

**Bridging the delivery gap  
in the Open Method of Co-ordination**

**- Learning to expect less in order to get more**

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Brussels, March 2006

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Brussels, 2006

© Publisher: ETUI-REHS, Brussels

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Print: ETUI-REHS Printshop, Brussels

D/2006/10.574/12

ISBN: 2-87452-024-1 (print version)

ISBN: 2-87452-025-X (.pdf version)

The ETUI-REHS is financially supported by the European Commission.

## Table of contents

<b>Introduction</b> .....	5
<b>1. Theoretical promises and limitations of the OMC</b> .....	7
OMC – a cookbook, not a recipe .....	7
Theoretical promise of OMC .....	8
Major strengths and weaknesses .....	9
Review of the policy transfer literature .....	12
Researchers’ conception of the world and its influence on evaluations of OMC .....	14
Mutual learning or simply strategic bargaining? .....	15
<b>2. OMC in employment and social inclusion</b> .....	17
Employment .....	17
Social inclusion .....	18
<b>3. Evaluation</b> .....	19
Has the OMC in employment and social inclusion delivered? .....	19
EU – Civil society and NGOs .....	24
Local and regional actors .....	25
<b>4. EU initiatives to improve delivery</b> .....	27
Expert group on delivery in November 2004 .....	27
European Commission reforms on delivery in 2005 .....	28
The link between the European Social Fund and OMC .....	29
<b>5. The future of OMC</b> .....	31
Policy recommendations .....	32
<b>References</b> .....	37



## Introduction

In the 1990s the depth and pace of internal market integration significantly surpassed that of social harmonisation. A series of structural reforms on the internal market were carried out: a European Central Bank, an economic and monetary union (EMU), co-ordination of budgetary and economic policies at EU level, liberalisation of the product and labour markets. The lack of corresponding progress in the social field gave rise to political opposition and new thinking in the European Social Democratic parties sought to counteract the dominance of neo-liberal ideas. The emerging idea was to create a ‘social dimension’ of the internal market, a major concern at this time being to give employment more weight and rebalance the economic policy mix (Larsson 2002). Yet this turned out to be a rather difficult task as any attempts to introduce more ambitious social legislation at EU level tended to clash with the diversity of existing welfare states in Europe (Scharpf 2002). In the presence of continuing resistance among EU members to upward harmonisation of social policy at EU level, ‘intergovernmental’ options took the lead. A crucial question would read: how could the EU work better together in the social field without interfering too much with the nationally much cherished welfare models?

A breakthrough came at the Lisbon Council in 2000 which set the goal for the EU to become, by 2010, ‘the most competitive and dynamic knowledge-based economy in the world, capable of economic growth with more and better jobs, and greater social cohesion’ (European Council, 2000: para. 5). The so-called Lisbon process is founded on three pillars, of which social cohesion is one, alongside economic growth and employment. The guiding principle of the process is social reforms as a productive factor. In this particular situation, the elaboration of a new type of multi-level governance, based on common objectives, turned out to be the winning formula. The aim was to promote higher social and economic standards, while also preserving the minimum EU social legislation. Moreover, it served to put flesh on the sweet talk about social cohesion in the Lisbon Strategy, while leaving the power over policy design at national level. As such, the new approach constituted a ‘third way’ between supranationalism and pure inter-governmentalism. This process was coined the Open Method of Coordination (OMC).

More than five years have now passed since the introduction of the OMC in the context of the Lisbon Strategy. The honeymoon period, during which the new method received praise from all sides, is definitely over. Scholars, who were extremely positive about the OMC at its start, are beginning to express strong reservations. The new approach is being questioned on two accounts: its legitimacy and its efficiency. Is the OMC open to a broad range of actors? Has policy learning worked as expected? Is policy transfer possible without any effective means of sanctioning member states which fail to comply with EU prescriptions? Is the remedy for the EU tougher sanctions or positive incentives? Are member states merely adopting new administrative procedures, without substantially changing policies? Are member states promising more reforms than they are in a position to implement, when they take into account the political and financial price?

The purpose of the report is to find ways to bridge the gap between commitments at EU level and lack of implementation at national level.

The report will be organized in four sections. The first section will discuss the theoretical promises and limitations of the OMC. It will both explain the process of the OMC, and, in

order to gain a deeper understanding, review the literature on policy learning and policy transfer. The second section will outline the background to, and the components of, the OMC in employment and social inclusion. Thirdly, the report will contain an evaluation of the OMC in action. This will be composed of four parts; substantial influence, procedural influence, learning and participation. A general assessment will cover the EU15. And in addition, the particular situation in Denmark will be analysed. Finally, consideration will be given to the new initiative by the European Commission to overhaul the Lisbon process. By way of conclusion, the report will present a set of recommendations designed to improve transparency and participation, make the OMC more democratically accountable and financially viable.

# 1. Theoretical promises and limitations of the OMC

Elements of OMC procedures are certainly not new in the EU. The OMC has its origins in the Broad Economic Policy Guidelines (BEPG) of 1992, and later in the European Employment Strategy (1997). Not until Lisbon, however, was it given a name and developed into a coherent strategy for soft governance, to be used (more or less extensively) in various policy fields (EES, social inclusion, education, research, health, pensions). OMC is a form of non-legally binding soft law, in contrast to hard law. This means that there are no legal sanctions against members that fail to comply with its obligations. There is, nonetheless, commitment to EU objectives, which are of a moral and political nature.

The OMC aims at convergence of policies. EU member states are encouraged to reach the same final goal. Thus, the OMC is sometimes described as a form of ‘management by objectives’.

Ultimately, the strategy is supposed to urge governments to take part in a race to the top (Larsson 2002) or to become the best pupils in the class. The role of the EU has become more ambitious in that it now seeks to go beyond the legislative imposition of minimum social standards. An important point to realise is that minimum standards (hard law) alone risk creating negative integration, namely, a race to the bottom in which the lowest common denominator becomes the goal. The OMC is a potentially efficient new governance approach, part of a new policy paradigm (Pochet, in Zeitlin and Pochet 2005). Some authors consider the OMC to be complementary to hard law, yet no more than a second-best choice. Given, the diversity of welfare traditions in member states, the OMC is a more flexible response than traditional transfer of sovereignty from national to EU level. To some extent, therefore, it has the merit of proving acceptable on its own account.

What are the most important characteristics of the OMC? (European Council 2000).

- Common guidelines for the EU, with specific timetables for achieving the goals
- Translating guidelines into national and regional policies
- Periodic monitoring, evaluation and peer review
- Quantitative and qualitative indicators and benchmarks to establish best practices

Setting common EU guidelines which member states are committed to respect is fundamental in OMC. The common guidelines are translated into national policies in a National Action Plan (NAP). Progress towards objectives can be measured once common indicators are established. Indicators and target (not existing in pensions and healthcare) allow for periodic comparison of member states performances. The EU draws up action plans to meet the objectives. The performance of a member state is evaluated by another member state, a peer, in the so-called peer review.

## OMC – a cookbook, not a recipe

Different forms of the OMC have evolved since Lisbon and these vary considerably in terms of their procedure. The willingness of member states to take joint action depends on the policy field in question. Fields which are more sensitive and belong to the core of national

policy, such as health care and pensions, are still limited to a rather loose form of co-operation at EU level. The EES and the BEPG, together with social inclusion, are the most developed and treaty-based. A common denominator is that in all cases the OMC is conducted by working on the basis of common objectives. Yet, the strictness of the OMC – to what extent member states are closely monitored to reach the objectives – varies considerably.

The EES is the most fully-fledged OMC and it issues both guidelines and recommendations, giving a detailed orientation of how the common objective is to be reached. In the social inclusion OMC member states have not allowed the development of recommendations. Instead, the use of common indicators is the primary benchmark of social inclusion. Moreover, the role of EU institutions in influencing and co-ordinating OMC differs. This will be discussed further below, in relation to the EES and OMC social inclusion.

It is fair to say that the OMC is a cookbook, with some basic ingredients common to all recipes – objectives and guidelines – but also exhibiting substantial differences with regard to the use of indicators, targets, best practice, benchmarking, peer review process, scoreboards, recommendations and National Action Plans. Clearly, the expectations in terms of results depend on whether a key element, for example the peer review, is an intrinsic component of the OMC. Borrás and Greve (2004) argue that without some of these elements, intended to encourage learning and regular monitoring, the OMC will be nothing but ‘cheap talk’.

### **Theoretical promise of OMC**

(drawing on Scott and Trubek 2002; Jacobsson and Schmid 2002)

- Multilevel governance

The OMC requires new co-ordination in government and ministries, as well as between government and private actors. This can bring different levels – EU, national, regional, and local – into dialogue.

- Participation and power-sharing

The expansion of governance to include civil society in policy-making. It entails more power-sharing than traditional legislation.

- Subsidiarity

The respect for diversity, as reflected in decisions taken at an appropriate level, in contrast to centralisation of decision-making at EU level, imposing one-size fits all solutions. It is open to decision-making by national parliaments and sub-national authorities, as well as agreements with private actors, such as the social partners



- Deliberation

The OMC is about mutual learning – a voluntary process, which may improve problem-solving capacity and provide democratic legitimacy

- Flexibility

Norms and guidelines are easy to change in the light of evaluation and new information.

- Experimentation and knowledge creation

The OMC encourages active learning from others, from benchmarking practices, and sharing best practices.

- Softness

It works without formal sanctions, and is applicable only when fundamental conflicts of interest are not present.

Numerous studies have already assessed at length the strengths and weaknesses of the OMC (see for example XX). These will not be repeated here in any detail. Nevertheless, it is useful to point out the major pros and cons described in the rapidly growing literature on OMC.

## **Major strengths and weaknesses**

### **Strengths**

#### **A. Policy convergence through mutual learning**

Rather than seeking to harmonise legislation and institutions, the OMC aims at convergence of objectives, performance and, to some extent, policy approach (Jacobsson and Schmid 2002). It involves a subtle transformation of cognitive perceptions, including norms, ideas, visions. These are thought to produce convergence of national policies towards “a common political vision” (Pochet, in Zeitlin and Pochet 2005). Remembering that the OMC is a voluntary process, mutual learning is key to fostering change and adaptation. It has been argued that the OMC can lead to the emergence of an ‘epistemic community (Haas 1992) in which experts and relevant social and political actors share the same normative orientations. These actors adjust their values in accordance with the process of mutual socialisation.

Mutual learning which leads to the integration of norms implies slow progress, insofar as it is a question of building up trust between actors. This ‘governance by persuasion’ also presupposes that actors are sufficiently open-minded to assess knowledge in the light of new experiences and learning from others. Yet the move from mutual learning to policy transfer

is a difficult task. Not only must actors be convinced enough of the need to reform their own policy at national level; there must also be efficient multi-level governance in order to implement the new policies at home (this is discussed below under ‘weaknesses’, see 2.A).

### **B. Iterative process**

Goetschy (2005) considers the iterative character of the OMC to be its strongest asset. The repetitive nature of the process in cycles reinforces potentially effective peer pressure and political commitment. This implies top-down and bottom-up relations between various levels, although in practice it is often limited primarily to EU level and national level. The iterative dimension is also helpful in creating a long-run improvement of knowledge about national realities and perhaps in improving implementation. At the same time, deeper and regular member state involvement allows typically national priorities to circulate on the EU agenda. In this way the iterative process creates a momentum: The European Commission, as the co-ordinator, impatiently urges member states to deliver on short, medium and long-term objectives, with tight deadlines for follow-up and benchmarks to measure improvements in performance.

### **C. Systematic linking of policy areas towards a common goal**

Reflecting the three pillars in the Lisbon strategy, economic, social, and labour market policies are created to be mutually supporting. It is not cherry-picking, but a comprehensive strategy for growth, jobs and social cohesion. The EES and BEPG have been “streamlined” and synchronised with one another. It is a three-year cycle in which guidelines are fixed, and there is greater focus on implementation. From 2006 the OMC processes on social inclusion, pension and health are expected to be integrated into the economic policy co-ordination framework (the integrated guidelines for economy and employment). This is expected to yield synergies between all targets (economic, social and employment) of the Lisbon Strategy (Goetschy 2005). This systematic linking takes place also at national level. The functional linking between related policy areas also encourages new inter-departmental co-ordination at EU as well as national level (Jacobsson and Vifell, forthcoming).

## **Weaknesses**

### **A. Double standards game**

There is a lack of real implementation of OMC with national policy-making structures. This is a major problem in the double standards game whereby governments endorse European guidelines and recommendations at EU level but fail to assume responsibility for carrying them out at home (Jacobsson and Schmid 2002). There seems to be a permanent tension between the search for convergence and the respect for national diversity in the OMC. Member states passively resist reform, to which they have subscribed in the first place.

In order for the OMC to become effective, it must carefully balance the respect for subsidiarity<sup>1</sup> and foster convergence. And yet, too much pressure from the EU on member

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<sup>1</sup> It can also be argued that the OMC bypasses the subsidiarity principle, since it allows co-ordination in areas in which the competence remains national (Jacobsson 2003).

states risks being met with ‘defensive’ reactions from member states if it is considered to be sidelining the subsidiarity rule. In the assessment section below we will discuss whether this tension can help to explain the delivery gap between policy intentions and actual implementation.

## **B. Lack of effective sanctions**

Sanctions on members that do not comply with EU guidelines are generally weak in the OMC. Some authors take this to mean that the EU guidelines, given their non-compulsory character, are unlikely to be implemented in member states. While it is true that there is no formal system of sanctions, two relevant forms of informal sanction do in fact exist, namely, peer pressure and (negative) exposure in the media. We will consider these two soft mechanisms for sanctions separately below.

Is a coercive or voluntary sanction more effective in OMC? An example of coercive policy transfer is International Monetary Fund policy whereby loans are granted on condition that a country introduces certain well defined economic reforms. The OMC lacks the means of effectively sanctioning member states that fail to respect previous commitments. Coercive mechanisms are, accordingly, scarce in the EU OMCs<sup>2</sup>. The voluntary transfer is guided the logic of ‘persuasion by argument’. Actors learn new ways of responding to problems. The basis of a good argument plays a crucial role. The OMC devotes considerable attention, for example, to the spread of best practice. These policies are supposed to set an example which other countries may choose to follow.

Exposure to public opinion for non-compliance presupposes some degree of media coverage of the OMC. Some authors, for example Wim Kok in his latest report, suggest that more ‘shaming’ of a country whose performance is weak would lead to better compliance (see also 4). This claim is based on the assumption that a country would wish to avoid negative publicity, and would thus comply not out of a conviction that it is the right policy but because, from the standpoint of domestic politics, it is politically opportune to do so. It should be noted that the proposal for more ‘naming and shaming’ is close to the logic of hard law. It treats recommendations as somewhat similar to juridical interpretations. Shaming then becomes more or less the equivalent to formal sanctions (Trubek and Trubek in Zeitlin and Pochet 2005). In any case, the media coverage of OMC has dwindled to virtually nothing (Meyer 2003). And when the European Commission attempted to launch an information campaign about the EES nationally, it met with rejection as the member states found this EU initiative highly unwelcome (Jacobsson and Vifell forthcoming). Without pressure from public opinion, a shaming campaign against a country tends to be much less obvious. Notwithstanding the possibly short-term merits of shaming a country, is it a sustainable strategy? There is something rather troubling about one moment stressing respect for national diversity and the next moment advocating imposition of a detailed policy prescription on member states. Will shaming reinforce commitment to OMC among member states, or will it lead to growing resistance? Will it make member states more cautious to engage in policy learning?

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<sup>2</sup> The Stability and Growth Pact can in theory issue penalties to fine member states that breach the rules on budget deficit. Yet in practice this option has never been used.

### **C. Lack of EU independent systematic monitoring of OMC**

Once a year the European Commission assesses the OMC and, at the spring summit in March, heads of state negotiate its future political orientation. Thus, while the Commission receives direction from the European Council, it is also free to take its own initiatives. Even so, it has to serve the treaties of the European Union, rather than develop an agenda based on independent analysis. Moreover, if implementation is to become effective, the Commission is ultimately dependent on values and common interests among relevant stakeholders (member states, social partners, various general directorates within the European Commission). These values, and not necessarily sound knowledge, are an important source of legitimisation. It may be argued that the Commission sometimes picks those policies that serve its momentary interest. As a result, all too often, not only the content but even the processes of the OMC, change political focus. To put it in a nutshell, the EU is a “pragmatist” trying to adapt knowledge to reality (Noaksson and Jacobsson 2003).

In brief, there is a lack of an independent institute which would systematically monitor and guarantee the quality of analysis of the OMC and which would have the right to initiate and carry out topical and critical investigations as viewed from a European perspective. Over and above the traditional benchmarking and peer review exercises there is a need to establish evaluation procedures that would supply a solid and independent knowledge basis for discussions and policy improvements while at the same time facilitating policy-learning.

### **Review of the policy transfer literature**

#### **Policy-learning**

Policy-learning is key to the achievement of policy transfer/convergence. Policy-learning, or social learning, is defined as the redefinition of interests on the basis of new knowledge which affects fundamental beliefs and ideas behind policy approaches (Hall 1990).

As mentioned earlier, the OMC is a voluntary process and, as pointed out by Jacobsson (2005), excessive pressure on members may result in escapist dynamics and lip service. The main procedure within the OMC in which policy-learning can take place is the peer review. As there are no binding sanctions in the OMC, it is arguably the single most important procedure in the OMC designed to put adequate pressure on non-compliers. The peer pressure encourages non-compliers to defend their position against criticism by the peers. The peer review is presented as a reflexive process. It fosters co-operation and learning among national administrations. It stimulates actors to review current domestic policies in the light of new empirical evidence and learning from others' experience. It may lead to a voluntary acceptance of norms which, where successful, may be more efficient than coercive sanctions (Jacobsson 2005).

Haas (1992) argues that a network of knowledge-based experts, an epistemic community, helps states to define their interests. The civil servants representing member states in the employment committee (EMCO) is one example of such a network. They are able to constitute an effective social control by a minimum of informal sanctions. The experts provide policy-makers with their interpretations of knowledge but this is based on their concept of reality which is mediated by prior assumptions, expectations and experience. Barbier (2004) shows, for example, that the economic and financial actors involved in the

OMC for economic policies, the so-called Broad Economic Policy Co-ordination, share a high degree of similar knowledge and belief in the current economic orthodoxy (see also Noaksson and Jacobsson 2003 for an in-depth study of the production of knowledge in the OECD). Therefore, while epistemic communities provide consensual knowledge, they do not necessarily generate truth (ibid).

Thus, successful policy-learning could, but seldom does, yield policy transfer, the latter being defined as the situation in which the EU as a political actor has an impact on policy affairs in a member state. Yet, the degree of transfer can vary. A gradation has been proposed (Dolowitz and Marsh 2000) ranging from complete copying (the same as mimicking), through emulation (which involves transfer of the ideas behind the policy) and combination (a mixture of several different policies) to inspiration (a country may be inspired to introduce policy change, but the final outcome does not draw upon the original).

### **Catalysts for policy transfer**

In an economic downturn actors are more likely to feel some pressure to look abroad to seek solutions to policy challenges. A second situation which is a catalyst for policy transfer is movement, at international level, of ideas which start to become conventional wisdom (in which case it is no longer necessary to justify the need for policy change which is perceived, rather, as a matter of fact). One such policy spreading over the world is the alleged benefits of privatisation<sup>3</sup>. Moreover, increased international and European integration has facilitated the option for governments to find policy solutions abroad.

In a nutshell, when conditions of uncertainty prevail, the likelihood of policy transfer increases. Such uncertainty may be the result of political conflict, absence of scientific consensus or new problems. This results in policy-makers seeking expertise from abroad, from countries which have experienced, and successfully coped with, similar conditions of uncertainty (Stone 1999).

### **Obstacles to policy transfer**

Dolowitz and Marsh (2000) have identified implementation traps. Sometimes the institutional set-up in a country is overlooked. A policy failure can thus be explained by the fact that policy is treated in isolation and the institutions necessary for its implementation are disregarded. This is referred to as incomplete transfer. Furthermore, lack of information about the policy in another country may lead to misunderstandings or false interpretations. This is labelled uninformed transfer. Another key to understanding policy failure is the importance of the ideological, economic and social context in which a policy is grounded in a given country.

As we have seen, epistemic communities are channels through which new ideas can flow from the EU to member states, and vice versa. But ideas need carriers, who have the function of gatekeepers facilitating the entry of new ideas into institutions (Haas 1992). As we will see later, this is a pitfall in the implementation in many countries.

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<sup>3</sup> Yet a growing literature is questioning the rationale behind this assumption. For a recent example see for example Noaksson 2005.

## **Researchers' conception of the world and its influence on evaluations of OMC**

In the light of this theoretical discussion, it is striking that the OMC provides a modern mode of governance, one which, in theory, seems promising. Having said that, researchers in the field are very well aware that testing these promises empirically represents a difficult challenge and, so far, few studies have successfully incorporated in-depth examinations. There is still considerably uncertainty as to whether the OMC could become an effective way of co-ordinating member states' policy without further transfer of power to the EU. It is also uncertain how far the OMC is compatible with the existence of a participatory democracy and with respect for the vast diversity between member states.

Zeitlin and Pochet (2005) consider most studies to be based on outdated data – their work being an attempt to fill this gap – on to which researchers project their own normative assumptions. They describe the different theoretical stances in the social sciences concerning the possibility of changing social behaviour in the absence of binding sanctions. There are differences of opinion as to the factors that guide and influence individual behaviour and the role and nature of social institutions (Borrás and Greve 2004). As will be shown in the evaluation section, it is a rather mixed picture that emerges. There is indeed an obvious need for more empirical studies. Even so, it is apparent that normative assumptions will remain prevalent, regardless of the date of the empirical data. The collection of interviews and questionnaires merely provides raw material which then has to be collated into a coherent mindset. This is why it would be useful to highlight the potential pitfalls before turning to the actual evaluation. Some authors consider that policy-learning takes place at a more procedural than a substantive level. According to this view, OMC is mostly 'window dressing' and not real policy influence. Others find that policy-learning is a collective learning process, in which procedural convergence, in turn, leads to a new common language, shaping our beliefs, and with potential to lead, eventually, to policy convergence.

I will not go into detail about the theories of how norms are constructed, changed over time, between people and within complex multilevel organisations such as the EU. In fact, there is a lack of research undertaken in this important field. But it is very useful to understand how these worldviews may, arguably, be filtering different scholars' interpretation of empirical data. One could speak of competing and complementary ways of understanding how the real world works.

The two ideal types are rational choice institutionalists and sociological institutionalists (Hall and Taylor 1996). I will briefly outline their respective position on people's motivations, and how these affect behaviour:

### Rational choice institutionalists (the logic of strategic bargaining)

- Actors have a set of fixed preferences and tastes and behave so as to maximize these preferences
- The preferences are maximized using strategic calculation
- The calculation is affected by expectations of how others are likely to behave
- Strategic calculation determines political outcomes
- Actors create institutions to achieve their preferences

Sociological institutionalists (the logic of social appropriateness)

- Not only formal rules but also shared attitudes ‘frame the meaning’ which guides human action
- Individuals are socialised into institutional roles and internalise the norms associated with these roles
- Rational action is socially constructed, meaning that rather than maximising their well-being, individuals attempt to express their identity in socially appropriate ways
- Institutions are created to increase the social legitimacy of the organisations or their participants
- Organisations serve the function of embracing and/or encouraging widely shared norms

**Mutual learning or simply strategic bargaining?**

Policy transfer is particularly complicated since it involves both agents and structures. To what degree are actors embedded in institutional structures, and to what extent are they free to make independent choices? Are their preferences based on pre-set values and targeted towards strategic bargaining, or are they open to new ideas and policy learning? Moreover, we can seek to explain the process of policy transfer or we can use policy transfer to explain policy outcomes.

In more general terms policy transfer is a debated issue in comparative politics, public policy, organisational studies and development studies. Yet, due to the complexity of the issue, the field requires much more research. The striking distinction, critical to our discussion on policy-learning, is that the rational choice approach takes the underlying preferences and identities as given. By contrast, according to the sociologist approach, preferences can be affected by interaction in, for example, a peer-review. Clearly, these ideal types described above are not applicable to the real world. Arguably, one can both attempt to maximise one’s own preferences, while also sharing common understanding and values with others. Yet, regrettably, most literature fails to go beyond the description of transfer of policies or ideas. There is no explanation or analysis of the processes involved (Dolowitz and Marsh 2000). Against this background, we can conclude only that scholars have different starting points, between these two extremes, and that their own beliefs of how the process works will ultimately colour their interpretation of research results.

The purpose of this brief introduction is only to pinpoint the limits when it comes to any in-depth understanding of policy transfer. This manifest shortcoming will restrain us from drawing hasty conclusions, and ensure that we remain vigilant as we now turn to the evaluation.





## 2. OMC in employment and social inclusion

### Employment

In the wake of deepening European economic integration in the 1990s, social democratic governments worried that the EU would be no more than a free market. The European Central Bank has gained a strong position in the EU institutional setting and become one of the world's most independent central banks on the basis of the belief that it can contribute to a policy of higher growth and employment solely by restraining inflation (Watt 2004)<sup>4</sup>. The emergence of the need for more EU co-ordination came at a time when many member states felt that employment policy was a matter of national concern, rather than a European concern. There was simply no political support for legal transfer of competence in this area (Jacobsson 2003).

For a number of reasons legislation in employment at EU level is not desirable. Firstly, there is an enforcement aspect of directives. It is only to a limited extent possible to enforce sub-national actors to engage in policymaking by means of directives (Jacobsson and Schmid 2002). What is more, labour markets are typically local: the employment situation is very different in different member states, and in different regions. There is a need for many different policies, not a single employment policy for the EU (Larsson 2002).

What could be the role of the EU? This role could be as a driving force for policy reform, giving direction, and momentum. Yet it must also respect national diversity, and not try to take over national employment policy. "The solution was that Member States remain responsible for their employment policies, while the EU provides Member States with a common strategy, an agenda for reform including objectives and targets and a process of continuous learning and improving" (Larsson 2002).

The employment chapter in the Amsterdam Treaty prescribes that Member States shall regard promoting employment as a matter of common concern (Article 126, para 2). This third way between respecting national diversity and European harmonisation is composed of several elements.

The procedure in the EES has been cyclical, repeated annually, until its revision in 2005 which we discuss later. The main instruments are the common European policy guidelines, delivery of National Action Plans (NAP), recommendations to individual member states, and ways of monitoring and control of member states. The EU Commission draws up draft guidelines to be discussed and eventually adopted by the European Council. There is a special employment committee in the Council (EMCO) which is an advisory body for the drafting of guidelines, consisting of two full members from the European Commission and two representatives from each member state. This body is supposed to work in co-operation with the European social partners. On the basis of these guidelines member states report back in NAPS, describing ways in which the

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<sup>4</sup> Detailed arguments have been supplied elsewhere of why the ECB needs to focus more on employment creation, and how a more active policy by the ECB to that end could raise the EU's potential growth trend (Noaksson 2005, see also Watt 2005).

national policies have implemented them. The NAPs of all member states are submitted to the European Commission for cross-evaluation. The so-called joint employment report must be approved by both the Commission and the Council. In addition, member states evaluate each others' achievements (peer review in EMCO), and benchmark each other against common indicators. The final step, the supervision of member states' implementation of guidelines, for which the Council is responsible, may, on the basis of a qualified majority vote, lead to the issue of individual country recommendations, the purpose of which is to encourage national policy to follow the European guidelines.

## **Social inclusion**

Social inclusion has always been a sensitive area of co-operation since it touches upon the core work of national governments. It is still lacking a treaty base. During the Finnish presidency in 1999 a high-level group on social protection was set up. It focused on four issues, based on a Commission report from 1999: 1) to make work pay and provide a secure income 2) to make pensions safe and pension systems sustainable 3) to promote social inclusion 4) to ensure high quality and sustainable health care (CEC 1999). The Nice Treaty 2000 provided a legal base for the committee, entitled the Social Protection Committee. The broad – or, perhaps more precisely, the vague – mandate of this committee is to monitor the social situation and the development of social protection policies. Moreover it is supposed to promote exchanges of best practice, experience and good practice between member states and the Commission.

The next step was taken at the Lisbon summit, when the OMC was officially adopted. Unlike employment, there is no explicit legal base for OMC in social inclusion. Yet, the Nice Treaty is now considered to provide a legal basis for action against social exclusion (Pakaslahti and Pochet 2003). As from 2001 an Indicators Sub-Group was also set up.

After much discussion, the OMC in social inclusion now includes several dimensions: national plans, common objectives, indicators and peer reviews. Yet, the social inclusion OMC has still certain weaknesses. Member states are reluctant to develop best practice, insofar as this entails setting quantitative targets. Nor are recommendations accepted. What is more, the indicators are not very developed. The latest Joint Report on social inclusion criticises member states for “lack of ambition and clear and precise details of what actions will be undertaken to further enhance the effectiveness of national policies.” (European Commission 2004a).

In 2006 the social inclusion process will be streamlined and it will become part of the integrated guidelines for growth and employment. In spring 2006 the European Commission will propose exactly how the integration of social inclusion should be conducted, and whether or not it will attempt to scale down on social policies.

### **3. Evaluation**

Has the OMC led to more jobs in line with the targets contained in the EES? The EU economy did improve considerably during the first five years of the EES and these improvements were very much in line with the objectives of the EES. Unemployment decreased by 3% and there was considerable employment growth. Yet it is difficult to prove the link with the EES, since these effects might quite possibly have taken place even in the absence of the OMC. The twofold nature of the interaction – the relationship between national policies and employment outcomes and between EES and national policies – makes any causal impact assessment still more complex. On that basis, we will try to assess the OMC in various ways, in a more contextualized manner. The evaluation will draw heavily on the results of Zeitlin and Pochet (2005) and Degryse and Pochet (2005) but other sources will also be used. What kind of evaluation is needed? We will make a literature review on four counts: (A) substantive policy change; (B) procedural changes (C) learning (D) participation. There will be an overall assessment of the impact of OMC in EU member states, in general, and, in addition, a specific impact assessment on Denmark.

#### **Has the OMC in employment and social inclusion delivered?**

##### **European Union**

###### **A) Substantive impact**

Recent empirical studies show an impact on, more especially, two counts. First, the political sensibilities in relation to EU employment and social inclusion policies have risen, both at national and EU level. Secondly, most studies have found broad shifts in policy orientation. There is evidence of an incorporation of EU concepts and policy priorities into the national arena. The most central shift is the trend away from reducing unemployment towards raising employment rates. Moreover, passive income support has increasingly been replaced by Active Labour Market Policies (ALMP). Also, there is increasing focus on preventing people from becoming unemployed in the first place, rather than on taking action only when they are already unemployed. As Zeitlin (Zeitlin and Pochet 2005) rightly points out, many other concepts have been downloaded nationally: active ageing/avoiding early retirement, lifelong learning, gender mainstreaming, flexicurity (balance between flexibility and security), reconciling work and family life, an inclusive labour market, social exclusion as a multi-dimensional phenomenon beyond income poverty, and an integrated partnership approach to promoting employment, inclusion and local development. It is also possible that a common vocabulary can lead to cognitive harmonisation, for example a shared vision of what causes unemployment (Degryse and Pochet 2005).

Yet, some authors, notably Barbier (2004), have criticised the idea of cognitive convergence resulting from a common language on employment. Barbier's research concludes that the meaning of activation policies varies considerably among member states. It should also be noted that the common language is unknown to many key national players (company level or sectoral trade union negotiations) local actors (Pochet and Degryse 2005).

There is some evidence that there has been an actual change in national policies. This is particularly stressed in the EES, which has already had seven rounds of NAPs, in contrast to only two for the OMC on social inclusion. In any case, evidence to this end should be interpreted with caution. Indeed, numerous policy shifts preceded the actual start of the OMC (Zeitlin and Pochet 2005). Moreover, the OECD has also developed a strategy for jobs which has co-existed with the EES. Expert knowledge in the OECD has influenced the development of the EES. A concept such as “make work pay” has, for example, been inspired by OECD (Noaksson and Jacobsson 2003).

Governments have chosen to adapt to policies which are in line with their political programme. Visser (2005) speaks of selective downloading. Yet, they have avoided downloading policies which are costly, long-term and opposed to their political aspirations.

One explanatory factor of the limited policy impact on national level is the level of importance attached by national governments to the NAPs. In general the NAPs is regarded as a relatively unimportant document in the context of national employment provisions. It is an administrative exercise, repeated annually, yet without strategic focus, since it is backward looking.

## Denmark

Denmark embarked on a substantive reform as early as 1994. Activation was strengthened and rights and eligibility for benefits entailed a corresponding duty to participate in ALMP. Interventions were tailored to individual needs translated into personal action plans for the unemployed (Jorgensen 2002). In short, reforms in Denmark predated the development of policies in the EES. The “quality of fit” therefore explains Denmark’s compliance with most policy recommendations in the EES. Danish policy actors meanwhile perceive that Denmark is ahead of other EU countries and that it is exporting its policies to the EU, rather than the opposite (Jacobsson 2004).

Although Denmark can be described as the ‘best pupil in the class’ at EU level, it has failed to follow, to the required extent, one specific country recommendation: reducing the taxation of labour. This recommendation was repeated every year from 2001-2005<sup>5</sup>, which means that it has not been sufficiently acted upon (Mailand 2005). Moreover, the most controversial recommendation called, in its initial form, for the retaining of older workers in the labour market, requesting, quite directly, the discontinuation of the Voluntary Early Retirement Benefit Scheme. However, after objections from the Danish government that the European Commission was here exceeding its mandate and interfering in specific national policy programmes, the recommendation was formulated in more general terms (ibid), stating “...including the removal of incentives for early retirement, where appropriate”.

Mailand (2005) argues that the EES *has* had an impact on policy orientation in Denmark. There has been a shift in focus from activation of the long-term unemployed to

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<sup>5</sup> The Guidelines for employment policies adopted on 12 July 2005 conclude that the Council *recommendations* for implementation of employment policies from 2004 remain valid as a background reference.

prioritisation of the prevention of long-term unemployment, as specifically expressed in the EU guideline demanding activation after 6 or 12 months' unemployment. Though Denmark never received an official recommendation to this effect, it did, in the peer review, receive what in the literature is termed a 'second-order recommendation' – calling for compliance with the target of activation after 6 and 12 months. Peer pressure was felt and, albeit without actually meeting the targets, Denmark did shift its policy orientations. Johansson (2003) even considers that Denmark had the ambition of becoming the first member state to comply with all EU targets. Arguably, the extent and organisation of individual action plans, which were introduced before the EES, have been encouraged by the peer review among member states (*ibid*).

The official Danish five-year evaluation of the EES concluded that a gender perspective is still, to a considerable extent, missing in general labour market policy in Denmark (SFI 2002). However, awareness of the gender problems on the Danish labour market is often cited as one of the most important achievements of the EES (Zeitlin and Pochet 2005, Jacobsson 2005). Mailand (2005) points out that the start of the policy on equal opportunities predated the recommendations. Yet, even if the Danish policy initiative preceded the recommendation from the European Commission, it may be argued that the Danish government has been sensitive to the peer pressure around gender mainstreaming (Jacobsson 2005).

SFI (2002) has found that the EES serves as a source of inspiration for policy developments in Denmark and that a number of precise targets have been incorporated into policy. We recall from the discussion on policy-learning that 'inspiration' is the lowest graded level of policy transfer. Again, Mailand (2005) criticises the SFI for not identifying precisely which targets have thus been incorporated into policy.

Labour market policy in Denmark is more decentralised than its counterparts in the EU. Regions and local public authorities have a considerable degree of autonomy. In addition, the Labour Market Authority (AMS) has no obligation to follow EU policy recommendations, nor even is it recommended to do so (Jacobsson and Schmid 2002).

In conclusion, Denmark is one of the best scoring countries in complying with EU recommendations. That said, the substantive impact of the EES in Denmark is very limited. The Danish policies in question pre-existed the creation of the EES, and happened to be in line with the policies aimed at by the latter.

## **B) Procedural change**

### **European Union**

Most studies reach the conclusion that the EES has improved co-ordination within and between national administrations. There is evidence of better cross-sectoral integration between labour market policy, unemployment benefits, social assistance, pensions, taxation, and education/training (Zeitlin and Pochet 2005). The compilation of the NAPs requires input from different ministries with specific responsibilities, which opens up new channels for enhanced administrative co-operation.

A second impact is improved statistical and policy-monitoring capacities. Even though there are still national differences, the EES and the social inclusion OMC have led to a

harmonisation of national and European statistics. Visser (2005) argues that the most important impact of OMC processes is the increasingly ambitious level of the targets set. Many countries have introduced special targets for employment, education and training, poverty reduction, etc. This is especially pronounced in the EES, while in social inclusion there is perhaps a greater element of window-dressing.

A third effect is improved vertical co-ordination among levels of governance, in particular in federal countries.

### **Denmark**

The NAP is regarded as a government document, parliament being informed only after it has been compiled (Jacobsson 2004). It is a backward-looking document, routinely reporting on national policies.

The Ministry for Employment is the principal actor on the employment guidelines. This year the social partners had no real influence on the new forward-looking National Reform Programmes (NRP). However, the Danish employment committee (*beskaeftigelsesrådet*), which is the consultative social partner body, has proposed changes to the Minister for Employment. The employment committee wishes to be involved in drawing up the NRP in the future, rather than merely commenting on the already more or less finalised document (letter from employment committee 2005). Beyond the social partners, the Danish Council of Organisations of Disabled People (DSI) also contributed to this year's NRP.

There is also a coordination group called the governmental Lisbon Strategy Committee at the Foreign Affairs Ministry. The committee will co-ordinate the work being done by relevant ministries, regional and local authorities, national social partners and NGOs. The Ministry of Employment, Ministry of Finance, and Ministry of Foreign Affairs are all contributing to chapters in NRP. A special editorial committee (*redaktionsgruppe*) has been set up to produce, on the basis of these contributions, a coherent text that will then be presented to the Lisbon Strategy Committee for a round of consultations after which, in the light of the discussion and written proposals for amendment, it goes back to the editorial committee for revision. Finally, it is sent to the EU committee in the parliament, although the parliament has no formal role in this process whatsoever (Jacobsson and Schmid 2002).

### **C) Learning (among actors in the peer review)**

#### **European Union**

Most studies confirm that peer pressure works. Peer pressure, recommendations and rankings do, in other words, actually influence member states' behaviour. It is the peer review, the exercise of having peers from other countries criticising one member state, which can trigger a reflexive learning process. The learning effect derives from the fact that member states need to reflect upon their own policies, and identify errors as well as achievements.

Degryse and Pochet (2005) conclude that limited learning takes place among an exclusive group of civil servants (who are participating in the EMCO), but is not diffused to broader group of stakeholders.

The reflexive learning stems from recognizing that policies believed to be economically sound may be harmful if regarded from another perspective. Examples of this are early retirement, unemployment created by restructuring, etc. The area in which most learning seems to have taken place is in relation to the importance newly attaching to gender mainstreaming in many countries. Yet, there is little evidence of direct learning within the OMC processes.

One key explanation is of course that member states retain, and wish to retain in the future also, decision-making power over labour market policies. Therefore, the commitment of member states is not always robust. This is proven in the European Commission's five-year evaluation of the EES. The discussion of revision and redesign of policies was dominated by political bargaining over the new guidelines, even if negotiations subject to deliberative discipline also played a role (Zeitlin and Pochet 2005).

## **Denmark**

In 2003 the members of the Employment Committee (EMCO) were asked about the learning effects of the EES. To this end a questionnaire was circulated, to which 21 of a total of 41 EMCO members responded. In spite of the rather weak data thus collected by the survey, Nedergaard (2005) concludes the learning effects in Denmark to be small, the explanation given being that 'there might be some evidence' that the learning process in the EMCO is excessively politicised. Contrary to that position, other authors have found that EMCO is open to certain deliberative bargaining. Jacobsson (2003) has also found that there is scope for a subtle transformation of policy thinking and collective understandings and identities. Yet, this is a slow process that takes considerable time.

Recalling the shift of policy orientation that has actually occurred in Denmark, this seems to result from a combination of bargaining and learning. However, from the existing literature, it is not possible to weigh up or assess which of these factors predominates.

The common understanding among most scholars is that the OMC includes both strategic bargaining and socialisation. Barbier (2004) points out that it is only insofar as socialisation and beliefs are extensively shared in certain groups, that power games and dog-fighting over the wording of guidelines is able to take place. Yet, the so far limited policy transfer cannot be taken as evidence that no collective learning is taking place (Jacobsson 2005).

## **D) Participation**

### **European Union**

#### **Social partners**

The social partners at EU level have an advisory role to play in connection with the employment guidelines, remaining in close contact with DG employment and participating in the annual tripartite social summit preceding the European Spring summit (annual meeting between heads of state to establish the political orientation of employment and economic policy in the Lisbon strategy).

As mentioned above, the NAP is not regarded by governments as a strategic document, and this has resulted in no more than lukewarm interest in becoming involved in its

production on the part of national trade unions (Degryse and Pochet 2005). Trade unions have found it easier to exert direct pressure on employers than to engage whole-heartedly in the NAP process, where the likelihood of influence is marginal. Even so, in most countries the trade unions and employers' organisations do produce a joint text, which is an appendix to the NAPs. At the same time they often complain of a lack of real influence on policy-making (Zeitlin and Pochet 2005). By contrast, Casey (2005) has criticised the role of social partners in the OMCs, arguing that too much social partnership is associated with low employment outcomes as exemplified by France and Germany where the social partners' involvement has blocked reform of early retirement programmes.

As has been pointed out elsewhere (see Noaksson 2005) the imbalance between economic and employment goals in the EU needs reform. Whereas the Employment Guidelines ought to be on equal footing with the Broad Economic Policy Guidelines, in actual fact the former are currently accorded much less weight than the latter. The social partners should therefore be aware of the risk of being held hostage for the implementation of reforms to which they did not subscribe in the first place.

### **Denmark**

There is a tradition of strong social partner involvement in labour market policy-making in Denmark. A tripartite system is established at central, regional and local level. Yet, this is now being challenged. In recent time the conservative government has carried out structural reforms, sidelining the social partners' involvement in decision-making at national, regional and local level (see forthcoming report from Carma).

As far as the NAP is concerned, the social partners are consulted in an institutionalized social dialogue (Jacobsson 2005). The social partners' contribution is annexed to the final NAP and has indeed sometimes been included in the main text (Mailand 2005). Yet, the social partners are interested in participating only to the extent that they can exert a real impact. Since the NAP is conceived as a backward-looking document it has become a low-key document for social partners. Be this as it may, the social partners state that they are satisfied with the consultation and were allowed sufficient time to provide their views (EIRO 2002).

### **EU – Civil society and NGOs**

At European level the European Anti Poverty Network (EAPN) has effectively influenced the social inclusion OMC. EAPN has even been granted a semi-official place (Zeitlin and Pochet 2005). On different counts, from development of indicators, common guidelines and objectives to organising conferences, the network has been consistently consulted. Moreover, it produces independent critical assessment of NAPs and pushes for more commitment to social objectives on the part of member states.

Though the EAPN has fought to acquire a similar role in the employment OMC, here it is for the most part excluded from the process.

At national level, to various degrees, NGOs have gained a position in relation to the social inclusion OMC. New consultative bodies or structures have evolved. In some countries the anti-poverty network has gained access to central government civil servants.



## **Denmark**

In the EES the Danish government clearly resisted an expansion to include the civil society in the consultation. Such extension was deemed a threat to the successful existing close co-operation with the social partners. Yet the position of the government to involve the social partners alone is at odds with the European Commission which encourages broader stakeholder involvement.

In social inclusion, the government is open to participation of NGOs in social policy and in 2003 a broad range of actors were invited to make their contributions through seminars. Moreover, the Social Affairs Ministry consults NGOs to comment on the draft NAP through a formal contact committee for the social voluntary sector.

Whilst recognizing the positive attitude toward broadening participation in social inclusion, it is likewise true that the Danish government considers social policy to be an exclusively national competence and that it is thus opposed to European recommendations and targets in the social field.

## **Local and regional actors**

### **European Union**

Evidence shows that local and regional actors are more involved in the social inclusion process which may be due to the fact that their involvement here is less controversial than in employment. The European Commission has, from the outset, supported more active involvement of local and regional actors and has, for example, given financial support to new social networks, such as the European Social Network and the European Public Social Platform.

Under the EES the situation is somewhat different. From the outset local and regional actors at national level showed that they were keen to become involved. They demanded the right of full participation, a demand later reflected in the employment guidelines by the statement that all actors at regional and local levels should be involved in the implementation of the EES.

In the national context, this resulted in activation of plans at regional and local level, so-called local and regional action plans for employment (LAPs and RAPs). The concern was to raise awareness, at government level, of the importance of implementing a bottom-up approach.

In the social field, the social inclusion process has opened up new channels of influence to NGOs, previously rarely consulted.

## **Denmark**

Local Government Denmark (LGDK) participates as an employer in the Governmental Lisbon Strategy Committee at the Foreign Ministry. This committee exists to consult interest groups relevant for the Lisbon Strategy. In a position paper (Local Government in Denmark 2005) LGDK stresses the importance of better monitoring OMC and assessing how it affects municipalities. LGDK considers the NAP for social inclusion to be more open and participatory than the NAP on employment (Jacobsson 2005).

In conclusion, it has been argued (Jacobsson 2005) that the government plays the role of a gatekeeper – opening up for wider mobilisation of actors, or keeping it a more closed process. This has repercussions for the spread of OMC processes to different levels of government and to potentially interested actors. It also reinforces the top-down flow of information.

A set of special reports issued by the EU focused on identifying ways to improve the delivery aspect of Lisbon. A special high-level group was given the mandate of identifying problems and devising policy proposals for tackling them. In March 2005, the European Commission proposed an overhaul of the Lisbon process, which would entail changes in the operation of the OMC. Below we examine the proposals of these influential actors, starting with the work of the high-level group.

## 4. EU initiatives to improve delivery

### Expert group on delivery in November 2004

In 2004 the delivery gap was submitted to harsh criticism by an influential high-level group called the European Employment Task Force, chaired by Wim Kok, a former Prime Minister of the Netherlands. It produced a paper “Facing the challenge’ assessing the Lisbon strategy and proposing detailed reform proposals. The high-level group was composed of national experts, business leaders, labour market expert and a few representatives from trade unions. Although it was supposed to be an independent group, the Kok report was not a purely neutral exercise; it was also a political exercise (Casey 2005). In retrospect, it is perhaps not so surprising that many of its proposals coincided with the wishes of the new Barroso Commission. Subsequently, the core of its reform proposals has been taken aboard in the ‘Lisbon new start’, presented by the European Commission in spring 2005.

The following recommendations, intended to improve delivery, effectiveness and democratic accountability, were proposed by the Kok group and adopted by the European Commission:

- Member states should set out roadmaps, including milestones, on how to achieve Lisbon targets
- Each government should designate a Mr or Mrs Lisbon who would be in charge of carrying forward the day-to-day implementation of Lisbon
- National parliaments should arrange debates on the Lisbon process, opening them up to enable citizen participation
- The European Parliament should establish a standing committee on the Lisbon strategy for growth and employment

The Kok report concludes as follows: “one fact needs to be repeated: much of the Lisbon strategy depends on progress made in national capitals: no European procedure or method can change this simple truth” (European Commission 2004b). This sentence is a reminder that ultimately commitment depends on member states’ willingness to co-operate. Against this background, it is to be noted that one coercive proposal by the Kok group was refused by heads of states. The proposal was to announce each year a ‘name and shame’ list, starting with the worst performer among member states. This shaming of the worst performers was supposed to be delivered in the most public manner possible, to have an influence via negative publicity nationally. Sweden, one of the countries opposed to this idea, argued that a ranking would not make any sense since countries have very different starting positions (Jacobsson 2005). The lesson learned is that member states are not ready to take any bashing from Brussels. We will return later to this, arguing that it was right to reject the naming and shaming list, given the deliberative logics of OMC.

Another proposal that was not taken on board by the European Commission was the strengthening of the peer review. Instead it favoured bilateral contacts, a preference likely to downgrade the multi-lateral peer review procedure. It is, for example, uncertain whether or not specific country recommendations will continue to exist in 2006. If they are

scrapped, the political weight of the peer review will be substantially reduced. We will now turn to the proposals from the European Commission.

### **European Commission reforms on delivery in 2005**

- National Reform Programme in three-year cycle (forward-looking first year, backward-looking second year, strategic forward- and backward-looking third year) adopted by governments and discussed in national parliaments
- Mr or Mrs Lisbon at government level
- National Lisbon programmes for growth and jobs, thus covering both economy and employment (three parts: integrated guidelines+stability and convergence programmes+)
- Single integrated package of economic and employment coordination, to be published annually by the European Commission, entitled Strategic Annual report
- European Parliament to be consulted and to give its opinion on the Strategic Annual report. Yet, this must be “taken into account” by the Council, which means that, in practice, it can entirely be overlooked.
- The Commission sits in the driver’s seat, pushing the process forward. It continues to evaluate the targets and measures adopted by member states. It will ‘by use of its power under the Treaty’ ensure that member states’ commitments are kept
- The social partners’ role remains a vital one. As well as the multi-annual Lisbon programme for Growth and Jobs, they participate also in the Tripartite Summit devoted to assessment of progress made, and exchange of best practices.
- The European Commission shifts its focus from peer review on a multilateral basis on individual policy themes, to a bilateral in-depth dialogue between the Commission and member states.

All these reforms (European Commission 2005a) represent an overhaul of the previous implementation process. Another Commission document (European Commission 2005b) goes into further detail as to how the implementation will take place. The National Reform Programmes (NRP) is, in the first year, a forward-looking document based on the integrated guidelines. Each guideline must be followed by policy actions. In the case of no action justification is required from member states.

The OMC processes that contribute directly to growth and jobs will be incorporated into the Lisbon agenda. The objectives of the strategy for social inclusion relate directly to jobs and growth (de la Porte and Pochet 2005):

- ensuring the facilitation of participation in employment and access to resources, rights, goods and services for all,
- prevention of risks of social exclusion
- setting out actions for disadvantaged groups
- mobilising all actors concerned in policy formulation and implementation

A matter of greater concern is whether all indicators in social inclusion will survive in the streamlined guidelines, starting 2006.

### **The link between the European Social Fund and OMC**

The objective of the ESF is to improve employment opportunities for workers in the internal market and to contribute to raising living standards (de la Porte and Pochet 2005). In practice, the ESF is a source for financing the implementation of the EES. In 2004 the European Commission adopted a new programme entitled “Progress” which will cover areas in employment and the social field. It is to run for 7 years and has been allocated 600 million euros, a sum which is to be administered by the ESF. In brief, the link between ESF and EES has always been weak. This is partly explained by the co-financing role of national governments. Even though the ESF has encouraged a wide participation of all relevant bodies at national, regional and local level, this process has frequently not been carried out in a qualitative way. In social inclusion the link to the ESF is even weaker. The ESF is aimed at fighting poverty at regional level, but there is little action in this area (ibid).

In Denmark the Labour Market Board is responsible for the administration of ESF projects. Yet, in the light of the very weak link between the production of NAPs and the Labour Market Board, it would seem that an opportunity for policy-learning is being missed. There is scope for improving the organisation that links the production of NRPs and local and regional ESF projects. Stronger elements of a bottom-up approach would mobilise learning from practical experience at lower levels of governance. It would feed into the process and open channels for a two-way communication between national and sub-national levels of governance. By this means, innovative and successful ESF projects which today disappear when financing runs out could be transferred to national level, and where appropriate, to European level.



## 5. The future of OMC

Despite the difficulties of the OMC in living up to many of its theoretical promises, it does, fundamentally, enjoy our support, for it represents a balanced middle way between harmonisation at EU level and exclusively national decision-making. Yet we believe there is considerable room for further improvement. Indeed, its implementation *must* be improved. Moreover, it should become both more democratic and more participatory. The bridging of the delivery gap has become urgent. We must act now. If the OMC does not deliver more results within a few years, it may end up in the waste-paper basket of history.

Two directions for change of OMC are explored in the literature, namely, changes in relation to its substance and/or in relation to its procedures. The substantial change proposed, recommended principally by economic actors, is an increase in sanction mechanisms, as a means of enforcing implementation by giving more power to the European Commission. The above-mentioned ‘name and shaming’ proposal by the Kok group is one proposal along these lines. The proposal for change by means of procedural improvements consists in the argument that there is a better chance of effective implementation if the EU guidelines are softened and the monitoring and learning mechanisms are strengthened.

Our approach in this study serves to endorse the second direction. Arguably, it is the right way to develop the OMC in the light of its own premises which advocate voluntary learning, self-correction, innovativeness, experimentation, broad participation, democratic legitimacy, etc. A necessary condition for learning is a deeper commitment on the part of member states (Zeitlin and Pochet 2005). And the commitment, and this is critical, is voluntary, depending all the way on the willingness of national actors (Serrano Pascual 2003).

The other direction proposed, to be tougher on member states to implement policies, is ridden with potential pitfalls and setbacks. In short, if member states feel that they are losing control over labour market policy-making, their resistance to further commitment is likely to grow. As has been mentioned repeatedly, member states subscribe to participation in the OMC precisely because it is voluntary. If that link between member states and the EU is stretched too far (a voluntary co-operation developing into new mechanism for imposing detailed EU policy recommendations), it might eventually snap. Today’s passive resistance from member states may then turn into active resistance, leading possibly to a tragic end of the OMC.

Our policy recommendations therefore consist in working towards a better procedure, while also attempting to become more realistic in the expectations we project upon the OMC. In other words, we perhaps need to learn to expect less, in order to obtain, in the long run, better results. This means that we will seek to develop the OMC procedure which needs to become more transparent and participatory, more democratically accountable, and adequately funded. Another key issue is obviously to improve the peer-review process. Some very specialised studies have been conducted on this particular aspect, which falls beyond the boundaries of this report. For proposals to that end, see for example Casey (2005).

Let us first open up a brief preliminary discussion of the new proposals from the European Commission. Will the Commission's reforms on implementation be effective?

It is premature to evaluate the effectiveness of these reforms before they have actually been tested for a few years in action. However, the European Commission is not reinventing the wheel. On the contrary, it is copying parts of a model well established for at least a decade in the OECD. Scholars have criticised the 'light' peer review in EES, in contrast to the OECD:

*"...the peer review in the EU is a less ambitious exercise. Each country is given about two hours instead of a full day in the country examinations, but more importantly, it is not preceded by the type of data collection and country visits in the bilateral dialogue and negotiations between the Commission and the member states government, preceding the country-specific recommendation"* (Noaksson and Jacobsson 2003: 34)

As we have seen, the OECD Jobs Study and the EES are now converging in terms of process (policy content is also expected to converge further in the revision of the Jobs Study in spring 2006, see Noaksson and Jacobsson 2003). Bilateral contacts, which were of marginal importance in the old Lisbon, have turned into a key component for improved delivery in the new start for Lisbon. Will the new bilateral contacts in OMC employment improve delivery?

At the end of the day, the ownership of the NRPs remains national. Unlike at the OECD, where the OECD secretariat drafts the so-called country reports, EU member states remain in control. The new forward-looking approach in the NRP may perhaps increase the European Commission's influence over national policy making. Yet whether or not policy advice from the European Commission in the enhanced bilateral contacts will have substantial effect on the NRP, it is much too early to say. Moreover, there is an ongoing discussion in the EU as to whether or not country-specific recommendations should be more or less binding on member states. It remains uncertain whether recommendations will remain in their present form or be turned into evaluation of non-compliance at the level of member states' policy. The outcome of the political struggle among member states over this aspect will be visible in the March Spring Council 2006, which sets the political orientations of the EES.

Do the reforms introduced by the European Commission comply with the treaty-based division of power between the EU and member states (democratic legitimacy)? Most member states refuse to consider any harmonisation of national labour markets at EU level. As shown by the resistance in Denmark (to change the Voluntary Early Retirement Scheme) it is not acceptable nationally to receive non-negotiable detailed EU policy prescription. The issue in question is then how to reconcile the goals of retaining decision-making authority at national level and finding a way of improving delivery of EU guidelines nationally. How is it possible to bring about more convergence of outcomes, without (falling into the trap of also) converging policy design?

### **Policy recommendations**

Though this report is about process and not content, it certainly makes no sense to improve the process of bad policy content. Accordingly, it is critical to refer readers to another report which deals with the imbalance between economic objectives and



employment. As long as the Employment Guidelines are subordinated to the dominant economic doctrine, entitled the Broad Economic Policy Guidelines, improving process will be a very small achievement. The rebalancing exercise must include setting the OMC in employment on an equal footing with the BEPG. And more fundamentally, there is a need for substantial reform of the ECB (See Noaksson 2005). This is a view also supported by Goetschy (2005) who concludes that marginal reforms cannot change the economic constraints affecting EU social integration.

As we have seen, member states are less likely to comply with guidelines that are costly, long-term and opposed to their political aspirations. Governments sometimes act as gatekeepers to deny entrance to policies they prefer not to transfer to the national level. ALMP are today by and large financed at national level. How can the connection between funding and policy implementation be enhanced? One efficient means of increasing political commitment, and of making sure that policies are backed up with funding, would be to have the NRP adopted in national parliaments. This idea has already gained political support both in the European Parliament and the Committee of Regions (European Parliament 2003) and the relevance of this recommendation has increased insofar as the NRP is no longer a backward-looking document but actually a roadmap for reforms to be implemented nationally. The disadvantage is of course that it would be more difficult to find binding majorities in the Council for the integrated guidelines. Yet, once adopted at EU level, and subsequently nationally, policies will indeed be implemented. It could also be argued that this would lead to less ambitious policies. Even if that argument could be sustained, at least in the short-run perspective, arguably the policies adopted will be more efficiently transferred. Thus, as the subtitle of the report says: we need to learn to expect less in terms of (unrealistic) rapid substantial results, in order to get more efficient implementation of the aspects on which agreement can be reached. It seems to be a trade-off between on the one hand, flamboyant promises and weak implementation, and on the other hand, realistic commitments consonant with domestic politics and real implementation.

- **Adoption of the National Reform Programmes in national parliaments, in order to increase efficiency of delivery and legitimacy. The position of the parliament's opposition parties, and the social partners should be added to the final parliamentary document.**

Moreover, the new bilateral contacts between the European Commission and the member states require openness and transparency and inclusion of all actors involved.

- **The meetings in the bilateral contacts between the European Commission and the member state should be open to all stakeholders (government, the social partners, and opposition parties)**

Learning via vertical integration is obstructed by government gatekeepers who prevent information from being shared with a broad range of actors. The production of NAPs in employment has so far been a rather closed governmental process, involving the social partners to varying degrees. This could explain some of the limits to the policy-learning that has taken place. If sub-national actors are excluded from the process, they will be less committed to implementation. Yet, the crucial question remains, should the actors be policy-makers or only policy-takers? The social partners are indeed the most relevant

actors in labour market policy-making. Thus, their active involvement in the NRP is of central importance. Yet, Jacobsson and Schmid (2002) have exposed a potential paradox: the more open a process becomes to wider stakeholders nationally and sub-nationally, the less open it is likely to be to European convergence ambitions. We are inclined to find a middle-way so as not to obstruct the convergence of outcomes at EU level, to which all member states have agreed. We will also make a distinction between OMC employment and OMC social inclusion: social inclusion goes beyond typically labour-market-related issues, for it includes questions of housing, homelessness, poverty reduction, social protection schemes, reducing school-drop out rates, etc.

- **Enhanced consultation with the social partners nationally in drafting the National Reform Programmes in employment. In return, the social partners should increase dissemination of the National Reform Programmes and the European Employment Strategy in their branches at regional and local level.**
- **Greater participation of the social partners and involvement, to a lesser extent, of civil society and Non-Governmental Organisations in the discussion on National Reform Programmes in social inclusion.**

The above recommendation of adopting the NRP in national parliaments will ensure that policy proposals receive adequate funding. But we also aim at exploring new innovative forms of ALMP. To that end, more funding from the EU structural funds should be relocated.

- **Allocate more funding from the structural funds to innovative ALMP**

There is a need to encourage member states to comply with country specific recommendations. One possible efficient way is to ease the financial burden of undertaking reforms at national level.

- **Reallocating funding from structural funds to member states that comply with country-specific recommendations. An effective implementation of a country-specific recommendation will result in half of the costs being covered by the structural funds.**

The European Social Fund has not (yet?) been successful in enhancing a bottom-up approach in the EES. The ESF projects tend to be temporary in character and with little feed back to the NAP work. Moreover, there is a need for an improved organisation between national and sub-national levels to learn from successful ESF projects (and in other cases learn what not to do) nationally, and spreading the information to the European level.

- **Call on member states to establish a more co-ordinated organisation with regard to ESF projects, so that the projects at local and/or regional level can feed back into the national and European level, and in the end, increase the mutual bottom-up learning process.**

We have already noted that the European Commission strongly influences both the political content and the process of the OMC. Arguably, it can pick policies that serve its

own political interest, rather than choose to conduct genuinely independent research. Against this background, there is a need to create an independent European Observatory to guarantee a high quality of analysis and complement the European Commission's own analysis.

- **Create a new independent European Observatory, for monitoring the OMC and related themes. Such an institute, European in scope, would, for example, be well-equipped to conduct peer reviews and benchmarking reports. In addition, the institute should have the right to study interdisciplinary themes of importance for improvement of the OMC. The analyses produced by the new institute should be made available to the general public and complement the policy reports by the European Commission.**



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