lecteur.

Cette politique entend s'inscrire dans le cadre de l'Union européenne. Chaque numéro comporte, donc, une rubrique dédiée à cette fin.

La Revue paraît chaque trimestre en deux versions : l'une française et l'autre néerlandaise. La Revue peut être consultée sur internet :

<http://socialsecurity.fgov.be/bib/index.htm>

' Informeren ' en ' aanleren ' zijn meer dan ooit twee sleutelwoorden van onze tijd. Het Belgisch Tijdschrift voor Sociale Zekerheid wil daartoe bijdragen door kwaliteitsvolle artikelen te publiceren over juridische, economische, sociologische, ... aspecten van de sociale bescherming, die de lezer enig inzicht bijbrengen en hem tevens tot nadenken kunnen aanzetten.

Deze lijn wordt ook doorgetrokken naar het domein van de Europese Unie : elk nummer bevat een vaste Europese rubriek.

Het Tijdschrift verschijnt ieder trimester in twee versies : de ene in het Nederlands, de andere in het Frans. Het Tijdschrift kan ook worden geraadpleegd op het internet :

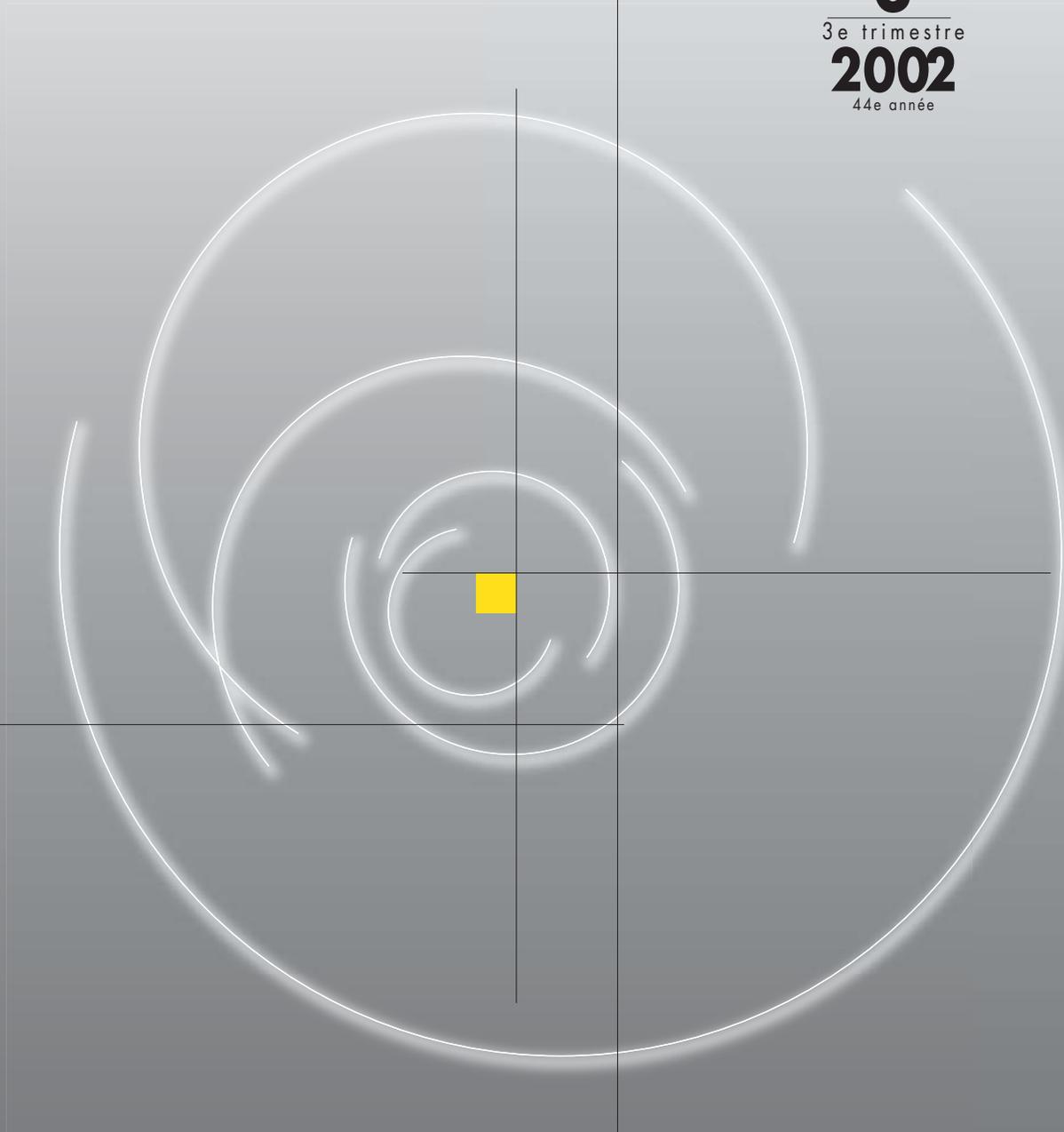
<http://socialsecurity.fgov.be/bib/index.htm>

Ministère fédéral des Affaires sociales  
Rue de la Vierge noire 3c - B-1000 Bruxelles

ISSN : 0035-0834

R e v u e b e l g e d e  
**SECURITE SOCIALE**

R e v u e b e l g e d e  
**SECURITE SOCIALE**



ISSN 0035-0834

Les travaux signés ou reproduits sous le couvert d'une indication de source dans cette publication n'engagent que la responsabilité de leur auteur et ne reflètent pas nécessairement la position ou l'opinion du Ministère fédéral des Affaires sociales, de la Santé publique et de l'Environnement.

# SOMMAIRE

## INTRODUCTION

<b>VERS UNE NOUVELLE ARCHITECTURE DE LA PROTECTION SOCIALE EN EUROPE. UNE CONTRIBUTION DE LA PRESIDENCE BELGE</b>	419
JOS BERGHMAN et KIEKE G. OKMA	

## OPENING REPORT (EXECUTIVE SUMMARY)

<b>A NEW WELFARE ARCHITECTURE FOR EUROPE ?</b>	431
GOSTA ESPING-ANDERSEN, DUNCAN GALLIE, ANTON HEMERIJCK and JOHN MYLES	

## DEVELOPMENTS ON THE EUROPEAN LEVEL : OMC

<b>TOWARDS A NEW ARCHITECTURE FOR SOCIAL PROTECTION IN EUROPE ? A BROADER PERSPECTIVE ON PENSION POLICIES</b>	441
YVES CHASSARD	

<b>DEEPENING SOCIAL EUROPE THROUGH OPEN CO-ORDINATION</b>	451
ANTON HEMERIJCK	

<b>THE EUROPEAN SOCIAL MODEL AND THE OPEN METHOD OF CO-ORDINATION</b>	469
MAURIZIO FERRERA	

<b>SOME BACKGROUND COMMENTS ON THE EXTENSION OF THE OPEN METHOD OF CO-ORDINATION. FROM LABOUR MARKETS TO PENSION POLICIES</b>	473
STEPHAN LEIBFRIED	

## SPECIFIC SECTORS OF WELFARE STATE ACTION

<b>TOWARDS A NEW ARCHITECTURE FOR SOCIAL PROTECTION IN EUROPE ? A BROADER PERSPECTIVE ON PENSION POLICIES</b>	483
ODILE QUINTIN	

<b>PENSION POLICIES FOR A JUST EUROPE : INDIVIDUAL VERSUS COLLECTIVE RESPONSIBILITIES</b>	491
ERIK SCHOKKAERT and PHILIPPE VAN PARIJS	

<b>COMMENT ON « A NEW WELFARE ARCHITECTURE FOR EUROPE ? »</b>	517
PIERRE PESTIEAU	

<b>HEALTH CARE AND THE WELFARE STATE : TWO WORLDS OF WELFARE DRIFTING APART, BUT STILL INTERRELATED</b>	519
KIEKE G. OKMA	

**CLOSING ADDRESS**

**OPEN CO-ORDINATION ON PENSIONS AND THE FUTURE OF EUROPE'S  
SOCIAL MODEL**

533

FRANK VANDENBROUCKE

**POSTSCRIPT**

**COORDINATION OUVERTE : ENTRE SCIENCE ET POLITIQUE ?**

547

JOS BERGHMAN et KIEKE G. OKMA

**ABSTRACTS**

559

# INTRODUCTION

**VERS UNE NOUVELLE ARCHITECTURE DE LA PROTECTION SOCIALE  
EN EUROPE.  
UNE CONTRIBUTION DE LA PRESIDENCE BELGE**

419 |

# VERS UNE NOUVELLE ARCHITECTURE DE LA PROTECTION SOCIALE EN EUROPE. UNE CONTRIBUTION DE LA PRESIDENCE BELGE

PAR **JOS BERGHMAN\*** et **KIEKE G. OKMA\*\***

\* Professeur ordinaire de politique sociale - K/U/Leuven

\*\* Professeur associée, Queen's University; Kingston (Ont.) Canada;

Conseillère politique senior, Ministère de la Santé publique, du Bien-être et du Sport, Pays-Bas

Conformément à une tradition qui s'est installée entre-temps au sein de l'Union européenne, la Belgique a pris l'initiative d'organiser, en concertation avec la Commission de l'UE, un certain nombre de conférences internationales dans le cadre de sa présidence de l'UE. Cette dernière est intervenue au cours du deuxième semestre de 2001. Sur le terrain de la protection sociale, les Belges ont préparé rien moins que trois conférences. La première, en septembre 2001 à Anvers, s'est penchée sur une série d'indicateurs sociaux de l'exclusion sociale. La deuxième, en novembre à Louvain, s'est intéressée à l'avenir de la protection sociale. Quant à la dernière, à Gand en décembre, elle avait comme ordre du jour l'influence de la réglementation européenne sur les systèmes de soins de santé. Pour chacune de ces conférences, le ministre belge responsable des affaires sociales et des pensions avait chargé quelques experts d'établir un rapport préliminaire à débattre lors de la conférence en question. Une commission d'accompagnement avait été instituée pour ces trois rapports. Elle se composait de chercheurs et de collaborateurs politiques émanant d'organisations internationales, dont le rôle était de commenter les projets de rapport. Tout ceci a débouché sur trois excellents rapports (également très circonstanciés) qui, après avoir été débattus lors de la conférence et subi quelques adaptations, plutôt marginales, ont chacun trouvé un éditeur (1) en vue de leur commercialisation.

## 1. TROIS CONFERENCES SOUS LA PRESIDENCE BELGE DE L'UE

Même s'il s'agissait de trois conférences, chaque fois sur initiative du ministre Vandenberghe, mises sur pied dans le cadre de la même présidence de l'UE et recourant à une procédure de préparation identique, elles se différenciaient largement les

(1) A. Atkinson, B. Cantillon, E. Marlier & B. Nolan, *Indicators for social inclusion in the European Union*, Rapport soumis à la Présidence belge de l'Union européenne, 2001 ; ce rapport a entre-temps été publié : T. Atkinson, e.a., *Social Indicators. The EU and Social Inclusion*, Oxford, Oxford University Press, 2002 ; G. Esping-Andersen, D. Gallie, A. Hermerijck & J. Myles, *A New welfare Architecture for Europe ?*, Rapport soumis à la Présidence belge de l'Union européenne, 2001 et E. Mossialos, M. McKee, W. Palm, B. Karl & F. Marhold, *The Influence of the EU Law on the social character of health care systems in the European Union*, Rapport soumis à la Présidence belge de l'Union Européenne, 2001.

unes des autres. Chacune d'elles se penchait en effet sur un thème différent. Mais ces conférences se distinguaient également très fort par leur place dans le cycle décisionnel. La conférence d'Anvers sur les indicateurs sociaux prenait en compte un thème ayant fait expressément partie de l'agenda du Conseil lors des sommets antérieurs de Lisbonne (mars 2000) et de Nice (décembre 2000). Ce fut moins le cas pour le thème de la conférence de Louvain et pas du tout pour la discussion sur les soins de santé lors de la conférence gantoise.

Le thème des indicateurs sociaux de l'exclusion sociale reflétait bien la tendance qui avait percé sur le terrain social lors du sommet de Lisbonne. Cette réunion renoua, après une quasi-immobilité de nombreuses années, le fil de l'Europe sociale. La lutte contre l'exclusion sociale devint de ce fait un terrain d'action prioritaire pour l'application de la 'Méthode de Coordination ouverte' en tant que processus décisionnel (2). Ce mécanisme a été inspiré par le processus décisionnel qui s'était développé au cours de ces dernières années sur le plan de la politique de l'emploi (3). Cette procédure revient à ceci : les Etats membres établissent un inventaire de la situation dans leur pays et diffusent ces informations auprès de la Commission de l'UE et des autres Etats membres. Ainsi, les Etats membres peuvent prendre connaissance des exemples à suivre et ainsi - c'est ce qu'espèrent les initiateurs de la méthode CO - , arriver de manière collégiale à définir des objectifs communs et à instituer des initiatives communes.

Simultanément les participants au Sommet de Lisbonne ont décidé d'instituer un 'High level working party' (Groupe de travail de haut niveau) composé de hauts fonctionnaires des Etats membres. Celui-ci a reçu entre autres la mission d'élaborer une série d'indicateurs sociaux pour mesurer les résultats politiques de la lutte contre l'exclusion sociale. Assurer le suivi de ce développement dans les différents Etats membres et rendre l'information transparente pour les autres pays supposent que tous les Etats membres se basent de préférence sur une série identique d'indicateurs valables et fiables. Par la suite, le 'Groupe de travail de haut niveau' du Conseil a été appelé 'Social Policy Committee' (Comité de la politique sociale) et a mis sur pied un sous-comité spécial. Pendant la présidence belge, ce sous-comité et ensuite le Comité de la politique sociale ont eu pour mission de soumettre au Conseil dans toute la mesure du possible une proposition d'indicateurs sociaux. La présidence belge a soutenu la décision sur ce point en organisant la conférence d'Anvers et en

---

(2) Dans son article pour le journal économique ESB, Vandenbroucke décrit la coordination ouverte comme un processus d'apprentissage, un instrument d'apprentissage politique qui repose sur un examen critique de confrères et l'échange réciproque des expériences. Dans le même souffle, il ajoute qu'il considère également la coordination ouverte comme un moyen de lutter contre le morcellement des acquis sociaux en Europe, susceptible de contribuer à la concrétisation d'un "Modèle social européen". (F. Vandenbroucke, *Open Co-ordination and Sustainable Social Justice in Europe*. Discours de clôture de la Conférence "Towards a New Architecture for Social Protection in Europe ?" Gand, octobre 19-20, 2001.)

(3) M. Ferrera, M. Matsaganis & S. Sacchi, Open coordination against poverty: the new EU 'Social Inclusion Process'. In: *Journal of European Social Policy*, édition spéciale, 2002, juin ; C. de la Porte, Is the Open Method of Coordination Appropriate for Organising Activities at European Level in Sensitive Policy Areas ?. In: *European Law Journal*, Vol. 8, N° 1, 2002, mars.

soumettant le rapport au contrôle de la conférence pour ensuite le réintroduire dans le processus décisionnel plus pointu. La série d'indicateurs sociaux acceptés en fin de compte par le Conseil sur proposition du Comité de la politique sociale et de son sous-comité, se basait dans une très large mesure sur ce rapport (4). Dès lors, la conférence d'Anvers portait sur un point décisionnel figurant explicitement à l'agenda européen et pour lequel une prise de décision finale était désormais possible.

Pour ce qui est du thème de la conférence de Louvain, les choses étaient moins claires et – comme la suite le prouvera – incontestablement même imprécises. Le Sommet de Lisbonne avait en effet instauré le 'Groupe de travail de haut niveau'. Celui-ci avait pour mission principale d'émettre des propositions afin que les systèmes de protection sociale participent à la grande ambition de l'Union européenne : s'épanouir comme la société de la connaissance la plus aboutie et la plus concurrentielle. Dans une telle société, les systèmes de protection sociale doivent être à même de jouer tant un rôle d'activation qu'un rôle de protection des revenus. Cela exige une conciliation des objectifs nouveaux, préventifs et de réinsertion de la protection sociale avec les buts classiques comme l'efficacité de la protection du revenu, l'égalité dans l'accès à la protection et l'équilibre financier des systèmes à plus long terme. Tout ceci suppose un ressourcement en profondeur de la politique et la conception d'une nouvelle architecture de la protection sociale. Sur ce plan également, la présidence belge – y compris et particulièrement le ministre responsable – souhaitait donner un soutien intellectuel scientifique en vue de poursuivre et d'approfondir les idées échangées lors du Sommet de Lisbonne. A cet effet, le ministre Vandebroucke demanda dès 2000 à quatre scientifiques de réunir leurs compétences complémentaires pour les mettre au service de la conception d'une nouvelle architecture de la protection sociale en Europe. A cet effet, ils ont œuvré à un rapport qui devait être discuté pendant la présidence belge de l'UE lors de la conférence de Louvain.

Entre-temps, le processus décisionnel européen au niveau social continuait sur sa lancée. Quant à sa mission complémentaire - établir un système d'indicateurs sociaux de l'exclusion sociale - le Groupe de travail de haut niveau savait manifestement comment procéder. Il institua un sous-comité qui, comme indiqué ci-dessus, avec l'aide intellectuelle de la présidence belge, est parvenu à donner naissance à une proposition. Par contre, pour sa mission principale, le Groupe de travail avait les idées moins claires. La complexité de la tâche l'amena à scinder sa vaste mission en plusieurs points. Il y fut d'ailleurs également convié par le Sommet de Göteborg sous la présidence UE de la Suède au cours du premier semestre de 2001. Cette réunion devait accorder la priorité aux problèmes (de l'accessibilité financière et de la pérennité) des systèmes de pensions. Pendant la préparation de ce Sommet, une certaine rivalité s'était installée entre les 'financiers' et les 'sociaux'. Au sein de la

---

(4) B. Swaerts, *Naar een Europese armoedenorm ? Een evaluatie van het Belgisch voorzitterschap van de Europese Unie*, Louvain, KULeuven, 2002 (Diss. Lic).

Commission de l'UE, cette dualité avait été personnifiée respectivement par les commissaires Bolkestein et Diamantopoulou. Le premier voulait que la problématique soit surtout abordée comme une question de libre circulation des capitaux et de conformité au marché; le deuxième comme un objet important et explicite de politique sociale. Sur le plan du Conseil, cette dualité s'exprimait sous forme d'une rivalité entre ECOFIN, le Conseil des affaires économiques et des finances, et le Comité de la politique sociale en tant que comité consultatif du conseil des ministres des affaires sociales. De ce fait, toute l'attention du Comité de la politique sociale fut entièrement engloutie par la question des pensions. Le ministre Vandembroucke qui n'est pas seulement ministre des affaires sociales mais encore explicitement ministre des pensions, estima le conflit en train de se dérouler suffisamment important pour peser sur le processus décisionnel européen. Il ne se contenta pas de jouer un rôle actif dans la préparation du Sommet de Göteborg, mais décida également au cours de la présidence belge de l'UE de créer un espace pour assurer le suivi de ce dossier. C'est pour cette raison que l'ordre du jour de la conférence de Louvain fut principalement orienté sur la problématique des pensions.

L'idée initiale de cette conférence de Louvain, était surtout de se faire une idée de l'indispensable architecture nouvelle de la protection sociale selon quatre angles d'incidence, notamment trois angles d'attaque portant sur le contenu : (1) les contextes intergénérationnel, familial et des soins, (2) l'emploi, (3) les pensions et, enfin, le quatrième, (4) l'angle d'incidence plus procédural du cadre européen et du processus décisionnel connexe. Ces quatre angles d'attaque avaient également déterminé le choix des experts qui rédigèrent le rapport de base de la conférence de Louvain. Le rapport de base utilisait effectivement les quatre angles d'incidence évoqués ci-dessus. Cependant, la conférence elle-même se focaliserait sur deux des quatre angles d'attaque : la problématique des pensions et le processus décisionnel européen. Le fil d'Ariane de la réunion résidait dans l'importance accrue de la 'Méthode de coordination ouverte'. Contrairement à la conférence anversoise, la conférence de Louvain ne se pencha pas sur un point politique qui se trouvait déjà dans une phase décisionnelle finale, mais sur un sujet pour lequel le processus décisionnel se trouvait à un stade préparatoire crucial.

Le thème de la conférence de Gand sur l'influence de la réglementation européenne sur les systèmes des soins de santé était tout à fait indépendant d'un processus décisionnel européen immanent. Bien qu'en tant que composants de la politique sociale, les systèmes de soins de santé continuent explicitement à ressortir à la compétence des différents Etats membres, il s'avère de plus en plus qu'ils subissent une influence accrue d'une multitude de réglementations européennes. Surtout, certains arrêts de la Cour européenne de Justice ont fait clairement comprendre que l'on peut difficilement offrir des soins de santé en étant « splendidement isolés » du reste

de l'UE. Ça et là, cette problématique a déjà bénéficié de l'attention requise (5). La conférence de Gand et le rapport préparatoire à cette réunion ont eu le mérite de raccorder les nombreux points d'intersection entre le niveau européen et les systèmes nationaux de soins de santé et d'en débattre la cohérence. Au moment où l'on prenait conscience des aspects européens de cette problématique, l'existence d'un tel aperçu susceptible d'alimenter l'échange des idées était primordiale. C'était d'autant plus important à mesure que l'on comprenait que la sauvegarde d'un modèle social européen dans les soins de santé exigeait une politique européenne commune. Toutefois, nous sommes encore loin d'une telle approche. Avec la conférence de Gand, la présidence belge visait donc plutôt à ouvrir le débat politique qu'à influencer directement sur le processus décisionnel.

Il faut donc comprendre que les trois conférences ciblaient des phases différentes du processus décisionnel européen. La conférence anversoise visait à exercer une influence directe sur l'approbation d'une série d'indicateurs sociaux de l'exclusion sociale. Quelque peu moins ambitieuse, la conférence de Louvain avait pour objet de peser sur la discussion politique sur l'avenir des pensions. L'ambition de la conférence gantoise, enfin, voulait donner le coup d'envoi à un débat politique sur les soins de santé sur le plan européen.

## 2. LA CONFERENCE DE LOUVAIN

Comme nous l'avons déjà indiqué, un groupe de quatre experts complémentaires a rédigé un rapport de base en guise d'acte préparatoire à la conférence de Louvain. D'ici à ce que la conférence ait lieu, son thème avait cependant été réorienté sur le traitement de la politique européenne des pensions et sur la « méthode de coordination ouverte ». Pour cette raison, les exposés et les panels d'experts des différentes sessions de la conférence différaient des thèmes qui avaient été développés dans le rapport de base. C'est pour cela qu'il est intéressant d'en publier dans ce numéro spécial de la Revue belge de sécurité sociale pour un public élargi les principaux exposés et réactions. Pourtant, l'actualité politique allait encore créer la surprise. Il était en effet prévu que Monsieur Briët, président du Comité de la politique sociale, donnerait le coup d'envoi à la discussion de la problématique des pensions de retraite. A ce moment précis, la discussion entre Ecofin et son Comité de la politique sociale était dans une phase cruciale. Afin de ne pas inutilement s'incruster dans le débat, Monsieur Briët préféra rester évasif. Les membres du panel qui devaient réagir, perdirent de ce fait leur objet de discussion et adressèrent principalement leurs commentaires sur les idées émises dans le rapport de base. Ce regard sur les coulisses de la conférence de Louvain, et donc du processus décisionnel sur le plan social au sein de l'UE doit éclairer deux aspects : d'une part, ces raisons justifient la publi-

(5) Très tôt, l'Institut Européen de Sécurité Sociale (IESS) et l'Association Internationale de la Mutualité (AIM) y ont consacré une journée d'étude (*Health care without frontiers within the European Union ? Free movement of goods and services in the health care sector*. Luxembourg, 18 novembre 1998. Bruxelles : AIM). Le Ministère néerlandais de la Santé publique, du Bien-être et du Sport surtout a organisé plusieurs séminaires à ce propos.

cation de certains exposés et de certaines réactions dans le cadre de cette conférence ; d'autre part, il n'est pas à l'ordre du jour de publier sous la forme d'actes complets tout ce qui s'y est dit.

Pour ce numéro spécial de la Revue belge de sécurité sociale, la rédaction a dès lors opéré une sélection des exposés et réactions les plus intéressants, enregistrés dans le cadre de la conférence de Louvain. En premier lieu, nous présentons un résumé destiné aux acteurs politiques (executive summary) du rapport de base 'A New Welfare Architecture for Europe?' (Une nouvelle architecture pour la protection sociale en Europe) rédigé par le politicologue Gösta Esping-Andersen, le sociologue du travail Duncan Gallie, l'expert en matières administratives Anton Hemerijck et l'expert en matière de pensions John Myles. Ensemble, ils ont tenté de comprendre les défis auxquels sont confrontés les systèmes de protection sociale de tous les Etats membres de l'Union européenne. Ils proposent que la future politique de protection sociale s'inspire d'une "approche dynamique des étapes de la vie". Ce faisant, l'effort tendait à harmoniser la politique relative aux trois grandes phases de la vie, à savoir : l'enfance, l'âge d'adulte actif et la vieillesse. Dans cette vision, l'accent mis sur la nécessité d'un investissement suffisant dans les enfants et les personnes actives pour pérenniser les régimes de pensions de retraite est innovant. La politique des pensions commence donc par la politique familiale et demande ainsi à être ébauchée longtemps à l'avance, d'où son urgence, pensent les auteurs. Pour la politique des pensions de retraite en tant que telle, ils plaident pour l'application de la directive Musgrave par laquelle la charge complémentaire des pensions de retraite ne doit pas être supportée unilatéralement par les cotisants ou par les bénéficiaires de la prestation, mais par les deux catégories.

Ce résumé du rapport de base est suivi de quelques contributions relatives au processus décisionnel européen. Dans sa contribution, Yves Chassard retrace une esquisse historique de l'attitude adoptée par l'UE dans le processus de l'unification européenne à l'égard de la politique sociale, et de l'espace dont peut disposer une politique sociale européenne. Dans un article original, dans lequel il présente ce développement comme l'intrigue d'une pièce de théâtre, l'auteur aboutit à la situation actuelle où de fortes pressions sont susceptibles de se faire jour en faveur d'une politique sociale commune suite à l'évolution ultérieure d'un marché commun de l'emploi.

Le processus décisionnel actuel est mis en avant dans la contribution de Hemerijck. Il signale comment les Etats sociaux européens ressentent la nécessité de procéder à des changements de politique plus ou moins radicaux. Simultanément, il indique comment ces réformes conservent un lien institutionnel. Le niveau européen semble acquérir une pertinence accrue. Tant dans la politique de l'emploi que dans la politique formulée dans l' 'agenda social', il est évident que la politique sociale au plan national est de plus en plus souvent restreinte et déterminée par ce qui se déroule au plan européen. Sur ce dernier point, il est de plus en plus souvent fait usage de la 'méthode de coordination ouverte'. Hemerijck analyse dans le détail les caractéristiques, les possibilités et les limitations de cette méthode.

Dans le prolongement de cet article, nous publions encore deux contributions plus courtes. Une première est de la main de Ferrera. Il s'intéresse à la pertinence du modèle social européen et au rôle que peut jouer sur ce plan la 'méthode de coordination ouverte', dans l'attente d'un recours à des formes plus anciennes et plus dures de la réglementation européenne. Leibfried, pour sa part, fait valoir l'argument que la situation actuelle avec son marché unique européen et sa monnaie unitaire face aux Etats sociaux européens, ne peut constituer un objectif final. Actuellement, conclut-il, les institutions européennes sont limitées dans leur champ d'action. Néanmoins, il est également d'avis que la 'méthode de coordination ouverte' peut favoriser certains développements communs. A ses yeux, cela exigera aussi le soutien des indispensables systèmes scientifiques de connaissance.

Ces exposés d'une large portée, sont suivis de quatre articles qui chacun ont en ligne de mire un secteur politique spécifique. En premier, madame Quintin, directeur général des affaires sociales de la Commission de l'UE, commente la réglementation européenne en matière de pensions de retraite. Elle indique combien l'évolution démographique constitue un défi de taille pour les responsables politiques. Aussi, elle tente de leur fournir quelques sources d'inspiration en esquisant un certain nombre de scénarios politiques.

Toujours en rapport avec ce même secteur politique, mais cette fois à l'aide d'une analyse déductive, Schokkaert et Van Parijs tentent de mettre à jour les implications normatives d'une politique des pensions de retraite, susceptible de répondre aux exigences de justice sociale au sein et entre les générations (la 'justice intergénérationnelle'). Dans leur analyse, ils s'efforcent de tenir compte de manière cohérente de valeurs telles que la liberté, l'efficacité et la solidarité. A la lumière de cette analyse, ils s'arrêtent ensuite aux grandes questions qui dominent la discussion sur la politique des pensions de retraite : faut-il opter pour la capitalisation ou la répartition, pour des systèmes publics ou privés, pour une approche basée sur des dispositifs d'assurance de type bismarckien, ou de type beveridgien, pour un âge plus tardif de la retraite et pour un système européen ?

Dans une brève réaction, Pestieau aussi s'attarde sur le secteur des pensions. Il souligne quelques points restés sous-exposés dans le rapport de base: le poids de la mise anticipée à la retraite et de la politique qui est susceptible d'en découler. Il accorde aussi de l'importance aux possibilités de la redistribution inter- et intragénérationnelle et à une base politique en matière des pensions de retraite.

Dans son texte, Okma s'intéresse au secteur des soins de santé. S'appuyant sur un rappel historique de l'évolution depuis la deuxième guerre mondiale, elle indique comment deux courants politiques ont progressivement vu le jour dans ce secteur : une tendance axée sur le marché et une tendance inspirée par le paradigme de la santé. Elle passe en revue les facteurs qui ont dirigé l'évolution dans ce domaine et mentionne en quoi ils sont responsables du fossé grandissant entre le secteur des

soins de santé et les autres secteurs de l'Etat social. Ce fait s'accorde mal à l'interdépendance croissante du secteur des soins de santé avec des secteurs tels que les pensions et les soins aux personnes âgées.

En guise de dernière contribution à la conférence de Louvain, nous publions le discours de clôture du ministre des affaires sociales et des pensions, Frank Vandebroucke. En tant que ministre qui s'était montré particulièrement intéressé par la politique sociale européenne et par la réussite de la présidence belge sur ce plan et comme participant actif à la conférence, il aborde dans son discours de clôture les débats sur la politique des pensions de retraite et sur la 'méthode de coordination ouverte' pour en faire l'utile synthèse. Ce faisant, il ne porte pas seulement son attention sur les perceptions scientifiques, mais encore sur la base normative et sur la faisabilité sur le plan politique des options pour le futur.

Dans toutes ces contributions, l'importance d'un modèle social européen transparaît parfois explicitement, mais aussi plus fréquemment implicitement en toile de fond. Il est évident que le caractère commun de ce modèle ne repose pas sur la manière dont nos systèmes de protection sociale européens sont développés. On y observe des différences très grandes. Par ailleurs, entre le Nord et le Sud de l'UE et bientôt entre l'Ouest et les nouveaux Etats membres des PECO (6) on remarque également une divergence dans le substrat économique. Le plus caractéristique du modèle social européen se situe plutôt dans les options normatives qui y sont à la base et qui inspirent la politique des Etats membres (7). Dès lors, la question cruciale pour l'avenir est de savoir, dans quelle mesure, il faut des initiatives européennes pour continuer à offrir, y compris aux Etats membres à leur niveau national, la possibilité de sécuriser cette base normative. La conférence a sûrement contribué, outre les perceptions et les vues à long terme qui y ont été formulées, à donner forme à cette conscience.

Malgré cela, ce numéro spécial de la RBSS ne conclut pas sur cet article. La dernière contribution accorde encore un temps de réflexion aux possibilités et aux dangers liés au modèle de conférences telles qu'organisées sous la présidence belge. En cas d'utilisation accrue de la 'méthode de coordination ouverte', il faudra sûrement garder les conférences dans lesquelles se rencontrent scientifiques et dirigeants politiques de tout excès, par exemple d'une trop grande tentation d'estomper les frontières entre les fonctions de la science et de la politique. Ce numéro spécial offre la possibilité à la présidence belge d'être également fertile à ce (méta)niveau.

---

(6) F. G. Castles, The European Social Policy Model: Progress since the Early 1980s. In : *European Journal of Social Security*, Vol. 3, Issue 4, (2001), pp. 299-313.

(7) I. Begg & J. Berghman, EU social (exclusion) policy revisited ?. In : *Journal of European Social Policy*, Special Issue, 2002, juin, à paraître.

## TABLE DES MATIERES

**VERS UNE NOUVELLE ARCHITECTURE DE LA PROTECTION SOCIALE EN  
EUROPE.  
UNE CONTRIBUTION DE LA PRESIDENCE BELGE**

<b>1. TROIS CONFERENCES SOUS LA PRESIDENCE BELGE DE L'UE</b>	419
<b>2. LA CONFERENCE DE LOUVAIN</b>	423

# OPENING REPORT (EXECUTIVE SUMMARY)

# A NEW WELFARE ARCHITECTURE FOR EUROPE ?

BY **GOSTA ESPING-ANDERSEN, DUNCAN GALLIE, ANTON HEMERIJCK  
and JOHN MYLES**

---

EU member countries all face similar challenges to their existing social protection systems. Demographic transformation promotes new household vulnerabilities, augments the risks of poverty, spurs a decline in fertility, and accelerates population ageing. The welfare state must manage new needs all the while that its long-term sustainability is questioned. Large parts of Europe suffer from sub-optimal employment levels and, at the same time, labour markets spur new inequalities and exclusion. These are all long-term structural changes that are unlikely to correct themselves autonomously. Hence, we face a genuine Gordian knot: how to sustain Europe's normative commitments to social justice while aspiring to be a truly competitive force in the evolving knowledge economy.

The EU is composed of diverse policy traditions and institutional arrangements, and their ability to respond to the new socioeconomic order will accordingly vary. There is, however, wide agreement that the existing welfare edifice, by and large constructed in the postwar decades, requires fundamental rethinking so as to meet the new challenges ahead. The title of our report, 'Towards a New Welfare Architecture', suggests the need for not just policy adjustments and piece-meal reforms but, indeed, for an entirely new 'edifice'. We remain convinced that such is, in fact, needed. We also admit from the very outset that the report we here submit is, at best, a very partial instalment in what must be an ongoing, lengthy, and far more comprehensive project of reforming the 'European social model(s)'.

Our work is based on an uncommon but powerful method for diagnosing emerging risks, needs, and policy challenges. In brief, we focus on cohorts and life courses. When the future is difficult to discern, we need tools that permit us to make plausible forecasts. If we know how events at an early stage of life influence subsequent life chances, this allows us to take a 'peek' at what society might look like years or decades hence. This focus has additional advantages: firstly, social policies must promote citizens' life chances rather than merely serve as stop-gap measures and, for this reason, a dynamic life course perspective is essential. Secondly, social needs and risks bundle at different stages of peoples' life course. Ongoing change is produ-

cing radically different risk-concentrations across the life cycle. And thirdly, any acceptable solution to ageing necessitates an equitable and just inter-and intra-generational distribution of burdens and benefits.

At the expense of arguably equally urgent issues, such as health care, we focus on three welfare problematics that can be regarded as basic cornerstones of peoples' lives and of our welfare edifice. It is in childhood that the foundations of citizens' life chances are laid. A good life in the future will require far greater resources and competences and we therefore advocate a comprehensive social investment strategy in favour of children and families with children. The second problematic centres on worklife. After all, employment is for most people, during most of their lives, the prime source of welfare. Contemporary European employment policy suffers from what, we believe, are two 'blind spots'. One is the belief that more jobs will resolve the looming problem of social exclusion. A second is an incomplete understanding of the evolving tensions between family life and paid work, for women but also for men. The third welfare problematic is how to design a sustainable and equitable retirement system. How welfare assurances for the elderly are designed will deeply influence our behaviour throughout our lives. Any commitment to a secure old age must go hand-in-hand with a fair distribution of the costs between the elderly and the young.

Identifying broad policy objectives with no regard for their practical political relevance and implementation within diverse European welfare models would easily end up as a sterile academic exercise. For this reason our report includes a fourth 'problematic': the preconditions that make reform both necessary and feasible within nations as well as at the EU level. The challenges may be very similar, from Finland to Greece, but each member state has its own welfare policy legacy, distinct system of interest organisations and democratic polity. It is within such diversity that actual, concrete welfare reform will be undertaken.

## **1. INVESTING IN CHILDREN, FAMILIES AND WOMEN**

---

Any realistic solution to the 'Gordian knot' must include a far more active policy directed at children and women. This is the basic theme of Chapter 1. The household constitutes the basic context for policy rethinking. If our concern is with social justice and equal opportunities, we need to design policy that diminishes the effect of intergenerational social inheritance. If our concern is with maximising our future productive potential we need to invest far more in the cognitive development of children. And if our aim is to avert social exclusion, we need to equalise the resources that citizens command beginning in childhood and youth, and extending throughout their adult lives. We know that the parental effect, combined with the economic and social conditions in childhood (especially early childhood), have an overpowering effect on subsequent school performance, career prospects and, more generally, life chances. We also know that remedial policies, such as 'activation', are only truly effective if people already possess sufficient abilities and motiva-

tion to begin with. Hence, the pursuit of all three goals stated above boil down to one overriding prescription, namely to *invest massively in children* (and, by implication, in households with children). Concretely this entails, first and foremost, the eradication of child poverty. Strong income guarantees to families with children are a must. Also a must are policies, such as universal, high quality day care, that compensate for unequal intellectual stimulus and 'social capital'. If, as is now the case in many member countries, 20 or even 30 percent of youths fail to attain the equivalent of secondary education, these same 20-30 percent risk social exclusion throughout their lives *and*, as future parents, they are likely to pass on under-privilege to their children. It also urgent that we compensate for the potentially damaging effects of family break-ups by giving strong support to mothers and lone mothers in particular. Since (multiple) welfare problems tend to concentrate in certain households, such as workless households, and since more generally mothers' employment is a truly effective solution to child poverty, it is paramount that a future child-friendly policy be linked together with women-friendly policy.

Resolving the incompatibilities that women face turns out to be also part of the remedy against childhood poverty. Our conclusions echo what is now common wisdom among policy makers across Europe: a comprehensive women-friendly policy of affordable day care and flexible leave arrangements is *sine qua non* in the pursuit of multiple goals: more gender equality, raising female employment to offset smaller active populations and, as an added bonus, a broadening of the tax base. But, we conclude, such is necessary but *not* sufficient policy. There are three basic caveats. One, in order to make paid work truly compatible with having children, most mothers will need both secure and flexible jobs. Two, if mothers are forced into stressful or insecure jobs, this can have negative secondary effects on their children's well-being and development; the quality of jobs is decisive. Three, a strongly gender-segregated labour market is very possibly the outcome as, increasingly, mothers pursue life-time careers. If, then, we are genuinely committed to gender equality there is no choice but also to change men's working time and career preferences. This means altering the differential incentives and opportunity costs associated with paid and unpaid work. Europe's extremely low birth rates signal widespread welfare deficiencies, that citizens are unable to have the number of children they actually desire. A return to *individually* desired birth rates is unlikely to happen unless the conventional 'women-friendly' policy package is complemented with a 'parent-friendly' employment policy. Here Europe can draw both positive and negative lessons from contemporary Scandinavia.

## 2. WORKING LIFE AND SOCIAL EXCLUSION

Employment growth is now a core component of Europe's fight against social exclusion. There is, however, need for caution since social inclusion is also a function of the nature and quality of jobs. This is the theme of Chapter 2. At least a third of jobs in the EU are of poor quality, in the sense that they provide very few opportunities

for learning and skill formation and also very little involvement in decision-making or working conditions. At best, they provide a very limited form of inclusion; at worst, such employment may inadvertently reinforce and perpetuate precariousness and marginalisation.

Low quality jobs are associated with low work satisfaction, stress and health problems. There is evidence that this, together with vulnerability to unemployment, has problematic secondary effects on family and social life. In the case of mothers, for example, we know that employment as such can be positive for children but if employment is stressful and insecure, the effect can be very negative.

Low quality jobs also provide very limited opportunities for skill enhancement. Employer training programs typically exclude those in low-skilled work who, therefore, risk skill redundancy and, worse, an erosion of their basic learning abilities. This is one key factor behind the very high unemployment rates among the less skilled. More broadly, low-skilled employment easily converts into a life-time of precariousness and marginality. The chances of moving out of poor quality jobs are low indeed. 85 percent of those who occupied such jobs in 1994 were still in this type of work in 1996.

In addition, ongoing trends in worklife have potentially negative health consequences. The intensification of work in the 1990s has been associated with growing levels of work-related stress. The rising pressures of work may very well increase disabilities and, hence, workforce withdrawal and early retirement.

Programmes designed to enhance the skills and employability of unemployed workers have not proved very effective. If people have experienced years of skill neglect or erosion, short-term training programmes will yield few positive results. It is symptomatic that the jobs to which the unemployed return tend to be even less secure and 'marginal' than low-skilled jobs in general. Hence, such programmes do little to curb the risks of long-term entrapment.

If our overriding goal is social inclusion and sustained employability for the most vulnerable workers, a first objective must be to invest more in maintaining and improving learning skills over peoples' working lives. A second objective must be to ensure that workers' physical and psychological health is adequately protected. A strategy to improve the quality of working life includes *inter alia*:

- An active role by the EU and national governments in promoting quality of life issues, developing an effective system of dissemination of best practice, and monitoring change over time.
- The inclusion of quality of working life issues as an integral part of the agenda of institutions for employee participation.

- The provision of external auditing of organisational strategies with respect to working conditions and employee health.
- A system of citizen's training entitlement. Individuals should be able to build up training credits over time. These credits should be portable between employers, and should give access to vocationally relevant training of their choice.

### 3. A NEW SOCIAL CONTRACT FOR THE ELDERLY

---

The objective of Chapter 3 is to propose strategies aimed at realising the 10 common objectives for pension policy embraced by the Commission. One key issue is how to allocate the *additional* retirement costs that inevitably accompany demographic change. The challenge is to promote intergenerational equity, intragenerational justice, and gender equality all at once.

#### 3.1. INTERGENERATIONAL EQUITY

The large pay-as-you-go schemes in many member states are traditionally based on a defined benefit formula, which imposes all the costs of population ageing on the working population (via contributions). Defined contribution schemes, by contrast, impose all the costs on retirees. *We advocate adoption of the Musgrave (fixed relative position) principle that allows for proportional sharing among the generations as a standard litmus test for intergenerational equity, regardless of national differences in pension design.*

#### 3.2. INTRAGENERATIONAL JUSTICE

We advocate adoption of a 'Rawlsian' standard of justice – that any change in the status quo must be of the greatest advantage to the least well-off. This should constitute the benchmark for the allocation of additional retirement costs *within* both the retired and working age populations. Proportional increases in contributions or proportional reductions in benefits that do not reflect "ability to pay" do not satisfy this criterion. It may, accordingly, be necessary to recalibrate the traditional social insurance model of old age security.

Financing additional retirement costs with a flat payroll tax imposes all of the costs on wage income, while capital and transfer incomes are exempt. This discourages employment at the bottom of the labour market and may have especially adverse consequences for younger families. *We advocate greater reliance on general revenue financing to meet additional retirement costs, on the one hand and, on the other hand, the use of these revenues to create or enhance carefully targeted cross-subsidies on the benefit side to meet social objectives and to protect the least advantaged retirees.*

In particular, a carefully designed basic security system that provides a *minimum guaranteed retirement income* above the poverty line should be regarded as one among several social objectives. This will ensure income security for future generations, and would be financially feasible in most member states.

### 3.3. GENDER EQUALITY

The promotion of gender equality in retirement is intrinsically linked to more gender equality in working life. We highlight the special importance of addressing the caring needs of the frail elderly to achieve this objective. The rising numbers of frail elderly requiring assistance is one of the major costs of population ageing. This cost has traditionally been absorbed by daughters. Such familial solutions are wholly unrealistic in a future where the demand for care is rising while the supply of unpaid caregivers will decline sharply – insofar as the EU employment objectives for women are realised.

Finally, it is vital that we adopt a new practice of measuring retirement costs and, by implication, social protection costs more generally. The open method of policy coordination among member states requires that estimates of changing retirement costs and their allocation be based on the *entire* retirement budget and not just the public sector share. *Open policy coordination requires that member states commit themselves to developing credible accounting schemes based on all three tiers of the retirement income system.* This is a precondition for measuring the intergenerational, intragenerational, and gender allocation of retirement costs due to population ageing, and their re-allocation that results from future reforms. This task is especially urgent in light of the trend toward shifting retirement costs to private sector programmes as a means to stabilise public finances.

## 4. THE POLITICS OF REFORMING SOCIAL PROTECTION SYSTEMS

---

European welfare states are exposed to similar policy challenges, yet these manifest themselves in terms of divergent problem loads from one country to the next. We can broadly identify three groups of countries that share rather similar welfare and institutional attributes: Scandinavia, the Anglo Saxon model, and the Continental European model. The urgency of reform, but also the capacity to undertake reforms, depends on how collective bargaining is organised and on the ability of the social partners to pursue policy concertation. It also depends on already existing policy institutions and practice, such as the nature of a country's pension system, its development of social services, its capacity to tax, or its overall employment levels. These are the core issues of Chapter 4.

To exemplify with pension policy, the success of national reform efforts varies enormously, even among countries with similar pension systems. The feasibility of reform depends to a large extent on nations' institutional capacity to orchestrate a

consensus among the main political parties and, equally importantly, also among the social partners. If we are to pursue social reforms with effects far into the future, these will garner far greater public support if they flow from broad consensus. Any new social model is unlikely to succeed unless it enjoys a strong and widespread measure of trust. Generally, we see that measures that benefit the worst-off are most likely to gain broad societal support. Yet, we see very little progress with respect to active employment policy for older workers.

A core feature of innovative social policies is that they tend to delegate power for local implementation to collaborative public-private arrangements and even to wholly private actors. We see more and more decentralised co-ordination. This applies also to policy experiments at the EU level. The Luxembourg process has fostered a climate of cross-national policy-learning. The evolving open method of coordination, adopted during the Portuguese presidency, promotes a new form of multi-level governance. Here the interplay of domestic reform and supranational agenda-setting allows domestic policy makers to learn from 'best practice' elsewhere while setting commonly agreed guidelines.

One great advantage of the open method of coordination is that subsidiarity ceases to be a zero-sum relation between member states and EU institutions. It helps advance *both* substantive EU objectives for employment and welfare *and* more ambitious national reform goals. Recent developments mark a distinctive and, in some instances, already successful European response to the massive policy challenges ahead. Therefore, in sharp contrast to the diagnosis of Europe as 'sclerotic', what we see is a dynamic process of *self-transformation of the European social model(s)*.

---

## TABLE OF CONTENTS

### **A NEW WELFARE ARCHITECTURE FOR EUROPE ?**

<b>1. INVESTING IN CHILDREN, FAMILIES AND WOMEN</b>	432
<b>2. WORKING LIFE AND SOCIAL EXCLUSION</b>	433
<b>3. A NEW SOCIAL CONTRACT FOR THE ELDERLY</b>	435
3.1. INTERGENERATIONAL EQUITY . . . . .	435
3.2. INTRAGENERATIONAL JUSTICE . . . . .	435
3.3. GENDER EQUALITY . . . . .	436
<b>4. THE POLITICS OF REFORMING SOCIAL PROTECTION SYSTEMS</b>	436

## **DEVELOPMENTS ON THE EUROPEAN LEVEL : OMC**

<b>TOWARDS A NEW ARCHITECTURE FOR SOCIAL PROTECTION IN EUROPE ? A BROADER PERSPECTIVE ON PENSION POLICIES</b>	441
<b>DEEPENING SOCIAL EUROPE THROUGH OPEN CO-ORDINATION</b>	451
<b>THE EUROPEAN SOCIAL MODEL AND THE OPEN METHOD OF CO-ORDINATION</b>	469
<b>SOME BACKGROUND COMMENTS ON THE EXTENSION OF THE OPEN METHOD OF CO-ORDINATION. FROM LABOUR MARKETS TO PENSION POLICIES</b>	473

# TOWARDS A NEW ARCHITECTURE FOR SOCIAL PROTECTION IN EUROPE ? A BROADER PERSPECTIVE OF PENSION POLICIES

BY **YVES CHASSARD**

Director for Studies Bernard Brunles Consultants, France

## INTRODUCTION

---

The history of the relationship between European integration on the one hand, and national social protection systems on the other hand shows a development, which is evidently not yet at its end, that I would like to present as a play that includes a scenery, actors, an ending, and of course, like every good play, a script with different acts. I will briefly consider the first two acts (“the Common Market” and “the Single Market”), and then I will elaborate on the third act (“the Single Currency”), in which I will say something about what might become the fourth act.

## 1. ACT ONE : THE COMMON MARKET

---

The Common Market already lies well in the past, and we have perhaps forgotten what it was about. This area was governed by two principles: the free movement of goods and the free movement of workers (but not of persons in general) within the European Economic Community. The Common Market of course includes other dimensions, such as the Common Agricultural Policy, but I will not mention them here.

The start of the common market was characterised by a major fear, which is clearly demonstrated in the *Spaak Report* of 1956: the fear of unfair competition. From the outset, the discrepancy of the social security contributions between Member States has been identified as a factor that could possibly distort competition between Member States. The underpaid work of women constituted another source of fear of unfair competition.

This explains what we have been hearing from those in favour of *harmonisation* of social security systems for almost fifty-five years now. What is really meant by harmonisation is bringing the contribution rates closer together. Remember that, at the time, the Community only included six countries, all with “Bismarckian” systems.

In the course of successive enlargements, it became clear that harmonisation was impossible. In 1973, for example, there was the accession of Denmark to the Community, a country where obligatory social contributions did not exist.

It was not until much later, during the eighties, that the no-need for harmonisation has finally been acknowledged. At that time, it became clear for everyone that free movement of both goods and workers in the common market could and should accommodate the fact that every Member State retains charge of its own social protection system, of its conception and organisation, as well as of its financing.

This is obviously a paradox, since at that time, the EEC welcomed countries like Greece (in 1980), Spain and Portugal (in 1986), whose social protection systems were under-developed and whose contribution rates were considerably lower than those of the initial Member States.

There are probably two reasons for this paradox:

- The nature of competition has been slightly misjudged, and national industrial specialisation was not taken into account.

- At the time, the economic nature of social protection was changing; with the rise of unemployment, the incidence of the social security contributions had changed; these are no longer an exogenous element of the negotiation of salaries.

During all these years, Community action has focused on the *co-ordination* of the social security schemes in order to ensure the rights of migrant workers: this was regulation n° 3, followed by regulations n° 1408/71 and 574/72.

## **2. ACT TWO : THE SINGLE MARKET**

---

In 1986, the Single Act modified the Treaty by introducing the possibility for the Council of acting by a qualified majority in order to remove the non-tariff barriers for the free movement of goods (objective 1992). The Single Act also established two additional freedoms: the free movement of capital and free provision of services.

It soon became clear that establishing the free provision of services in the field of insurance could collide with the functioning of the social security schemes. The completion of the Single Market prompted above all the question of how European competition law, as laid down in Treaty articles 81 TEC (former 85), 82 (former 86) and 86 (former 90), is to be applied to the bodies administering social security schemes. Are they to be regarded as undertakings and as falling within the scope of article 82 which prohibits any 'abuse of dominant position'? If so, is it not the case that the obligation on all members of a given group, whether national or occupational, to join the scheme, constitutes abuse of a dominant position? Several cases have been taken before the European Court of Justice.

Another source of tension was the application of the principle of equal treatment of men and women in the occupational pension schemes as a consequence of the Barber case of 17 May 1990, which revealed – according to the interpretation of the ECJ – a contradiction between article 129 (former 119) of the Treaty and the European Directives already taken on that subject.

#### 2.1. THE ACTORS OF THE SECOND ACT

- The European Court of Justice has played a major role; some people (such as S. Liebfried) have written that the European Court of Justice became the key actor of European social policy. There has been an atmosphere of concern while waiting for the judgements of the Court.

- The Member States were inclined to protect and defend themselves, and thus were somewhat reluctant about every action taken on a Community level (especially those who were affected by the Barber case wanted to limit its financial consequences).

- It is thus in this context that the European Commission proposed two initiatives in the field of social protection, applying the Charter for the fundamental rights of workers that was adopted in Strasbourg in December 1989. Finally, in 1992, the Council unanimously adopted two Recommendations: one on the *convergence* of the objectives and social protection policies, and one on the minimum income.

#### 2.2. GENERAL ASSESSMENT

We can now, after a delay, start drawing some general conclusions from the second act. In my opinion, three points can be highlighted :

- The judgements of the European Court of Justice turned out to be good decisions (I am not talking from a legal point of view, but from a political point of view); the European Court of Justice showed responsibility and moderation. We can now say that the social protection systems have not been weakened by the completion of the single market. Nevertheless, I am aware of the fact that not everybody may agree with this overall assessment, because all issues have not been solved (for example, in the area of health care, issues remain to be dealt with in line with the Kohl and Dekker judgements).

- The recommendation on “*convergence*” has had very little impact: that is not surprising, considering it was formulated in a very general manner in order to disguise the fact that, in reality, no real consensus has been reached between the Member States.

■ The recommendation on “minimum income” has to be given a chance, even if not all the measure of its significance has been taken, in particular when the European strategy for employment was set up: the existence of a guaranteed minimum income hinders any strategy of the “working poor” type.

### **3. ACT THREE : THE SINGLE CURRENCY**

---

The third act began before the second act was finished. We are at this point at this very moment. But it distinguishes itself by the fact that there is a new scenery and there are new actors.

#### **3.1. THE NEW SCENERY**

■ A change in the Treaty has been made (Amsterdam, 1997). Apart from the fact that it put an end to the British parenthesis, the new Treaty has provided sustainable procedures for economic convergence that were put into practice during the transitional period towards the EMU: the Stability and Growth Pact introduces a monitoring procedure of the Member States budgetary policies.

■ A change in the Treaty (bis): the European Employment Strategy was included in the Treaty, and a European Employment Pact, consisting of three issues, has been defined. The three issues are: the macro-economic dialogue (process of Cologne), the structural reforms (ending the monopolies) (process of Cardiff) and the co-ordinated employment strategy (process of Luxembourg). The European employment strategy (Luxembourg) later became part of the overall European strategy. However, on the Internet site of DGEcfin at the Commission, it is indicated as the third, although it was chronologically the first one. Here the economic issue seems to take precedence over the social issue.

■ At the Lisbon Summit, the social issue was put in the forefront. Lisbon has defined a strategic objective for the European Union: to become a more dynamic and competitive knowledge-based economy : ‘*The European social model, with its developed systems of social protection, must underpin the transformation to the knowledge economy*’. The social issue has thus been put in the forefront (except, on the website of the DGEcfin where Lisbon is not mentioned.)

■ Finally Nice: the social agenda and the Charter for fundamental rights have been adopted. But Nice also witnessed the reform of article 137, which defines the competence of the Community in the field of social affairs. I want to draw your attention to that point, even if Nice has not yet ratified it, because this is not often discussed:

- On the one hand, “*social security and social protection of workers*” remains under the supervision of the rule of unanimity (no exception can be made to this principle).

- But a new item, governed by the decision-making process defined in article 251 (co-decision between the Council and Parliament), introduces a qualified majority procedure for *“the modernisation of social protection systems”*.
- Finally, a last paragraph has been added: *“The provisions adopted pursuant to this article shall not affect the right of Member States to define the fundamental principles of their social security systems, and must not significantly affect the financial equilibrium thereof”*.
- Finally, article 144, which establishes the Social Protection Committee: I will come back to that in a moment.

### **3.2. THE ACTORS OF THE THIRD ACT : “THE SINGLE CURRENCY”**

#### **3.2.1. “The Ecfm set”**

I would like to discuss them first, because they were the first to come on the scene. This group has one concern : the impact of ageing populations on public pension systems, and further on Member States’ future budgetary position. According to this line of thought, they are also concerned about the impact of ageing on health care costs. They manifest themselves in a body called the Economic Policy Committee (of which the establishment dates back to 1974), which regularly publishes reports in preparation of the decisions taken by the ECOFIN Council, and which prepares the Broad Economic Policy Guidelines.

One year ago, this very EPC published a rather alarming report, which urges the Member States to reform their pension systems. This report has been much criticised by the “socials”. For the French-speaking readers, I would like to refer to the well-documented article on this subject by Antoine MATH, which was published in the latest delivery of the IRES1 review. I will sum up the principal criticisms made to this report:

- Its vision is too alarmist, which could render the reforms more difficult to adopt in the Member States because it affects the confidence of the populations; as we said in yesterday afternoon’s session, a reform consists of a social construction that is able to build new confidence.
- The report insufficiently includes the effects of reforms taken in the course of the past years.
- The report contains some contradictions: it considers an increase of social contributions as inconceivable, and yet recommends (between the lines, but still recommends it) increasing the contributions to the pre-funded schemes.

---

(1) Quel avenir pour les retraites par repartition?, Revue de l’IRES n° 36, 2001/2, <http://www.ires-fr.org/files/publicat/revue/r36/r361.pdf>

In brief, the ECP report has been accused of being counter-productive.

### **3.2.2. "The social set"**

This is a very young actor on the scene of the third act, who came to the scene at a time when the reluctance of the Member States vis-à-vis a community action plan, was reducing. The fears of the second act have in fact largely quietened down. Since the other actor (Ecfm) occupies the scene, the social set realises it has to become a major actor.

From that point of view, the establishment of the Social Protection Committee (SPC) has been a major event, all the more because this committee started its career with a spectacular event: the report of June 2001 on pensions has been considered as highly qualitative, well-documented, objective and down-to-earth.

### **3.2.3. The European Commission**

The third actor appears somewhere in the middle of the scene: the European Commission wants to play the part of the leader of the orchestra, but has in fact a very difficult role. It is constantly obliged to reach compromises within the Commission itself, between those who are inclined to side with Ecfm and those who are on the side of the 'socials'. These compromises weaken the pertinence and the scope of its contributions.

### **3.3. THE PLOT**

What will happen in the course of the third act? We have got a few clues, but the ending still is a mystery.

The Gothenburg Council has put the SPC at the top of the political agenda, even though it requested a joint SPC-EPC report. But that is all very complicated, because the European Council has added the request that the results of that joint work of the SPC and EPC be integrated into the Broad Economic Policy Guidelines, in which only the EPC has a say. From this moment on, the script of the play comes to an end.

I will give you my version of the continuation, but this is solely based on my own opinion, of course. I believe that, in order to win this struggle for power, the "social band" has to "slowly make haste". It needs to make haste and to dedicate itself as it did in the course of the past months, but it should not try to move too quickly.

It has to take its time for two reasons:

- To reinforce its experience: the SPC has to be able to discuss matters on an equal footing with the EPC with regard to financial issues. If not, it will lose the struggle for power.
- To have time to let other actors enter the scene: it has to break loose from the Ecfm – Socials – Commission triangle, the latter being condemned to constantly say: “my heart is balancing between the two...”. It has to break loose from the technocratic circles. If not, Europe once again runs the risk of being the scapegoat when a government wants to carry through non-popular reforms, stating they are “imposed by Brussels...”.

The application of the consultation process (article 251) offers Parliament a role to play. The same goes for the social partners. But beware, this is an extremely difficult issue: it is not easy to become a real actor in the third act, because the plot takes place against a very technical background. If you are not capable of assimilating this technicality, you are condemned to remain an extra.

#### **4. ACT FOUR : THE SINGLE LABOUR MARKET**

---

There will be a fourth act which is already being prepared, and it is very important to be aware of that because the third act has been preceded by a first and a second act. I think this fourth act will be called “the Single Labour Market”.

The Social Agenda, adopted at Nice, indeed shows the willingness to develop workers’ mobility within the Community. A communication has been proposed to the European Council of Göteborg on the subject of mobility and a “high level Group” has been established. All the signs are that this effort will yield rich rewards, and that mobility will increase in the course of the following years.

One has to be aware of the fact that the first three acts have been played according to the same paradigm: subsidiarity. Subsidiarity turned out to be possible (cf. the end of the first act) because of the weak levels of mobility within the European Union. This low mobility was favoured by the Community as a whole: one might say that the Structural Funds are the expression of that wish, because they want to give the underdeveloped countries the chance to catch up with the others and to create jobs to keep their work force busy. What will become of this tomorrow, in an even more expanded Europe ?

On the one hand, it seems a greater mobility is desired (Lisbon conclusions, social agenda). On the other hand, we are forced to ask ourselves the question: will the social protection systems of the various Member States still be sustainable if everybody starts moving everywhere ?

I do not know the answer, but I do know that the answer to this question is a complex one, and that adjustments will be necessary.

The Commission must start reflecting on this issue without delay, even if it has not been included in its work programme, as defined in the Social Agenda.

---

## TABLE OF CONTENTS

### **TOWARDS A NEW ARCHITECTURE FOR SOCIAL PROTECTION IN EUROPE ? A BROADER PERSPECTIVE OF PENSION POLICIES**

<b>INTRODUCTION</b>	441
<b>1. ACT ONE : THE COMMON MARKET</b>	441
<b>2. ACT TWO : THE SINGLE MARKET</b>	442
2.1. THE ACTORS OF THE SECOND ACT . . . . .	443
2.2. GENERAL ASSESSMENT . . . . .	443
<b>3. ACT THREE : THE SINGLE CURRENCY</b>	444
3.1. THE NEW SCENERY . . . . .	444
3.2. THE ACTORS OF THE THIRD ACT : "THE SINGLE CURRENCY" . . . . .	445
3.3. THE PLOT . . . . .	446
<b>4. ACT FOUR : THE SINGLE LABOUR MARKET</b>	447

# DEEPENING SOCIAL EUROPE THROUGH OPEN CO-ORDINATION

BY **ANTON HEMERIJCK**

Deputy Director, the Netherlands' Scientific Council for Government Policy/Leiden University,  
Department of Public Administration

## 1. EUROPEAN WELFARE STATES ARE DIFFERENT

European welfare states are in variable need of reform. However, radical model change in Europe's comprehensive welfare systems, which often appears on the policy agendas of rash politicians and international think-tanks, is practically ruled out. We live in a world of path-dependent solutions. This is not to say that 'sclerosis' presides over policy change and flexibility. In European welfare states today, reform, even radical policy innovation, does take place, but it is 'institutionally bounded' change. Over the past three decades, all the developed welfare states of the European Union have been recasting the basic policy mix upon which their national systems of social protection were built after 1945. In the 1970s, against the background of the emerging problem of stagflation, policy adjustment primarily revolved around macro-economic management and income policy to counter spiralling cost-push inflation and demand-gap increases in unemployment. After the mid-1980s, policy attention and action moved towards issues of economic competitiveness. In the area of employment policy, there was a decisive shift towards supply-side measures. Next to initiatives of labour market deregulation, many welfare states tried to contain the rise in open unemployment through strategies of labour supply reduction via early-retirement and disability pensions. The destabilising consequences of large-scale subsidisation of early retirement and other forms of paid inactivity were only perceived as major policy problems when the European Monetary Union set limits to deficit and debt financing. In the wake of the Maastricht Treaty, politicians became more willing to venture reform, including measures of cost-containment, often in conjunction with the introduction of more proactive labour market policies and changes in the institutional make-up of social security arrangements.

Welfare reform is conditioned by at least three distinct sets of causal factors (Scharpf/Schmidt, 2000). These are:

- Relevant policy challenges (economic internationalisation, family change, transformation of the world of work, and demographic ageing);
- Variation in welfare state design (i.e. national architecture of social protection);

- Differences in structures of political decision-making (at the level of the nation-state but increasingly also at the level of the European Union).

## **2. THE EUROPEAN SOCIAL MODEL : COMMON FEATURES**

---

All European welfare states are essentially exposed to the same challenges, but these challenges manifest themselves in divergent problem constellations for different welfare systems. We broadly identify three groups of countries that share rather similar system designs and political institutional attributes: Scandinavia, the Anglo-Saxon model, and the Continental European model (Esping-Andersen, 1990). These three clusters approach the predicament of reform from very different starting conditions. At the outset, it is worth summarising the relevant regime-specific vulnerabilities (Hemerijck/Schludi, 2000). While the Scandinavian countries are primarily faced with a high cost/high tax problem and a 'flexibility' problem (i.e. creating the conditions for an expansion of private services) against the positive background of very high employment levels (also for older workers), the Anglo-Saxon countries continue to face problems of 'security' and (child and also old age) 'poverty' in a strong labour market. Finally, the Continental countries are put to the task of raising female employment, also as a means to help recast their inclusive pay-as-you-go pension systems. The Mediterranean Continental subspecies of the welfare states are faced with the difficult task of breaking with the perverse policy legacy of "familialism", reinforcing the pension bias, while accelerating the ageing crisis.

Despite many important differences in policy legacies and institutional arrangements, most European welfare states share three distinctive generic characteristics. Normatively, there is a common commitment to social justice. The vocabulary of reform is in most member states couched in terms of the solidaristic guarantee that society will not abandon those who fail. The normative preference for extensive social policies to the life-course risk inherent in advanced capitalism are widely accepted by European publics and deeply entrenched in policy program and institutions. The European debate over the future of social policy contrasts sharply with American rhetoric. The stigmatising discourse of juxtaposing 'deserving' versus 'undeserving' poor never really gained currency in the mature welfare states of the European Union, apart from the Thatcher era in the United Kingdom.

At the cognitive level, the European social model is based on the recognition that the normative objective of social justice can be made to contribute to economic efficiency and progress. As a so-called 'beneficial constraint', a term coined by Wolfgang Streeck, social policy can contribute to reducing uncertainty, enhance the capacity to adjust and the readiness to accept change, bear more risks, acquire more specialised skills, and found companies in niche markets. Social policy also serves to create and stabilise collective goods, channel and mitigate industrial conflict in periods of structural adjustment, and, in turn, foster political stability and social cohesion (Streeck, 1992). Last but not least, it should not be forgotten that with social protection outlays averaging 28% of GDP in the EU, social policy acts as an

extremely effective anti-cyclical stabiliser, dampening aggregate demand in a booming economy while supporting it during a recession. The idea that a strong economy requires a strong and reliable welfare state goes against the neo-liberal assumption of the big 'trade-off' between economic efficiency and social justice in highly developed welfare states. European policy elites are in full agreement that social policy is an essential factor in promoting responsiveness of the economy. In short, there is no contradiction between economic competitiveness and social cohesion!

Institutionally, closely related to the recognition of productive synergies between economic and social policy, the European social model is marked by high degrees of interest organisation and comprehensive practices of negotiation between the government and the social partners over conflicts of interests in matters of economic and social policy. Compared to North America, European systems of industrial relations are stable; the majority of workers are covered by collective agreements determining working conditions, employment protection, and living standards. Practices of social partnership, with 'trust' as a constitutive element, moreover, encourage a problem-solving style of policy making, rendering collective actors the necessary social capital to overcome sectionalist interests.

Notwithstanding shared normative and cognitive orientations and common institutional practices, the policy theory of the European social model occupies a far more difficult intellectual and political position than the neo-liberal argument of the undesirable effects of comprehensive social policy, hampering economic growth, crowding out private investment and undermining the spirit of entrepreneurship. To be sure, the effects of social policy and institutional arrangements on social and economic performance are contingent. Classic deficiencies are 'poverty traps', 'inactivity pathologies', 'moral hazards', 'adverse selection', 'insider privileges' and 'tax distortions'.

Under conditions of economic crisis, it should come as no surprise that basic normative principles, cognitive and institutional tenets of the European social model were called into question during the recession prone 1970s and 1980s. More surprisingly, perhaps, is that in the 1990s many EU welfare states experienced a veritable comeback of social partnership solutions to problems of structural adjustment, on the basis of a rediscovery of the idea that new challenges of post-industrials are best met by novel synergies between social and economic policy. Today, essentially all European governments agree that comprehensive welfare policy is an asset, not a liability, a 'productive factor' in the competitive knowledge-based society.

The resurgence of bi- and tripartite employment and social policy concertation at the level of the nation-state on the basis of the creation of a multi-tiered EU social and employment policy community in recent years, we therefore see as a dynamic process of *self-transformation of the European social model(s)*. This process of self-transformation, also based on the revitalisation of the shared understanding of social policy as a productive factor, has provided central background conditions for

formulating and enacting innovative policy change across a gamut of policy areas we highlighted in our report, ranging from wage bargaining to labour market policies, social services, and, most recently, pensions.

### **3. THE NEW EUROPEAN EMPLOYMENT AND SOCIAL POLICY AGENDA**

---

Although the principal site for welfare reform and policy innovation is the nation-state, the impact of European integration on the primacy of national economic and social policy can no longer be neglected in the analysis of employment and social policy change in European welfare states. Today, domestic reform efforts are severely constrained (EMU) and increasingly shaped (European Employment Strategy) by supranational regulation and policy initiatives. Recent advances in the process of European Integration have decisively contributed to the creation and establishment of regulatory constraints and policy-making resources above and beyond the traditional nation state (Ferrera, Hemerijck and Rhodes, 2000).

During the formative period of the European Union, leading up to the Treaty of Rome (1957), it was expected that social policy harmonisation for the then participating six member states, all of Bismarckian descent in terms of social policy, would come about spontaneously as a by-product of economic progress. However, with each wave of enlargement the barriers to social and employment policy harmonisation were raised. This is because new member countries do not differ only with respect to economic structure and development, but, more important, also in terms of the underlying principles and institutions of welfare policy. Over time, the ambition of employment and social policy harmonisation came to be regarded not only as impracticable, but, more important, as a major impediment for the further progress of economic integration. In the 1980s, the direction of European integration decisively shifted toward a 'market making' exercise of eliminating constraints on trade and distortions of competition. The Single European Act (1986) strengthened the legal basis for collective action by the Commission by extending qualified majority voting on issues of the internal market. Countervailing initiatives of 'market correction' in the area of common employment and social policy remained subject to unanimous consent. This clearly inhibited ambitious European-wide employment and social policy initiatives (Scharpf, 1999). Notwithstanding the overriding logic of 'negative integration', the Delors commission became more active in the area of social policy after the ratification of the Single European Act in 1987. In 1989 several directives and recommendations were put together under the 'Charter of fundamental rights' issued in 1989, to be incorporated into the Maastricht Treaty. However, due to the veto of the UK government, Delors failed to include a 'social chapter' in the Treaty of the European Union. This incident exemplified the overriding logic of 'negative integration' in the integration process during the 1980s. Thus while European economies were clearly becoming more interdependent in the final decades of the 20th century, national diversity in employment and social policy was

jealously guarded, despite the widespread fear that the introduction of the single market and EMU would unleash a process of regime competition and social dumping.

As a semi-sovereign political entity, the European Union is confronted with a 'space' for employment and social policy that is already occupied by strongly entrenched national social policy regimes (Leibfried/Pierson, 1996). As a consequence, naive proposals for social policy harmonisation are incompatible with the prevailing differences in policy design and institutional structures across Europe's developed welfare states. In a similar vein, it should be emphasised that national politicians are generally unwilling to transfer social and labour market policy competencies to EU institutions, as national welfare states are inherently bound by national identities and domestic democratic legitimacy (Scharpf, 1999).

Until the mid-1990s, EU employment and social policy initiatives conspicuously lagged behind the completion of the Single Market and the introduction of EMU. Especially since the Dutch Presidency in 1997, European initiatives in the area of employment policy and social protection have gained momentum (Ferrera/Hemerijck/Rhodes, 2000). Today, social policy is no longer the 'stepchild' of European integration. The watershed milestone was the insertion of an Employment Chapter in the Amsterdam Treaty (1997). And the inauguration of the European Employment Strategy (EES), under the Luxembourg Presidency, ventured a new mode of cross-national policy making by monitoring and benchmarking, which later coined the Open Method of Co-ordination (OMC).

#### **4. FROM ESSEN TO AMSTERDAM**

The European Employment Strategy has its roots in the Delors White Paper on 'Growth, Competitiveness and Employment' (1993), which propagated intimate co-ordination of national efforts to fight employment and enhanced intra-Union communication on 'best practices'. At the European Council of Essen in December 1994, European leaders adopted a medium-term strategy for the fight against unemployment. Five priority objectives were identified: investment in vocational training and life-long learning, increasing the employment intensity of economic growth through flexible employment patterns and wage restraint, reduction in non-wage labour costs, improvement in active labour market policies and targeted measures to help the long-term unemployed. In terms of institutional procedures, the Essen Council proposed to introduce novel evaluation procedures of annual reporting on policy experience in order to monitor progress. At the European Summit in Dublin in December 1996, the intention was voiced to add an employment chapter to the revised treaty. Agreement was reached to establish a High-Level Employment and Labour Market Committee. Pressed by representatives of the European Parliament, finally, the heads of state and governments agreed, at the 1997 Intergovernmental

Conference, to introduce an employment title into the Amsterdam Treaty. Hereby employment was officially raised to the status of 'common concern' for European policy.

The employment chapter (Title VIII, articles 125-130), first of all, stipulates an obligation for member states to participate in processes of policy co-ordination around a common policy strategy defined by the Council in accordance with objectives laid out in the treaty. Second, the chapter does not confer competences on the part of the Community to regulate or interfere in domestic labour markets. Third, institutionally, the employment chapter formally accords an important public status to the social partners in the process, both at the level of the EU in formulating guidelines and at the level of individual nation-states with respect to the drafting of national action plans (NAPs) (article 138 (ex art. 118a)) so as to foster and deepen the social dialogue.

Agreement over the employment title, its specific procedures and institutional format, was politically enhanced by changed political circumstances. Unacceptably high levels of unemployment in the mid-1990s sealed the fate of many conservative governments. The rise to power of many Centre-Left governments in the EU, in particular in large countries, like France, Italy, the UK, and Germany triggered a search for a new European approach to employment and social policy. After the victory of New Labour in the British general election of May 1997, Blair proclaimed to be in favour of a European employment strategy. Shortly after, France also came round to endorse the employment strategy (even before the election that was ultimately won by the left under Jospin). Meanwhile, social unrest in Belgium, Germany, Italy, and France in 1995-1997 added to the fear of competitive social dumping under the shadow of EMU. When French proposals for a centralised - demand-side - macroeconomic policy response to the predicament of mass unemployment were rejected, European leaders started to show a greater willingness to accompany the move towards EMU with a European employment strategy, capable of bolstering domestic reform initiatives and capacities, while at the same time acknowledging a responsibility of Europe for employment (Larsson, 1998).

Even before the employment title in the Treaty of Amsterdam was ratified (in 1999), the Council adopted during a special Employment Summit in Luxembourg in November 1997 a set of 19 employment guidelines, grouped under the headings of employability, entrepreneurship, adaptability and equal opportunity (Goetschy, 1999). These catchwords were politically significant as they infused the notions of equality, security, participation and employment with entrepreneurial values of flexibility and competitiveness, a Third Way compromise between British neo-liberalism and more traditional social democratic preferences (Hemerijck/Visser, 2001).

In 1998, the EES was formalised into a new policy routine. Member States were required to report on the implementation of the guidelines to the Commission and the Council in annual NAPs. Governments were expected to involve trade unions

and employer organisations in the elaboration and implementation of these NAPs. On the basis of the annual evaluation, after advice from the Commission, the Council was allowed to issue recommendations, taken by qualified majority voting, to individual member states to revise their policies. Such advice, however, does not carry the penalty of sanctions (Pochet, 1999). Its effect is entirely based on public exposure, 'peer pressure' and the loss of face in Brussels.

Contrary to what sceptics might have feared when the Luxembourg process started, the first results, on the basis of the Joint Employment Reports in 1998, 1999, and 2000, reveal substantive progress. Institutionally, the EES has also served as a powerful indirect force for the extension of social partnership involvement in the formulation and review of guidelines (through participation in the Employment Committee) and in co-ordination with other policy areas (through the macroeconomic dialogue). By way of stipulating social partnership involvement in the formulation and implementation of National Action Plans, moreover, countries like France and the United Kingdom, where social partnership traditions are historically rather weak, are stimulated to explore the advantages of social dialogue and social pacts. In terms of policy content, the Joint Employment Reports highlight a clear reorientation of national policies from passive and reactive to active measures. Moreover, the new 1999 guidelines on gender mainstreaming, including suggestions on policies on career breaks, parental leave and part-time work, reveal a responsiveness to the new challenges of reconciling work and family life (Bercusson, 2000). Another groundbreaking change is the requirement to introduce policies to keep older workers in the workforce. In 2001, for the first time, numerical targets for increasing the participation of working age adults were established. Following the second evaluation exercise of the NAPs, the Council took a critical stance and identified eight areas where national implementation remained insufficient: youth unemployment; preventing long term unemployment; tax and unemployment benefit reforms; job creation in services sector; modernisation of work organisation; making taxes more employment friendly; the fight against gender inequalities; and improving indicators and statistical tools (Mosley/Maier, 1999).

##### **5. STRENGTHS AND WEAKNESSES OF OPEN METHOD CO-ORDINATION**

With fifteen very different welfare states, and an impending new wave of enlargement, there is today no single "European social model" on which member states of the European Union could possibly converge (Ferrera, Hemerijck and Rhodes, 2000). In retrospect, it seems that the central policy lesson drawn from the success of the European Employment Strategy is that: if the European Union as a social policy player, under current institutional conditions, is too weak to be able to overshadow the nation-state, its employment and social policy agenda should be geared towards backing national reform efforts in the direction of Union-wide policy ambitions and objectives.

Progress on the agenda of European social policy has also come a long way since the Council recommendations of 1992 on social protection and social assistance (Falkner, 1998). Here too developments evolved around the notion of 'convergence of objectives', not policies or institutions. On the basis of the communications 'The Future of Social Protection: a Framework for a European Debate' of 1995 and 'Modernising and Improving Social Protection in the EU' of 1997, the Commission presented in July 1999 their proposal for "A Concerted Strategy for Modernising Social Protection", a framework for closer co-operation in the field of social protection, again based on the exchange of policy experience through annual reporting with a view to identifying best practices. A High Level Working Group on Social Protection, reminiscent of the Employment Committee, was agreed during the Finnish Presidency in 1999.

The Lisbon summit marked another watershed in the Europeanisation of employment and social policy. With respect to employment, the heads of state and governments agreed to concrete quantitative commitments to increase the rate of total employment in the European Union to 70% and to over 60% for women by 2010. Employment guidelines were amended to include 'lifelong learning' and 'increasing employment in services'. With respect to social protection, the Lisbon Council proposed to extend the open method of co-ordination to new policy initiatives for fighting poverty, combating social exclusion, and modernising systems of social protection. The Portuguese presidency agreed to draw up European guidelines for social protection, which would be implemented in the same manner as the Employment Guidelines; setting common objectives that are ambitious and realistic, using clear indicators whenever possible; ensuring necessary flexibility for member states to implement policy; and closer co-operation among member states. At the Nice Council in December 2000, European leaders agreed over an ambitious Social Agenda. Common objectives were endorsed and integrated into the Treaty, which also formally established the Social Protection Committee (article 144). More recently, the Swedish presidency put forward proposals to apply the method of open co-ordination to health- and elderly care, most notably with respect to pensions. The Swedish presidency added to the Lisbon targets to raise employment for men and women aged 55 to 64 to 50% by 2010. More recently, the Belgian presidency forged a political agreement on quantitative indicators for monitoring progress with respect to social inclusion across member states. During the Belgian presidency also an agreement was reached on common objectives for pension systems, including a consensus on applying the procedure of open co-ordination with respect to pensions. With these innovations, finally, the fight against unemployment and social exclusion became part of the EU constitution.

The most important innovation coming out of the Lisbon Summit raised was the establishment of the open method of co-ordination as a new modus of European governance, broadly applicable to all kinds of issues in European policymaking. The open method of co-ordination constitutes a procedure whereby domestic policy actors learn to respect each other's differences while accepting commonly agreed

guidelines and taking inspiration from ‘best practices’ from abroad as they try to deal with their own ‘regime specific’ problems. The open method of co-ordination is advertised as the practice of cross-national policy learning, based on setting specific targets, benchmarking, periodic monitoring, evaluation and peer review, based on commonly agreed European guidelines and domestic National Action Plans. The objective is not to achieve a common policy in selected issue areas, but rather to institutionalise processes for sharing policy experience and the diffusion of best practices. The conclusions of the Lisbon Summit list a number of key elements of the open method of co-ordination:

- setting short, medium, and long term guidelines for the EU with specific timetable for their achievement;
- establishing performance indicators and benchmarks tailored to each member state to allow comparison of best practice;
- translating targets from European guidelines to national policy responses;
- periodic monitoring, evaluation and peer review and evaluation with an emphasis placed on mutual learning processes.

Open co-ordination is best seen as a way to cope with the problems and constraints resulting from European economic and monetary integration in policy areas that are not yet Europeanised themselves, but where the saliency of national differences in interests and policy legacies rule out common European rules or solutions. In terms of standard theoretical concepts of European policy-making and integration, Fritz Scharpf reasons that open co-ordination should be located somewhere between the modes of “intergovernmental negotiations” and “mutual adjustment”. In agreement with the logic of mutual adjustment, governing competences remain entirely at the national level and continue to be exercised by national governments that remain fully accountable for their policy choices to their national electorates. At the same time, however, following the logic of intergovernmental negotiations, national policy choices are not pursued in isolation (Scharpf, 2000). Acknowledging that promoting employment and fighting social exclusion are ‘matters of common concern’, national governments are committed to policy co-ordination within the Council (Article 126, II).

#### 5.1. CONTEXTUALISED BENCHMARKING

Benchmarking is central to the open method of co-ordination. Benchmarking requires (a) collection of data on outcomes and policies that lead to them; (b) assessment of the outcomes and study of how policies leading to these outcomes actually work; and (c) some determination about whether the institutional environment surrounding the policy is similar to that of the observing organisation or system (Romanelli, 1999).

The 'open method of co-ordination' is exemplary for a so-called 'contextualised' method of benchmarking, allowing for intensive consultation over the setting and modifying of guidelines and national action plans, with ongoing and repetitive feedback on implementation progress (Hemerijck/Visser, 2001). Not all currently popular benchmarking exercises are as contextualised as the open method of co-ordination. Most often, a normative format of 'decontextualised' benchmarking prevails, leading up to the selection of one example of 'excellence' for all others to follow. In the area of employment policy, the OECD Jobs Strategy (OECD, 1994) is a good example of decontextualised benchmarking. The weakness of decontextualised benchmarking is that its lessons, void of policy experience and institutional context, remain shallow. It should not come as a surprise that a 'key reason cited for slow and sporadic implementation of the OECD Jobs Strategy is the *perception* that undertaking reform involves conflict with policy objectives concerning equity and social cohesion'. Best practices only show the way when they are institutionally 'pulled in' by domestic actors. A quote from the Joint Employment Report 1999 is instructive for the emphasis on 'contextualised' monitoring and benchmarking in the EES:

"The essence of this method is an examination of the transferability of a policy presented by a 'host country' by several interested 'peer countries'. The core activity in each peer review is a seminar complemented with a site visit. It is a structured activity based on a number of expert papers prepared in advance specifically for this exercise."

The exposure to others through peer review is a useful motivation because no government will want to be seen to score badly in league tables. However, perhaps more important, is the enrichment of experience gained through peer review, whereby policy makers are able to assess for themselves why some solutions advanced in various countries can or cannot be transposed to others.

## 5.2. RECONCILING DIVERSITY AND DEMOCRATIC ACCOUNTABILITY

The open method of co-ordination illustrates a new mode of multi-level governance in which both processes of domestic reform and supranational agenda-setting are intertwined in such ways that allow domestic policy actors to learn from each others policy problems and successes, while setting commonly agreed guidelines and be inspired by 'best practices' elsewhere to deal with their own problems. As an iterative process, the open method of co-ordination provides ample opportunities to tackle employment and social problems in a medium-term perspective. This allows for a significant degree of de-politicisation of the issues at stake, while encouraging a problem-solving style of policy making. Moreover, the open method of co-ordination grants opportunities to act in policy areas of 'common concern' where Community competences are relatively weak, where traditional regulation is infeasible and impracticable. The experience with the EES reveals that member states

seem to be more willing to accept initiatives of Community action into these areas, and to agree over quantitative targets for common objectives, precisely because the EU does not have legally binding powers over them (Zeitlin, 2001).

The core advantage of the open method of co-ordination lies in its potential of reconciling national diversity and democratic accountability at the level of the nation-state with common policy ambitions and measures of policy effectiveness through benchmarking and monitoring. There are, in other words, no problems of a democratic deficit (Scharpf, 2000). At the heart of OMC lies an explicit recognition that national welfare states are profoundly different from one another. This is a major breakthrough in European policy making, which for a long time remained torn between supranational harmonisation and mutual recognition, with its inherent risks of either gridlock or lowest-common denominator dynamics of regime competition. Under the open method of co-ordination, as argued by Jonathan Zeitlin, subsidiarity is no longer a zero-sum relation between member states and EU institutions, in which particular issues should be allocated to one jurisdiction or the other, leading to member states to resist the far-reaching expansion of Community competences in the social sphere (Zeitlin, 2001). By contrast, the open method of co-ordination is a positive sum-game of 'Europeanisation' and 're-nationalisation'. Compared to the alternative of mutual recognition and its inherent dangers of regulatory competition, the open method of co-ordination allows member states to move at different speeds in the same direction (Mosher, 2000).

### 5.3. POLICY LEARNING

The open method of co-ordination constitutes a powerful stimulus for policy learning and innovation. Through open co-ordination, persistent heterogeneity may be exploited for purposes of experimentation and innovation. Ongoing reforms in the member countries provide ample opportunity for the EU to further learning processes, particularly suited to policy innovation. The success at OMC, respecting national sovereignties, could enhance the legitimacy of EU social policy and the EU as a social union. Policies may even gradually converge in a process of multi-level diffusion as the experience with new policies accumulates.

Taking learning seriously highlights the importance of ascertaining the possibility *and* the willingness to experiment beyond existing routines. Ex post monitoring and benchmarking encourages national actors to take each other's experiences, best practices but also pressing policy problems, seriously. Open co-ordination combines two types of policy learning: *learning from others*, with a large element of 'lesson drawing' and mimicking based on the observation and presentation of the experience in other countries; and *learning with others*, or 'interactive learning', based on joint processing and exchange of information and experience (Hemerijck/Visser, 2001).

It offers them the possibility of acquiring information through standardised evaluative accounts. Relying on elaborate, if not to say cumbersome, methods of negotiated guidelines, targets, deadlines and evaluation procedures, the strategy allows for pragmatism in dealing with regime-specific contingencies and vulnerabilities. There is scope for countries not only to learn from one another, but also to exploit the benchmarking process to reveal weaknesses and potential for enhancement of policy delivery in their own countries.

The open method of co-ordination can potentially stimulate '*learning ahead of failure*' (Hemerijck/Visser, 2001). It may expand the repertoire of potentially effective policy responses, that is, trials that policy makers might not have discovered through the examination of their own policy experience or history. By adopting innovations associated with success from elsewhere, policy makers may thus avoid some of the costs of pure trial and error learning. Periodic pooling of results is likely to reveal defects of parochial policy responses. In this sense, the open method of co-ordination marks a step towards a *preventive* labour market policy (Klemmer *et al.*, 2000). The litmus test for social policy learning ahead of failure surely lies in the application of open co-ordination in the field of pensions, launched under the Belgian presidency!

#### 5.4. WEAKNESSES

The open method of co-ordination is not without weaknesses (Porte *et al.*, 2001). Some observers fear that 'soft' policy co-ordination and its lack of real sanction will crowd out 'hard' legislation where regulation is called for. Especially, among economists there is a genuine concern that 'soft' social policy remains with fully Europeanised monetary policy, straitjacketed fiscal policy, limiting the scope of demand management. The degree of domestic policy innovation can easily be masked by the repackaging of existing policies in terms of the meaningless wordings of pillars, guidelines, benchmarks and targets. Open co-ordination could be used as a pretext for avoiding hard choices about appropriate recasting of policy competences in the EU policy framework. Moreover, to rush into social benchmarking by reference to rather vague objectives harbours the risk of inflation discrediting the process. In the absence of sanction or rewards, as was the case for the EMU convergence criteria, for failing to adopt suitable measures, let alone to meet targets, the attempt to co-ordinate could prove to be empty. Open co-ordination can be seen a back-door approach to the Europeanisation of elements of social and employment policy, with the symbolic message that a more extensive role for the EU in the policy process is desirable, but not feasible for political reasons.

In short, open co-ordination is surely no panacea. We maintain that open co-ordination and legislation should be deployed in tandem, as they have their own specific strengths and weaknesses. To be sure, health and safety at work and regulation of second pillar pensions requires legislation. Open co-ordination is especially useful in policy areas where Community competences are institutionally constrained and to

the extent that policy objectives are ambitious, precise and realistic. One of the most sensitive issues, especially in the areas of social protection and inclusion, is the quality and quantity of available statistics on performance and indicators for social policy progress. Finally, as guidelines drive processes of open co-ordination, a key political question is how and to what extent feedback learning processes contribute to the improvement of guidelines. The Europeanisation of employment and social policy cannot affect the balance of political power in individual member states. This may become problematic when the 'social democratic moment', based on high levels of support for the welfare state, in Europe subsides, and other issues start to compete with traditional social democratic welfare policy concerns. A final concern is how much diversity in welfare design, institutional structure, levels of development and problem loads, the open method of co-ordination can tolerate. Think of the immense increase in diversity, with the impending accession of many Central and Eastern European countries. Several candidate countries are already, by adopting employment policies that shadow or mimic the open method of co-ordination, recasting their policy frameworks to bring them in line with the EU.

Open co-ordination has the potential to develop into a potentially valuable addition to the set of institutionalised governing modes that already are available in the European polity. Open co-ordination, according to Fritz Scharpf, is immanently more flexible than joint decisions and intergovernmental negotiations. Moreover, in contrast to mutual adjustment, it does provide a useful safeguard against unintended 'races to the bottom' under conditions of system competition (Scharpf, 2000). However, the success of open co-ordination remains fragile, in the sense that it is contingent on the extent to which national policy makers see themselves as pursuing convergent or parallel goals, but for reasons of practicability and political feasibility prefer to remain free in defining and adopting their own measures for reaching these goals. Considerable efforts required by the elaborate procedures of open co-ordination must then be justified by the hope that monitoring, benchmarking and peer review could increase the effectiveness of national employment and social policies (Ferrera, Hemerijck and Rhodes, 2000).

## **6. THE SELF-TRANSFORMATION OF THE EUROPEAN SOCIAL MODEL(S)**

Recent national reform initiatives mark a distinctive, and sometimes already successful European response to the massive policy challenges ahead. In the second half of the 1990s, a number of important breakthroughs contributed to the deepening of Social Europe, serving to advance domestic reform efforts with the benefits of European employment and social policy initiatives. The insertion of the employment title in the Amsterdam Treaty, the European Employment Strategy, the extension of the open method of co-ordination to issues of social protection and social inclusion, the ambitious Social Agenda of Nice, all contradict the scenario, popular in the early 1990s, that EMU would provoke a process of competitive labour market and social policy deregulation. Quite to the contrary, it seems, in retrospect, EMU, first, at the

level of the nation-state, triggered the resurgence of national social pacts. This is particularly true for countries, like Italy, which faced the greatest difficulties in living up to the new hard currency regime of EMU (Fajartag/Pochet, 2000).

Secondly, at the level of the Union, EMU, supported by the changing balance in political power across the member states of the European Union to the centre-left, provided a window of opportunity for agreement over the European Employment Strategy, on the basis of a 'management by objectives' approach to policy-making, mitigating some of the risks of regulatory competition through joint monitoring and benchmarking. Open co-ordination thus serves the advancement of *both* substantive EU objectives in employment and social policies *and* more ambitious national reform goals. Zeitlin maintains that such progress, under the EES, was achieved, not so much despite, but precisely because of the cross-national diversity in policy goals and institutional arrangements, to the extent that the opportunities for mutual learning through articulated exploration of alternative solutions to common problems are enhanced rather than diminished by the breadth of variation in experience, ideas, and ideals among the participants.

With the recent extensions of the open method of co-ordination to core areas of social protection, including pensions, European welfare states have become subject to a web of EU procedures, which serve to shape, together with domestic institutional capacities, national approaches to welfare state reform. Welfare reform in the first decade of the 21st century will increasingly involve a combination of *domestic learning, learning from and with others*, possibly *ahead of failure* in Europe, the upcoming litmus test being pensions. And while the open method of co-ordination rejects ambitions of harmonisation, joint policy learning can surely invite policy convergence as a by-product of a growing consensus over effective policy responses. While the 'common guidelines' differ, as 'soft' alternatives to legalistic regulations and directives, from the 'hard' Maastricht criteria for EMU, one could nevertheless legitimately claim on the basis of recent experience that 'soft law' guidelines in the areas of employment and social protection are immanently more preferable and practicable than long-awaited and watered down social directives. Moreover, innovative combinations of domestic policy (failure induced) learning and supranational learning (ahead of failure) may cause considerable hybridisation in welfare and labour market policy, that have thus far tended to cluster in different regimes, characterised by high degrees of path dependency.

The achievements since the mid-1990s have not only established a central role of EU institutions in employment and social policy. More important, they significantly reinforce and help recast, under conditions, the two core normative-cognitive and institutional underpinnings of the European social model. As such, they make up the European contribution to what we see as a dynamic process of *self-transformation of the European social model*.

---

**REFERENCES**


---

- Bercusson, B., The European Employment Strategy and the EC Institutional Structure of Social and Labour Law, paper presented at the workshop “Legal Dimensions of the European Employment Strategy”, Brussels, October 9-10, 2000.
- Esping-Andersen, G., *The Three Worlds of Welfare Capitalism*, Cambridge, Polity, 1990.
- Fajertag, G. and Pochet, P. (eds.), *Social Pacts in Europe – New Dynamics*, Brussels, ETUI, 2000.
- Falkner, G., *EU Social Policy in the 1990s: Towards a Corporatist Policy Community*, London, Routledge, 1998.
- Ferrera, M., Hemerijck, A. and Rhodes, M., *The Future of Social Europe: Recasting Work and Welfare in the New Economy*, Oeiras, Celta Editora, 2000.
- Goetschy, J., The European Employment Strategy: Genesis and Development in *European Journal of Industrial Relations*, 6, 2, pp. 117-137, 1999.
- Hemerijck, A. and Schludi, M., Sequences of Policy Failures and Effective Policy Responses in Scharpf, F. W. and Schmidt, V. (eds), *Welfare and Work in the Open Economy – From Vulnerability to Competitiveness*, Oxford, Oxford University Press, 2000.
- Hemerijck, A. and Visser, J., *Learning and Mimicking: How European Welfare States Reform*, manuscript, 2001.
- Klemmer, P., Baumgart, K., Becker-Soest, D. and Wink, R., Institutional Learning of Preventive Labour Market Policy –An evolutionary approach in Klemmer, P. and Wink, R. (eds.), *Preventing Unemployment in Europe*, Cheltenham, Edgar Elgar, pp.232-251, 2000.
- Larsson, A., The European Employment Strategy and EMU: You must invest to save, the 1998 Meidner lecture in *Economic and Industrial Democracy*, 19, pp. 391-415, 1998.
- Leibfried, S. and Pierson, P., (eds.), *European Social Policy: Between Fragmentation and Integration*, Washington D.C., The Brookings Institution, 1996.
- Mosley, H. and Mayer, A., Benchmarking National Labour Market Performance: A radar chart approach, report prepared for the European Commission, Berlin, WZB discussion paper, 202, 1999.

OECD, *The OECD Jobs Study. Part II*, Paris, OECD, 1994.

Pochet, P. (ed.), *Monetary Union and Collective Bargaining in Europe*, Brussels, P.I.E. - Peter Lang, 1999.

Romanelli, E., Blind (but not unconditioned) Variation in Baum, J.A.C. and McKervy, B. (eds.), *Variations in Organization Science: In Honour of Donald T. Campbell*, Newbury Park Ca., Sage, pp.79-91, 1999.

Scharpf, F. W., *Governing in Europe: Effective and Democratic?*, Oxford, Oxford University Press, 1999.

Scharpf, F. W. and Schmidt, V., eds., *Work and Welfare in Open Economies*, Oxford, Oxford University Press, 2 vols, 2000.

Scharpf, F. W., Notes toward a theory of multilevel governing in Europe, MPIfG Discussion Paper 00/5, Cologne, Max Planck Institute for the Study of Societies, 2000.

Streeck, W., *Social Institutions and Economic Performance: Studies of Industrial Relations in Advanced Industrial Economies*, Newbury Park, Calif., Sage, 1992.

Zeitlin, J., Constructing Social Europe: Social Dialogue, Subsidiarity, and Open Coordination, Comment presented to the European Conference "Pour une politique européenne des capacités: Un cadre de travail entre chercheurs et acteurs du dialogue social européen", sponsored by DG V of the European Commission, Brussels, January 12-13, 2001.

---

## TABLE OF CONTENTS

### **DEEPENING SOCIAL EUROPE THROUGH OPEN CO-ORDINATION**

<b>1. EUROPEAN WELFARE STATES ARE DIFFERENT</b>	451
<b>2. THE EUROPEAN SOCIAL MODEL : COMMON FEATURES</b>	452
<b>3. THE NEW EUROPEAN EMPLOYMENT AND SOCIAL POLICY AGENDA</b>	454
<b>4. FROM ESSEN TO AMSTERDAM</b>	455
<b>5. STRENGTHS AND WEAKNESSES OF OPEN METHOD CO-ORDINATION</b>	457
5.1. CONTEXTUALISED BENCHMARKING . . . . .	459
5.2. RECONCILING DIVERSITY AND DEMOCRATIC ACCOUNTABILITY . . . . .	460
5.3. POLICY LEARNING . . . . .	461
5.4. WEAKNESSES . . . . .	462
<b>6. THE SELF-TRANSFORMATION OF THE EUROPEAN SOCIAL MODEL(S)</b>	463
<b>REFERENCES</b>	465

# THE EUROPEAN SOCIAL MODEL AND THE OPEN METHOD OF CO-ORDINATION

BY **MAURIZIO FERRERA**

Professor at the University of Pavia, Italy

I am definitely convinced that the OMC can operate as a key tool for safeguarding/developing the European Social Model. Before justifying my relative optimism, I must however elaborate on the notion of a European Social Model. At a very abstract level, this notion evokes the delicate combination and mutual re-enforcement of the three founding values of modern Europe (Liberty, Fraternity or solidarity and equality) underpinned by a set of well-designed institutions. When we get down to earth, the notion of European Social Model reveals however two different meanings and dimensions. On the one hand it refers to a number of shared characteristics of the 15 member states in their social and institutional complexion, in comparison with non-European countries. In this meaning, the expression could be rephrased as “the social model of the European nation states”.

Typically such shared characteristics are:

- an extensive level of basic social protection against a wide array of social risks for all citizens;
- a high degree of interest organisation and co-ordinated bargaining (in a wide sense);
- a more equal wage and income structure than in non European contexts.

On the other hand, the expression “European Social Model” denotes certain institutional features of the European Union as such, i.e. as a system that is distinct from the pure sum of 15 national social models sharing certain common or similar traits. I propose to attach to this second meaning the label of “EU social model”.

The EU social model has at least four substantive features:

- a set of constitutional (i.e. Treaty based) social policy principles and norms;
- a basic floor of social guarantees, upheld by pan-European regulations;
- a fairly articulated co-ordination regime that forces national systems to communicate with each other through forms of mutual recognition;
- a wider set of common aspirations, objectives and concerns, rather softly defined but still recognisable, which guide and orient national action.

The EU social model has also a number of distinctive features in terms of policy process as well :

- joint decision making driven by a complex combination of national interests, shared value orientations and practicability;
- the existence and at times protagonism of a policy network above and beyond the nation state;
- the existence and at times protagonism of supranational institutions such as the Commission and the Court of Justice, that can play significant “steering” roles.

Having established this distinction, the way I see the situation nowadays can be put as follows: The social models of the European nation states have come to be deeply embedded within the wider EU social model. This has created new constraints and new opportunities for institutional change.

In principle, the interplay of the national and EU dimensions has produced desirable outcomes in respect of the grand historical values of the ESM (in the broad sense). But there have been strains, problems and failures too. Let us think of the de-stabilising impact that certain Court rulings on the free movement have had on the equilibrium of national systems. Let us think of the failure on the side of certain countries to comply with certain common objectives or even to collaborate in their definition. Let us think of the difficulties in advancing with binding legislation due to decision-making blockages and procedural impediments raised by this or that member state.

Against such a background let me quickly get to the OMC. Our speakers have already illustrated the logic of this method and the mechanisms through which it can promote institutional innovation at all levels. With reference to my definitions, I would summarise the contribution of the OMC in the following way.

With respect to the national social models, the OMC can help mobilise reform potentials in 2 ways :

- by encouraging policy actors in puzzling about problems and searching for innovative solutions and
- by activating all affected parties and encouraging horizontal networking between them.

I have had the opportunity of being personally involved in the evaluation of the recent first round of the inclusion process (especially as regards Italy) and I have a grounded impression that this is exactly what has happened at the national level.

With respect to the EU social model, the OMC has the explicit objective of defining common objectives, monitoring their actual implementation and thus orienting national action from a substantive viewpoint; but it also serves to identify, before they become harmful, the frictions and tensions between the EU levels and the

national level. The OMC can thus facilitate the search for those combinations of national interests, shared value orientations and practicability that I have listed as one defining feature of the EU social model itself.

As a recent creation, the OMC has not yet displayed all its potential virtues. And definitely it should not be regarded as a panacea for all problems. There is also ample room for technical improvements. My impression is for instance that too much emphasis is currently placed on vertical flows (i.e. contacts between the EU and especially the Commission and policy communities at the national level) than on horizontal flows (i.e. direct contacts between national policy communities, through peer reviews exercises or just simply mutual exchanges). A number of people in country x do read the Commission's guidelines and reports; but very few read and study country y's or z's national action plans with a view to learning-for doing. More incentives should be offered for this kind of activities, maybe for groups of countries facing similar problems.

And there are obviously other fronts of technical improvement which deserve reflection and proposals.

Two criticisms are sometimes raised against the OMC. The first risk is that this method may "displace" other forms of decision-making and typically the social dialogue. As mentioned above, the involvement of the social partners in social policy is a defining feature of the ESM. At the national (and even infra-national) level, the social partners have always been crucial players, not only in policy formulation but in many countries also in policy implementation (e.g. in the actual management of social insurance schemes). At the EU level, the Treaties recognise an important role to the social partners : for example art. 138 of the Amsterdam Treaty invites the Commission to promote the consultation of management and labour at the Community level and to take all relevant measures to facilitate their dialogue, ensuring balanced support for the parties. Article 139 provides, in addition, for a specific decision-making process involving only the social partners and leading to contractual relationships, including agreements to be possibly transformed into Council decisions. Will the OMC discourage or pose obstacles to the social dialogue, at both national and EU levels? In the field of employment (Luxembourg process) according to some commentators the risk is already there and whistle blowing has already prompted the Commission to make a move: the 2001 guidelines have tried to counter the insufficient involvement of the social partners by trying to promote a "process within the process", i.e. to assign to these actors responsibility for the development and reporting on actions within their autonomous remit, but based on the overall objectives defined in the Employment guidelines. It is important to reflect on this issue and build on experience with a view to identifying the correct ways of involving the social partners in the forthcoming new process on pension policy co-ordination.

The second risk lamented by commentators is that of “over-stretching” the OMC to the detriment of more traditional and “hard” forms of policy making, based on legislation, even when and where the latter is both feasible and desirable. The Amsterdam and Nice Treaties have opened up new opportunities on this front and the European Parliament has urged the Commission not to forget them. In a Resolution on the European Social Agenda approved on 26 October 2000, the European Parliament has welcomed the development of the open method of co-ordination along the lines of the Luxembourg process, but it stressed nevertheless “that the legislative instrument must continue to be the rule in the Union’s areas of competence, because it aims at establishing minimum social standards at Community level and at the same time maintains democratic parliamentary influence and judicial controls over the Union’s decisions”. The last sentence is very instructive, as it points to two serious shortcomings, which seem inherent in the overall institutional design of the Lisbon strategy: its “democratic deficit” (to use a well know expression of the Euro-jargon) and its weak connections with the wider legal framework of the EU. As has been convincingly argued by de la Porte, Pochet and Room (2001) (1), the OMC can pass the legitimacy test only to the extent that it remains a “bottom up” process, conducted “in the full glare of public debate”.

In conclusion: open co-ordination has indeed planted new seeds for strengthening EU socio-economic governance, both per se and as a potential wedge to prompt a revival of more traditional forms of supranational decision making, i.e. the social dialogue and ordinary legislation. The next years (with a forthcoming IGC for Treaty revision) will tell which role has been the most important.

---

---

(1) De la Porte, C., Pochet, Ph. and Room, G., Social Benchmarking, Policy-Making and New Governance in the EU, Forthcoming in *Journal of European Social Policy*, Vol. 11, no. 4, November 2001.

# SOME BACKGROUND COMMENTS ON THE EXTENSION OF THE OPEN METHOD OF CO-ORDINATION. FROM LABOUR MARKET TO PENSION POLICIES

BY **STEPHAN LEIBFRIED**

Centre for Social Policy Research, Bremen University, Germany

## 1. THE IMPROBABLE EQUILIBRIUM

Four Single European Markets have now been completed, (goods 1960s ff., capital 1980s ff., services 1990s ff., labour de jure 1958/59ff., de facto ??), plus a common currency. I would argue that between national welfare states, the single markets and a common currency, there is *no* stable, natural balance to be obtained.

As the history of the US in the 2nd half of the 19th century and since the 1930s shows, isolated welfare delivery at the state level becomes unhinged by such developments: The growth of a US common market, the (late) creation of a US common currency, the erosion of a separate southern economy in the 1st half of the 20th century and the common experience of massive economic dislocations in the Great Depression made local programs less stable and less efficient and national solutions in some areas more and more desirable.

Since European unification has progressed (de facto and de jure) significantly in three Single Markets (goods, capital, services) and since now the Euro has been introduced since January 1, 2002, we also have moved fairly close to such a tilting point. Currently in Europe it is only the factual, *cultural* incompleteness – legally the labour market is pretty well established – of the Single Labour Market that upholds our (now still) national welfare state “reservations”. If Europe had a trans-European labour mobility measuring up to the US there would already be a European labor market and a forceful European system of industrial relations, embedding a European welfare state to be. There would be also growing pressures for European solutions in areas close to the labour market, as in unemployment insurance, occupational pensions and occupational health. Such a growth of European institutional corridors would also make us confront other common challenges presently faced individually and insufficiently by all Member States. As an example I am thinking of the demographic challenge to national pension systems.

## 2. **HANDCUFFED EUROPEAN INSTITUTIONS**

---

European Integration has put itself into an escape artist's position. I hope it does not suffer the fate of the Great Houdini, who went under water hand-cuffed so many times – and the one time his act did not come off ... he drowned.

I presently see Europe in a situation somewhat analogous to the New Deal in the United States of America (US): Our continent has major social problems on its hands in all 15 Member States, but its hands are constitutionally tied – and with Eastern expansion, these problems will not decrease. Europe may proceed at best with unanimity but even that is quite unlikely in welfare state reform on an ageing continent: After all the veto potential of the ageing in elections via à vis welfare state reforms will increase as their demographic importance increases. Veto politics finds optimal conditions here.

As was the case with the New Deal in the US, it will take massive constitutional and substantive (welfare state) reform to break this deadlock. I do not want to stretch the analogy too far since we do not live in the United States of Europe, but one should keep the following in mind: the fact that the US became a federation was only decided by constitutional evolution through the Supreme Court in a series of cases in the 19th century. Thus, the 19th century is the proper period for institutional comparison of the EC with the US. In a sense, the professional legal class united the US. Neither the US nor Europe were *born* federations. A federation here is a self-made, evolutionary product which one has to opt and struggle for.

## 3. **THE OPEN METHOD OF CO-ORDINATION**

---

I see the Open Method of Co-ordination (OMC) as an improvised reaction to the problems outlined under the two previous comments. OMC is about to be applied to pension systems, which are arguably the biggest average chunk of national welfare states. The OMC can be seen simply as a *bypass operation*, leaving the constitutional as well as the substantive problems of the *heart* untouched. The OMC in pensions, though, recognises some of the 20th century's most *immovable objects* on the 15 national grounds. It also recognises the 21st century's *irresistible forces* for change. And the OMC tries to cope with both in an amicable, but most likely, ineffective way. In German I would label this the "Münchhausen-Prinzip", reminiscent of the fantastic Baron Münchhausen who pulled himself out of the swamp by grabbing himself by his own hair. Considering the troubles national pension systems face this may not be an unlikely scenario.

Perhaps the effectiveness of this procedure will develop just like the Euro did? If academic opinion had been polled in the early or mid-1980s across Member States, a Single Currency beginning in the 21st century would not have been thought likely. Whether the OMC will really lead to something like a *Single European Reform Cor-*

*ridor in Pensions* will mainly depend on whether Member States are intent on transnationalising welfare state reform because they have experienced totally blocked national reform landscapes and the diminishing of their traditional means of welfare state politics, like exchange rates, interest rates etc. Perhaps the finance ministers are playing the welfare state's permanent ice-breakers here at the European level? And the social ministers can use the chance provided to them by their colleagues from finance constructively. Frank Vandenbroucke's outline of "What is to be done" points in this direction.

I would like to offer some remarks on the *Report by Esping-Andersen et al. (2001)*: the report might profit from making the OMC in pensions more sensitive to *dissimilar* challenges. In Germany, for example, public pensions are the holy cow. Dahrendorf once compared pensions in Germany to education in France and the National Health System in the UK. The holy cows vary from country to country. So – even when all pillars are involved in OMC – , in Germany, tackling pensions head-on at European level means something completely different than it does in the UK, where public pensions are minimal to begin with and serve *at best* minimum protection functions. While I sympathise with the *minimum pension* elan of the report I wonder whether this will fit the European average situation at the end of the 20th century. It may fit the UK, though. A "*median pension*", neither a maximum or minimum, but aimed at the average *national* citizen, might be closer to the nodal issue? A simple minimum may just lose the support of the critical middle classes for the welfare state.

Also, the report goes in the right direction in looking at the whole life course. It would be worthwhile, though, to think more concretely about connecting pension and education policies *structurally*. Why is it not possible to give incentives early on for the qualified work force Europe will need in the 21st century? Perhaps pensioners may see more value in spending pension moneys on their grandchildren rather than on "(pension) *cuts and* (presumably market) *runs*", which would be the alternative melt-down strategy available? The question at hand is: Can we really integrate the "comprehensive social investment strategy in favour of children", as advocated in the report, with pension *structures* ? If so, how ? What may be alternative routes here? We need to move much closer to thinking about an alternative organisation of pension systems.

One might also reflect on *feedback* processes of OMC on the thus Europe-wide "bundled" national pension systems. Even stronger league building of pension regimes – especially of the Bismarck type which now seems on the way to a hegemonic European mode – across Member States would seem an obvious consequence. How does that affect "peripheral modes" in pensions ? How will the Beveridge approach fare that we can still find in Scandinavia ? Will a unanimity environment combined with the hegemony of one model really be reform-prone or prove to be an even stronger blockade to change, now at the EC level ?

#### 4. BLINDFOLDED REFORM POLITICS - "FLYING BLINDFOLDED THROUGH 21ST CENTURY REFORM FOGS"

---

I am no pension expert, but successful OMC-politics will need a very good and durable knowledge base. It cannot build for long on fast and improvised indicator short cuts, which seems to be the current prospect. The problem here seems multidimensional to me:

■ The European welfare states are not yet anchored in *knowledge*-based societies, despite the emphasis placed on the knowledge-based economy and society since Lisbon. These welfare states are still *intuition*-based, and differently so according to national contexts. Different religious experiences, which are partly very long run, as in religious divisions dating to the Thirty Years War in Germany which still feed corporatist instincts and federalism, the different experiences of WWII, different union and social democratic - and other political parties, like Christian Democrats - trajectories all lead towards different conjunctures of intuition. Maybe the right phrase would be different "*moral economies*". But these are intuitions nonetheless, and they seem to be slowly but surely wearing out since the 1980s, with no alternative mode of anchoring social justice (ideals) yet in sight!

■ While our societies are losing their traditional intuitions about social justice, there is *no* massive national or European effort to *complement* intuition with a better knowledge base; or maybe even to substitute one for the other - if that can be done. In European societies we spend maybe - an unsophisticated guess - somewhere around 0.0003 percent of European GNP on knowledge (basic research) on the welfare state, while we spend on the average about 25% of GNP on the welfare state itself. The EU spends about 1.1% of the EU GNP, so it could make a dent by moving the decimal point in basic research on social welfare clearly one slot to the left - say to 0.003 per cent of European GNP. But if the EU proceeds with its usual tiresome application logic, i.e. small research programmes parcelled out in a cumbersome application process, that will lead nowhere. The paradox here may be: The less welfare state there is, the more societies seem to know about it. The case in point would be the UK (1997 21.93% GNP public plus mandatory private benefits; OECD data), the only country that has some 50 or so Departments of Social Policy and Social Administration and thus a comparatively massive research effort (but very strongly biased to the applied side, and thus not very principled concerning the "moral economy"-side). The opposite case in point may be Germany: with a 27.75% GNP welfare state (in the East it is 50% plus of regional Eastern GNP (1) - so much about instantly functioning intuitions! (2)) and a rather diffuse knowledge base. To be clear, a knowledge base is certainly about facts and figures. But it is much more.

---

(1) Naturally this disequilibrium is only possible because the West German social security system refinances - and hides - the East German regional overload.

(2) The basic reaction to the unification challenge after 1989 was the speedy export of the West German welfare state as part of the export of the whole legal system.

*It is also a matter of (re)building conceptions of justice and desert not only (though in modern societies decisively) in the academic world, but also among citizens (nationally and Europe-wide).*

■ It would be a common challenge for all Member States to put the genuinely European tradition of welfare state building on a better basic knowledge base, especially since there exists something like a European Social Model on the ground. Then we would have a better chance to build meaningful indicators and rebuild (the diminishing intuition-based) traditions. The science *networks* across Europe have existed for some two decades. The younger research cohorts are in place. The challenges are massive. *But where is the political response? Where is the European (or national) political class that faces the challenge at the research frontier?*

■ There is another, a more *fundamental* method of co-ordination (FMC?) underlying OMC, a method not so conscious to the governments involved. In Howard Glennerster's, an LSE economist, words, "the question is what kinds of commonality are necessary to keep the show on the road. Here informed dialogue and shared science are crucial *below* the government interchange level assumed in OMC" (emphasis mine). This goes far beyond some shared applied studies. This remark points towards developing a European public sphere in social policy debates and analyses, towards creating a Europe-wide research horizon on such issues. This challenge also needs to be faced at the EC level - and reaches far beyond the ever-moving EC conference circus.

■ *So, muddling through is insufficient. The welfare state may otherwise face the fate of the dinosaur: a big, inflexible body with a comparatively small brain is confronted with new challenges Europe-wide and may simply go under, becoming another extinct species. Resulting in one genuine European trait less. Heading for the museum: "das Soziale Museum des 20. Jahrhunderts" - "The Social Museum of the 20th Century"?*

## **BACKGROUND LITERATURE**

---

Leibfried, Stephan (ed.), *Welfare State Futures*, Cambridge, Cambridge University Press, 2001.

Leibfried, Stephan and Pierson, Paul, Social Policy. Left to Courts and Markets? in Wallace, Helen and Wallace, William (eds.), *Policy Making in the European Union*, Oxford, Oxford University Press, 4th ed., pp. 267-293, 2000.

De la Porte, Caroline, Pochet, Philippe and Room, Graham, Social Benchmarking, Policy, Policy Making and New Governance in the EU in *Journal of European Social Policy*, vol. 11, no. 4 (November), pp. 291-307, 2001.

---

## TABLE OF CONTENTS

### **SOME BACKGROUND COMMENTS ON THE EXTENSION OF THE OPEN METHOD OF CO-ORDINATION. FROM LABOUR MARKET TO PENSION POLICIES**

<b>1. THE IMPROBABLE EQUILIBRIUM</b>	473
<b>2. HANDCUFFED EUROPEAN INSTITUTIONS</b>	474
<b>3. THE OPEN METHOD OF CO-ORDINATION</b>	474
<b>4. BLINDFOLDED REFORM POLITICS – “FLYING BLINDFOLDED THROUGH 21ST CENTURY REFORM FOGS”</b>	476
<b>BACKGROUND LITERATURE</b>	478

## **SPECIFIC SECTORS OF WELFARE STATE ACTION**

<b>TOWARDS A NEW ARCHITECTURE FOR SOCIAL PROTECTION IN EUROPE ? A BROADER PERSPECTIVE ON PENSION POLICIES</b>	483
<b>PENSION POLICIES FOR A JUST EUROPE : INDIVIDUAL VERSUS COLLECTIVE RESPONSIBILITIES</b>	491
<b>COMMENT ON "A NEW WELFARE ARCHITECTURE FOR EUROPE ?"</b>	517
<b>HEALTH CARE AND THE WELFARE STATE : TWO WORLDS OF WELFARE DRIFTING APART, BUT STILL INTERRELATED</b>	519

# TOWARDS A NEW ARCHITECTURE FOR SOCIAL PROTECTION IN EUROPE ? A BROADER PERSPECTIVE OF PENSION POLICIES

**BY ODILE QUINTIN**

Director general - Employment and social affairs

## INTRODUCTION

The title of our conference today is: 'a new architecture for social protection in Europe'. Applied to pensions, this could mean that we plan to build a new pension scheme for the whole of Europe. Or, more modestly, that we plan to create one or more standard models according to which all pension schemes might be built. The first interpretation would mean creating a single pension scheme for the whole of Europe. This would be a major project requiring even more effort, time and strong leadership than the single currency. Clearly, for the foreseeable future, unlikely to appear on the EU's policy agenda. The second interpretation, standard models for pension schemes, would mean extensive harmonisation of pension systems across the Union. I do not believe that this is on the cards either.

### 1. EUROPE - A PATCHWORK OF PENSION SCHEMES

So Europe will continue to be characterised by a great variety of architectural styles in the pensions 'townscape'. As different actors set up pension schemes to suit different needs: governments, social partners, financial services providers. It also reflects the fact that these schemes or houses in 'Pension City' - if you will allow me the metaphor - are covered by different 'planning authorities', one for each Member State - at least! - and at a European level. Europe has an increasingly important supporting role here. The first task of the European Community was to build the paths, roads and bridges linking the main structures - the statutory pension schemes. I am, of course, referring to what we call in technocratic speak 'Regulation 1408/71', the legislation which allows people to move easily, and without losing their pension rights, from one public pension scheme to the next.

However, the road network in Pension City is far from perfect. Moving from one occupational pension scheme to another is often an arduous journey. Those who move from one district to another are frequently confronted with barriers. Such as, tax authorities trying to recoup tax revenues lost through exemptions from contributions.

## **2. EU-LEVEL MEASURES TO SMOOTH PENSION TRANSFERS**

---

At the European level, we are currently looking at ways of improving the 'road networks' between pension schemes. For that reason, we have set up a European Pensions Forum, an advisory committee of experts from governments, the two sides of industry and the pensions sector. This Forum is looking at options for improving the portability of occupational pension rights beyond what has already been achieved with the rather general 1998 directive. However, I should point out that it is mainly *within* Member States that pension portability needs to be improved. This would also, in turn, help workers moving across borders.

## **3. BASIC RULES ON PENSIONS**

---

The European Union has not only tried building links between the pension schemes. It has also established some basic rules and regulations as a complement to those that exist at a national level. The Treaty and a number of European Directives require equal treatment for men and women in pension schemes, although some exceptions regarding the retirement age and survivor benefits are still allowed. In addition, two Directives protect the pension rights of workers in the event of a company take-over or bankruptcy.

## **4. NEW PENSION RULES IN PIPELINE**

---

Right now another major piece of European legislation is in the making: a Directive allowing pension funds to operate at a European level. Thus a multinational company would no longer have to establish separate pension funds in each country where it is present. The corollary of this is, of course, that high prudential standards and effective supervision must be enforced in all Member States. All these measures are important, but they are quite insignificant compared to the long-term threats that, according to some, loom like a dark cloud over Pension City. All the buildings - no matter how they are constructed - are threatened by subsidence, as demographic changes undermine their foundations. Some inhabitants start panicking, but they probably underestimate the skills of their architects and planners! Let us have a closer look now at these demographic shifts and their implications for pension schemes.

## **5. DEMOGRAPHIC SHIFTS AND PENSIONS**

---

The major challenge that we have to cope with is usually referred to simply as 'ageing'. But there are three distinct factors at play:

- rising life expectancy;
- persistently low birth rates
  
- and the coming of age of the baby-boom generation, which, by the way, is well represented in this room!

These three factors will combine over the coming decades and lead to a huge increase in the old-age dependency ratio. In fact, the ratio of people above the pensionable age to people of working age is expected to *double* in the next 40 years. Pension schemes ensure that the resources produced by workers are shared between the active and the retired. If the number of people in retirement rises in relation to people in employment, either you raise contribution rates or you lower benefits. Let us look now at each of the three factors in turn and ask ourselves what could be done about each of them.

## **6. RISING LIFE EXPECTANCY...**

---

The fact people are living longer is an issue that pension schemes have had to cope with from the outset. Many of the schemes were initially designed for the lucky few who reached an age at which they could no longer be expected to work. During the course of the twentieth century, life expectancy grew, while retirement age, in general, fell. Since the mid-1970s, and the downturn in the jobs market, many people were encouraged to quit the labour market well before reaching official retirement age. The result of that trend is: today we have a large proportion of the population who do not have to work for a living. Even though they are, in many cases, able to do so.

According to our most recent figures, only around a third of 55-64 year olds are in employment. Their livelihood is guaranteed mainly by public pension schemes, but also, increasingly, private schemes. A luxury given the rising pressures on pension schemes. Today we all feel that we have a right, after our working lives, to a long period of leisure during which we can, thanks to generous pensions, do things we did not have enough time for before: travel, study, do voluntary work, look after grandchildren and so on. Most people seem to expect that we will continue to retire more or less at the same age as at present. This implies that the length of time spent in retirement would increase in line with future gains in life expectancy. If, in these circumstances, we want to maintain *pensions* at the same level as today, we will have to pay a lot more for pension provision. On the other hand, if we want to maintain *contribution levels*, we will have to accept lower pensions. This is the simple arithmetic of pension finance and it applies to any type of pension scheme: funded or pay-as-you-go.

## **7. WORK AND RETIREMENT : FINDING THE RIGHT BALANCE**

---

A more sustainable option is, of course, to try to maintain the relation between time spent in retirement and time spent in employment. This would mean sharing the gains in life expectancy between the employment and retirement phases of life – a realistic option as people are, on average, healthier and fitter at 65 than they were, say, 40 years ago. A lot of people may *not* like the idea of adding perhaps up to one year per decade to their working lives. And yet, I believe that this may be a much

better option than reducing pensions or raising contribution rates. Maybe we need to bring some other elements into the debate to make the idea of longer working lives more palatable. In particular, we need to ensure that working conditions and the quality of work is such that people are not worn out by their jobs and forced to quit early. And we have to ensure that their skills are kept constantly up-to-date. More fundamentally, we could start rethinking the way in which periods of work, leisure, learning and caring are distributed over a lifecycle.

As I said, it is largely due to high levels of unemployment in the past that the statutory retirement age has remained unchanged and that the average age at which people *actually* retire has tended to be well below this statutory age. In other words, it is an economically driven phenomenon rather than a conscious societal choice.

Today we have the opportunity to rethink the distribution of paid work, unpaid work, learning and leisure over our lifecycles. For instance we should ask ourselves which groups in society should have an income that allows them not to take up paid employment: healthy and fit people between the ages of 60 and 70? Parents of small children? People who care for elderly relatives? People in training or education? People who take a career break to travel around the world? And should there be one model that applies to all? Or should people have some freedom to organise the distribution of work, leisure, learning and caring phases over their lives? Maybe we should also think about shorter working weeks or longer holidays in exchange for later retirement. Such options are, however, scarcely being considered in today's public debate on work and retirement. I think we have a lot to gain from bringing such new dimensions into the discussion.

## 8. ... AND FALLING BIRTH RATES

---

The second factor that contributes to rapid ageing of our societies is *low fertility*. Raising birth rates is important. But it will only have an impact on the labour market some 20 to 25 years down the line. So we cannot count on this to deal with the financial challenges to our pension systems. Obviously it is *not* for politicians to dictate to people how many children they should have. But on the other hand it is clear that low fertility is not just a conscious societal choice. It is also, in part, economically driven.

In my view, we should not construct our employment systems, our tax systems, and our wider social systems in a way that actively discourages child rearing or in a way which imposes huge economic costs and burdens on those that do choose to have children. Enabling people to reconcile work and family is one of the key objectives of the European Employment Strategy. The aim is to allow more women to stay on in the labour market, particularly through the development of care facilities for children and dependent people. This will increase total employment and hence

improve the balance between the active and the retired, thus putting pension systems on a more sound, financial footing. But reconciling work and family life might also be beneficial in terms of fertility rates.

## 9. AN AGEING POPULATION

---

The third factor contributing to accelerated ageing over the coming decade is not the baby boom but the *'pensioner boom'*. A transitory phenomenon, but one that will take place over a number of decades. Is there anything that we can do about this? Some countries have started setting up reserve funds which could be used up between about 2020 and the time when the baby boom cohort fades. If reserve funds are to help fund pensions for the baby boomers, they would also have a major impact on demand and inflation. Limiting the effectiveness of this strategy. However, such issues have not yet been discussed in any detail. The negative risks could perhaps be mitigated with the introduction of more flexibility in individual planning of work, leisure, learning and caring phases over the life cycle. If a significant number of people are given some form of paid leave now in exchange for extra years at the end of the working life, total employment in the future could be raised. Thereby improving the balance between the active and the retired when the demographic dependency ratio will be most unfavourable.

Another option to prepare for the financial impact of ageing is to try to reduce public debt so that, by the time pensioner numbers rise sharply, less money will have to be spent on servicing public debt. This option is very similar to setting up a reserve fund, as it also requires a budget surplus. The main difference is that reserve funds will generate interest *income* instead of interest *savings* and that the money is earmarked specifically for pensions, thus making the current saving effort perhaps more acceptable to people. Unfortunately, the current macroeconomic climate may no longer be as favourable to reducing public debt or building up reserve funds as we had hoped.

## 10. RAISING EMPLOYMENT LEVELS TO SUPPORT PENSIONS

---

So we can try to consolidate our pension systems by working longer, by raising employment levels in general – notably through enticing more women to enter and remain on the jobs market, but perhaps also through integrating migrant workers – and by running budget surpluses. If this is not enough, we will have to try to strike the right balance between the interests of the active and the retired. We can favour the retired, by raising more taxes and contributions, or the active, by lowering pension levels. To the extent that the level of public pensions is reduced, there will be more scope for private provision. However, private provision does not develop just because public pensions are insufficient. It requires a lot of public policy support to develop strong second and third pillars in pension systems. This can take the form of tax incentives or direct grants to people who save for their retirement. Gover-

nements can also allow the social partners to set up mandatory pension schemes or make it compulsory to join a scheme of one's choice. Obviously, governments also have to ensure that a sound regulatory framework is in place, ensuring that private pension schemes operate safely and efficiently.

## **CONCLUSION**

---

After this brief look at some of the challenges and opportunities of ageing, I would like to return briefly to Pension City and consider how the architects and planners could best cope with their problem of 'demographic subsidence'. The first lesson I would draw is that they should learn from each other. They share the same objective - namely building solid pension schemes. And they face the same problem - namely the imbalance between the active and the retired. They also have to comply with some common rules: maintaining sound public finances and a commitment to a high level of social protection. This is why the planners should get together and monitor their progress towards these shared objectives.

The second lesson I would draw is that the architects and town planners should talk to other professionals who also play a role in making buildings safe. To be more specific, the future of our pension systems not only depends on how these systems adapt. It depends first and foremost on the successful implementation of the European Employment Strategy - to which better employment incentives in pension schemes have much to contribute. It also depends on the situation of public finances in general; if it is bad, we won't be able to meet increased ageing-related needs.

We - the people, planners and architects of Pension City - should not see ageing as a quasi-intractable problem but as a real opportunity. We should recognise that longer life expectancy is perhaps the biggest achievement of mankind. Bringing a wealth of openings and opportunities. We need to shed our traditional ways of thinking and use our collective imagination to look at new and better ways of organising work, leisure, learning and caring over our lifetime. We need to do so in a positive, constructive and forward-thinking way.

---

## TABLE OF CONTENTS

### **TOWARDS A NEW ARCHITECTURE FOR SOCIAL PROTECTION IN EUROPE ? A BROADER PERSPECTIVE ON PENSION POLICIES**

<b>INTRODUCTION</b>	483
<b>1. EUROPE – A PATCHWORK OF PENSION SCHEMES</b>	483
<b>2. EU-LEVEL MEASURES TO SMOOTH PENSION TRANSFERS</b>	484
<b>3. BASIC RULES ON PENSIONS</b>	484
<b>4. NEW PENSION RULES IN PIPELINE</b>	484
<b>5. DEMOGRAPHIC SHIFTS AND PENSIONS</b>	484
<b>6. RISING LIFE EXPECTANCY...</b>	485
<b>7. WORK AND RETIREMENT : FINDING THE RIGHT BALANCE</b>	485
<b>8. ...AND FALLING BIRTH RATES</b>	486
<b>9. AN AGEING POPULATION</b>	487
<b>10. RAISING EMPLOYMENT LEVELS TO SUPPORT PENSIONS</b>	487
<b>CONCLUSION</b>	488

# PENSION POLICIES FOR A JUST EUROPE : INDIVIDUAL VERSUS COLLECTIVE RESPONSIBILITIES

BY **ERIK SCHOKKAERT\*** and **PHILIPPE VAN PARIJS\*\***

\* Centrum voor Economie en Ethiek, Katholieke Universiteit Leuven

\*\* Chaire Hoover d'éthique économique et sociale, Université Catholique de Louvain

---

## INTRODUCTION

---

Which way forward with our pension systems? In Western Europe there is now a wealth of survey material on public opinion relating to this question. It yields the following general picture.(1):

- There remains among the active population a very broad support for the welfare state, including the pension system.
- However, many people do not trust the future of the legal pension system, are worried about their future retirement pension, and therefore feel that measures must be taken.
- Somewhat surprisingly, there is a genuine willingness to pay higher contributions, with a significant group willing to save for supplementary pensions.
- The younger generations feel that the older ones have to bear part of the burden of these higher contributions.
- There is fierce opposition against any increase of the official retirement age.
- The idea of a substantial minimum pension commands broad support.

---

(1) See Boeri et al. (2000), for a comprehensive set of relevant data and Schokkaert et al. (2000) for a more detailed analysis of questionnaire results for Flanders. Compared to the US, there is little evidence of a growing concern about the emergence of a sharp conflict between “older” and “younger” citizens. In the US, it has been forcefully argued (see e.g. Longman, 1987, and further references in Van Parijs, 1998) that the sheer power of numbers works to the advantage of older “generations”, who seem to be very succesful in defending their vested interests. In support of such fears, Gruber and Wise (2001) show, for example, that increases in expenditure for the old are often achieved at the expense of expenditure for the young while Poterba (1998) suggests on the basis of empirical material that expenditures on education are lower in states with a larger proportion of older voters.

These data about the state of public opinion reflect a complex mixture of self-interest and value judgements. It is important to bear them in mind, because they affect the political feasibility of different proposals, and we shall return to some of them later on. But they should not be taken as dictating us the right answer to our initial question. This answer must be based on an objective analysis of the actual and predictable situation, but also on a coherent conception of what justice requires. And it must aim to help shape public opinion, rather than subserviently reflect it.

The facts about aging and their consequences for retirement pensions are by now well-known. Possible solutions to the problem they document have been intensively explored. And a consensus is emerging to the effect that there is no need for panic. True, decisions cannot be postponed, but if they are taken now the problem is under control. But several solutions are conceivable, and we need standards in order to assess them and choose on the basis of such an assessment. The discussion of possible solutions is frequently cast in a technical jargon which tends to obscure these underlying ethical choices. Policies vary along many dimensions – retirement age, benefit levels, contribution levels, relative shares of funding and pay-as-you-go –, and the policy package offered as the best, or the most “efficient” solution must therefore give weights to these various dimensions which reflect value judgments about the contents of and relationships between inter- and intragenerational justice.

The pension problem must therefore not be viewed as a “demographic” or an “economic” problem, but fundamentally as a political problem (Cremer and Pestieau, 2000), which we cannot even begin to tackle without some conception of what justice requires. Hence the importance of ethical argumentation. As the background report by Esping-Andersen et al. states, “*this implies normative questions of justice and visionary ideas about the institutional design of our welfare states*”. It requires answering questions such as “*What claims can citizens justly make on society? What principles of solidarity do we wish to realize? What should be the realm of individual responsibility?*” What policy package deserves to be recommended does not just depend on whether widespread ethical views make it “persuasive”, but on whether we believe ourselves that it is just.

In particular, to tackle the issue of pensions, we need to articulate a coherent, defensible conception of “intergenerational justice”. Such a conception unavoidably touches on issues relating to the environment and the depletion of natural resources. In this contribution, we shall leave this dimension mostly aside and concentrate instead on justice issues that arise between age groups in an aging society. These issues do not reduce to the sustainability of the present pension provisions. The related increase in health care expenditures actually confronts us with harder choices than pension systems. The normative approach we shall put forward must be able to guide us in this area too, and we shall suggest how it can. However, in spelling out, by way of brief illustration, some policy implications of our approach, we shall concentrate on pensions, by raising five of the central issues in today’s debate about their future: Should we move towards more funding and less “pay as you go”?

Towards a more private system? Towards a more Bismarckian system? Towards a higher retirement age? Towards a more European system? Although we feel that our analysis is relevant for the present political discussions, we do not offer a full-blown package of concrete policy proposals. Our aim has been, somewhat more modestly, to spell out and explain the ethical principles that we believe should guide the European discussion on pension reform.

## 1. A NORMATIVE STANDPOINT

---

A normative perspective is hinted at in various passages of the background report by Esping-Andersen, Gallie, Hemerijck and Myles. The ethical stance we are about to spell out is broadly consistent with these passages, while being somewhat more specific.

- The ultimate unit for any sensible theory of justice is neither the generation, nor the professional category, nor the household, but the individual, not at any particular moment in time, but over the whole of his or her life cycle.
- Like the background report, we adopt a “Rawlsian” standpoint, in the sense of ascribing priority to those in society who are worst off. (2) Taking feasibility constraints into account, this egalitarian standpoint yields a criterion of sustainable maximin.
- On the question of the equalisandum, of what it is that needs to be equalised or maximined, we take a view that privileges opportunities rather than results. However, one should be careful to specify how broadly “opportunities” are to be understood. Distributive justice, in our view, is about the distribution of “positive” or “real” freedom. Individuals have to be compensated for differences rooted in their endowments, as distinct from differences rooted in their preferences (or life plans). In our approach, “endowments” do not only include access to external resources, but also the possession of “internal resources”, i.e. any unchosen personal characteristic of the individual with which (unlike preferences) she or he does not identify. Individuals must be compensated for differences in their endowments; they remain responsible for the differences in their preferences.

To apply this general conception to the intergenerational problem, it is important to define clearly what is meant by a “generation”. The political debate sometimes gets confused, because distinct notions of “generation” are being mixed up. It is essential to distinguish between “cohorts”, or categories of people born in a particular period, and “age groups”, or categories of people who have been living for a parti-

---

(2) See “Introduction” : *“According to Rawls’ maximin principle, a rational risk-averse citizen would opt for egalitarianism and would accept a change of the status quo only if assured that the welfare of the weakest will be safeguarded. The European social debate is quite close to the Rawlsian ethos when it prioritises social inclusion and the reduction of inequalities.”*

cular number of years (Daniels 1988; Gosseries 2001, 2002). In the real world, cohorts overlap – the aged of an earlier cohort co-habit with the young from a later one – and there is, therefore, at any particular moment, a coincidence between the earlier cohort and the older age group, between the later cohort and the younger age group. But whereas an individual never leaves her cohort, she keeps shifting from one age group to another. Remember that we take the position that what matters to justice is the lot of individuals over the whole of their life-cycle. The distribution between cohorts is therefore far more directly relevant to issues of justice than the distribution between age groups.

On this background, we shall now spell out, step by step, the conception of intergenerational justice that makes most sense to us for handling issues of pension (and health care) policy. In order to do so, let us first assume that successive cohorts are equally endowed and that all individual members of each of them are also equally endowed in terms of both external and internal resources. Given the conception of justice sketched above, there is no injustice in this abstract world, since all individuals have (*ex ante*) the same endowment. Let us also, at this stage, abstract from the fact that in the real world cohorts are overlapping. This does not prevent the issue of pensions from arising.

#### 1.1. **NON-OVERLAPPING COHORTS AND PRUDENTIAL LIFESPAN POLICIES**

From our ethical starting point, it follows that all individuals must be free to allocate their (equal) endowments over their life-cycle. In general, we may expect that individuals will first invest in human capital, then have an active period in which they earn an income from their labour and finally retire and live from their savings. It also follows that individuals must bear the cost of the choices they make. The allocation of consumption over the life-cycle (including the level of the retirement income) will depend on their own labour supply, savings and investment decisions. Suppose, for example, that Jane wants to retire early in life so as to enjoy, if lucky, a period of retirement in reasonably good health. This is fine, but she will then have to save more and/or work harder in her active period of life, and/or be satisfied with a lower consumption level during retirement.

Pension schemes are most likely to develop spontaneously in this world. Since cohorts do not overlap, they will necessarily be of the funded type. And, given our conception of justice, the retirement pensions will need to be of the “defined contribution” type, i.e. the level of one’s pension benefits will be determined by the level of the contributions paid in the course of one’s active life. Similarly, health insurance will develop, without any *ex ante* redistributive effect (all people are assumed to be equally endowed, and hence to face identical *ex ante* health risks), but with a width of coverage that will vary according to people’s risk aversion and be strictly correlated with the level of the premium.

As a thought experiment, let us now compare two non-overlapping cohorts A and B in different situations and see how this difference in their situation would influence the decisions to be taken by A and B as regards transfers between age groups :

- Suppose first that the average person in cohort B differs from the average person in cohort A in the way in which individual Jane described before differs from the standard case (it is reasonable to suppose that because of external effects there will be some clustering of desired retirement ages in each cohort). The cohort opting on average for a longer retirement period will have to work harder and/or save more during active life and/or accept a lower level of consumption during retirement.
- Suppose next that life expectancy is higher for cohort B than for cohort A: Members of cohort B can expect to live longer in reasonably good health. The outcome will be analogous to the previous case. One can predict that in most cases the increase in life expectancy will lead to an extension of both the period of retirement *and* the period of active employment.
- Suppose finally that expected health care costs in later periods of life are larger for cohort B than for cohort A. Individuals in cohort B then face a different trade-off when deciding about their health insurance. In general, they will be willing to pay a larger premium to compensate for the more expensive risk. But as they face a trade-off between consumption and labour when healthy and the degree of coverage, the latter will be kept in check.

In the above, the resulting pattern of pension arrangements is the product of the aggregation of individual choices, without any need for a pension *policy*. However, even in this very simplified world, the government arguably has a role to play. For in the absence of government intervention, some individuals will save so little that their retirement pension will not be sufficient to guarantee them a decent living standard. To remedy this problem, government can guarantee a minimum pension or impose a mandatory minimum level of savings during the active life. Two main arguments can be used to justify it.

First, even within our freedom-oriented framework, there is room for some mild *paternalism*. If people are not fully aware of their probability of their becoming very old or very ill, or if they do not fully realise what it means to be destitute in old age or unable to pay for one's medical expenses, then some of them may well insure themselves considerably less than they would otherwise do. Compulsory minimum provisions can therefore be introduced without appealing to a conception of the good life different from people's own. (3) Secondly, it can safely be expected

(3) Empirical work suggests that individuals tend to save too little according to their own preferences if they are left completely free (Banks et al., 1998, Diamond, 1977). And in the survey by Boeri et al. (2001), many respondents who would be inclined to opt out of the legally imposed pay-as-you go system prefer a situation in which pension contributions are mandatory over a situation in which they are left completely free.

that a minimally humane, or misery-averse society will not tolerate the quiet starvation of some of its elderly people who deliberately failed to save enough during their active lives. However, if people know that in any case they will be helped when they are retired, even if they did not save enough, this knowledge may have an influence on their incentive to save. To avoid such free riding – which would violate our principle of justice by rewarding equally endowed free riders – some mandatory saving is required.

Hence, even in this highly artificial world of equally endowed cohorts with equally endowed individuals, there would be a need for a collectively determined pension policy. Important choices with respect to retirement age, minimum benefit levels or health insurance coverage, which we are facing now in the real world, would also occur in an abstract world in which distributive justice is assumed (free riding aside) to be unproblematically realised.

#### 1.2. OVERLAPPING COHORTS AND THE POSSIBILITY OF PAY-AS-YOU-GO

The fact that (still ex ante identical) cohorts are overlapping, i.e. that the younger age groups of a later cohort live together with the older age groups of an earlier cohort, has one crucial implication: we are no longer confined to “funded” schemes, it is now possible to set up arrangements of the *pay-as-you-go* type, i.e. arrangements in which the income of the old, instead of being provided by their savings, is supplied by transfers from the young. The traditional family structure is basically a pay-as-you-go institution: parents care for their children when these are still too young to work, and, through a sort of differed reciprocity, children take care of their parents when these have become too old to work. The long period of socialisation and the substantial transfers implied by it are important characteristics of the human animal, and pay-as-you-go pension schemes may therefore be conjectured to have deep biological roots.

From an economic point of view, the most significant advantage of pay-as-you-go institutions is the possibility of risk-sharing between successive cohorts. Suppose the economic and social environment of each cohort is subject to unexpected shocks, i.e. generates so-called collective risks. If cohorts did not overlap each of them will have to bear the full consequences of these shocks. But since they do overlap, intergenerational transfers can be linked in one way or another to the economic situation of the cohorts, in such a way that collective risks can to some extent be covered. It is possible for the less lucky generations, when retired, to get a larger income from the younger (fortunate) generations than the one they could have derived from their own savings. It is also possible, when the unpredictable shock hits the younger generation, for the latter to lower its transfers to the retired. Starting from the notion of an optimal life-cycle consumption pattern and taking into account that consumption needs are lower during retirement, economic theory suggests a specific risk sharing rule. A rule which keeps invariant the ratio of the income of the retirees to the (net) income of the active working population would

optimally allocate over the whole life-cycle the consequences of the unpredictable shock. This criterion is essentially the one proposed by Richard Musgrave (1986) and also endorsed by John Myles in the background paper. In the present context with equally endowed cohorts, it does not imply a specific stance on distributive justice, but is only offered as an efficient risk sharing device.

If there is a chain of generations thus linked by pay-as-you-go schemes, each of them, when active, can reasonably be expected to accept the rules, because it knows that it could itself be hit by a negative shock later on. Such risk sharing between overlapping cohorts should therefore not be construed as redistributive *ex ante*. Like an insurance system, it is redistributive *ex post*, but can be justified *ex ante* as a Pareto-improving deal between cohorts which relies on nothing but self-interest. This does not apply to predictable collective risks, which can give rise to *ex ante* inequalities between cohorts and to which we shall return shortly.

Pay-as-you-go schemes do not need to be restricted to the intradynasty context. To increase considerably the degree of risk sharing, it makes sense to set them up in a collective way, with the government intervening to specify the rules which each active generation can expect the following one to follow as regards transfers to the elderly. We then encounter, even in the absence of any change of economic circumstances from one generation to the next, the very same policy issues that arise with funded schemes. Changes in life styles or in longevity like the ones described before will also have similar consequences for the structure of pay-as-you-go “intergenerational” transfers. If the parents’ generation wants to retire earlier in life, for example, the level of the benefit paid to them by their children’s generation will need to be adjusted downwards. We return below to the issue of the respective advantages of funded schemes versus pay-as-you-go.

### 1.3. INTRA-COHORT INEQUALITIES AND MINIMUM PENSIONS

Our next step towards a more realistic description of the real world is the introduction of inequalities within cohorts. We keep to our assumption that on average and *ex ante* all cohorts have an equal endowment: hence, there still is no problem of inter-cohort justice. However, in a situation with overlapping cohorts, we shall have to take into account that different age groups from different cohorts are living together. Given our maximin perspective, justice requires us to focus on the fate of the least well-off within each cohort. Remember that we take a life-cycle perspective. Justice does not imply a comparison of annual incomes, but of the total of what individuals are given over their whole lifespan. Allocation of that endowment over life remains each individual’s own responsibility.

Yet, when thinking about pensions within our maximin framework, the most straightforward policy proposal is the introduction of a guaranteed minimum pension, at a level that is as high as is sustainable – subject to whatever justice requires be done for earlier ages. An alternative proposal, even more straightforward and at

first sight more consistent, would be to “maximin” initial endowments as much as possible and then rule that individuals have to look after their own pensions. There are different arguments, however, for direct redistribution through a guaranteed minimum pension system.

The main one is the mildly paternalistic argument mentioned earlier, to the effect that some individuals will not save as much as they would if they were adequately informed or fully able to process the information they possess. This argument is particularly strong as regards the provision of a minimum pension to all members of a cohort, whatever career their lifetime endowments enabled them to pursue. Empirical research shows that inter-temporal discount rates, although no doubt in part a matter of taste not to be interfered with, are highly correlated with internal resources and external circumstances beyond the control of the individuals concerned: people from upper classes or scoring higher on intelligence tests have a lower discount rate (Warner and Pleeter, 2001). It therefore makes sense to “protect” individuals with an extremely high discount rate by shifting part of the redistribution to the retirement period in the form of a guaranteed minimum pension.

Should this guaranteed minimum pension be means-tested ? In our maximin perspective, it should not. In part, because the means-test tends to trap the elderly in various ways, for example by heavily penalising co-habitation and various types of activity and saving. In part, because of the effect of means-testing on the rate of take up, either directly because of insufficient information about entitlements or indirectly because of the stigma attached to claiming or the wish to avoid bothering one’s family if the means test is understood to extend to the claimant’s children’s income and wealth.

Unavoidably, this guaranteed minimum pension will need to be financed by intra-cohort redistributive taxation. Depending on the institutional and political context of the country concerned, this guaranteed minimum pension may or may not take the form of a distinct unconditional basic pension. In some cases, it may be administratively more convenient or politically more astute to incorporate it into a broader public pension system. Essential is that it should form a floor guaranteed even to those who have had no career whatever, and that its level, relative to other pensions, should be made as high as is sustainable. Introducing a guaranteed minimum pension at the level of or slightly above the poverty line would already be an important step forward. As argued by Myles, the financial means required for the elimination of old age poverty are rather modest and well within the possibilities of European nations.

Note, finally, that the provision of such a (substantial and non-means-tested) guaranteed minimum pension is meant to affect not only the options open to the worse off in old age, but also earlier in life. Many countries have adjusted contribution periods to compensate workers for irregular work histories due to illness and unemployment, child care or care for elderly family members. A minimum pension uncondi-

tionally guaranteed to all generalises such measures, thus contributing to the removal of gender inequalities and arguably to a fair and efficient form of labour market flexibility.

#### 1.4. INTER-COHORT INEQUALITIES AND FAIR GENERATIONAL ACCOUNTING

Let us take the last (and crucial) step in the analysis and introduce the question of justice between cohorts, i.e. let us take into account that the economic situation of different cohorts may be different. This implies that we do not only consider the effects of unexpected and unpredictable shocks (for which we introduced the notion of risk sharing), but the existence of differences in endowments (of physical or human capital) known *ex ante*. In a world with overlapping cohorts, this implies that age groups from cohorts with a different background live together. More specifically, the overall economic situation of the retirees will reflect the history of the cohort to which they belong. To deal with this more realistic context, it is not difficult to extend our basic maximin approach. Justice requires to maximise the endowment of the least well-off cohorts, so as to allow them to make the situation of their own least well-off member as good as possible.

The basic principle of maximising the endowment of the least well-off cohort immediately suggests a solution to the problem of intergenerational justice in the context of the protection of the environment. What do we owe to future generations? Without elaborating, it seems to us that the most adequate answer to this question is: we have to leave them a stock of physical, human and environmental capital which is at least as valuable as the stock of capital which was at our disposal (see Van Parijs, 1996). This general principle also applies to the evaluation of explicit and implicit government debt. The latter concept refers to the claims of retired people on a retirement pension in a pay-as-you-go system, the cost of which will have to be born by later generations. Explicit and implicit government debt are added (negatively) to the stock of later cohorts and therefore redistributed in favour of earlier cohorts. As such, this is perfectly acceptable (and even desirable) in our maximin setting, if the implicit or explicit government debt bequeathed to later cohorts is compensated for by an increase in the value of their human, physical and environmental capital. If later cohorts have a better endowment, justice requires to redistribute in favour of earlier cohorts. Let us now apply these general principles to some more specific questions related to the retirement pensions.

Consider first the question of how to adjust retirement pensions if there is an increase in the productivity of the active generations (4). Of course, if the changes in productivity are “unpredictable” we are in the risk-sharing argumentation developed before and the Musgrave-rule is an adequate device to let different generations share

(4) In technical terms, the adjustment of pensions for changes in productivity is determined by the choice of defined benefit versus defined contribution, and within defined benefit for the specific choice of indexing rule (varying from pure price indexation to linking the pension to the real wage development).

the risk. The analysis may be different, however, if the changes in productivity are not due to unexpected shocks. If the increase in the productivity of the younger generations is due to the investment by the older generation in the physical or, more importantly, human capital of their children –and if this increase in the value of the endowment is not compensated by, e.g., a decrease in environmental capital– it is justified that the investing generations improve their own position through the accumulation of government debt and/or pension wealth. On the contrary, if the increase in the productivity of younger generations, is due to their own savings choices –different from the savings choices of the previous generation– there is no reason to increase the retirement pension. It is not easy to evaluate these different effects and/or to incorporate them in a stable intergenerational contract. We can therefore follow Myles' proposal to treat the Musgrave-rule as a kind of litmus test, as an attractive and transparent intermediate solution. Note, however, that in this context its rationale is less strong than in the risk sharing setting and that there may be good reasons to depart from it.

More important perhaps are the challenges resulting from the increase in the dependency ratio. If this increase in the dependency ratio can be seen as an “unexpected” shock or as a collective “risk”, the Musgrave-rule is again applicable without qualification. However, is the increase in the dependency ratio really a collective “risk”? Consider the two different demographic forces causing it. The *increase in longevity* is not really a problem of intergenerational justice and we have suggested already that the obvious response to it is an increase in the age of retirement. We return to this point below. The second factor is the *decrease in birth rates*. Can this decrease in the birth rate be seen as a collective risk (as in Myles)? Then the Musgrave-rule still applies. Or must it rather be interpreted as a deliberate choice, as suggested by Sinn (2000): “*Burden smoothing in the presence of the demographic crisis requires the imposition of an extra tax primarily on the current working generation, because this generation saved on child rearing expenses. Thus the pensions to be expected by the current working generation would have to be cut in line with the lower number of their children without alleviating their own pension contributions accordingly*”. If one follows Sinn's line of reasoning, a shift in the distribution of the tax burden –and a departure from the Musgrave-rule– can be justified. It is debatable, however, whether a cohort can be held “responsible” for its average reproductive behaviour. Moreover, reproductive behaviour is not homogeneous within one cohort (5). Again, therefore, we propose to endorse the idea of

---

(5) As a matter of fact, Sinn (2000) accepts this point and draws from it the following implications: “*Some households have a sufficient number of children, others have none, some invest in human capital, others don't. It would be in the logic of the burden smoothing argument to cut a household's PAYGO pension in line with the number of children who are missing relative to some target number and to ask this household for compensatory savings to secure its living standard in old age with a self-financed funded pension, without alleviating its contributions to the PAYGO system*”. This measure would clearly improve the incentive structure for individual fertility choices. However, the ethical argumentation implicitly assumes that fertility choices are completely free and that all households face the same opportunity set for these choices. As the background paper by Esping-Andersen convincingly shows, this is not at all the case.

using the Musgrave-rule as a kind of litmus test. But, again, this endorsement is not based on a “hard” efficiency reasoning about risk sharing, but it is contingent on the evaluation of a set of specific factors and there is room for a broader social debate. In any case our approach is perfectly in line with the emphasis on demographic and family policy which can also be found in the background report.

With our set of ethical principles we try to give a positive and broad content to the idea of intergenerational justice. Our approach goes further than only safeguarding the sustainability of the present pension arrangements. It is also broader than the popular economic approach of “intergenerational accounting” and its spirit is completely different. Intergenerational accountants calculate the ratio of benefits to contributions for cohorts born at different moments of time and (implicitly or explicitly) take for granted that these ratios should be equal. There can be no doubt that this approach gives useful factual insights, but as a theory of justice it is really a non-starter. It concentrates exclusively on the intercohort transfers through the government budget. It largely neglects the crucial problem of intracohort distribution. Most importantly, it starts from the implicit idea that generations have the right to a “just return” on their contributions to government. In our view, however, it is ethically legitimate to compensate a cohort that is characterized by an unfavourable endowment (or unfavourable circumstances).

## **2. FIVE ISSUES**

---

On this simple normative background, let us now consider five prominent policy issues in connection with the future of European pension systems.

### **2.1. GO FUNDED ?**

The distinction between “funded” and “pay-as-you-go” does not coincide with the distinction between “private” and “public” arrangements. Public pensions can be funded. Private pensions can have pay-as-you-go features. We will return below to the private-public choice. First, we ask whether there is any general case for shifting drastically the current balance between pay-as-you-go and funded pension systems.

The main advantage of pay-as-you go systems has been described before. They allow for intergenerational (more specifically inter-cohort) sharing of collective risks and are therefore *ex ante* Pareto-improving. At the same time they allow for some *ex post* intergenerational redistribution, which may be required by justice considerations. Recognising these potential advantages does not imply that there is no room for funding in the overall structure of retirement pensions. Quite the contrary. Each cohort remains free to set up new retirement arrangements which will often most conveniently take the form of funded schemes. There is, moreover, an efficiency case for combining pay-as-you-go and funding. Over the long run, the trend in the returns on capital and the growth of real wages (or the trend in the return on

human capital) are negatively correlated. As the efficient financing of retirement pensions requires the pooling of risks, a mixture of funding and pay-as-you-go is therefore appropriate.

Does this presumption in favour of a mixed system cease to be relevant in the context of an increase of the dependency ratio? Note first that funded systems are not immune to challenges stemming from such an increase. A longer life expectancy has similar consequences for both funded and non-funded pension systems. And a falling birth rate implies a decrease in the active population, which in turn leads to a change in the relative prices of labour and capital and hence to a relative decrease in the interest rate and to a lower return on capital for the pension funds. In the long run this effect may be empirically important. (6) Yet, it remains true that the sustainability of pay-as-you-go arrangements is more directly threatened by the increase in the dependency ratio.

This argument in favour of a shift to funding is sometimes strengthened by referring to the fact that the real rate of return in a pay-as-you-go system is equal to the growth rate of the economy, which is in the present circumstances much lower than the real interest rate, i.e. the rate of return in a funded system. It is wrong, however, to conclude from this fact that moving towards funding would imply an unambiguous efficiency gain, in the sense of a Pareto-improvement. The additional burden imposed on participants in an existing pay-as-you-go system cannot fully be ascribed, if at all, to the inefficiency of the system. It should rather essentially be viewed as a tax which is needed to service the implicit government debt created with the gift to the first generation at the time the system was introduced (Breyer, 2001, Orszag and Stiglitz, 1999; Sinn, 2000). The transition to a funded system does not remove this tax burden. All it can do is change its time path. More specifically, a drastic shift towards funding will imply a drastic shift in the distribution of this burden at the expense of today's active generation (7). We do not want to enter the intense technical debate among economists about the magnitude of this burden shift. To us the most important conclusion is that a move towards funding will always raise a problem of intergenerational distributive justice. We therefore cannot do without ethical principles. And on the ethical background sketched above, one could not justify a drastic shift in the burden of the implicit tax towards the cohorts that happen to form today's active population.

What are we to think, however, about the gift to the first generation of retirees at the time Europe's pay-as-you-go systems were introduced after the Second World War? Was this an unjustified "free lunch" for a generation that received a pension without having contributed to it? The pejorative connotation usually associated to this notion is altogether unwarranted however. The "free lunch" offered to the retirees of the time was rather a well deserved modest supper for a cohort that lived

---

(6) This is illustrated convincingly in the simulation results of Bettendorf et al. (2000) for the Netherlands.

(7) See Miles and Timmermann (1999) for some illustrative figures.

through the Great Depression and the War and had to cope, moreover, with a considerable depreciation of its savings. The implicit tax that travelled through time all the way to us is not the product of an original sin we should resent, but a sound implication of intergenerational justice.

To sum up, a strong pay-as-you-go component in the pension system remains desirable from the point of view of intergenerational justice. However, this pay-as-you-go component should be adapted to the increase in the dependency ratio. First, shaping it in accordance with the Musgrave rule is a handy risk-sharing device and an “automatic stabiliser”, which may improve the transparency and flexibility of the system. It does not stipulate automatically what intergenerational justice requires, but it offers a useful baseline when debating transfers across cohorts. Second, the desirability of a strong pay-as-you-go component does not exclude some shift in the direction of more funding. Such a shift can take different forms, however. It does not need to entail greater reliance on private arrangements. The setting up, within the government sector, of ear-marked trust funds to pay for future pensions is also a form of funding. From an economic point of view, they are equivalent to a reduction of the government’s explicit debt, but adopting this formula may increase the political feasibility of debt reduction. Mentioning the existence of these alternative ways of “going funded” takes us straight to our second issue.

## 2.2. GO PRIVATE ?

Although conceptually a different issue, the choice of the public-private mix has strong implications for the issue of intergenerational risk sharing. Private funded schemes do not share the risk-sharing potential of a pay-as-you-go scheme. This is obvious in the case of *individual* private funded schemes (often referred to as the “third pillar”), which leave the greatest scope for freedom. Since it is more difficult for individuals to hedge against the risk of uncertain returns on capital, funded schemes often take the form of mandatory collective savings through pension funds at the level of branches or firms (often referred to as the “second pillar”). By pooling risks, such funds have the advantage of facing a far more advantageous trade-off between risk and expected return on capital. Individual funded schemes necessarily belong to the “defined contribution” category, i.e. to a type of pension scheme in which the benefit is actuarially equivalent to the yield of the contribution, i.e. to the return on the capital accumulated (interest or return on equity). They are therefore intrinsically unable to achieve inter-generational risk sharing.

This is not quite the case for *collective* private pension funds, which can in principle set up a reserve fund and propose “defined benefit” schemes, i.e. schemes in which the benefit level of a retired person is not strictly determined by the contributions he or she paid while active. If the level of the pensions is indexed to prices or to earnings, for example, the risk is shifted away from pensioners to the active population. Of course, like pay-as-you-go schemes, such funded “defined benefit schemes” will also have difficulty coping with an increasing dependency ratio. More

importantly, if these collective private funds are subjected to unregulated market competition, their risk-sharing potential will be severely limited. For in the case of a negative shock, the existing funds which intend keeping the promises they made will have to raise their contributions. And newcomers to the market will then be in a position to offer far more attractive conditions to the active population.

Obviously, the government does not face this constraint. It can set up its own (legal) pay-as-you-go system (or "first pillar"), or so strongly regulate the collective funded schemes in the second pillar that they are forced to integrate an inter-generational risk sharing element. It follows that, even strictly on efficiency grounds, at least part of the pension system will have to be either explicitly of the publicly organised pay-as-you-go type or incorporate pay-as-you go features through a strong public regulation of funded schemes.

Once intra-generational justice considerations are brought in, and hence the need for a guaranteed minimum pension, the case for an explicit "first pillar" government component in the pension system is made much stronger. For government regulation of the "second pillar" could conceivably require a minimum pension but could not reach those whose lack of inclusion in the labour market leaves essentially uninsured. Even with a guaranteed minimum pension, different individuals may of course opt for different life-cycle allocations. Some may work harder and earn and save more. A just and efficient overall pension system will therefore contain more than the provision of a minimum pension. The risk-sharing advantages of pay-as-you-go remain relevant, also for these additional components. Hence, there is no a priori reason to suppose that the minimum pension must be the only pay-as-you-go component in the whole system. Yet, the minimum pension must be given a privileged status. In applying the Musgrave rule to regulate intergenerational risk sharing through pay-as-you go transfers, the downward adjustments must not affect indiscriminately all pension levels. Priority must be given to safeguarding the minimum pension at the highest sustainable level (subject to the usual provisos), and it is therefore to be expected that a negative shock will lead to a compression of the pension structure.

While government intervention is necessary to guarantee distributive justice and intergenerational risk sharing, private pension arrangements are perfectly legitimate from our normative standpoint. To a large extent, individuals can be held responsible for the allocation of their endowment over their life cycle. On the background of a just distribution of endowments, a restriction of individual freedom as to the allocation of a person's endowment over the life cycle is only justified if the efficiency gains generated for everyone's benefit are such that it is reasonable to suppose that all would agree *ex ante* to the restriction. Therefore, there is room for third-pillar pensions. And second-pillar pensions may contribute to reach an appropriately balanced mix of funded and pay-as-you-go financing. However, while some balance between the different "pillars" needs to be found, there is in our view no good reason to stimulate second nor (a fortiori) third pillar savings by granting them tax advantages.

### 2.3. GO BISMARCKIAN ?

Let us call “Bismarckian” a system in which benefit levels are sensitive to the level of the contributions paid, and “Beveridgean” one in which they are not. Our option for a “first pillar”, i.e. a government-organised pay-as-you-go component, and more specifically for one that incorporates a (non-means-tested) guaranteed minimum pension, still does not settle the choice between a “Bismarckian” and a “Beveridgean” public retirement insurance system. By incorporating more-than-minimal pensions into a government-organised pay-as-you-go system, one may opt for “Bismarck” against “Beveridge” on the basis of second-order considerations related to efficient intergenerational risk-sharing. However, even if one is primarily interested in the level of the minimum pension, this is not the sole argument.

A second argument emphasises the fact that the level of the minimum pension will be set through the political process. As a first approximation, we could say that the generosity of the pension system will be determined by the position of the median voter. It is conceivable that this median voter will opt for a public pension system that guarantees a higher minimum pension if a link is retained between contributions and benefits: under such a (“Bismarckian”) system, the median pensioner is entitled to considerably more than the minimum pension, while also paying higher contributions than would be the case if public pensions reduced to the minimal one (8). This enhanced political support may be due in part to an illusion about how much of a difference social contributions make to the level of their pensions. But it may also derive from the income security which above-minimal pensioners owe to such a Bismarckian system: arguably, the safer one feels, the more altruistic one becomes (Goodin, 1993) and therefore also the more favourable to a generous minimum pension. (9)

Whatever the exact reason, there is empirical evidence that workers and their organisations are more willing to accept a lower net wage as a result of higher taxes if there is a perceived link between contributions and benefits (Montgomery et al., 1992; Gruber, 1994; Summers et al., 1993). If taxes on labour income are used for benefits whose levels are unrelated to the taxes each pays, they are perceived as a real burden, shifted, if at all possible, onto the employer and hence incorporated into an enhanced wage cost. By contrast, if higher contributions translate into higher benefits, they are to a larger extent “internalised”. In this case, distortions are therefore less pronounced and the optimal level of taxes/contributions can be higher.

From our maximin standpoint, the best way for the government-organised pension system to combine Beveridgean and Bismarckian features will therefore be contingent on the specific circumstances of the country considered, in particular on the

(8) See Casamatta et al. (2000) for an elegant theoretical analysis of this phenomenon.

(9) There is some empirical evidence that “altruism” and “publicly provided social provisions” are complements, rather than substitutes. Jones et al. (1998) show that charitable contributions went down in the UK during the Thatcher cuts in social provisions

way in which its labour market responds to different ways of structuring the system. The current situation, sometimes quite intricate, as developed out of an idiosyncratic national history, will always need to be a crucial point of reference. Transparency is desirable, but we need not be purists. Improving the system so as to sustainably maximise the minimum might mean putting up forever with a significant level of complexity and misperception.

#### 2.4. GET PEOPLE TO WORK LONGER ?

We argued before that an increase in longevity is bound to alter the desired allocation of consumption and labour supply over the life cycle. In a hypothetical world with identical individuals and equally endowed cohorts - where there is by definition no problem of distributive justice - some increase in the retirement age is a predictable reaction to the increase in longevity. While the real world of course is more complex, the *prima facie* case for such an increase in the present economic circumstances is very strong and almost self-evident.

However, this is not what we observe. The population is fiercely opposed to any increase in the retirement age and most Western countries have been characterised by a trend towards earlier retirement. This need not be a problem, from our standpoint, if these trends reflect genuine preferences of the population. Concern for real freedom for all makes flexibility with respect to the age of retirement age a crucial feature of policy. Individuals must be able to choose their pattern of life, while bearing the predictable consequences of their savings and retirement decisions. The latter condition is crucial: it implies that working until later in life leads, *ceteris paribus*, to a higher retirement pension, while retiring earlier should mean a lower pension. More flexibility is desirable only if individuals take their retirement decisions on an institutional background that presents them with a realistic trade-off between the level of the pension and the duration of the period of retirement. Such a realistic trade-off will have to incorporate considerations about the long-run sustainability of the pension system.

This latter condition, however, is not at all fulfilled in the current situation. Empirical evidence shows that the trend towards early retirement is partly (or even largely) induced by the tax incentives created through government intervention (Gruber and Wise, 1998, 2001; Pestieau, 2001). From our standpoint, these distortions must be removed, while at the same time, as suggested by Gallie, arrangements for part-time working by aged people must be fostered.

There are however, some issues about the age of retirement which cannot be handled by a right to a guaranteed minimum pension as from a certain age combined with supplements whose levels depend, inter alia, on how early or late one retires. First, because of differences in their talents, some individuals will have to accept jobs involving worse working conditions and yielding less job satisfaction. Arguably, they should have the possibility of retiring earlier without having to pay a cost in

terms of a lower pension. However, if an adequate labour market policy – possibly including the introduction of a form of universal basic income – succeeds in widening the range of occupational choice for those who have least of it, the hardship of one’s job and its impact on one’s life expectancy can be treated – no less but also no more than the level of one’s wage and the latter’s derived impact on pension benefits, as a matter of choice. This reasoning, needless to say, must operate on the background of insurance institutions covering illness and disability, whether work-related or not.

This may go some way towards reducing or compensating the overall inequality in life expectancies, but is most unlikely to make the gender gap insignificant along this dimension. This raises a tricky issue. As long as men can expect to live less long, or less long in reasonably good health, would it not be fair to allow them to retire earlier than women? As things stand, it can sensibly be argued that the inequalities suffered by women in many other respects (including those affecting pension levels) easily earn them the privilege of enjoying their pensions for a longer time. But present trends, especially as regards gender-based educational inequalities, and vigorous policies may one day shake this premise, and unless driving up the status of women in working life to the level of men’s miraculously drives up men’s life expectancy to the level of women’s, a concern for justice will not allow us to evade the tricky issue just raised.

One way of addressing it if and when it arises could be as follows. To enable households to cope better with the combination of work and family when the demands of the latter are at their peak, it makes sense to allow men and women alike to anticipate a limited number of retirement years at this stage of their lives. If, as is likely in the light of empirical evidence on the impact of related schemes, women make use of this new possibility far more extensively than men, then women’s effective age of retirement will automatically be driven up beyond that of men. Would this be fair? The answer will depend, no doubt, on whether the scheme is meant to apply to the first or to the second pillar, or to both, and on many other details in what is being proposed, but also on the nature of what makes the asymmetry between men and women persist, if it does.

## 2.5. GO EUROPEAN ?

In today’s European Union, pension institutions differ widely from one member state to another. They reflect a complex and subtle balance between the various considerations introduced in this paper. Homogenising these systems within a foreseeable future is obviously out of the question. And even it were not, from our normative standpoint, it should be. For national (possibly even sub-national) differences provide one way of helping realising, as well as is feasible, each group’s freedom to design its solidarity institutions in accordance with its conception of what each stage of life requires, while bearing responsibility for the consequences of its choices.

This does not imply that national decisions have to be made in isolation of one another. Like individuals, countries can learn from one others experiences and from the relative successes and failures of different policy measures. This is particularly the case when they share a broadly similar perspective on the importance of “social cohesion” and, more specifically, on the set of objectives which pension systems are meant to serve and the core of which, we believe, is encapsulated in the conception of justice spelled out above . We therefore believe that an open method of co-ordination between the different member states of the European Union makes a lot of sense.

In our view, this co-ordination at the European level should give priority to the objective of safeguarding a high minimum pension in all countries. There are at least two good reasons for giving top priority to this concern. The first one is directly ethical. Many of the reforms discussed in connection with pensions aim to improve the efficiency of the system as an insurance device. The exact nature of the risks that are to be covered and the relative importance attached to them depend on the preferences of the citizens. From our point of view, there is then scope for variation in order to best track these preferences. This does not hold for components of the overall system that are directly justice-driven. Justice comes first. And it naturally takes a transnational dimension, especially in an emerging polity such as the European Union, within which European citizens can move freely and whose national components have become mutually dependent in countless ways. The introduction, across Europe, of a guaranteed minimum pension, of an (unconditional) floor in the distribution of the income of the elderly, would in this view be an important step forward. The second argument is of an instrumental nature. A pension system that incorporates an income floor for all the elderly is necessarily redistributive *ex ante*. Such a redistributive system is most likely to be considerably more vulnerable to international tax competition than arrangements of the social insurance-type. International coordination in this area is therefore particularly important.

We do not go into the concrete modalities of the introduction of such minimum income guarantee. Can the European Union content itself with defining common targets, or should it help the poorest countries to achieve them by contributing to the funding of the schemes, and, if so, to what extent and according to what sort of formula? Should the target be defined with reference to an absolute (European-wide) or to a relative (country-specific) poverty line ? Should one co-ordinate on a specific type of measure or on specific objectives, as captured by appropriate social indicators? Several of these issues are discussed in the background paper on social indicators (Atkinson, Cantillon, Marlier; Nolan, 2001). For our purposes it is sufficient to emphasize the priority to be given to the fight against poverty among the retired through comprehensive, non-means tested schemes that incorporate a substantial minimum pension, while at the same time giving the individual states the freedom to devise their own pension institutions. Even if one were to opt for the most ambitious version of this programme – the introduction of a unconditional basic pension fixed and funded at the European level –, the aim would not be to

build a giga-welfare state, a huge substitute for national welfare policies. It would rather be to restructure the transfer to the elderly so as to fit a firm European floor under the national systems, so as to enable these to survive more easily and to do a better job.

## CONCLUSION

---

While we have deliberately remained at the level of general principles, the contours of what we believe to be an adequate system of retirement pensions should be clear enough. Government intervention is needed for at least two reasons. First, justice requires that priority be given to the introduction of a guaranteed minimum pension, at a level that is as high as is sustainable, subject to whatever is required to sustain a corresponding minimum for earlier stages in life. Some European coordination is desirable here. By no means does this imply that government pensions in the various member states should be confined to the universal provision of this minimum. Depending on the historical circumstances of each member state, there can be ample room for Bismarckian features. Second, the pension system has to contain a pay-as-you-go component for efficiency reasons, namely to permit the intergenerational sharing of collective risks. Moreover, once a pay-as-you-go-component is in place, it also allows for intergenerational redistribution, if justice requires it. For the intergenerational arrangement to be stable and (socially and politically) sustainable, it must be based on a flexible and transparent distribution rule. The Musgrave proposal is an attractive baseline. Considerations of risk-sharing efficiency may strengthen the case for incorporating Bismarckian features into the public pension system. Alternatively, they may provide an argument for a significant government regulation of second-pillar pensions.

Conditional on the justice requirements and on the implementation of an efficient intergenerational risk-sharing device, individuals are free and they are responsible for the allocation of their endowment over their life-cycle. Consequently, there is a good case for allowing the development of second- and third-pillar pensions, but there is no sound reason to grant them tax privileges. A second crucial consequence is the importance of a flexible retirement age. Individuals have to take their retirement decisions in the light of a realistic trade-off between the level of their pensions and the duration of the period of retirement.

A comparison of these proposals with the survey results alluded to in the introduction gives us some idea of their social feasibility. First, although the introduction of a minimum pension at European level will no doubt require a fair amount of political courage, acumen and vision, the idea of a guaranteed minimum is widely supported by the population. Second, a transparent reform of first-pillar pensions and of the regulation of second-pillar pensions should be acceptable to the bulk of the citizenry. Even though most have a preference for the status quo, they are worried about the future of the pension system and are willing to accept changes. It is crucial,

however, that the rationale of the reforms should be explained carefully and didactically. A well-structured ethical framework can be very important for the formulation of this rationale. Third and last. Such a framework may also help to implement what is no doubt the least popular of the directions of change we advocate: the increase of average effective retirement age either through a rise of the mandatory retirement age, or, better, through the introduction of greater flexibility on economically realistic terms. On this issue, one may expect fierce opposition from the population. However, at any rate in our view, the introduction of such flexibility is among the most obvious and ethically least debatable policy options.

The emphasis in our analysis was not on the economic sustainability of the pension arrangements. Yet it is obvious that long-run sustainability is a necessary requirement for any pension system. But sustainability can be achieved in many different ways, and a comprehensive ethical framework should give us some guidance about which of them should be preferred and which should be avoided at any price. In our normative framework the most appropriate response to the challenge of the increasing dependency ratio consists of the following package : (a) increasing the retirement age or lowering the pensions for those who are not disabled and who prefer to retire early, with an emphasis on flexibility rather than on mandatory retirement; (b) in order to accommodate unexpected shocks, lowering the pensions and/or increasing the contributions of the active population in line with the Musgrave rule, but with a special concern for the minimum pension guarantee; (c) introducing more funding in dominantly pay-as-you go systems, either through creating a public trust fund or through the development of second-pillar pensions, while keeping a sizeable pay-as-you-go component. Taken together this package of measures looks very much like the moderate proposals which have been put forward to restore the sustainability of the system. We feel, however, that an offensive and creative focus on social objectives is a more attractive and no less responsible way of thinking about the future. It offers a stronger promise to mobilise European citizens than a mere concern for a sound government budget. There is no contradiction between social and economic objectives. The economic side constraints can be integrated into a realistic and coherent way of thinking about and fighting for more social justice.

Last but not least, we must emphasise that by concentrating, as we were asked to do, on pension systems, we only considered one component of the global package that is called in response to the rising dependency ratio. Parental leave, child care, schooling, training and retraining, work conditions and rhythms, housing and transportation, immigration and integration, must all enter the comprehensive re-thinking of the current division of tasks between age groups which is structurally demanded by the joint challenge of rising life expectancy and falling fertility. Most regrettably, perhaps, we barely touched the distinct but closely related challenge generated by the ever growing cost of care and health care for all, and particularly the elderly (see Van Parijs 1996, ch.3). The issue of social justice, intra- and inter-generational, which is raised by this growing cost is by no means less acute political-

ly or less tricky intellectually than the one raised by pensions. Quite the contrary. It is less hard to work out what we should fairly be given by way of an income in case we happen to be alive, than to work out how much we can fairly ask should be spent on keeping us alive and well. And it is also less hard to accept, out of fairness, a lower income than it is to accept, out of fairness, an earlier death.

---

**REFERENCES**

---

Atkinson, A., Cantillon, B., Marlier, E. and Nolan, B., *Indicators for social inclusion in the European Union*, Background paper for Euroconference on "Indicators for social inclusion", Antwerp, 2001.

Banks, J., Blundell, R. and Tanner, S., Is there a retirement-savings puzzle ? in *American Economic Review*, n° 88, pp. 769-788, 1998.

Bettendorf, L., Bovenberg, L. and Broer, D., *De gevolgen van vergrijzing voor de economische ontwikkeling in Nederland*, Studies in Economic Policy 3, OCFEB, Erasmus Universiteit, Rotterdam, 2000.

Boeri, T., Börsch-Supan, A. and Tabellini, G., Would you like to shrink the welfare state? A survey of European citizens in *Economic Policy*, n° 32, pp. 9-50, 2001.

Breyer, F., *Why funding is not a solution to the "social security crisis"*, IZA Discussion Paper 328, Bonn, 2001.

Casamatta, G., Cremer, H. and Pestieau, P., Political sustainability and the design of social insurance in *Journal of Public Economics*, n° 75, pp. 341-364, 2000.

Cremer, H. and Pestieau, P., Reforming our pension system: is it a demographic, financial or political problem ? in *European Economic Review*, n° 44, pp. 974-983, 2000.

Daniels, N., *Am I my Parents' Keeper ? An Essay on Justice Between the Young and the Old*, New York & Oxford, OUP, 1988.

Diamond, P., A framework for social security analysis in *Journal of Public Economics*, n° 8, pp. 275-298, 1977.

Goodin, R., Moral atrophy in the welfare state, *Policy Sciences*, n° 26, pp. 63-78, 1993.

Gosseries, A., What do we owe the next generation (s) ? in *Loyola of Los Angeles Law Review* 35, 2001.

Gosseries, A., Intergenerational Justice in *The Oxford Handbook of Practical Ethics* (H. LaFollette ed.), Oxford, Oxford University Press, forthcoming, 2002.

Gruber, J., The incidence of mandated maternity benefits in *American Economic Review*, n° 84, pp. 622-641, 1994.

Gruber, J. and Wise, D., Social security and retirement: an international comparison in *American Economic Review (Papers and Proceedings)*, n° 88, pp. 58-163, 1998.

Gruber, J. and Wise, D., *An international perspective on policies for an aging society*, Working Paper 8103, NBER, Cambridge, 2001.

Jones, P., Cullis, J., and Lewis, A., Public versus private provision of altruism : can fiscal policy make individuals 'better' people ? in *Kyklos*, n° 51, pp. 3-24, 1998.

Longman, P. *Born to Pay. The New Politics of Aging in America*, Boston, Houghton Mifflin, 1987.

Miles, D. and Timmermann, A., Risk sharing and transition costs in the reform of pension systems in Europe, in *Economic Policy*, n° 29, pp. 253-286, 1999.

Montgomery, E., Shaw, K. and Benedict, M., Pensions and wages, an hedonic price theory approach, in *International Economic Review*, n° 33, pp. 111-128, 1992.

Musgrave, R., A reappraisal of financing social security in *Public finance in a demographic society*, Vol. II, edited by Musgrave, R., pp. 103-122, Wheatsheaf Books, Brighton, 1986.

Orszag, P. and Stiglitz, J., *Rethinking pension reform: ten myths about social security systems*, presented at the World Bank Conference "New Ideas about Old Age Security", September 14-15, 1999.

Pestieau, P., *Are we retiring too early ?*, CESifo Working Paper 522, Munich, 2001.

Poterba, J., Demographic change, intergenerational linkages and public education in *American Economic Review (Papers and Proceedings)*, n° 88, pp. 315-320, 1998.

Schokkaert, E. et al., Vlamingen over het pensioensysteem in *De toekomst van onze pensioenen*, edited by Pestieau P., et al., Garant, Leuven, pp. 55-75, 2000.

Sinn, H.-W., Why a funded pension system is useful and why it is not useful in *International Tax and Public Finance*, n° 7, pp. 383-410, 2000.

Summers, L., Gruber, J. and Vergara, R., Taxation and the structure of labour markets, the case of corporatism in *Quarterly Journal of Economics*, n° 58, pp. 385-411, 1993.

Van Parijs, P., *Real Freedom for All*, Clarendon Press, Oxford, 1995.

Van Parijs, P., *Refonder la solidarité*, Editions du Cerf, Paris, 1996.

Van Parijs, P., The Disfranchisement of the Elderly, and Other Attempts to Secure Intergenerational Justice in *Philosophy and Public Affairs*, n° 27, pp. 290-333, 1998.

Van Parijs, P., Basic income at the heart of social Europe ? Reply to Fritz Scharpf. In *Basic Income on the Agenda*, edited by Groot, L. et al, Amsterdam University Press, Amsterdam, pp. 161-169, 2000.

Warner, J. and Pleeter, S., The personal discount rate : evidence from military downsizing programs in *American Economic Review*, n° 91, pp. 33-53, 2001.

---

## TABLE OF CONTENTS

### **PENSION POLICIES FOR A JUST EUROPE : INDIVIDUAL VERSUS COLLECTIVE RESPONSIBILITIES**

<b>INTRODUCTION</b>	491
<b>1. A NORMATIVE STANDPOINT</b>	493
1.1. NON-OVERLAPPING COHORTS AND PRUDENTIAL LIFESPAN POLICIES . . . . .	494
1.2. OVERLAPPING COHORTS AND THE POSSIBILITY OF PAY-AS-YOU-GO . . . . .	496
1.3. INTRA-COHORT INEQUALITIES AND MINIMUM PENSIONS. . . . .	497
1.4. INTER-COHORT INEQUALITIES AND FAIR GENERATIONAL ACCOUNTING . . . . .	499
<b>2. FIVE ISSUES</b>	501
2.1. GO FUNDED ? . . . . .	501
2.2. GO PRIVATE ? . . . . .	503
2.3. GO BISMARCKIAN ? . . . . .	505
2.4. GET PEOPLE TO WORK LONGER ? . . . . .	506
2.5. GO EUROPEAN ? . . . . .	507
<b>CONCLUSION</b>	509
<b>REFERENCES</b>	512

# COMMENT ON « A NEW WELFARE ARCHITECTURE FOR EUROPE ? »

BY **PIERRE PESTIEAU**

CREPP, University of Liège

The approach adopted by the authors is excellent. In order to deal with individual needs and social policies it is crucial to follow individuals over their entire lifecycle so as to distinguish what comes from the effects of age, generation and economic evolution. To confuse age effects and generational effects could lead to costly mistakes.

My comment is restricted to old age and pension policies, and it deals with three points on which I differ with the authors. I am concerned with the concepts of ageing, solidarity and political sustainability, and I have three concrete recommendations to make.

Ageing is often viewed as a problem on which we have no control. Admittedly, the drop in fertility that led to the baby bust was unexpected. At the same time, increasing longevity was both foreseeable and welcome. What is called ageing is both a demographic and a social phenomenon. The rapid decline in the activity rates of elderly workers is as responsible for the increase in dependency ration as demographic ageing is. To take the example of France over the last four decades, the life expectancy of men has increased by 6.6 years, while the effective retirement age has decreased by 5.3 years. During the same period, the longevity of French women has increased by 7.5 years, while their effective retirement age has decreased by 7.5 years. Clearly, early retirement explains ageing as much as increased longevity does.

We know why the activity rate of elderly workers has declined so rapidly in Belgium and in France, as opposed to Sweden and Iceland, for example. It is not because of the relative generosity of their pension systems, but rather because of an implicit tax that penalises the postponement of retirement in those two countries. In other words, ageing is only partially exogenous. It can be avoided by controlling the parameters of the tax and the social security systems. Thus one can invert the current trend and aim for dependency ratios that make our pension systems sustainable.

As regards the concept of solidarity, let me paraphrase the saying: "Solidarity, how many injustices have been committed in your name!". In my view what really matters is to what extent our pension system can redistribute resources across the gene-

rations, as well as within each generation. In a number of European countries intra-generational redistribution – from high to low income households – is small, and intergenerational redistribution is often regressive. This shocking situation is often justified in the name of solidarity.

It has been suggested that one adopts the Musgravian rule which offers a compromise between two polar rules: defined contributions and defined benefits. Actually, I agree with the objective of finding a rule that leads to risk sharing. But I am not sure that the Musgravian rule achieves such an objective. Intergenerational equity calls for flexible rules. Suppose that after a long period of high productivity we enter a period of low productivity, say 60 years. It is possible that the generation that lives in the middle of such a gloomy period will first have to benefit from transfers from the older generation, and later from transfers from the younger one. In other words, in a changing world we don't need rigid rules. The Musgravian rule is less rigid than the two other ones. But it is still rigid. Having said this, the best way to achieve intergenerational equity is to rely on a sustainable "social security trust fund".

The third point I want to deal with concerns the issue of political support for pension reforms. This is a tricky problem. Quite often reasonable reforms are paralysed by entitlements which at one time were quite legitimate, but which are no longer so. To circumvent this problem one often relies on what is called "grandfathering", that is, one makes sure that the reform will not hurt those entitlements. Unfortunately grandfathering can be very costly. Furthermore, on equity grounds, there is no reason why the current generation of retirees should not have to pay for the reform. A big challenge for social "engineers" is to design a system that can resist changes in political mood or electoral majority, and at the same time be responsive to change in the socio-economic setting (demography, labour market, globalisation, ...).

Let me conclude with three recommendations. First, on the issue of ageing, retirement and long term care, our information is not very good and as such may lead to imprecise prognosis and ill-suited policies. Thus it would be desirable to support the initiative of a number of European scholars in developing the project SHARE (Survey of Health, Ageing and Retirement in Europe). Second, I totally agree with the idea of a basic uniform pension in all European countries. Such a pension would not have to be harmonized across countries. But it should be linked to the median income of households (75% e.g.) and, hopefully, be unconditional. Third I would recommend that each country adopt a policy regarding the labour market participation of elderly workers adjusted to their health, and to the average longevity in each sector.

---

# HEALTH CARE AND THE WELFARE STATE : TWO WORLDS OF WELFARE DRIFTING APART, BUT STILL INTERRELATED (1)

BY **KIEKE G. OKMA**

Associate Professor, School of Public Policy Studies, Queen's University, Kingston (Ont) Canada; and Senior policy advisor, Ministry of Health, Welfare and Sports, The Netherlands

Contents : post war expansion of modern welfare states; pressures and retrenchment efforts, two streams of health reforms; failed reforms, but accelerated change in the 1990s; widening gap between the worlds of health care and other welfare arrangements; but also, interdependence between pensions, health care, long term care and other public policies.

## 1. HEALTH CARE AND THE WELFARE STATE

The core function of the 20th century welfare state is to protect incomes in case of unemployment, disability, illness, old age and large families (2). In the decades after the Second World War, the modern welfare states developed their full range of income protection schemes including health insurance (3), old age pensions, disability and unemployment benefits, child support and individual social services (4). Collective health care arrangements became one of the pillars of the welfare state.

---

(1) Illustrating the continuity of debate on social policies, this introduction draws heavily on a paper written for the conference "Second century of social security: social integration in the 21st century", The Hague, June 2001.

(2) Marmor, Mashaw and Harvey distinguish four core principles of social security : the first is the '*behaviourist*' one, a distinct heir from the 17th Century Poor Laws. This principle aims to change the behaviour of the poor, the unemployed and welfare recipients. The second principle is '*residualist*', a close cousin to the philanthropical humanism that leads to (temporary) state support of the needy, preferable in a decentralized way. The third, the '*social insurance*' principle, reflects the basic goal of the welfare state : to provide protection against loss of income caused by illness, disability or old age (and support for the cost of raising children). Its primary goal is not redistribution, though both the funding (via general taxation or social insurance) and the consumption of benefits (based on needs) actually create redistribution. The last principle is '*egalitarian populist*', with redistribution of income, wealth and power as its primary goal. (Marmor, Mashaw and Harvey 1990).

(3) Adding to this range of risks, the Netherlands (in 1968), Germany (in 1996) and Japan (in 1998) introduced separate social insurance schemes for home care and long term care in institutions. That was in fact, a remarkable expansion of the welfare state in decades of retrenchment. Such insurance acknowledges long term care as a social risk.

(4) Even while many Europeans seem to believe that only the 'civilized' Western European countries have developed welfare states, the United States has an almost indential range of income protection schemes, with the (important) exception of universal health insurance. (Marmor, Mashaw and Harvey 1990).

Since the 1970s, health policies gained a more independent status. Several countries set up separate Ministries of Health and independent agencies to administer health insurance, and developed extensive state intervention to improve health, to protect consumer interest and professional positions. At first, in the 1980s, this independent position appeared effective in protecting health care against retrenchment efforts. But after some delay, the attention focused on health care as one of the main categories of public expenditure (Ranade, 1998).

## **2. INCREASED PRESSURES**

---

The oil crises of the 1970s brought economic stagnation and high and persistent levels of unemployment. Revised demographic projections revealed a rapid ageing of society. And changed ideological views about the role of the state challenged the status and authority of church, state and representative organisations. The welfare state was no longer seen as the *solution* for economic problems, but as its *cause* (Timmins, 1995). The welfare arrangements came under mounting attack. One particular population group, the elderly, became the focus of much debate; the image of elderly citizens as a burden to society replaced the image of deserving elderly of state support (5). It is interesting to note that the terms of the debate were quite similar across the industrialised world, regardless of the actual levels of public spending, fiscal deficits or economic conditions.

## **3. TWO STREAMS OF REFORM**

---

The above factors gave rise to two quite separate streams of health reform. The first were the *market-oriented reforms* fuelled by macro economic and fiscal concerns (OECD, 1992; OECD, 1994; OECD, 1996; Ranade, 1998). Initially, those reforms sought to change the funding models and to reduce public health spending. The efforts ranged from proposals to replace public funding systems by private sources (e.g. to replace tax based funding by private health insurance); to deregulate planning and budget rules; to introduce or increase user fees, and to de-list or curtail entitlements. (Okma 1999) Others included the introduction of vouchers, individual savings accounts, different forms of cash benefits and the replacement of income-related contributions by flat rate premiums (6). The common feature of those pro-

---

(5) This shift in images from a 'biblical image' of elderly as a source of wisdom and advice towards a 'policy image' of elderly as the deserving object of government support, towards a new 'negative image' of elderly as a burden to society has coloured the perceptions and debate. The very term 'intergenerational justice' suggests that in fact, the elderly have become 'greedy geezers', who spend down their own wealth on cruise vacations and other (instead of passing on the heritage to the next generation) and next, depend on public assistance, crowding out other public spending (Marmor and Okma, 1998).

(6) See e.g. the report *Volksgezondheidsbeleid* (Population Health Policy) of the Dutch Science Council, WRR. The WRR argues that income protection is not a primary goal of health policies, and that health policies should focus on the protection and promotion of health instead. (WRR 1999). Based on similar arguments, the social and economic council, *Sociaal Economische Raad*, SER, proposed to replace income related contributions for social health insurance by flat rate premiums, with fiscal support to low income families. (SER 2000).

posals is the move away from pooling risks of larger population groups towards increased risks facing the individual families, and a shift from guaranteed budgets towards contract-based incomes of providers. In other words, the proposals reflected the erosion of the *insurance principle* and the re-emergence of the *residualist* role of the state (7).

In most countries, popular support for the solidarity-based health system and veto powers of other stakeholders proved a strong barrier to change. When efforts to restructure the funding failed, the attention turned to possibilities to improve the efficiency of services and organisation of care (Ranade, 1998). The UK introduced its '*internal markets*' within the National Health Service (NHS). Other countries followed this model of separation between the functions of purchasing and providing health care (8).

#### 4. SECOND STREAM OF REFORM

A second stream of health reform, with an entirely different perspective, expanded the concept of health and challenged the borders of health policy. In the early 1970s, there was growing awareness that the health of the population does not depend on health care alone. The 1974 Lalonde report in Canada mentioned factors (the so-called '*determinants of health*') like life style, genetic disposition, and social and economic living conditions (Lalonde, 1974). The report became famous, and the World Health Organisation (WHO) became one of the carriers of its ideas. The WHO also pressed governments to embrace a wider concept of health as the absence of disability and illness and to replace the ruling '*medical paradigm*' by the new '*health paradigm*'. Most if not all WHO member states accepted this policy idea by signing the Alma Ata declaration of 1982. (WHO/UNICEF, 1978; WHO, 1982).

---

(7) It is interesting to note that the 1942 Beveridge report and the 1946 report of the Dutch Van Rhijn committee, addressing the future of social security in respectively the UK and The Netherlands after the World War, took for granted that social support for sick or disabled workers would be temporary only, and that it should be focused on measures to get them back to the labour force as soon as possible (Committee Beveridge 1942; Commissie Van Rhijn 1946).

(8) The Netherlands was one of the first countries in Western Europe to discuss competition in social health insurance. (OECD 1992; Commissie Dekker 1987; Ministerie WVC 1988) The 1987 Dekker report advocated competition between health insurers and between providers of care, within the framework of a population-wide mandatory health insurance. This new model reduced the role of the state in health care. The responsibility for the planning of health services and the budgets of institutions would shift from government to independent sickness funds and private insurance (the difference between the two would disappear). This shift also increased the financial risks of providers and insurance agencies. Providers would have to compete for contracts; and health insurers for insured. In the model, Dutch consumers gained influence as individual insured and patients, but also, as organised stakeholders who were given formal representation in the administrative and advisory bodies in health policy. Even while the Dekker plans shook the world of health care, its basic ingredients were not really new. In essence, they re-established the original functions of the 19th century sickness funds as independent, risk-bearing agents contracting health services on behalf of their members (Gress and Okma, 2001).

## 5. FROM DEBATE WITHOUT CHANGE TO CHANGE WITHOUT DEBATE

---

In the end, the two reform movements brought little actual change. Neither the market model nor the *'healthy policy paradigm'* succeeded in replacing the dominant *'medical paradigm'*. (Altenstetter and Haywood, 1991) But in the 1990s, after the failure to restructure the health care sector along the lines of the reform proposals, health care underwent a process of rapid transformation. Adding to existing demographic and fiscal pressures, there were four new factors (elaborated below) fuelling change: 1) changing consumer demands; 2) the emergence of new players in the policy arena; 3) growing influence of the corporate sector and 4) competition law. Now, the separate status of health policies no longer offered protection to outside pressure. The two "worlds of welfare" seem to be drifting apart (9).

## 6. CHANGING DEMAND

---

In the mid-1970s, demographers had to revise their earlier projections as population growth rates had dropped much more rapidly than expected (10). Populations were ageing, but they also had changed their behaviour. (Borst-Eilers and Okma 1996) At the end of the century, life expectancy in the OECD countries had risen to over 80 years. The numbers of elderly persons living alone grew as the average family size dropped and the model of several generations living together went out of fashion. Moreover, the new generation of elderly had gained higher levels of education, and higher levels of financial security. They became critical and informed consumers, often preferring private arrangements for home care or assisted living over the publicly provided services. Government policies strengthened this trend towards individual voice, choice and exit. For example, Germany, Israel and The Netherlands allow sickness fund insured to register with a fund of their own choice. Several countries are experimenting with options of cash benefits instead of services in kind.

---

(9) Carolyn Tuohy observed how in Canada, the 'two worlds of welfare' of health care and other social arrangements have developed into different directions. Canadian Medicare is based on strong solidarity and egalitarian principles; but the other income protection schemes are parsimonious, with low levels of benefits and rigid access rules (Tuohy 1993).

(10) Two decades later, they also had to revise earlier forecasts of public health expenditure. Several studies showed that in spite of popular belief, ageing is not the main cause for the raise in health expenditure. Surely, (very) old persons need (much) more health care than younger ones. But in general, the current generation of persons over 60 is (much) healthier, wealthier and better educated than their grandparents. The majority of persons between 60 and 80 lives independently in fairly good health. For this group, 'ageing' does not seem the proper term. For pension systems, 60 or 65 is the relevant age, but not for health expenditure (Marmor and Okma, 1998).

## **7. NEW PLAYERS IN THE HEALTH CARE ARENA**

---

The economic problems of the 1970s and 1980s brought new actors to the health care arena. Employers (as well as governments) worried about the rapidly growing levels of health care spending and the high levels of absenteeism. They started to look more critically at health care *as an instrument* to reduce disability and sick leave. The *behaviourist* welfare principle gained prominence as illustrated by the rise of ‘welfare to work’ schemes and other policies to rehabilitate and reintegrate sick and disabled workers. Health care services were no longer seen as universal entitlements, but as instruments for other policy purposes.

## **8. ADMINISTRATIVE PRESSURE AND GROWING INFLUENCE OF THE CORPORATE SECTOR**

---

One particular challenge, inspired by the corporate world, came from the administration (Okma, 2001). In the 1970s, studies of the American Health Care Finance Administration (HCFA) revealed large and unexplained regional differences in medical interventions. At first, HCFA tried to convince physicians to set up working groups to discuss ways to reduce those variations. When those efforts failed to bring much success, HCFA shifted to stronger pressure. It initiated and funded the development of medical practice guidelines and protocols as the basis for ‘*evidence based medicine*’ (11). The underlying assumption was that such guidelines would not only reduce variations between institutions or individual physicians, but also improve the efficiency and efficacy of treatment, and thereby help to control costs. This development, followed in many other countries, also meant that non-medical actors with a financial interest in the outcome of medicine started to interfere in the professional autonomy.

At first, the outside interference in the world of medicine was defended by the need to reduce unnecessary treatment variations, and to improve the quality of care. But next, business terms, business instruments and techniques found their way into this world. In a wider sense, health care lost its status of a unique section of social security. It became an ‘ordinary’ sector of the economy, on almost equal footing with housing or travel or any other services sector. Health care became business, with modern management jargon as its leading language (Marmor, 1998).

---

(11) In a similar way, governments and health insurance administrations focused their attention to the performance of health facilities. *Performance measurement* became the buzzword, with instruments like *benchmarking*, to measure results and compare institutions in order to improve the quality of the services. But it serves a dual purpose. It also became a basis for contracting services and price negotiations, and thus an instrument for cost control.

## 9. COMPETITION IN HEALTH CARE

---

The combined effects of the development of guidelines, protocols and benchmarks as instruments for performance measures, and the increased influence of modern management and organisation have created an atmosphere of corporate enterprise. This also led to accelerated change in the organisation and contractual relations in health care in the last two decades of the 20th century (Okma, 1997; Okma and De Roo 1998). Small scale, standalone facilities are disappearing rapidly. Hospitals and other institutions have created regional networks of providers. They are joining their services in processes of horizontal and vertical integration, often extending to extramural care as well. Mergers and take-overs have drastically reduced the number of independent health care providers and insurance agencies. There are several examples of newcomers to the health care market: private home care providers, new intermediaries for circumventing waiting lists, private clinics, labour-related disease clinics, and pharmaceutical disease management firms.

This process of '*creeping corporatisation*' in health insurance and health care brought the issue of *competition* (back) to the policy debate. The policies of the European Union (EU) accelerate this process. The EU Treaty stipulates that social policies remain the primacy of national politics because of the overriding principle of *subsidiarity*. At the same time, there is growing influence of the EU law. The creation of one common market for persons, capital, goods and services requires the elimination of trade barriers and undue protectionist policies and practice. (12) Health care providers can offer their services to citizens in other countries, and the European Court has ruled that health insurance agencies cannot impose undue barriers to patients seeking treatment abroad (and must pay for that, too) (Hamilton, 1995; Hamilton, forthcoming).

---

(12) Most European countries have centrally organised health care systems, with state monopolies in funding and contracting health services, and with payments based on solidarity. In such models, they can impose all kinds of market barriers. The general competition rules do not apply. But once governments allow for competition in the markets of health insurance and health services, competition law applies. (Report Workshop EU Law and National Health Policies 2000) As soon as the economic actors in health care are given discretionary powers in negotiating tariffs and volume of health services, they should be considered as undertakings in terms of competition law.<sup>1</sup> In this regard, an undertaking is an entity engaged in economic activities regardless of its legal status of funding source. The main provisions of this legislation (based on Articles 81 and 92 of the EU Treaty) are the prohibition of agreements, decisions and concerted practices that may affect cross-border trade, and that have anti-competitive objectives or effects. However, the competition law does not prohibit all government intervention. There may be reasons of general interest for doing so, e.g. reasons of quality or protecting consumer interest. There is legislation for the quality of health services, health education, and protecting consumers. Such rules apply to anybody offering health services. But they must be necessary and proportionate, and cannot discriminate against foreign providers who wish to enter the market.

#### **10. WIDENING GAP HANGING BETWEEN THE TWO WORLDS OF WELFARE ...**

---

In the 1970s and 1980s, several European countries set up separate Ministries of Health and separate agencies to administer health insurance, to regulate professions, protect consumer interests and promote the health of the population. In doing so, they weakened the traditional ties with Ministries of Social Affairs. They turned their attention to new areas of business administration, information technology and competition. In a way (maybe not economically but certainly as a mindset), this shift of emphasis also cut the umbilical cord with the other income protection schemes of the welfare state. The changes resulted in a deepening division between health policies and the other 'world of welfare'. The separate position of health ministries, combined with the effects of changing consumer demand, the new actors in the health care arena and the growing influence of the corporate sector and competition law all add to the erosion of the position of health care as one of the core pillars of the welfare state. The *income protection function* has become all but invisible, and the *behaviourist* and *residualist* principles of welfare have gained importance.

#### **11. BUT INTERDEPENDENCE OF PUBLIC POLICIES**

---

The newly gained independence of the domain of health policies raises new policy issues and questions. This conference mostly focuses on pension schemes as an important part of social protection. But there is a strong interrelation between pension schemes, health care and long term care and other public policies. Elderly citizens (at least group of 80 years and older) are the largest group of users of long term care services; on average, they need four times as much health care as other adults. They also need external support for independent living.

In designing social insurance schemes, the life cycle approach advocated by Esping-Andersen and his colleagues can be useful, in particular when used in a dynamic way. At birth, none of us knows *whether* we will be demented at the end of our life. But there is a statistical certainty *that* about 5 to 10 percent of us will. The numbers may be small, but the costs can be exorbitant. It is clear that the cost of intensive medical care and long term care surpass the capacity of any regular family income or pension income. It is, therefore, not surprising that more and more OECD countries acknowledge the costs of long term care as a social risk.

Old age pensions and (long term) health care are not the only important income protection mechanisms for elderly citizens. For example, fiscal policies reining in inflation can have more effect on the health and well being of elderly than health insurance schemes. Successful macro economic policies may create employment opportunities for elderly workers. The design of housing, local transportation and cultural activities play a decisive role in the integration of elderly in society. These examples also illustrate that it is hard to separate the goals and effects of individual public policy areas. Nonetheless, the nature of risks concerns varies. The two pillar

system advocated by Schokkaert and Van Parijs seems to be more suitable for pension systems than for health care and long term care. For the latter two, the risk pooling entails several dimensions that are highly correlated: age, gender, ill-health, income, region, employment status and others. The actual consumption of health care and related services is highly skewed, and in some cases, predictable. That limits the option of a well-working private insurance market, and points to the need of broadly based pooling systems. There is no need to exclude any population group from that pooling, the elderly included, when it is mostly paid out of income-related contributions or taxation. But equity is not equality; what is most important is the fairness in sharing the financial burden, and the universal access to the services. Such fairness can be based on a mix of funding from general taxation, insurance contributions, and income-related co-payments.

---

---

## REFERENCES

---

Altenstetter, C. and Haywood, S. C., *Comparative Health Policy and the New Right. From Rhetoric to Reality*, Hong Kong, Macmillan, 1991.

Borst-Eilers, E. and Okma, K. G., Priorities in health care of elderly people: conflicting images, conflicts of interests ? in *College Journal of the Royal College of Physicians of Edinburgh*, n° 26, pp. 553-558, 1996.

Commissie Dekker, *Bereidheid tot Verandering*, Rapport van de Commissie Structuur en Financiering Gezondheidszorg, 's-Gravenhage, Distributiecentrum Overheidspublicaties, 1987.

Commissie Van Rhijn, *Sociale Zekerheid*, Rapport van de Commissie ingesteld door de Minister voor Sociale Zaken op 26 Maart 1943, (3 delen), 's-Gravenhage, Algemene Landsdrukkerij, 1945/1946.

Committee Beveridge, *Social Insurance and Allied Services*, London, His Majesty's Stationary Office, 1942.

Gress, S. and Okma, K. G., *Managed Competition in Health Care –Dutch Present and German Future ?*, Paper presented at the 9th Canadian Conference on Health Economics, Toronto, May 2001.

Hamilton, G. J., Ziektekostenverzekering in Europees perspectief in *Medisch Contact*, n° 46, pp. 1469-1472, 1995.

Hamilton. G. J., *Gezondheidszorg en Mededingingsrecht*. (forthcoming).

HCFA, *Strategic Plan*, Baltimore, US Department of Health and Human Services, Health Care Financing Administration, 1998.

Lalonde, M., *A New perspective on the Health of Canadians*, Ottawa, Government of Canada, 1974.

Marmor, T. R., Mashaw, J. L. and Harvey, P. L. (eds.), *America's Misunderstood Welfare State. Persisting Myths, Enduring Realities*, Basic Books, 1990.

Marmor, T. R., Hype and Hyperbole: the Rhetoric and Realities of Managerial Reform in Health Care in *Journal of Health Services Research & Policy*, Vol 3, n° 1, pp. 62-64, 1998.

Ministerie van WVC, *Verandering Verzekerd. Stapsgewijs op weg naar een nieuw stelsel van zorg*, Kamerstukken II, 1987-1988, 19945, nrs 27 en 28, 's-Gravenhage, SDU, 1988.

NMa 2000, Nederlandse Mededingingsautoriteit, *Zaaknummers 590, 1570 en 1972/ Amicon Zorgverzekeraar versus Vrijgevestigd Fysiotherapeut (ontheffing)*, 2000. Retrieved from the world wide web on 6-5-2001.

NMa 2001, Nederlandse Mededingingsautoriteit, *Zaaknummer 537/ Landelijke Huisartsen Vereniging*, 2001, OECD, *The Reform of Health Care. A Comparative Analysis of Seven OECD Countries* in Health Reform Studies n° 2, Paris, Organisation for Economic Cooperation and Development, 1992.

OECD, *The Reform of Health Care. A Review of Seventeen OECD Countries* in Health Reform Studies nr 5, Paris, Organisation for Economic Cooperation and Development, 1994.

OECD, *Health Care Reform. The Will to Change*, Paris, Organisation for Economic Cooperation and Development, 1996.

Okma, K. G., Wortels en stokken in *ESB*, June, 2001.

Okma, K. G., Book review essay on Ranade, W., Markets and Health Care in *Journal of Health Politics, Policy and Law*, December, 1999.

Okma, K. G. and De Roo, A., *From Polder Model to Modern Management in Dutch Health Care* (Paper presented at the 4 Country Conference 1998: "The Future of the Hospital"), Yale University, July, 1998.

Okma, K. G., *Studies on Dutch Health Politics, Policies and Law*, PhD Thesis, Utrecht, University of Utrecht, 1997.

Ranade, W. (ed), *Markets and Health Care: A Comparative Analysis*, New York, Addison Wesley Longman, 1998.

*Report 7th Workshop EU Law and National Health Policies*, Den Haag, Ministerie VWS, February, 2000.

SER, *De Toekomst van de ziektekostenverzekering*, Den Haag, Sociaal Economische Raad, 2000.

Timmins, N., *The Five Giants. A Biography of the Welfare State*, London, Fontana Press, 1995.

Tuohy, C. J., Social Policy. Two World of Welfare, *Governing Canada. Institutions and Public Policy*, Atkinson, M. A. (ed), Toronto, Harcourt Brace Canada, 1993.

WHO, Regional Strategy for attaining Health for All by the year 2000, Copenhagen, WHO, Regional Office for Europe, 1982.

WHO/UNICEF, *Primary health care, Report on the International Conference on Primary Health Care*, Alma Ata, USSR, Geneva, WHO, 1978.

WRR, *Volksgezondheidsbeleid*, Den Haag, Wetenschappelijke Raad voor het Regeeringsbeleid, 1997.

---

## TABLE OF CONTENTS

### **HEALTH CARE AND THE WELFARE STATE: TWO WORLDS OF WELFARE DRIFTING APART, BUT STILL INTERRELATED**

<b>1. HEALTH CARE AND THE WELFARE STATE</b>	519
<b>2. INCREASED PRESSURES</b>	520
<b>3. TWO STREAMS OF REFORM</b>	520
<b>4. SECOND STREAM OF REFORM</b>	521
<b>5. FROM DEBATE WITHOUT CHANGE TO CHANGE WITHOUT DEBATE</b>	522
<b>6. CHANGING DEMAND</b>	522
<b>7. NEW PLAYERS IN THE HEALTH CARE ARENA</b>	523
<b>8. ADMINISTRATIVE PRESSURE AND GROWING INFLUENCE OF THE CORPORATE SECTOR</b>	523
<b>9. COMPETITION IN HEALTH CARE</b>	524
<b>10. WIDENING GAP HANGING BETWEEN THE TWO WORLDS OF WELFARE ...</b>	525
<b>11. BUT INTERDEPENDENCE OF PUBLIC POLICIES</b>	525
<b>REFERENCES</b>	527

## **CLOSING ADDRESS**

**OPEN CO-ORDINATION ON PENSIONS AND THE FUTURE OF  
EUROPE'S SOCIAL MODEL**

---

533 |

# OPEN CO-ORDINATION ON PENSIONS AND THE FUTURE OF EUROPE'S SOCIAL MODEL

BY **FRANK VANDENBROUCKE**

Minister of Social Affairs and Pensions, Belgium

Our ambition at this Conference was to put the pension challenge into a broader perspective. I believe this undertaking has been successful. The contours have been outlined of a social policy that can adequately respond to a range of current, often interlinked, challenges to European welfare states. Possible obstacles for joint progress have been identified. And the basic message that accurate thinking about pensions presupposes the adoption of a broad perspective and implies an integrated approach to policy making, has been delivered.

So let me thank each of you for attending this conference, especially those who participated in the presentations and the panel discussions. This is also an excellent opportunity to express my deep gratitude to Gösta Esping-Andersen, Duncan Gallie, Anton Hemerijck and John Myles for the great report they wrote for this conference. I'm sure the relevance of this report will extend far beyond the walls of this conference venue (1). I am also very grateful to the European Commission: its support for this conference is another illustration of the Commission's dedication to a social dimension in European policies. Also, let me thank the KU Leuven for being such a kind host.

In the following minutes, I would like to add to the discussion that took place during the last two days by developing two ideas.

I will first explain what I consider to be the most important and promising feature of the political methodology we have discussed here, which was coined "the open method of co-ordination" at the Lisbon Summit (March 2000).

Secondly, given that we are currently preparing a progress report on pensions for the upcoming Laeken Summit (December 2001), I want to return to some aspects of yesterday's discussion on pension policy. My conclusion, from that discussion, is

---

(1) Oxford University Press will soon publish a book based on this report : "Towards a New Architecture for Social Protection in Europe", by Professors Gösta Esping-Andersen, Duncan Gallie, Anton Hemerijck and John Myles.

that we need a comprehensive approach, not just of first and second pillar pensions, but also of care and health care, a comprehensive approach which aims at sustainable social justice.

Combining these two ideas into one: open co-ordination must contribute to sustainable social justice in Europe.

## **1. ON THE OPEN METHOD OF CO-ORDINATION**

---

The Belgian government has, along with others, advocated the development of a distinct social dimension in European politics by means of the open method of co-ordination. In December 2000 (Nice European Council), the European Union (EU) launched a process of open co-ordination on social inclusion and now we wish to start open co-ordination in the field of pensions.

### **1.1. THE OPEN METHOD OF CO-ORDINATION AS A LEARNING PROCESS**

Open co-ordination is a process where explicit, clear and mutually agreed objectives are defined, after which peer review enables Member States to examine and learn from good national practices. This method respects and is in fact built on local diversity; it is flexible and aims to promote progress in the social sphere. To do so, it requires that we use comparable and commonly agreed indicators in order to monitor progress towards common goals.

The exchange of reliable information aims at institutionalising “policy mimicking”, at least to a certain extent. Intelligent policy mimicking needs to be actively managed and “contextualised”, as Anton Hemerijck emphasised it (2). Well thought-out “benchmarking” requires three elements:

- firstly, reliable information on social policy and its results;
- secondly, evaluation of this information in the light of the commonly defined objectives;
- thirdly, evaluation of this information in the light of the local context of policies.

The latter is important, because otherwise benchmarking would easily appear “compulsive” to actors who find themselves in a completely different local situation. If we are insensitive to context, the “open method” will lose credibility and the whole exercise is unlikely to be successful.

### **1.2. THE OPEN METHOD OF CO-ORDINATION AS A DEFENSIVE INSTRUMENT**

This “open” approach is pragmatic, and this is why it can be an *effective* instrument for social progress. Thus, we have found a way that implies a credible commitment to a social Europe. This signals an important message to the European citizen, name

---

(2) See paper by Anton Hemerijck included in this review : “Deepening Social Europe Through Open Co-ordination”.

ly that Member States will defend our welfare states against a possible retrenchment, as a result of intensifying competition in an integrated European market and a globalising economy. Or, to use more popular terms, it is a signal that we will counteract “social dumping”. With regard to “social dumping” there is, however, a need for nuances. Firstly, economic and monetary integration is only one of the many challenges. Today, adjustment is necessary because (a) the traditional fields of social protection, such as pensions and health care, will require more resources and (b) because new social risks and needs have emerged. Secondly, experience, so far, does not suggest that European integration necessarily leads to welfare retrenchment. On the contrary, in many countries the single market has reinvigorated the formation of broad social pacts and the need to rethink - rather than roll back - welfare state programmes.

Nevertheless, it would be naïve to just extrapolate from current experience. The growing importance of factor mobility within the EU will leave a bigger mark on the architecture of our welfare states in the long run. Besides, in the short term, we are at the eve of the expansion of the Union. In the light of these developments, the need for an explicit definition of the European social model is now greater than ever. This brings me to what I consider to be the principal added value of the open method of co-ordination.

### 1.3. THE OPEN METHOD OF CO-ORDINATION IS MUCH MORE THAN A LEARNING PROCESS AND A DEFENSIVE TOOL

This added value is far greater than, simply, the fruits of policy learning or a defence against a competitive “race to the bottom”. Common objectives are *essential* because they allow the much discussed but rarely specified “European social model” to be translated into a tangible set of agreed objectives, to be entrenched in European co-operation. For the first time, thanks to the open method of co-ordination, the rather vague idea that the EU embodies a distinct social model, based on common social values, is given content by means of precise definitions.

Open co-ordination is both a cognitive and a normative tool. It is a “cognitive” tool, because it allows us to learn from each other. This learning process is not restricted to the practice of other Member States; national policy makers can also learn a lot from the underlying analyses and normative views within other Member States. Open co-ordination is a “normative” tool because, necessarily, common objectives embody substantive views on social justice. Thus open co-ordination gradually creates a European social policy paradigm.

The “soft” character of open co-ordination is often met with scepticism. Yet by means of “soft” co-operation and consensus building we can go far beyond solemn but vague declarations at European Summits. This is, at this stage, the most promi-

sing way to give concrete shape to “social Europe”, as a large region in the world in which sustainable social justice will thrive. Open co-ordination can fulfil that ambition if it is used in a judicious way.

#### 1.4. FIVE KEY PRINCIPLES FOR A JUDICIOUS USE OF THE OPEN METHOD OF CO-ORDINATION

Open co-ordination is not some kind of fixed recipe that can be applied to whichever issue. The methodology we have now applied for the first time in the field of social inclusion differs from the open co-ordination that, via the so-called Luxembourg process, has been developed already since 1997. The methodology with regard to pensions will again be somewhat different. The Belgian government, which has put the pensions dossier among the priorities for its current Presidency of the EU, envisages a fairly “light” process in comparison with the other existing open co-ordination processes.

To ensure a successful application of the open method of co-ordination, five key principles have to be met:

*Firstly*, this is only one method amongst others. It is no panacea we can apply to all European social issues. We cannot rely solely on open co-ordination to reach social Europe. Legislative work is important, as is evident in the need for the portability of social security rights when we move within the European Union.

*Secondly*, we must not mix up the objectives and instruments of social policy. Mixing up these elements would go against the spirit of subsidiarity that is fundamental to the open method of co-ordination. But that is not the only reason why I emphasise this. *How* we achieve something is undeniably important, but thinking ahead about *what* we want to achieve is obviously what matters most. This may seem a trivial point, but in practice it is sometimes forgotten. For instance, the debate on the future of our pensions has been dominated for a long time by elaborate comparative analyses of the relative efficiency of pension *instruments*, that is, of pay-as-you-go systems versus funded systems. This involves definitely important questions but the debate should not get bogged down in a debate on instruments. When we apply the open method of co-ordination, we must focus first on the objectives.

Now, with respect to instruments, my *third principle* is “comprehensiveness”: we have to include all the instruments possible in the analysis. This is particularly important in the field of pensions, as I explain later on.

The *fourth* principle concerns the choice of “benchmarks” used to put objectives into practice: when we define our standards, we have to be realistic and ambitious at the same time. We definitely need *best practices* in the learning process: feasible “standards of excellence” instead of already acquired standards of mediocrity.

The *fifth* principle for a useful application of the open method of co-ordination is situated at a practical level. We cannot measure progress without comparable and quantifiable indicators. For this reason, finalising a set of commonly agreed and defined indicators with regard to social inclusion is a top priority for the Belgian Presidency of the EU, and we hope to reach a political agreement on this by the end of the year. Indicators are not yet on the agenda in the field of pensions, where open co-ordination must actually still be launched. But looking beyond the immediate future, this fifth principle is the actual litmus test for the political readiness to engage in open co-ordination. Anyone who paid lip service to this method, should put their words into action when it comes to the development of indicators.

The purpose of the establishment of a common set of indicators is not a naming and shaming exercise. If there is a "rank order tournament" at some stage of the process, it should exclusively serve the purpose of improving the *overall* record of *all* European welfare states through, amongst others, the identification and sharing of best practices. Indicators are not a vehicle for defining any pecking order among Europe's nations, but a tool to preserve and reinforce the quality of social protection for the benefit of all Europe's citizens.

## **2. THE EUROPEAN DEBATE ON PENSIONS**

---

Let me now focus on the pension debate. At the Gothenburg Summit (June 2001), Belgium was given the mandate to present a report at the coming Laeken Summit. This report should establish the commonly agreed objectives as well as the methodology in the field of pensions, in accordance with the open method of co-ordination.

Given the conclusions of the Gothenburg Summit, there is definitely scope for respecting the above-mentioned principles. In Gothenburg, the heads of state and government have explicitly advocated a broad perspective, relying on three general principles: (i) safeguarding the capacity of pension systems to reach their social objectives; (ii) maintaining their financial sustainability; (iii) meeting changing societal needs.

This broad perspective has been institutionalised by including both the Employment and Social Affairs Council and the Economic and Financial Affairs Council (ECOFIN) in this process, but also by the explicit request that the results be integrated in the "Broad Economic Policy Guidelines".

In July, the Commission specified the three general principles in more detail, in an official Communication including inter alia ten objectives for pension systems. They too reflect a broad perspective.

It is not my intention to discuss these ten draft objectives now. I simply want to highlight three issues we discussed yesterday, which I consider important for our political work in the coming weeks and months. First we must not fixate on public systems only; or, to put it positively, we definitely need a comprehensive approach. Second, sustainability and social justice are not synonymous, yet they walk hand in hand. Third, the relationship between ageing, the cost of care, and high employment levels, constitutes a key challenge for European welfare states, which may be underestimated. So, I return to my plea for a broad perspective and an integrated policy approach.

### 2.1. A COMPREHENSIVE APPROACH TO THE DEBATE ON PENSIONS

In the context of the demographic transition and financial sustainability, it is often assumed that countries with a relatively strong first (public) pillar have a particular disadvantage. But this may well prove to be an optical illusion.

According to the basic rules of macro-economic accounting, pensions represent a claim on the output of services and goods. For any pension system, the real cost of the retirees boils down to their expenditures on services and goods that have to be provided for by the people who are active at that given time. So conceived, the demographic problem is one of an increasing share in spending. From this angle, it makes no difference whether these expenditures are accounted for within the public ledger, or not.

As John Myles argues in the Report presented at this conference (3), adequate benchmarks and indicators must therefore be based on the total social cost of pensions, and not only on public expenditures. Such a comprehensive approach requires the establishment of reliable, and indeed comprehensive, social accounts. A shift of costs to the private sector lightens the budgetary burden, but offers few solutions to tricky questions like intergenerational equity and intragenerational justice – it may even lead to less equity and justice. A comprehensive approach to the pension challenge requires us to revisit not only our public pension pillars, but also the regulation of our private pillars. All three pillars will have an important role to play in achieving the overall objectives of pension systems.

Shifting to private systems under budgetary pressure is no solution in itself: it does not require less government, but a different kind of government, capable of regulating the private sector. Thus we are far beyond the primitive stage where the question was “for or against” the second pillar, or alternatively “for or against” pay-as-you-go. With reference to the reform of the second pillar that is currently underway in Belgium, I would say the crucial question is: to what extent can private systems provide a supplementary *social* protection, which is easily accessible for the many, not just the few ?

---

(3) See above-mentioned book by Gösta Esping-Andersen et al.

## 2.2. THE INTERGENERATIONAL CONFLICT AND THE POLITICAL CONSTRAINT OF TIME CONSISTENCY

Many interesting things have been said about intergenerational justice, a field I personally like to dwell in. Yet, we all know the complexity of the political and philosophical issues at stake. Formulating an unambiguous, philosophically justifiable standard for intergenerational justice that is politically acceptable for the various (European) parties involved is everything but evident.

The living conditions of other generations can be as different as chalk and cheese, which makes reasoning in terms of equality rather precarious. Also, a satisfactory forum for discussion does not exist. However a-historical our conception of social justice may purport to be, it still is *our* view and we use it to think about the problem “here and now”. By definition, other – possibly refined - future views on justice do not come to our ears today.

The precondition pension systems have to fulfil can be technically described as “time consistency”. Is the pension system solid enough to avoid that a certain generation would one day break up the prevailing unspoken intergenerational contract? In other words, we have to try to construct pension systems in such a way that they can be considered as “fair” by successive generations. This implies a certain flexibility in their architecture.

Financial sustainability and social justice are often seen as uneasy friends at best, sworn enemies at worst. This is a mistake. Financial sustainability is not an “external” constraint befalling our pension systems independently from their internal logic. On the contrary, intergenerational (and intragenerational) fairness is a precondition for their sustainability. This is very transparent in the budgetary debate: the sustainability of the public pension system will be jeopardised if essential future government spending is crowded out by the costs of ageing; or it is only sustainable on the basis of unacceptably high taxes.

The authors of the conference report have re-drawn our attention to an interesting line of thought with respect to intergenerational fairness (see Gösta Esping-Andersen et al.), presented in the beginning of the eighties by Richard Musgrave. He proposed a solution based on the *relative income position* of the working age population and pensioners: the implicit contract between generations should consider this variable as “fixed”. Musgrave also referred to the fact that this divides the demographic and economic risks between both parties, which is an intergenerational “fairness” argument that clearly relates to the theory of optimal risk sharing (4).

---

(4) See also paper by Erik Schokkaert and Philippe Van Parijs : “Pension Policies for a Just Europe : Individual versus Collective Responsibilities” on the website - click on Europe, then Conferences, then select the Conference “Towards a New Architecture for Social Protection in Europe : A Broader Perspective of Pension Policies”.

Admittedly, political viability based on such a “fair” spread of risks between generations on the one hand, and intergenerational social justice on the other hand, are two different things. Or, as the Dutch Scientific Council for Government Policy (Wetenschappelijke Raad voor het Regeringsbeleid) put it in a report on “Generationally-aware Policy”: “It is not so that sustainable solutions per se are either just or not, and that just solutions per se are either sustainable or not” (p. 89) (5). But there is common ground in the two approaches : creating a situation that is unsustainable in the long run is unfair to the generations to come. We want *sustainable social justice* in Europe. In that perspective, the Musgrave condition is an interesting “reference point”, but not necessarily an absolute and immovable criterion (6).

Yet I immediately want to amend it slightly by introducing the dimension of care.

### 2.3. THE AGEING PROBLEM : MORE THAN A QUESTION OF PENSIONS

Adjusting the welfare state necessitates an integrated approach. The ‘life-course dynamics’ perspective, adopted in the Conference Report (see Gösta Esping-Andersen et al.), provides a very stimulating starting point for such an approach. Indeed, in the long run we should firmly keep in mind that good pension policies – like good health policies – begin at birth. I will not elaborate on it, but I very much welcome the insistence made on investment in real equality of opportunity for children, and the concomitant welfare policies that are needed.

Here, I want to focus on another aspect of integration, namely the connection between the ageing problem and the cost of health care and elderly care, which I will refer to by the word “care”. Although the conclusions of Gothenburg referred both to health care and pensions, too often we consider them as separate issues.

When we focus on the relative *income* position of pensioners, we may neglect the potential *expenditure* gap between the working age population and pensioners. Let me elaborate upon this.

It is safe to assume that spending on care is relatively more important in pensioners’ budgets. William Baumol’s *unbalanced growth* theory helps us predict the likely long-run consequences. Let us – with reference to Baumol – divide the economy into two sectors: the care sector on the one hand, and the non-care sectors (that is, all the other sectors) on the other hand, no doubt productivity would grow more slowly in the former. If we don’t want wage developments in the care sector and in the other sectors to diverge, the cost “per unit of care” will probably increase more than the cost “per unit of product” in the rest of the economy. If the “price per unit

---

(5) I discuss the problematic relationship between stability and justice (in a different context) in F. Vandenbroucke (2001), *Social Justice and Individual Ethics in an Open Society: Equality, Responsibility, and Incentives*, Springer Verlag, Berlin.

(6) See also paper by Erik Schokkaert and Philippe Van Parijs as mentioned above.

of care” increases faster than the “price per unit of product” in the rest of the economy, the cost of living will increase relatively faster for pensioners, because the share of care is relatively larger in pensioner’s budgets. Pensioners and the working age population have as it were, different consumer price indices: the real value of the euros of pensioners may decline faster than that of the working age population. If we were to base our reasoning purely on nominal income, we would do pensioners an injustice in such a context. The argument that health care and care will inevitably become more expensive for consumers, of course, depends on the way we develop our care systems, and the extent of public investment in the care sector.

This issue is obviously connected with the increasing professionalisation of care. This is inextricably bound up with another trend that we, in the framework of the reform of the welfare states, generally encourage: the increasing activity level of women (and of people over 55). Since we now prioritise the goal of raising female activity rates, we must simultaneously recognise that this has enormous consequences for the provision of care to the frail elderly. I believe our analyses of Europe’s social future have failed, so far, to integrate the challenges posed by the family-work-pension *nexus* with the challenges posed by the care *nexus*.

Obviously, this all needs empirical verification. But whatever the outcome, it makes more sense to require a “fixed relative position” between the generations (if that is the yardstick) in terms of *well-being*, than to require it in terms of income. Depending on our investment in the care sector, it may well be the case that an unchanged relative income level yields increasingly less relative well-being.

### **3. CONCLUSION : OPEN CO-ORDINATION FOR SUSTAINABLE SOCIAL JUSTICE**

---

One thing that was made clear the last two days is that we want to achieve sustainable social justice, not only in the first, but also in the second pension pillar; not only with regard to pensions, but also with regard to well-being, thus care and health care. In the years to come, the open method of co-ordination can back up this objective, in the same way we have put poverty and social exclusion on the European agenda.

Without considering it as a magic formula, I am convinced that the open method of co-ordination can be extremely useful in this field, as well as in others. But we have to make sure that we deal with this method in a well-considered way.

An effective open method of co-ordination is more than an intelligently managed learning process and a defensive instrument. If we employ it judiciously, open co-ordination is a proactive and creative method that allows us to define ‘social Europe’ in more specific terms and to anchor it firmly as a common collective good at the heart of European co-operation. This method can be the key for people to iden-

tify Europe with sustainable social justice. At this stage of European co-operation, open co-ordination is clearly a promising way to realise this ambition. We should sail thoughtfully, but we should embark on the voyage with all due speed.

---

## TABLE OF CONTENTS

### **OPEN CO-ORDINATION ON PENSIONS AND THE FUTURE OF EUROPE'S SOCIAL MODEL**

<b>1. ON THE OPEN METHOD OF CO-ORDINATION</b>	<b>534</b>
1.1. THE OPEN METHOD OF CO-ORDINATION AS A LEARNING PROCESS . . . . .	534
1.2. THE OPEN METHOD OF CO-ORDINATION AS A DEFENSIVE INSTRUMENT. . . . .	534
1.3. THE OPEN METHOD OF CO-ORDINATION IS MUCH MORE THAN A LEARNING PROCESS AND A DEFENSIVE TOOL . . . . .	535
1.4. FIVE KEY PRINCIPLES FOR A JUDICIOUS USE OF THE OPEN METHOD OF CO-ORDINATION . . . . .	536
<b>2. THE EUROPEAN DEBATE ON PENSIONS</b>	<b>537</b>
2.1. A COMPREHENSIVE APPROACH TO THE DEBATE ON PENSIONS . . . . .	538
2.2. THE INTERGENERATIONAL CONFLICT AND THE POLITICAL CONSTRAINT OF TIME CONSISTENCY . . . . .	539
2.3. THE AGEING PROBLEM : MORE THAN A QUESTION OF PENSIONS . . . . .	540
<b>3. CONCLUSION : OPEN CO-ORDINATION FOR SUSTAINABLE SOCIAL JUSTICE</b>	<b>541</b>

# POSTSCRIPT

# COORDINATION OUVERTE : ENTRE SCIENCE ET POLITIQUE ?

PAR **JOS BERGHMAN\*** et **KIEKE G. OKMA\*\***

\* Professeur ordinaire de politique sociale - K/U/Leuven

\*\* Professeure associée, Queen's University; Kingston (Ont.) Canada;

Conseillère politique senior, Ministère de la Santé publique, du Bien-être et du Sport, Pays-Bas

## 1. INTRODUCTION

Les trois conférences au sommet sous la présidence belge en 2001 ont réuni décideurs politiques, hommes politiques et scientifiques dans des réseaux spécifiques d'experts en vue de nourrir la discussion politique grâce à des documents préparés scientifiquement (1). Comme nous le faisons déjà remarquer dans l'introduction, ces réunions ont formé un chaînon important dans le processus de la coordination ouverte, chacune à un stade différent de ce processus. La discussion gantoise sur les soins de santé était pour l'essentiel une première reconnaissance d'un sujet sans mandat politique des Etats membres de l'UE. Avec son caractère plus inclusif, le mécanisme décisionnel relatif aux indicateurs sociaux - thème de la conférence anversoise - était clairement et nettement plus avancé. La conférence de Louvain visait une phase politique oscillant entre ces extrêmes.

Cet article de conclusion propose quelques réflexions sur la signification et la place du nouvel instrument politique qu'est la coordination ouverte. L'article aborde synthétiquement le concept et cite quelques avantages et inconvénients de cet instrument politique. Les auteurs constatent quelques menues imperfections bénignes auxquelles il faudra remédier dans les années à venir. L'une de ces adaptations porte sur l'accès (ouvert) à la discussion scientifique et politique. Les rencontres à huis clos recèlent le danger de ce que nous qualifions de '*double déficit*', c'est-à-dire, d'une part, un manque de contrôle scientifique par des confrères ('peer review') en guise de vérification des positions prônées et, d'autre part, un manque de discussion politique ouverte et accessible qui doit conférer une légitimité aux propositions. L'article se termine par une conclusion post-moderne : malgré le grand nom-

---

(1) Au cours de la décennie écoulée, la notion de 'réseau' s'est fermement implantée dans la littérature administrative voir p. ex. Van der Grinten 1994; Atkinson et Coleman 1992). La notion se réfère à un système d'individus ou de sociétés qui collaborent en partageant un certain nombre d'intérêts, de points de départ ou d'objectifs. La collaboration des acteurs peut mener à une 'communauté épistémique' 'epistemic community', c'est-à-dire un groupe qui fait usage de concepts communs.

bre de remarques formulables à l'encontre du processus de coordination ouverte sur le plan des arguments scientifiques et politiques, l'instrument peut néanmoins générer une efficacité surprenante.

## 2. LA COORDINATION OUVERTE : QU'EST-CE QUE C'EST ?

---

Jusqu'au milieu des années '90, les Etats membres de l'Union européenne (UE) ne faisaient montre que de relativement peu d'intérêt pour une politique sociale commune. Au cours de cette décennie, l'accent était principalement mis sur l'unification économique. Partant du principe de la *subsidiarité* - le fait de faire assumer une responsabilité politique au niveau le plus bas possible de l'administration -, les Traités de Maastricht (1991) et d'Amsterdam (1997) postulent explicitement que la politique sociale est en toute première instance une question des gouvernements nationaux. Comme il ressort entre autres de l'ordre du jour des conférences au sommet organisées sous la présidence belge, au cours de la seconde moitié des années '90, un intérêt croissant a pu être observé au niveau européen pour les questions sociales. Ces dernières années, de plus en plus de voix s'élèvent en faveur d'une extension des compétences de l'UE sur le terrain social ou du moins de la fixation de points de départ et de principes communs. Alors qu'actuellement, le soutien se fait plutôt discret eu égard à une telle voie directe et formelle, celle de la 'coordination ouverte' offre une solution alternative, basée sur une progression politique *incrémentielle* (2).

Dans celle-ci, les Etats européens commencent par formuler des objectifs et des indicateurs auxquels tous souscrivent. Enduite, ils conviennent de produire régulièrement des rapports (par exemple, une fois par an) sur les progrès réalisés dans la concrétisation des objectifs politiques dans leur propre pays. Cette activité d'établissement de rapports est à considérer comme une forme de '*benchmarking*', le fait de mesurer ses propres progrès à l'aune d'indicateurs préalablement convenus. Pendant cette concertation, les Etats membres de l'UE peuvent échanger leurs expériences et commenter les '*meilleures pratiques*'.

Au départ, cette manière de procéder ne modifie en rien l'esprit du Traité et la réglementation qui en découle [également qualifiée de '*hard law*' (loi dure)] mais, comme l'espèrent les initiateurs, elle est susceptible de mener à une certaine con-

---

(2) Cf. La caractérisation de la 'Méthode de Coordination Ouverte' par F. Vandenbroucke telle que restituée dans la note de fin de page 2 de la première contribution de ce numéro. Actuellement, l'on ne parvient que difficilement à trouver une définition définitive. Lorsque De la Porte (2002) décrit la MCO comme "a means of spreading best practice, to be a learning process for all players that participate in the process. ... It is also meant to improve transparency and deepen democratic participation" (un moyen de diffuser les meilleures pratiques, d'être un processus d'apprentissage pour tous les acteurs qui participent à ce processus..., elle vise aussi à améliorer la transparence et à approfondir la participation démocratique), elle indique plutôt les objectifs, au lieu de proposer une véritable définition.

vergence des points de vue et, en fin de compte, à un accord suffisant sur les principes permettant d'aboutir à une adaptation des règlements, des directives et même du Traité.

### 3. AUTRES FORMES DE COORDINATION OUVERTE

L'instrument politique de la coordination ouverte n'est pas neuf en soi. Par exemple, l'Organisation Mondiale de la Santé (OMS) avait plaidé dans les années '80 en faveur d'une nouvelle approche de la notion de santé. Celle-ci part du principe que la santé d'une population ne dépend pas seulement de la qualité des soins de santé offerts mais aussi d'autres facteurs ('déterminants'). L'amélioration de la santé exige donc une meilleure approche des facteurs contextuels, par exemple le mode de vie des citoyens, la sécurité routière et l'environnement de travail. En majeure partie, il s'agit là de facteurs qui sortent du champ des compétences des ministres de la Santé publique. L'OMS s'est rendu compte qu'il était extrêmement difficile d'étendre cette compétence et a donc cherché d'autres voies pour lier les pays à la nouvelle politique. Cela s'est effectué en formulant des objectifs explicites et quantitatifs avec lesquels les Etats membres étaient d'accord (par exemple, la diminution du tabagisme ou des accidents de la route). Le rapport "Health for All" (Santé pour tous) de 1978 reprend une liste d'objectifs similaires (OMS 1978). Tous les Etats membres ont souscrit à ce rapport, l'intention étant qu'ils fassent des comptes rendus réguliers sur les progrès réalisés.

La publication de "Society at a Glance, OECD Social Indicators" (OCDE 2001) est un autre exemple de critères autorisant une comparaison des résultats politiques. L'ouvrage comporte des indicateurs quantitatifs pour les tendances sociales et les développements politiques dans les Etats membres de l'Organisation de coopération et de développement économiques. La publication vise à offrir une compréhension des développements, mais aussi à développer un critère visant à apprécier les résultats de la politique sociale. Ceci est le prolongement de la coordination ouverte de l'Union européenne. Ces approches sont de bons exemples de persuasion ou de *'pression'* (*'suasion'*), des instruments politiques sans sanctions ou possibilités formelles pour contraindre au respect.

### 4. AVANTAGES ET INCONVENIENTS DE LA COORDINATION OUVERTE EN TANT QU'INSTRUMENT POLITIQUE

Pour pouvoir apprécier les avantages et les inconvénients d'un instrument politique déterminé, il faut disposer de critères. A cette fin, les spécialistes en matières administratives citent l'effectivité, l'efficacité et la suffisance des mesures politiques (Van de Gevel et van der Goor, 1989). La légitimité aussi est importante (Van der Doelen et Klok). Le spécialiste en matières administratives de Leiden, Hemerijck, a développé un "modèle de quadrants" pour classer quatre questions principales dans l'appréciation d'un instrument politique : est-il possible, fonctionne-t-il, convient-il et peut-

il ? (Hemerijck 2002 manuscrit; Klee 2000) Les deux premières questions parlent de l'*effectivité* de l'instrument (la faisabilité et l'efficacité), la deuxième paire évoque la *légitimité* (la convenance et le bien-fondé). Appliqué à l'instrument de la coordination ouverte (en particulier le rôle qu'y jouent les conférences internationales au sommet), cela mène à un certain nombre de conclusions provisoires.

Pour ce qui est de l'*effectivité*, la coordination ouverte semble recueillir de bons scores. Les trois conférences internationales ont rassemblé un grand nombre de décideurs politiques internationaux, d'hommes politiques, de scientifiques et autres experts. Les réunions ont acquis le caractère d'un réseau scientifico-politique. Collaborer au sein de réseaux présente plusieurs avantages évidents. Cela aplanit les seuils, augmente la réputation personnelle et facilite la diffusion de l'information et les contacts rapides entre participants généralement bien informés. Cela peut également renforcer la base portante de la politique. Par ailleurs, cela offre une opportunité informelle (bien que parfois plus formelle) d'échange de l'expérience acquise et permet de tirer des enseignements des réussites ou des échecs des autres. Cela peut être une source d'inspiration pour le développement ultérieur de la politique. Par ailleurs, il est possible d'utiliser les réseaux créés au cours du processus de la coordination ouverte pour un premier contrôle de modèles scientifiques et de propositions politiques pratiques. Ainsi, ils rapprochent la politique et la science. Ceci est particulièrement important pour les problèmes où les fonctionnaires jouent un rôle de "traducteur" des perceptions scientifiques pour la direction politique. Enfin, les réunions en elles-mêmes peuvent de nouveau jeter les bases de formes futures de collaboration. Bref, plusieurs aspects rendent efficace le travail en forme de réseau.

Pourtant, il existe aussi des inconvénients. Le premier étant la tendance à la formalisation, à la centralisation et à l'extension de la substance et de l'ambition. Les pouvoirs publics ont souvent tendance à commencer par des instruments 'doux' et lorsque ceux-ci ne livrent pas suffisamment de résultats, à passer à des instruments politiques 'plus durs' (Stanbury 1986). Il existe nombre d'exemples d'un tel glissement. Par exemple, le gouvernement britannique a transformé la collaboration Cochrane internationale (informelle) en National Institute for Clinical Excellence (NICE). Ainsi, les pays européens ont mis sur pied un institut central d'autorisation des médicaments, l'Agence européenne pour l'évaluation des médicaments (The European Agency for the Evaluation of Medical Products, EMEA) qui reprend progressivement le rôle des procédures d'autorisation nationales. Une telle centralisation et formalisation d'un réseau informel portent intrinsèquement le danger d'une pétrification en règles formelles pouvant de nouveau engendrer une perte d'effectivité. Particulièrement, quand il s'agit de nouveaux développements qui exigent une approche flexible, ceci peut s'avérer un désavantage. Pour le reste, la centralisation est en contradiction flagrante avec la préférence politique de décentralisation et de subsidiarité.

Quant à la *légitimité* de la coordination ouverte en tant qu'instrument politique, nous sommes confrontés à des problèmes d'acceptabilité et de bien-fondé. Il arrive que les réseaux aient tendance à amplifier l'objectif initial. Ainsi, l'European Health Management Association (EHMA - Association européenne pour le management des soins de santé) a débuté sous la forme d'un forum pour des rencontres informelles de managers d'hôpitaux de différents pays. Progressivement, ce forum a élargi son champ d'action portant sur des problèmes de management dans les hôpitaux à la totalité des soins de santé. L'association s'est aussi exposée comme éditeur poursuivant des ambitions scientifiques comme le prouve le titre du rapport de l'EHMA "Scientific Evaluation of the Effects of the Introduction of Market Forces into Health Systems" (Evaluation scientifique des effets de l'introduction des forces de marché dans les systèmes des soins de santé) (EHMA 2000).

Par ailleurs, la possibilité est grande que, volontairement ou non, les réseaux acquièrent une certaine position monopolistique. Ici se produit un certain paradoxe. D'une part, l'objectif peut être précisément de mettre en place un groupe d'experts ou d'organisations présentant un caractère plus ou moins fermé. Les réseaux de ce type se voient aussi qualifier de '*communauté épistémique*'. Mais, lorsque de tels groupements s'étendent progressivement jusqu'à toucher quasiment tous les spécialistes importants ou toutes les organisations scientifiques, la '*communauté épistémique*' qui en résulte peut être tellement large et dominante qu'elle n'a que très peu, voire plus du tout, d'interlocuteurs extérieurs. Et, dans ce cas se présente le risque d'exclure des points de vue différents ou d'empêcher la diffusion extérieure de conceptions divergentes. Ceci est en contradiction avec l'opinion qu'il faut toujours une possibilité de discuter ou de contester les positions adoptées ('*contestabilité*').

L'imprécision des rôles et des fonctions des participants à un réseau est un inconvénient plus lourd. La rencontre régulière de scientifiques et de décideurs politiques peut donner lieu à un certain estompement des frontières. En effet, lorsque les gens se connaissent trop bien sur un plan personnel, il est plus difficile de conserver une vision et une objectivité critiques.

Dans le cadre de rencontres entre scientifiques et décideurs politiques, il faut tenir compte d'un problème annexe : le contrôle limité, voire l'absence totale de contrôle, des observations scientifiques et des conceptions politiques. Les réseaux fermés cèlent le risque de ce que nous qualifions de '*double déficit*'. D'une part, nous constatons l'absence d'un contrôle ouvert et accessible sous la forme d'un examen critique par des confrères ('*peer review*'). D'autre part, fait également défaut une discussion politique ouverte qui confère une légitimité aux propositions. L'estompement des frontières entre science et politique peut avoir un effet inspirateur, mais n'est pas sans conséquences. Le fait d'avoir qualifié les conférences d'Anvers, de Louvain et de Gand de réunions scientifiques est un exemple clair d'estompement des frontières. Il s'agissait plutôt de réunions politiques ayant manifestement bénéficié d'une préparation scientifique. La préparation, la rédaction de l'ordre du jour et l'invitation sélective se limitaient à un même groupe de personnes. Il y manquait tant un

contrôle scientifique ouvert qu'un accès au débat. La publication des rapports de base et des contributions les plus importantes dans ce numéro spécial de la RBSS permet toutefois d'y remédier.

## 5. CONCLUSIONS POUR L'AVENIR

---

Les quelques annotations ci-dessus ne nous permettent pas de conclure que l'organisation de conférences au sommet en tant que composantes du processus de coordination ouverte est impraticable ou non souhaitable. Au contraire, en portant un regard rétrospectif sur les conférences citées d'Anvers, Louvain et Gand à l'automne de 2001, nous arrivons à la conclusion qu'elles ont été étonnamment efficaces dans la mise à l'ordre du jour et en portant plus loin les importants problèmes politiques relatifs à la cohésion sociale et à l'avenir de la sécurité sociale et des soins de santé en Europe. C'est précisément grâce à l'approche quelque peu informelle et libre et à la composition large des groupes préparatoires qu'une discussion intéressante et bien préparée a pu être lancée entre scientifiques, hommes politiques et fonctionnaires. Les fonctionnaires jouent dans ce processus un rôle fondamental en tant que traducteurs de la connaissance scientifique sur des questions techniquement complexes destinée aux décideurs politiques. A l'inverse, ils sont également en mesure de soumettre des questions politiques au monde académique. Ils opèrent en quelque sorte comme « passe-plats » dans les deux directions.

Malgré ces observations positives, nous croyons qu'il est indispensable de clarifier les fonctions et les rôles dans le processus de la coordination ouverte et des conférences préparatoires. En fait également partie, la réflexion sur la meilleure manière d'assumer ces rôles correctement. Si, en tant qu'instrument politique, la coordination ouverte a pour objet de constituer également à l'avenir une base suffisamment légitime, il convient d'éliminer le 'double déficit' par un contrôle scientifique effectif, ouvert et par la discussion politique. Ce double contrôle est indispensable tant pour surveiller la qualité scientifique des contributions que pour renforcer la légitimité du processus. En font partie des activités telles que le contrôle critique par des confrères (*peer review*), la publication de documents contextuels dans des revues scientifiques, la création à des fins de débat de forums largement accessibles, la présentation et l'analyse de conceptions politiques dans le cadre de réunions ouvertes et démocratiques. Tout ceci exige des efforts supplémentaires pour ouvrir l'accès au débat et pour inviter et encourager les participants à formuler des commentaires. Cela nécessite plus que le simple placement d'articles sur Internet ou la mise à disposition des résultats sous la forme de publications tristounettes.

Une autre question se pose : est-il possible d'éviter de conférer à une telle série de conférences le caractère d'un réseau fermé. Du fait que la présidence de l'UE change chaque semestre et que chaque pays assume en partie cette présidence à sa manière propre, une certaine dynamique existe déjà dans la composition des participants au débat européen. Il existe cependant le risque d'un trop grand enchevêtre-

ment des positions. Peut-être est-il nécessaire d'aboutir à une certaine simplification de la discussion scientifique et du débat politique. Quand le monde académique adopte une position '*d'avocat d'une politique*' ou quand des hommes politiques se présentent comme des scientifiques, le lecteur ou l'auditeur ne sait plus précisément en quelle qualité ils parlent et quelles sont les règles en vigueur dans le débat (3). La science risque ainsi de perdre son rôle objectif et de se déplacer alors sur un terrain normatif. Nous pensons qu'une distance respectueuse est nécessaire entre la science et la politique sans toutefois prétendre à élever ce principe en paradigme absolu.

Ce faisant, la forme dans laquelle sont moulées les conférences et d'autres réunions est importante. Quand la mission de la collation et de la rédaction du matériel contextuel, la composition du programme et la sélection des participants sont dans une seule et même main, il ne peut être question de débat scientifique, mais d'une discussion politique.

Précisément, le fait que la coordination ouverte en est encore à ses premiers pas et ne s'est pas encore cristallisée offre l'opportunité d'attirer l'attention sur les inconvénients (potentiels) et de formuler des suggestions en vue de son amélioration. A l'instar de la présidence des Pays-Bas de 1997 et de celle du Portugal en 2000, la présidence belge de 2001 a également assumé un rôle très actif sur le plan de la politique sociale. Avec la 'Méthode de Coordination Ouverte' qui est encore en plein développement, cette dernière présidence a permis non seulement d'en accroître la compréhension sur le plan du contenu mais encore sur les plans procédural et administratif. Avec le présent article, nous avons voulu mettre cette intelligence sur les plans procédural et administratif au service du développement ultérieur de l'Europe sociale. Les conférences organisées pendant la présidence belge démontrent en effet que tant la science que la politique ont un rôle à jouer dans le développement ultérieur de l'Europe sociale. Mais si ce rôle se veut efficace et légitime, il faut que les différents participants au débat apprennent à tenir compte et à respecter des règles de jeu claires.

---

(3) Les auteurs du présent article revendiquent en cette matière le droit de donner leur avis. Le premier, en tant que scientifique, est fortement intéressé par le processus politique ; la seconde en tant que collaboratrice politique s'intéresse tout spécialement aux contributions scientifiques.

## SOURCES

---

Atkinson, MM. et Coleman WD., Policy Networks, policy communities and the problems of governance in *Governance* 5, p. 154-180, 1992.

Atkinson, T., Cantillon, B., Marlier, E. et Nolan, B., *Indicators for Social Inclusion in the European Union*, Rapport soumis à la Présidence belge de l'Union européenne, 2001.

De la Porte, C., Is the Open Method of Coordination Appropriate for Organising Activities at European Level in Sensitive Policy Areas? in *European Law Journal. Review of European Law in Context*, Volume 8, Issue 1, March 2002.

EHMA, *The Impact of Market Forces on Health Systems. Scientific Evaluation of the Effects of the Introduction of Market Forces into Health Systems*, Dublin, European Health Management Association, 2000.

Esping-Andersen, *The Three Worlds of Welfare Capitalism*, Cambridge, Polity Press, 1990.

Esping-Andersen, G., Gallie, D., Hemerijck, A. et Myles, J., *A New Welfare Architecture for Europe?*, Rapport soumis à la Présidence belge de l'Union européenne, 2001.

European Commission, *Structural Indicators*, Annexe 2 au rapport de Stockholm, Com (2001) 79, Rapport de synthèse, 2001.

Hamilton, G.J.A., Gezondheidszorg en mededingingsrecht in Ottow, A.T. et Eeken, A.F., De rol van het mededingingsrecht in gereguleerde markten, Den Haag/ Boom, Editions juridiques, p. 189-216, 2001.

Hemerijck, A., *Vier beleidsvragen. Een conceptueel-empirische verkenning*. (manuscrit en projet), Département Sciences administratives, Leiden, 2001.

Hemerijck, A. et Visser, J., *Learning and Mimicking: how European Welfare States Reform*, Article contextuel, 2001.

Klee, M., *Convenanten als beleidsinstrument in de gezondheidszorg. Pact met de duivel of even goede vrienden?*, Mémoire de fin d'études Sciences administratives, Rotterdam, Université Erasmus, 2000.

Mossialos E., McKee, M., Palm, W., Karl, B. et Marhold, F., *The Influence of EU Law on the social character of health care systems in the European Union*, Rapport soumis à la Présidence belge de l'Union européenne, 2001.

OCDE, *Society at a glance. OECD Social Indicators*, Paris, Organisation de Coopération et de Développement Economiques, 2001.

Stanbury, WT., *Business-Government Relations in Canada. Grappling with Leviathan*, Toronto, Methuen, 1986.

*Towards a Europe of Social Justice*, Brochure éditée par la Présidence belge de l'UE, 2001.

Vandenbroucke, F., Samen werken aan duurzame rechtvaardigheid, *ESB*, octobre, p. 776-778, 2001.

Vandenbroucke, F., *Open Co-ordination and Sustainable Social Justice in Europe*, Discours de clôture de la conférence "Towards a New Architecture for Social Protection in Europe?", Gand, 19-20 octobre, 2001.

Van der Doelen FCJ. et Klok, PJ., Beleidsinstrumenten in Hoogerwerf, A. et Herweijer, M., *Overheidsbeleid: een inleiding in de beleidswetenschap*, Alphen aan de Rijn, Samson.

Van der Gevel AD. et van de Goor, H., *Bestuur en systeem: een inleiding in de bestuurskunde*, Utrecht, Lemma BV, 1989.

Van der Grinten, T., Veranderingen in het maatschappelijke middenveld. Factoren die de beleidsnetwerken beïnvloeden in *Medisch Contact*, n° 13, p. 425-427, 1994.

WHO, *Health for All in the Year 2000*, Genève, Organisation Mondiale de la Santé, 1978.

---

## TABLE DES MATIERES

### **COORDINATION OUVERTE : ENTRE SCIENCE ET POLITIQUE ?**

<b>1. INTRODUCTION</b>	547
<b>2. LA COORDINATION OUVERTE : QU'EST-CE QUE C'EST ?</b>	548
<b>3. AUTRES FORMES DE COORDINATION OUVERTE</b>	549
<b>4. AVANTAGES ET INCONVENIENTS DE LA COORDINATION OUVERTE EN TANT QU'INSTRUMENT POLITIQUE</b>	549
<b>5. CONCLUSIONS POUR L'AVENIR</b>	552
<b>SOURCES</b>	554

## **ABSTRACTS**

---

**ABSTRACTS**

---

**« Une nouvelle architecture du bien-être pour l'Europe ? »**

*par Gösta Esping-Andersen, Duncan Gallie, Anton Hemerijck et John Myles*

Le rapport " Vers une nouvelle architecture de la protection sociale en Europe ? Une mise en perspective des systèmes de pension." a constitué la base des discussions de la Conférence en octobre 2001 à Louvain.

Tous les États membres de l'Union européenne font face à des défis similaires par rapport à leurs systèmes de protection sociale existants. Les évolutions démographiques contribuent à de nouvelles vulnérabilités pour les ménages, accroissent les risques de pauvreté, sont à l'origine d'un déclin de la fécondité et accélèrent le vieillissement de la population. L'État social doit gérer de nouveaux besoins tant que sa viabilité à long terme est remise en question. De grandes régions de l'Europe sont victimes de taux d'emploi inférieurs au niveau optimal, et en même temps, les marchés du travail entraînent de nouvelles inégalités et l'exclusion. Ce sont tous des changements structurels à long terme qui ont peu de chance de se corriger d'eux-mêmes. C'est pourquoi nous sommes face à véritable nœud gordien : comment soutenir les engagements normatifs de l'Europe en matière de justice sociale tout en aspirant à être une puissance vraiment compétitive dans l'économie de la connaissance en pleine évolution.

Notre tâche consiste à envisager un « édifice » social tout à fait nouveau, une réforme détaillée des 'Modèles sociaux européens'. A cette fin, nous adoptons une nouvelle méthode de diagnostic politique, basée sur une approche de parcours de vie dynamique. Cependant, nous devons souligner les limites de notre travail, en particulier le fait que nous n'examinons pas les questions relatives à la santé. Toutefois, nous nous concentrons sur trois problématiques sociales, qui constituent sans aucun doute les bases de la vie des individus et de notre édifice social. C'est durant l'enfance que les fondations des chances qu'aura un citoyen dans la vie sont établies. Une bonne vie dans le futur nécessitera des ressources et des compétences nettement plus grandes. C'est pourquoi une stratégie d'investissement social total en faveur des enfants et des familles qui ont des enfants est préconisée. La deuxième problématique se situe au niveau de la vie professionnelle. Après tout, l'emploi constitue pour la plupart des gens, durant la majeure partie de leur vie, la première source de bien-être. La politique européenne pour l'emploi contemporaine a deux points faibles. L'un est la conviction que davantage d'emplois résoudront le problème menaçant d'exclusion sociale. L'autre est un manque de compréhension des tensions évoluant entre la vie de famille et le travail rémunéré, pour les femmes mais aussi pour les hommes. La troisième problématique sociale est la façon de concevoir un système de pensions équitable et viable. La façon dont les assurances sociales

pour les personnes âgées influenceront profondément notre comportement durant toute notre vie. Tout engagement à assurer la vieillesse doit aller de pair avec une répartition équitable des coûts entre les personnes âgées et les jeunes.

\*  
\* \* \*

**« Vers une nouvelle architecture de la protection sociale en Europe ?  
Un point de vue plus large sur les politiques en matière de pensions »**  
*par Yves Chassard*

On part d'une perspective historique de la relation entre l'intégration européenne et les systèmes de protection sociale nationaux et relate son évolution au cours des années. L'évolution de l'intégration européenne dans le contexte du marché commun, le marché unique et la monnaie unique y sont débattus.

La possibilité de créer un « marché du travail unique » à l'avenir est aussi envisagée. Il est souligné que promouvoir une plus grande mobilité au sein de l'Union soulève des questions quant à la viabilité des systèmes de protection sociale des États membres, particulièrement avec l'élargissement de l'Union européenne imminent.

\*  
\* \* \*

**« Renforcement de l'Europe sociale par la Coordination ouverte »**  
*par Anton Hemerijck*

Les États sociaux européens font l'expérience de la nécessité de s'engager dans des réformes qui pourraient être plus ou moins radicales. En même temps il doit être souligné que la réforme qui a lieu aujourd'hui est en fait une évolution « liée aux institutions ».

Certains traits communs des Modèles sociaux européens sont examinés. Tous les États sociaux européens sont essentiellement exposés aux mêmes défis, mais ces défis se manifestent dans des constellations de problèmes divergentes pour les différents systèmes sociaux. Trois groupes de pays qui partagent des conceptions de systèmes et des attributs institutionnels politiques plutôt similaires sont identifiés : la Scandinavie, le modèle anglo-saxon et le modèle de l'Europe continentale. Ces trois groupes approchent la situation difficile des réformes selon des conditions de départ très différentes. Malgré de nombreuses différences importantes dans les héri-

tages politiques et les accords institutionnels, la plupart des Etats sociaux européens partagent trois caractéristiques génériques distinctes : des caractéristiques normatives et cognitives partagées et des pratiques institutionnelles communes.

Le nouvel agenda européen d'emploi et de politique sociale sont aussi examinés. Bien que le siège principal de la réforme sociale et de l'innovation politique soit l'État-nation, l'impact de l'intégration européenne sur la primauté de la politique socio-économique nationale ne peut plus être négligé dans l'analyse des changements de politique sociale et d'emploi au sein des États sociaux européens. A l'heure actuelle, des efforts en matière de réformes nationales sont fortement entravés (UME) et de plus en plus façonnés (Stratégie européenne pour l'emploi) par des réglementations supranationales et par des initiatives politiques. Des avancées récentes dans le processus de l'Intégration européenne ont contribué de façon décisive à la création et à l'établissement de réglementations et de ressources politiques au-dessus et en dessous de l'État-nation traditionnel.

Le développement de la Stratégie européenne pour l'emploi y est abordé ainsi que la façon dont celle-ci a conduit à accorder de plus en plus d'importance à ladite Méthode ouverte de coordination. Les forces de cette nouvelle mode de gestion à plusieurs niveaux sont examinées : l'analyse comparative contextualisée, la réconciliation de la diversité et de la responsabilité démocratique ainsi que l'apprentissage politique. Une de ses faiblesses, en particulier, est le fait que cette méthode peut être considérée comme une approche déguisée de l'europanisation d'éléments de politique sociale et d'emploi, véhiculant le message politique qu'un plus grand rôle pour l'UE dans le processus politique est souhaitable, mais n'est pas faisable pour des raisons politiques.

L'auteur conclut en avançant que les évolutions en matière d'emploi et de politique sociale depuis le milieu des années '90 ont accordé un rôle central aux institutions de l'UE et ont renforcé et remanié les deux bases institutionnelle et normative et cognitive principales du Modèle social européen. En tant que telles, elles représentent la contribution européenne à un processus dynamique d'autotransformation du Modèle social européen.

\*  
\* \*

### « L'Europe sociale et la Méthode ouverte de Coordination »

*par Maurizio Ferrera*

Le point de vue selon lequel la Méthode ouverte de coordination (MOC) peut être un outil clé pour sauvegarder le Modèle social européen est soutenu par cet article. Le Modèle social européen est caractérisé par certaines particularités institutionnelles de l'Union européenne en tant que telles, c'est-à-dire un système qui se distingue de la somme pure et simple des quinze modèles sociaux nationaux qui partagent

certain points communs ou similaires. L'article développe certaines caractéristiques substantielles du Modèle social européen et certaines de ses caractéristiques distinctives en termes de processus politiques. Les avantages et le potentiel futur de la MOC sont étudiés en détail pour renforcer la gestion socioéconomique de l'Union européenne, ainsi que certains des risques qui peuvent surgir si l'on s'appuie trop sur la MOC.

**« Commentaires de fond sur l'extension de la Méthode ouverte de Coordination. Des marchés du travail aux politiques en matière de pension »**

*par Stephan Leibfried*

Construire un équilibre stable et naturel entre Etats sociaux nationaux, marchés communs divers (biens, capitaux, services et personnes) et une monnaie commune n'est guère possible. Les principaux problèmes sociaux affectent tous les Etats membres, qui ont les mains liées par leurs constitutions.

Le présent texte examine la Méthode de Coordination ouverte, qui vient d'être appliquée aux pensions. L'auteur analyse certains inconvénients liés à l'applicabilité de cette méthode.

L'absence d'investissement dans la recherche sociale est également mise en lumière

L'auteur fait valoir l'argument suivant : si, sous l'angle de l'économie de la connaissance, les Etats sociaux européens veulent réussir leur transition, il leur faut bien davantage insister sur la nécessité de bâtir, aux niveaux tant national qu'euro-péen, un meilleur socle de connaissance. Ceci est également crucial pour la réussite de la Méthode de coordination ouverte.

\*  
\* \* \*

**« Vers une nouvelle architecture de la protection sociale en Europe ? Un point de vue plus large sur les politiques en matière de pensions »**

*par Odile Quintin*

Les grandes lignes de la législation de l'Union européenne existante en matière de pensions sont tracées dans ce discours. Des options sont également examinées pour améliorer la transférabilité des droits de pension professionnelle et une législation pour permettre aux fonds de pensions d'opérer au niveau européen est actuellement en préparation.

Dans quelle façon les changements démographiques affectent les pensions? Trois défis distincts apparaissent : une espérance de vie de plus en plus grande, des taux de natalité peu élevés persistants et la génération du baby-boom qui atteint l'âge de la retraite. Ces facteurs se combineront les prochains années pour mettre une pres-

sion de plus en plus forte sur le financement des systèmes de pension des États membres. Ce discours étudie ce que les politiques peuvent faire pour contrecarrer cette tendance efficacement ?

L'augmentation de l'espérance de vie et l'abaissement de l'âge de la retraite ont engendré certains choix difficiles pour les décideurs politiques. Si les pensions restent à leur niveau actuel, les niveaux de contribution devront augmenter considérablement, mais si le choix consiste à maintenir les niveaux de contribution à leurs niveaux actuels, les pensions devront être moins élevées. Les options plus durables qui consistent à travailler plus longtemps, à améliorer les conditions de travail et la qualité du travail et à repenser la répartition du travail rémunéré, du travail non rémunéré, de l'apprentissage et des loisirs sur les cycles de vie sont envisagées.

Les taux de natalité en baisse peuvent être rehaussés par une meilleure conciliation entre le travail et la vie de famille, l'un des objectifs principaux de la Stratégie européenne pour l'Emploi. Les options telles que la constitution de fonds de réserve, la réduction de la dette publique et une augmentation de la vie professionnelle sont des options qui sont envisagées pour compenser l'effet de la génération du baby-boom qui va prendre sa pension. L'option consistant à relever les taux d'emploi en générant donc des paiements de contributions plus élevées est aussi étudiée.

\*  
\* \*

**« Les politiques en matière de pension pour une Europe équitable : responsabilités individuelles face aux responsabilités collectives »**

*par Erik Schokkaert et Philippe Van Parijs*

Aucune discussion sérieuse portant sur des réformes de pensions éventuelles ne peut se passer de certaines conceptions de ce que la justice requiert, à la fois entre les générations et au sein de chacune d'elles. Dans cet article les implications pour les régimes de pensions d'une conception de justice sociale qui exprime de manière cohérente les valeurs de liberté, d'efficacité et de solidarité annoncées dans le projet européen, sont bien clairement expliquées, étape par étape. Ensuite, dans ce contexte, un certain nombre de questions politiques importantes est envisagé : Devrions-nous nous diriger vers un système de répartition ? Vers un système privé ? Vers un système qui ressemble plus au modèle type Bismarck ? Vers une élévation de l'âge de la retraite ? Vers un système plus européen ?

\*  
\* \*

**« Commentaires concernant “une nouvelle architecture du bien-être pour l’Europe ?” »**

*par Pierre Pestieau*

Dans cet article, les commentaires se limitent aux politiques relatives aux personnes âgées et aux pensions où les points de vue présentés diffèrent quelque peu de ceux qui apparaissent dans le rapport. L’accent est davantage placé sur la retraite anticipée comme facteur contribuant à la pression sur le financement des pensions qui constitue un défi qui peut être compensé par des réformes en matière d’impôts et de systèmes de sécurité sociale. Cet article envisage également dans quelle mesure les systèmes de pensions peuvent redistribuer les ressources de façon intergénérationnelle et intragénérationnelle. Enfin, la question du soutien politique aux réformes en matière de pensions y est succinctement abordée.

\*  
\* \* \*

**« Les soins de santé et l’Etat social : deux mondes de bien-être qui s’éloignent l’un de l’autre mais toujours en interaction »**

*par Kieke G. Okma*

L’expansion d’après-guerre des Etats sociaux modernes, avec des régimes de protections de revenu collectifs en cas de chômage, handicap, maladie, vieillesse et familles nombreuses est relaté dans cet article. Dans les années ’70, des pressions accrues sur les systèmes sociaux telles que la stagnation économique, le vieillissement de la population et le chômage ont conduit à une nouvelle confirmation du rôle de l’Etat et à une réduction des efforts des hommes politiques. Deux tendances de réformes dans le domaine de la santé sont apparues (la réforme orientée sur le marché et les efforts destinés à se diriger vers le ‘paradigme de la santé’), mais aucune des deux n’a réussi à remplacer le modèle de financement existant et la position dominante de la profession médicale.

Dans les années ’90, s’ajoutant à des pressions fiscales et démographiques existantes, quatre nouveaux facteurs ont alimenté les changements dans les soins de santé : ceux-ci changent les demandes des consommateurs, l’émergence de nouveaux acteurs dans l’arène politique, l’influence croissante du secteur des entreprises et la loi de la concurrence. Cet article montre que cela a finalement mené à une division de plus en plus grande entre les mondes des soins de santé et les autres dispositions sociales.

Finalement, l'interdépendance entre les pensions de retraite, les soins de santé et les autres politiques publiques est considérée.

\*  
\* \* \*

**« La Coordination ouverte dans le domaine des pensions et l'avenir du modèle social européen »**

*par Frank Vandenbroucke*

Pour le secteur des pensions de retraite, le lancement de la "Méthode de Coordination Ouverte" (MCO) représentait l'une des principales priorités de la Présidence belge de l'Union européenne. La MCO implique un processus au cours duquel sont définis des objectifs explicites, clairs et mutuellement convenus, après quoi un examen critique par des confrères permet aux Etats membres d'examiner les bonnes pratiques nationales et d'en tirer des enseignements.

Le document met en lumière que la MCO est un processus d'apprentissage essentiel à condition d'évaluer les informations échangées à la lumière du contexte politique local. La MCO est ainsi un instrument de défense par lequel les Etats membres s'engagent eux-mêmes à préserver nos Etats sociaux d'une réduction des dépenses, conséquence de l'intensification de la concurrence dans un marché européen intégré et d'une économie mondialisée. Mieux encore, la MCO est, à ce stade, la voie la plus prometteuse pour donner une forme concrète à l'"Europe sociale", en ce sens que les objectifs communs de traduire le « modèle social européen » - objet de multiples controverses mais rarement spécifié - en une série tangible d'objectifs mutuellement agréés à implanter dans la coopération européenne.

Selon l'auteur, pour tenir ses promesses en matière d'ambitions évoquées, la MCO doit être judicieusement utilisée. Elle doit répondre à cinq principes clés qui sont analysés à tour de rôle. Par exemple, ne pas considérer la MCO comme la panacée universelle mais comme une méthode (importante) parmi d'autres ; ne pas amalgamer les objectifs et les instruments de la politique sociale ; se focaliser en tout premier lieu sur les objectifs. En outre, pour mesurer les progrès réalisés, il faut des indicateurs comparables et quantifiables, ceux-ci s'imposant ainsi comme un véritable test décisif de l'empressement politique des Etats membres à s'engager dans la coordination ouverte.

Dès lors, l'auteur identifie trois directives politiques qui doivent être respectées dans le cadre des débats sur les pensions au niveau de l'UE, à savoir : a) le débat exige une approche globale (chacun des trois piliers doit jouer un rôle important dans la réalisation des objectifs d'ensemble des systèmes des pensions de retraite) ;

b) viabilité et justice sociale ne sont pas synonymes, même si elles sont indissociables ; et c) la relation entre vieillissement, coût des soins, et hauts niveaux d'emploi constitue un défi majeur que les Etats sociaux européens risquent de sous-estimer.

A cause des avantages multiples qu'elle offre si elle est utilisée de manière réfléchie, à ce stade de la coopération UE, l'auteur conclut que nous devons naviguer précautionneusement, mais que nous devons nous embarquer sans tarder pour le voyage.

---