Robert M.
La Follette School of Public Affairs
at the University of Wisconsin-Madison

Working Paper Series
La Follette School Working Paper No. 2007-031
http://www.lafollette.wisc.edu/publications/workingpapers

A Decade of Innovation in EU Governance: The European Employment Strategy, the Open Method of Coordination, and the Lisbon Strategy

Jonathan Zeitlin
Professor, La Follette School of Public Affairs at the University of Wisconsin-Madison

jzeitlin@wisc.edu

Robert M. La Follette School of Public Affairs
1225 Observatory Drive, Madison, Wisconsin 53706
Phone: 608.262.3581 / Fax: 608.265-3233
info@lafollette.wisc.edu / http://www.lafollette.wisc.edu
The La Follette School takes no stand on policy issues; opinions expressed within these papers reflect the views of individual researchers and authors.

A Decade of Innovation in EU Governance: The European Employment Strategy, the Open Method of Coordination, and the Lisbon Strategy

Professor Jonathan Zeitlin
Director of the European Union Center of Excellence
University of Wisconsin-Madison
jzeitlin@wisc.edu

Paper prepared for the conference of the Portuguese Presidency of the EU on "Employment in Europe: Prospects and Priorities", Lisbon, 8-9 October 2007

Introduction and Summary

Over the past decade, the EU has experienced an extraordinary series of innovations in governance, beginning with the launch of the European Employment Strategy (EES) in 1997 and the invention of the Open Method of Coordination (OMC) as a new instrument for advancing the Lisbon Strategy in March 2000. This paper analyzes the origins and development of the EES (section I) and the OMC (section II) as innovative governance tools for the EU, and reviews the findings of empirical research on the national influence and effectiveness of the OMC in action (section III). The paper then goes on to discuss the criticisms of the OMC raised by the mid-term review of the Lisbon Strategy, together with the revised governance architecture introduced by the 2005 relaunch (section IV). Section V examines the practical experience of the relaunched Lisbon Strategy during its first two years (2005-6), identifying a number of major weaknesses in its governance architecture. Section VI concludes by proposing a set of possible reforms to the next cycle of the Lisbon Strategy aimed at correcting the problems experienced by the relaunch in two key areas: (A) strengthening its social dimension; and (B) reviving the European Employment Strategy.

I. The European Employment Strategy as an Innovative Approach to EU Governance

As a growing body of research has shown,[1] the EES originated from a combination of widespread uncertainty among Member States on how to combat persistently high unemployment, political spillover from Economic and Monetary Union (EMU), and the consolidation of a European advocacy coalition committed to a more active role for the EU in employment policy. Thus strategic uncertainty about how to tackle rising unemployment across the Member States spurred the European Council in 1993-4 first to request a White Paper on Growth, Competitiveness and Employment from the Delors Commission, and then to adopt a

[1] For detailed analyses of the origins of the EES, see Goetschy (1999); van Riel and van der Meer (2002); Arnold (2002); Trubek and Mosher (2003).

common action plan for labor market activation and employment policy reforms, whose substantive content largely anticipated that of the EES. Political spillover from EMU led key actors within the Commission, the European Parliament, and Member State governments (especially recently acceded countries such as Sweden) to demand the addition of an employment chapter to the Treaty at the 1996 Intergovernmental Conference, in order to sustain public support for European integration by showing that the EU was more than "a market and a currency" and underlining Member States' commitment to a collective approach to fighting unemployment. This advocacy coalition was then consolidated by governmental changes in pivotal Member States, resulting not only in the inclusion of an employment chapter in the Amsterdam Treaty but also in the convocation of an extraordinary summit in Luxembourg to implement the new Treaty provisions as quickly as possible.

Like the employment chapter itself, the EES or "Luxembourg Process" agreed in November 1997 was a political compromise reached amidst continuing strategic uncertainty about how best to tackle stubbornly high levels of unemployment across Europe. Thus the four pillars of the EES in its first phase – employability, adaptability, entrepreneurship, and equal gender opportunity – not only built on the EU's common employment policy priorities, as defined by the 1994 Essen European Council, but also incorporated ideas from a variety of ideological currents within the Union, drawing in particular on social democratic, liberal, and "third way" approaches.

More original than the substantive content of the EES was its procedural approach to EU governance. The Amsterdam Treaty had authorized the EU to coordinate the policies of Member States towards the achievement of a "high level of employment" as a matter of common concern, but had granted no new legislative or spending powers to the Union in this domain. The EES sought to square this circle by developing a new iterative process of benchmarking national progress towards common European objectives, supported by organized mutual learning. This iterative process, as it developed during the early years of the EES, consisted of five main steps in an annual cycle:

- The establishment of common but formally non-binding EU employment guidelines, targets, and indicators, based on intra- and extra-European benchmarking.
- National Action Plans for Employment (NAPs/empl), through which Member States assess their relative progress towards the common objectives and targets, and propose corrective action in areas of shortfall.
- Peer review of the NAPs/empl by Member State representatives in the Employment Committee (EMCO), supported by contextualized exchange of good practices at national level (also confusingly known as "peer review" exercises).
- A Joint Employment Report and set of country-specific recommendations, proposed by the Commission, reviewed by EMCO, and approved by the Council.
- Review and revision of guidelines, targets, indicators, and procedures.

The new governance architecture of the EES built on earlier methods developed for the coordination of Member State policies during the 1990s, notably the Broad Economic Policy Guidelines (BEPGs) and multilateral surveillance of national EMU convergence programs on the one hand, and the "Essen procedure" of annual reporting on national progress towards the EU's

common employment priorities on the other. But compared to the Essen procedure, the EES contained stronger and more systematic provisions for guidance, monitoring, and evaluation of Member State employment policies. Compared to the BEPGs and multilateral surveillance of convergence programs, conversely, the EES placed greater emphasis on adaptation of common European approaches to distinct national circumstances and mutual learning than on compliance by Member States with one-size-fits-all policy recommendations. Hence the EES was quickly recognized and theorized as an innovative approach to EU governance not only by academic observers, but also by key policy makers within DG V (EMPL) of the Commission.[2]

II. From the European Employment Strategy to the Open Method of Coordination: The Generalization of a New EU Governance Instrument

The EES explicitly served as the inspiration for the Open Method of Coordination (OMC), introduced at the extraordinary European Council of March 2000 as a broadly applicable new governance instrument designed to assist the Union in achieving the ambitious goals of the Lisbon Strategy: "to make the EU the most dynamic and competitive knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion".[3] Maria João Rodrigues, the architect of the Lisbon Strategy and "mother of the OMC" had been Portuguese Minister of Employment at the time of the 1997 Luxembourg Summit. The OMC, as defined by the Portuguese Presidency at Lisbon and afterwards, comprised four interdependent elements closely modeled on the EES:

- "Fixing guidelines for the Union combined with specific timetables for achieving the goals which they set in the short, medium and long term;
- establishing, where appropriate, quantitative and qualitative indicators and benchmarks against the best in the world and tailored to the needs of different Member States and sectors as a means of comparing best practices;
- translating these European guidelines into national and regional policies by setting specific targets and adopting measures, taking into account national and regional differences;
- periodic monitoring, evaluation and peer review organized as mutual learning processes" (European Council 2000: §37)."[4]

The Lisbon European Council authorized the application of the OMC to a wide range of policy areas, including R&D/innovation, information society/eEurope, enterprise promotion, structural economic reform, social inclusion, and education and training. In the years following Lisbon, OMCs were introduced in a number of further policy fields, including pensions, health and long-

[2] For examples of such theorization of the EES as a new approach to EU governance within DG EMPL prior to the Lisbon Summit of March 2000, see Quintin (1999); Larsson (2000a).

[3] It is important to recall that the OMC was never intended to serve as the sole governance instrument for the Lisbon Strategy, but was always supposed to be combined with the full set of EU policy tools, including legislation, social dialogue, Community action programs, and the structural funds.

[4] See also Portuguese Presidency of the European Union (2000); Lönnroth (2000).

term care, youth policy, and better regulation. Proposals were also advanced by the Commission and others to extend the OMC to a host of other policy areas, such as immigration, asylum, occupational health and safety, environmental protection, disability, and fundamental rights. In addition, following recommendations from the Commission's High Level Group on Industrial Relations (European Commission 2002), the European social partners have drawn inspiration from the OMC for the monitoring and follow-up of non-binding framework agreements and guidelines at both cross-industry and sectoral levels. Significantly, however, many of these new OMC processes, however, did not include the full four-stage governance architecture defined at Lisbon, but only fragmentary elements such as European Action Plans, objectives, targets, scoreboards, indicators, peer review, or exchange of good practices.[5]

From its inception, the OMC was widely hailed as a "third way" for EU governance between regulatory competition and harmonization, capable of opening a sustainable path for the Union between fragmentation and a European superstate (Larsson 2000b). Many academic and political commentators embraced the OMC as a suitable instrument for identifying and pursuing common European concerns while respecting legitimate national diversity, because it commits Member States to work together in reaching shared objectives and performance targets, without seeking to homogenize their inherited policy regimes and institutional arrangements (Hemerijck and Berghman 2004). Many likewise viewed the OMC as a promising mechanism for promoting experimental learning and deliberative problem solving across the EU, because it systematically and continuously obliges Member States to pool information, compare themselves to one another, and reassess current policies against their relative performance (Zeitlin 2005c; Cohen and Sabel 2003; Telò 2002). For all these reasons, during the years immediately following the Lisbon Summit the OMC rapidly became the governance instrument of choice for EU policy making in complex, domestically sensitive areas, where the Treaty base for Community action is weak, where inaction is politically unacceptable, and where diversity among Member States precludes harmonization.

III. The OMC in Action

The national influence and effectiveness of OMC processes is notoriously difficult to assess, not only because of their variety, complexity, and relative newness, but also because of the methodological problems involved in disentangling the independent causal impact of an iterative policy-making process based on collaboration between EU institutions and Member State governments without legally binding sanctions.[6] Yet there is now a substantial body of empirical research on the operations of the OMC at national and subnational levels, drawing on a wide range of official and unofficial sources. Most of this research focuses on employment, social inclusion, and social protection as the oldest, most fully developed, and best institutionalized OMC processes.[7]

[5] For an overview of the diffusion of OMCs after Lisbon, see Zeitlin (2005a).

[6] For a fuller discussion of these methodological problems, see Zeitlin (2005a: 26-7).

[7] For synthetic overviews, see Zeitlin and Pochet (2005); Heidenreich and Zeitlin (forthcoming).

Although the findings of this research remain controversial and subject to multiple interpretations, my reading of the available evidence supports the view that the OMC in these policy fields should be considered a qualified success in a number of important respects.[8] The first of these concerns substantive policy change. Thus, these OMC processes have helped to raise the salience and ambition of national employment and social inclusion policies in many Member States. They have contributed to changes in national policy thinking (cognitive shifts) by incorporating EU concepts and categories (such as activation, prevention, lifelong learning, gender mainstreaming, and social inclusion) into domestic debates, exposing policy makers to new approaches, and pressing them to reconsider long-established but increasingly counterproductive policies (such as early retirement). These OMC processes have likewise contributed to changes in national policy agendas (political shifts) by putting new issues on the domestic agenda and/or raising their relative salience (such as activation, pension reform, childcare provision, gender equality, child poverty, and integration of immigrants). There is also evidence from both official reports and interviews that OMC objectives, guidelines, targets, and recommendations have contributed to changes in specific national policies (policy shifts), in areas such as activation/prevention, tax-benefit reforms, active ageing/lifelong learning, gender equality, child care, social assistance, and pension reform. Yet given the active role of Member States in shaping the development of OMC processes, their relationship to national policy making should be understood as a two-way interaction rather than a one-way causal impact.

A second form of positive influence on the part of the OMC concerns procedural shifts in governance and policy-making arrangements. Here there is abundant evidence that the EES and the OMCs in social protection/inclusion have contributed in most Member States to better horizontal coordination and cross-sectoral integration of interdependent policy areas; enhanced vertical coordination between levels of governance; improved steering and statistical capacity; increased consultation and involvement of non-state actors (especially in social inclusion, but also to a significant extent in employment); and the development of horizontal or diagonal networks for participation of non-state and subnational actors in EU policy making. Here too, however, OMC processes are not the only cause of these shifts in governance arrangements, and the degree of involvement of non-state/subnational actors in particular also depends both on domestic institutional configurations and the actors' own strategies.

A third form of positive influence exerted by the OMC concerns mutual learning. Here we see a prevalence of indirect or higher-order over direct or first-order effects. Thus for example there are relatively few examples of direct policy transfer, as national reforms typically draw analogic inspiration rather than detailed policy blueprints from other Member States. Even here, however, we find some surprising examples of more direct borrowing, such as the influence attributed by the UK to learning from Ireland and several northern European countries on its childcare, lone parents, indebtedness, and social inclusion policies.[9] More prominent instead has been the influence of OMC processes on the identification of common challenges and promising policy approaches at European level (heuristic effects); statistical harmonization and capacity building (at both EU and national levels); and their stimulus to Member States to rethink established approaches and practices, as a result of the obligation to compare national performance to that of other countries on the one hand, and the obligation to re-examine and re-evaluate national

[8] For a fuller assessment, see Zeitlin (2005b) and Zeitlin (forthcoming).

[9] For these examples, see European Commission (2006: 6).

policies against their relative progress in meeting common European objectives on the other (maieutic or reflexive effects).

Yet as empirical research shows, these OMC processes in employment and social protection/inclusion also suffered from significant weaknesses. Chief among these were a lack of openness and transparency, with bureaucratic actors playing a dominant role at both EU and national levels; weak integration into national policy making, with NAPs serving more as reports to the EU than as operational policy steering documents; and limited bottom-up or horizontal policy learning, with few examples of upwards knowledge transfer and cross-national diffusion of innovative local practices. Yet most of these observed shortcomings arguably stemmed not from any intrinsic weaknesses of the OMC *per se*, but rather from procedural limitations of specific OMC processes. Hence a potentially fruitful strategy for improving the effectiveness of existing OMC processes would be to apply to their own procedures the key elements of the method itself: benchmarking, peer review, monitoring, evaluation, and iterative redesign. Ongoing initiatives within the EES and the OMC on Social Protection and Social Inclusion over the past few years provide evidence of the practical viability of this reflexive reform strategy, such as the strengthening of mutual learning and peer review programs on the one hand, and proposals by EU institutions for greater openness, stakeholder participation, and "mainstreaming" of OMCs into domestic policy making on the other.[10]

If the OMCs in employment and social protection/inclusion may be judged a qualified success, the same cannot be said of their counterparts in fields such as innovation, enterprise promotion, and information society. There the OMC has been widely blamed for Member States' lack of progress towards the R&D investment target of 3% of GDP set by the 2002 Barcelona European Council, and for the limited impact and visibility of eEurope policies. Yet OMC processes in these areas are characterized by 'lite' recipes and fragmentary architectures, with no agreed National Action Plans or country-specific recommendations, limited monitoring and reporting, little peer review, and weak mutual learning mechanisms. Hence according to an independent evaluation prepared for the Commission by the Tavistock Institute (2005), OMC in these areas "cannot yet be said to be a success or failure", because it "simply has not been fully implemented".[11]

IV. The OMC and the Lisbon Strategy Relaunch

The OMC was doubly challenged by the mid-term review of the Lisbon Strategy in 2004-5. Horizontally, it was challenged in terms of the balance and integration between distinct sectoral policy coordination processes and objectives. Vertically, it was challenged in terms of the effectiveness of these coordination processes in securing Member State progress towards common European objectives.

[10] For a fuller discussion of this reflexive reform strategy, see Zeitlin (2005b: 483-93); Sabel and Zeitlin (2007: 49-52).

[11] For an unfavorable contrast of the institutionalization of the OMC in R&D with that in education and training, see also Gornitzka (2006).

Thus the 2004 report of the High Level Group chaired by Wim Kok criticized the OMC for the weakness of benchmarking and peer review as incentives for Member State delivery of policy commitments, while also noting the ineffectiveness of the Community Method in ensuring timely implementation of directives. To remedy these weaknesses, the Kok Report called for a refocusing of the Lisbon Strategy objectives, targets, and indicators on growth and jobs, supported by intensified peer pressure on Member States through a process of "naming, shaming, and faming" (Kok 2004). The Lisbon Strategy New Start communication prepared by the incoming Commission on behalf of President Barroso and Vice-President Verheugen echoed the Kok Report's critique of OMC for failing to mobilize Member State commitment to the implementation of the Lisbon Agenda and endorsed the High Level Group's recommendation to refocus the strategy around growth and jobs. But the New Start communication rejected the idea of advancing the revised Lisbon Strategy through "naming, shaming, and faming" in favor of a new set of reform partnerships between the Commission and Member States on the one hand, and between national governments and domestic stakeholders on the other. These new reform partnerships were explicitly designed to shift the focus of the Lisbon Strategy away from "co-ordination through multi-lateral discussions between 25 Member States and the Commission, on individual policy themes (the OMC)" towards "a bilateral in depth dialogue between the Commission and Member States on a commitment based national action programme" (European Commission 2005: 31).

An important point to note is that the mid-term review of the Lisbon Strategy was a surprisingly non-evidence-based process. Thus unlike the 2003 Employment Task Force previously chaired by Wim Kok, the 2004 High Level Group was dominated by political appointees, business people, and academic economists, with limited expertise on social and employment policies, and did not systematically review the available evidence on the performance of OMC processes (such as the extensive mid-term review of the EES in 2002). Similarly, the Commission's Lisbon New Start communication appears to have neglected both internal and external evidence on the successes and failures of different OMC processes, such as the Tavistock Institute evaluation of the eEurope program discussed earlier.

The architectural core of the relaunched Lisbon Strategy was the fusion of the European Employment Guidelines (EEGs) and the Broad Economic Policy Guidelines (BEPGs) into a single set of 24 Integrated Guidelines for Growth and Jobs, divided into separate macroeconomic, microeconomic, and employment chapters. The first cycle of Integrated Guidelines for 2005-2008 preserved the main thrust of the preceding employment guidelines, including the linkage to the overarching objectives of the EES (full employment, improving quality and productivity at work, strengthening social and territorial cohesion), but only at the cost of increased complexity within individual guidelines and continuing overlap with the economic policy chapters. In line with this architectural shift, the National Action Plans for Employment and Joint Employment Report were replaced by sections within Member States' National Lisbon Reform Programs (NRPs) and the Commission's Annual Lisbon Progress Report (APR) respectively.

On the social side, following an effective EU-level campaign led by social NGOs with support from key Member States and the European Parliament, social cohesion objectives, including the commitment to a decisive reduction of poverty and social exclusion, were formally reinstated in the Lisbon Strategy by the 2005 Spring European Council, a decision reaffirmed by successive Spring European Councils in 2006 and 2007. At the same time, the three "strands" of the social

OMCs (inclusion, pensions, health and long-term care) were “streamlined” into a single overarching Open Method of Coordination on Social Protection and Social Inclusion (OMC/SPSI), with both common and sector-specific objectives.

According to the conclusions of the 2006 Spring European Council, the relaunched Lisbon Strategy is designed to provide “a framework where economic, employment and social policy mutually reinforce each other, ensuring that parallel progress is made on employment creation, competitiveness, and social cohesion in compliance with European values”. This mutually reinforcing dynamic within the revised Lisbon Strategy is supposed to be achieved by a reciprocal relationship between the streamlined Open Method of Coordination on Social Protection and Social Inclusion (OMC/SPSI) and the Integrated Guidelines for Growth and Jobs at both national and European levels, whereby the former “feeds in” to growth and employment objectives, while the latter “feed out” to advance social cohesion goals.

V. The Relaunched Lisbon Strategy in Practice: Closing the Implementation Gap through Better Governance?

A central objective of the relaunched Lisbon Strategy was to close the implementation gap through better governance. But the experience of the first two years (2005-6) of the National Reform Programs and the Integrated Guidelines for Growth and Jobs suggests that the revised governance architecture for the Lisbon Strategy remains problematic in a number of major respects.

First, the disappearance of the Joint Employment Report and the National Action Plans for Employment in most Member States (with the exception of Portugal) has reduced the visibility of employment policy coordination at both national and EU levels.[12] No less significantly, the revised Lisbon Strategy arrangements have led to greater unevenness in Member State employment policy reporting and a loss of European-level monitoring capacity. Most Member States do not structure their NRPs around the Integrated Guidelines, only 6 of 25 include full data on the existing European employment indicators, and few report progress on the EES activation targets, the Gender Pact agreed at the 2006 European Council, or the Lifelong Learning Strategies requested by the 2004 Spring European Council. Although EMCO has stepped up its Mutual Learning Program through thematic review seminars and national follow-up activities as well as peer reviews of good practices, the variable and uneven format of the NRPs has made it more difficult to feed back and mainstream the results of this mutual learning into national policy making.

Second, the effectiveness of the desired mutually reinforcing feedback between the social, economic, and employment dimensions of the relaunched Lisbon Strategy has remained decidedly limited, with wide variations across Member States. Thus, for example, in the 2006 NRP Implementation Reports (NRPIRs), only ten Member States included social cohesion/inclusion objectives (including gender equality) among their national priorities or referred extensively to them, while the remainder briefly cross-referenced the OMC National Reports on Strategies for Social Protection and Social Inclusion submitted the previous month (9

[12] For assessments in this direction, see Mailand (2006); Holmes et al. (2007).

MS), referred exclusively to labor market inclusion (4 MS), or omitted any mention of social cohesion altogether (4 MS). There also appear to be few direct linkages between the social cohesion/inclusion objectives and Member States' plans for the use of the structural funds, which are supposed to be tied increasingly tightly to the Lisbon Agenda, accounting for 60-75% of expenditures. Nor has there been much evidence so far of explicit "feeding out" from the Integrated Guidelines and NRPs to the OMC/SPSI, for example through systematic impact assessments of the actual or prospective effects of Member States' economic and employment policies on social cohesion/inclusion outcomes.[13]

Third, a key goal of the Lisbon Strategy relaunch was to enhance national ownership and participation by non-governmental actors in the reform agenda. Most independent assessments, including an official report by the European Economic and Social Committee, concur that these ambitions were not realized during the drafting of the 2005 NRPs, which arguably represented a backward step in terms of participation by civil society actors compared to previous National Action Plans for Employment (or still more so Social Inclusion).[14] In response to such criticisms, the Commission undertook a major push for increased national ownership in the 2006 NRP implementation process, resulting in the creation of new consultative/coordination bodies, the upgrading of the political status of Lisbon coordinators, and wider involvement of national parliaments, social partners, and local/regional authorities in many Member States. Yet according to a variety of independent sources, the NRP implementation process has continued to lack public visibility in most Member States, while involvement of non-state and subnational actors was often confined to formal consultation and/or information exercises, with limited opportunity to influence substantive policy direction or content. By all accounts, civil society actors, such as NGOs and voluntary associations, were much less involved in most Member States, often because of difficulties in obtaining access to consultation and coordination processes dominated by Finance or Economics ministries with whom they had little previous contact.[15] But even if these procedural barriers to civil society participation could be overcome, it is difficult to imagine how the National Reform Programmes could attract widespread popular enthusiasm and enhance support for European integration among the Union's citizens while continuing to neglect the pursuit of social cohesion/inclusion objectives, which as opinion polling data show remain central to public concerns in most Member States.

Fourth, it has proved extremely difficult to sustain the simplified focus of the revised Lisbon Strategy and the shift from multilateral policy coordination to bilateral reform dialogue between the Commission and Member States. Both at EU and national level, growth and jobs objectives

[13] This assessment is confirmed by the report of the EU Network of Independent Experts on Social Inclusion for the second semester of 2006, which underlines the "enormous diversity in how feeding-in and feeding out have occurred….In some Member States, it appears that the social dimension has been influential in the evolution of the National Reform Programme as shown in the Implementation Reports. In others, this influence has either been cursory, with consultation limited to certain interlocutors, or there is only limited evidence that social priorities have been translated into clearly articulated objectives in the NRP. In many cases, there is a disturbing lack of common ground between the NRPs and the National Reports on Strategies for Social Protection and Social Inclusion. Even where they are reasonably integrated, it tends to be in selected areas only, such as the functioning of the labour market or lifelong learning, whereas social inclusion is often absent" (Begg and Marlier 2007: 5).

[14] European Economic and Social Committee (2006). For a comprehensive overview of assessments of the first round of Lisbon NRPs, see Begg (2006), based on a study prepared for the European Parliament.

[15] For overviews of consultation of non-state actors in the preparation of the 2006 NRPIRs, see Begg and Marlier (2007: Table 3.1, pp. 12-14); European Anti-Poverty Network (2007).

are closely linked to those of other policy areas subject to separate coordination processes, such as social protection/inclusion, education/training, and environment/sustainable development. The effort to increase the effectiveness of the Lisbon Strategy by focusing on a narrower range of objectives and enhance national commitment by allowing Member States to set their own reform priorities has been accompanied by a loss of the specificity and detailed reporting against common indicators needed to monitor, evaluate, and coordinate complex policy areas, as can be seen in the case of employment. Incorporating key objectives and indicators from other sectoral policy coordination processes such as the OMC/SPSI into the Lisbon Strategy is not like adding unnecessary ornaments to a Christmas tree, as a widely used metaphor has suggested, but rather like equipping the cockpit of a high-speed aircraft with the full set of instrumentation systems needed to avoid flying blind.

Unsurprisingly, the European Council has been unable to resist adding new priorities to the 24 Integrated Guidelines as circumstances change, such as the four cross-cutting priority areas for more growth and jobs agreed at the 2006 Spring European Council.[16] Unsurprisingly, too, the European Council and the Commission have also launched new coordination processes and reporting obligations for Member States in response to these and other emergent priorities such as the integration of immigrants or the reduction of administrative burdens. Finally, the Commission itself appears to have recognized the limits of bilateral dialogue with Member States on their NRPs, as can be seen, for example, from its efforts to organize mutual learning workshops within the Network of National Lisbon Coordinators on issues such as one-stop shops for setting up new enterprises, business-university cooperation, and extending working lives of older workers – albeit at some risk of duplicating the work of the sectoral OMCs.

VI. Reorienting the Relaunch: Policy Options for a New Cycle of the Lisbon Strategy

The advent of a new cycle of Integrated Guidelines for 2008-2011 provides a welcome opportunity to reorient the relaunched Lisbon Strategy in order to correct the principal deficiencies of its governance architecture revealed by the experience of the past two years. As the preceding analysis suggests, reforms to the relaunched Lisbon Strategy are urgently needed in two main areas, which will be addressed in turn: (A) strengthening the social dimension; and (B) reviving the European Employment Strategy.

A. Strengthening the Social Dimension of the Lisbon Strategy[17]

Since 2005, the European Council has repeatedly reaffirmed that greater social cohesion and the fight against poverty/social exclusion remain core objectives of the Lisbon Strategy. Yet this political commitment to the social dimension of the Lisbon Strategy has not been reflected in the guidelines provided to Member States for the preparation of their National Reform Programs, nor in the assessment of the NRPs themselves. The 2007 Spring European Council accordingly

[16] These four cross-cutting priority areas are: investing more in knowledge and innovation; unlocking the business potential, especially of SMEs; greater adaptability of labour markets based on flexicurity; and energy and climate change.

[17] For a fuller analysis and recommendations, see Zeitlin (2007).

stressed that “the common social objectives of Member States should be better taken into account within the Lisbon Agenda…in order to ensure the continuing support for European integration by the Union’s citizens”.

European welfare states stand in ongoing need of reform to ensure their adequacy, sustainability, and adaptation to new social risks in the face of changing employment patterns, household/family structures, and demographic trends. From the very beginning, the OMC/SPSI was specifically designed to pursue these multiple but equally indispensable goals in a balanced and coherent way incorporating both social and economic perspectives, e.g. through collaboration between the Social Protection Committee (SPC) and the Economic Policy Committee (EPC) in the field of pensions. Indeed, the OMC more generally can be seen as an iterative discipline for reconciling apparently contradictory objectives (such as more and better jobs, adequate and sustainable pensions, or accessible, high-quality and sustainable health/long-term care) by discovering synergies and win-win solutions through comparison of different national approaches to achieving them.

But by excluding the EU’s social objectives from the Integrated Guidelines for Growth and Jobs, the Union has effectively returned to the one-sided coordination of Member States’ social policies in pursuit of financial sustainability and employment promotion which the OMC/SPSI was developed to overcome. Thus, for example, in the 2007 joint recommendations, based on the Commission’s Annual Progress Report, eight Member States received formal recommendations to accelerate the reform of their pensions and/or health-care systems in order to ensure the sustainability of the public finances, while three further Member States were exhorted to step up implementation of overdue pension and/or health care reforms as additional focus points.

No less importantly, most innovative EU approaches to the modernization of the European Social Model(s) require systematic integration and coordination of reforms across multiple interdependent policy domains, such as labor market activation, lifelong learning, occupational health and safety, anti-discrimination rights, and pension/disability schemes in the case of “active ageing”, or contractual arrangements, activation, lifelong learning, and social security systems in the case of “flexicurity”. Such horizontal policy integration and joined-up governance can only be hindered by the failure to incorporate social cohesion/inclusion objectives – and the actors associated with them – into the National Reform Programmes of many Member States.

Three broad policy options for strengthening the social dimension of the Lisbon Strategy may be envisaged:

1. Incorporating both the EU’s common social cohesion/inclusion objectives and the OMC/SPSI into the Integrated Guidelines for Growth and Jobs and the National Reform Programmes (“full incorporation”).

2. Incorporating the EU’s social cohesion/inclusion objectives more explicitly into the Integrated Guidelines, while retaining the OMC/SPSI as a distinct policy coordination and reporting process (“partial incorporation”).

3. Leaving unchanged the existing structure of the Integrated Guidelines for Growth and Jobs and OMC/SPSI, while improving the arrangements for “feeding-in” and “feeding-out” at both national and EU levels (“enhanced status quo”).

Each of these policy options for strengthening the social dimension of the Lisbon Strategy has both advantages and disadvantages. There are also some areas of potential overlap between them. Thus, for example, the reinforced participation, reporting, and impact assessment requirements proposed below to make "feeding-in/out" work better under Option 3 ("enhanced status quo") would also be necessary to secure the effectiveness of full or partial incorporation of the social cohesion/inclusion objectives into the Integrated Guidelines and National Reform Programs (Options 1 and 2).

In terms of advantages and disadvantages, Option 1, full incorporation of the EU's common social cohesion/inclusion objectives and the OMC/SPSI into the Integrated Guidelines and National Reform Programs is, at first glance, the cleanest and most coherent solution. This approach would, in principle, place the EU's social objectives on an equal footing with its commitments to the pursuit of growth and jobs within the Lisbon Strategy, create an integrated institutional framework for reconciling conflicts and discovering synergies between these objectives at both national and European levels, and reduce the number of separate policy coordination and reporting processes. Yet as the experience of the EES suggests, such full incorporation of the OMC/SPSI into the Integrated Guidelines and National Reform Programs would carry grave risks of weakening EU social policy coordination by reducing its visibility and autonomy at both national and European levels.

Option 3, improving arrangements for "feeding-in" and "feeding out" between the OMC/SPSI and the Integrated Guidelines for Growth and Jobs without changing the structure of the latter might thus seem to be the simplest and least risky solution. This option could involve formal injunctions for Member States to involve social actors (both governmental and non-governmental) in the drafting of their NRPs, to discuss explicitly how their NRPs advance the EU's social cohesion/inclusion objectives (including gender equality), and to incorporate in their NRPs systematic impact assessments of the actual and prospective effects of economic and employment policies on social cohesion/inclusion outcomes. These latter two requirements could be similarly extended from the national to the European level as components of the Commission's Annual Lisbon Progress Report.[18] Such reinforced social participation, reporting, and impact assessment requirements are desirable in themselves and would be necessary for the successful operation of any full or partial incorporation of the EU's social cohesion/inclusion objectives into the Integrated Guidelines and National Reform Programs (Options 1 and 2). But without formal changes to the Integrated Guidelines, proposals for improvements in "feeding-in" and "feeding-out" are likely to prove ineffective. Thus most Member States have so far largely ignored exhortations from the European Council to highlight "feeding-in" and "feeding-out" in their National Reform Programs/implementation reports, as has the Commission itself in its Annual Progress Report, and there is little reason to think that this pattern will improve significantly in the future so long as the social cohesion/inclusion objectives remain outside the Integrated Guidelines themselves.

Hence some version of Option 2 ("partial incorporation") appears to be the most promising approach to strengthening the social dimension of the Lisbon Strategy while preserving the visibility and autonomy of European social policy coordination. This option would involve the incorporation of more explicit references to the EU's social objectives into the Integrated

[18] For a more extensive discussion of such proposals for mainstreaming social objectives into domestic and EU policy making through systematic impact assessment (both *ex ante* and *ex post*), see Marlier et al. (2007).

Guidelines (whether in the form of a new social chapter or a greater emphasis on social cohesion goals within the existing set of guidelines), while maintaining the OMC/SPSI as a distinct policy coordination and reporting process based on the existing set of 12 common objectives for social protection and social inclusion. There are undoubtedly some risks of reducing the autonomy of the OMC/SPSI by incorporating social objectives into the Integrated Guidelines. Yet retaining procedural autonomy while sacrificing political influence by remaining outside the core of the Lisbon Strategy is the greater danger currently facing the OMC/SPSI, since Member States are already subject to country-specific recommendations on the reform of their social protection systems under the Integrated Guidelines for Growth and Jobs insofar as these may be deemed necessary for public financial sustainability and/or employment promotion.[19]

But incorporation of the EU's social objectives into the Integrated Guidelines should be accompanied by organizational changes to the Lisbon Strategy aimed at preserving the integrity and effectiveness of the OMC/SPSI (including that of its three constituent strands) as a distinct sectoral policy coordination and reporting process. Thus the Integrated Guidelines and the National Reform Programs should be reconceived as the twin apexes of an overarching policy coordination process built up from sectoral OMCs (including those concerned with macro and micro economic objectives), as sites where conflicting priorities and approaches can be provisionally reconciled, rather than as unified, centralized replacements for the sectoral coordination processes themselves. In this spirit, the National Reports on Strategies for Social Protection and Social Inclusion should be retained as distinct documents preceding and flowing into the National Reform Programs. This might be seen from some perspectives as an undesirable multiplication of planning and reporting processes, but as argued earlier, such sectoral specificity is indispensable for effective monitoring, evaluation, and coordination of complex policy fields such as social protection/inclusion.

B. Reviving the European Employment Strategy

These organizational changes to the Integrated Guidelines and National Reform Programs are needed not only to safeguard the autonomy of European social policy coordination, but also to improve the effectiveness of the relaunched Lisbon Strategy as a whole. In particular, such organizational reforms would provide an opportunity to redress many of the problems experienced by the EES, which has lost visibility, monitoring capacity, and participatory impetus under the relaunched Lisbon Strategy. Thus as in the case of the OMC/SPSI and the National Reports on Strategies for Social Protection, it would be beneficial to revive the European Employment Strategy and the National Action Plans for Employment as distinct policy coordination processes and planning documents preceding and flowing into the National Reform Programs, in conformity with the provisions of the Amsterdam Treaty. This revival of the EES and the NAPs/empl should be accompanied by broad opportunities for participation by non-state and subnational actors (including civil society organizations and local/regional authorities as well as the social partners and national parliaments) at all stages in the process.

[19] This impetus from the Lisbon Strategy for the reform of national social protection systems will be intensified by current proposals to adopt a set of common flexicurity principles, which 'should then inspire and contribute to the implementation of the Integrated Guidelines' (European Commission, 2007).

To maximize opportunities for mutual learning in the social and employment fields, Member States should be obliged to report consistently on progress towards each objective and guideline, using common European indicators as far as possible. In keeping with the methodological principles outlined by the Indicators Sub-Group of the Social Protection Committee, such common indicators should be outcome-oriented, responsive to policy interventions, subject to a clear and accepted normative interpretation, timely, and revisable. They should also be sufficiently comparable and disaggregable to serve as diagnostic tools highlighting areas for improvement and self-corrective action by national and local actors, rather than as soft sanctions or shaming devices to enforce Member State compliance with European targets.[20] Such diagnostic monitoring is entirely consistent with the approach recently adopted by Member State representatives in EMCO, who rejected detailed mutual surveillance of each other's National Reform Programs in favor of a thematic peer review of policies in key priority areas (people at the margins of the labor market, flexicurity, lifelong learning for older workers) aimed at fostering mutual learning.

Taken together, these proposed reforms would enable the next cycle of the Lisbon Strategy to build on the achievements of the EES over the past decade in improving the governance of national employment policies, while enhancing Member States' capacity to feed back and mainstream the results of their mutual learning into national policy making. With these organizational changes in place in the next cycle of the Lisbon Strategy, European social, economic, and employment policies could at last begin to work together in a mutually reinforcing way to deliver faster sustainable growth, more and better jobs, and greater social cohesion – as originally envisaged by its architects seven years ago.

[20] For in-depth discussions of the appropriate design and use of indicators in OMC processes, see Marlier et al. (2007: ch. 5); Atkinson et al (2002).

References

Arnold, C. (2002). "How Two-Level Entrepreneurship Works: A Case Study of Ratcheting Up a Europe-Wide Employment Strategy", unpublished PhD thesis, University of Massachusetts-Amherst.

Atkinson, T., B. Cantillon, E. Marlier, and B. Nolan (2002). *Social Indicators: The EU and Social Inclusion*, Oxford: Oxford University Press.

Begg, I. (2006). *Lisbon Relaunched: What Has Changed? Is It Working Better?*, Special CEPS Report, Brussels: Centre for European Policy Studies, December.

Begg, I. and E. Marlier (2007). *Social Inclusion 2006: Second Semester Report. Independent Overview Based on National Report of Independent Experts*, Brussels: EU Network of Independent Experts on Social Inclusion, 1 May.

Cohen, J. and C. Sabel (2003). "Sovereignty and Solidarity: EU and US", in Zeitlin and Trubek (2003).

European Anti-Poverty Network (2007). *Making Lisbon Deliver for People Experiencing Poverty: EAPN Response to 2006 Implementation Reports on the National Reform Programs*, Brussels: EAPN, January.

European Commission (2002). *Report of the High Level Group on Industrial Relations and Change in the European Union*, Brussels: DG EMPL, January

European Commission (2005). *Working Together for Growth and Jobs: A New Start for the Lisbon Strategy. Communication to the Spring European Council from President Barroso in agreement with Vice-President Verheugen*, COM (2005) 24, Brussels, 2 February.

European Commission (2006). *Evaluation of the Open Method of Coordination for Social Protection and Social Inclusion*, SEC (2006) 345, Brussels, 8 March.

European Commission (2007). *Towards Common Principles of Flexicurity: More and Better Jobs through Flexicurity and Security*, COM (2007) 359, Brussels, 27 June.

European Council (2000). *Presidency Conclusions of the Lisbon European Council*, SN 100/00, 23-24 March.

European Economic and Social Committee (2006). *Implementation of the Lisbon Strategy: Summary Report for the European Council (23 and 24 March 2006)*, Brussels: CESE 1468/2005 rev.

Goetschy, J. (1999). "The European Employment Strategy: Genesis and Development", *European Journal of Industrial Relations* 5(2): 117-37.

Gornitzka, A. (2006). "The Open Method of Coordination in European Education and Research Policy: Animating a Label", unpublished paper presented to the European Union Center of Excellence, University of Wisconsin-Madison, 13 October, http://eucenter.wisc.edu/GornitzkaPaper.pdf.

Heidenreich, M. and J. Zeitlin (eds.) (forthcoming). *Changing European Welfare and Employment Regimes: The Influence of the Open Method of Coordination on National Labour Market and Social Welfare Reforms*, book manuscript in progress.

Hemerijck, A. and J. Berghman (2004). "The European Social Patrimony: Deepening Social Europe through Legitimate Diversity", in T. Sakellaropoulos and J. Berghman (eds.), *Connecting Welfare Diversity within the European Social Model*, Antwerp: Intersentia.

Holmes, O., W. Kruse, C. Lafoucrière, and P. Tilly (2007). *European Employment Strategy and the Integrated Guidelines for Growth and Jobs*, Brussels: European Trade Union Confederation.

Kok, W. (2003). *Jobs, Jobs, Jobs: Creating More Employment in Europe. Report of the Employment Taskforce Chaired by Wim Kok*, Brussels: European Commission, November.

Kok, W. (2004). *Facing the Challenge: The Lisbon Strategy for Growth and Employment. Report from the High Level Group Chaired by Wim Kok*, Brussels: European Commission, November.

Larsson, A. (2000a). "The European Employment Strategy: A New Field for Research", lecture to European Society of the London School of Economics, 17 January.

Larsson, A. (2000b). "The New Open Method of Co-ordination: A Sustainable Way between a Fragmented Europe and a European Supra State?" lecture at Uppsala University, 4 March.

Lönnroth, J. (2000). "The European Employment Strategy, a Model for Open Co-ordination and the Role of the Social Partners", presentation to SALTSA conference on "Legal Dimensions of the European Employment Strategy", Brussels, 9-10 October.

Mailand, M. (2006). *Coalitions and Policy Coordination - Revision and Impact of the European Employment Strategy,* Copenhagen: DJØF Forlagene.

Marlier, E., A.B. Atkinson, B. Cantillon, and B. Nolan (2007). *The EU and Social Inclusion: Facing the Challenges*, Bristol: Policy Press.

Portuguese Presidency of the European Union (2000). *The On-going Experience of the Open Method of Co-ordination*, 13 June.

Quintin, O. (1999). "From Regulation to a Benchmarking of the Systems", speech to conference of the Bundesvereinigung der deutschen Arbeitgeberverbände, Bad Godesberg, 24 September.

Sabel, C. and J. Zeitlin (2007). "Learning from Difference: The New Architecture of Experimentalist Governance in the European Union", *European Governance (EUROGOV) Paper* No. C7-02, May 2007, http://www.connex-network.org/eurogov/pdf/egp-connex-C-07-02.pdf.

Tavistock Institute (2005). *The Analysis of Impacts of Benchmarking and the eEurope Actions in the Open Method of Co-ordination. How the eEurope OMC worked: Implications for the Co-ordination of Policy under i2010*, final report prepared for DG Information Society by the Tavistock Institute, London, Net Effect Ltd., Helsinki, and Istituto per la Ricerca Sociale, Milan.

Telò, M. (2002). “Governance and Government in the European Union: The Open Method of Co-ordination”, in M.J. Rodrigues (ed.), *The New Knowledge Economy in Europe: A Strategy for International Competitiveness and Social Cohesion*, Cheltenham: Edward Elgar.

Trubek, D. and J. Mosher (2003). “New Governance, Employment Policy, and the European Social Model”, in Zeitlin and Trubek (2003).

van Riel, B. and M. van der Meer (2002). “The Advocacy Coalition for European Employment Policy – The European Integration Process after EMU”, in Horst Hegmann and Bernhard Meumärker (eds.), *Die Europäische Union aus politökonomischer Perspektive*, Marburg: Metropolis Verlag.

Zeitlin, J. (2005a). “Introduction: The Open Method of Co-ordination in Question”, in Zeitlin and Pochet (2005).

Zeitlin, J. (2005b). “Conclusion: The Open Method of Co-ordination in Action: Theoretical Promise, Empirical Realities, Reform Strategy”, in Zeitlin and Pochet (2005).

Zeitlin, J. (2005c). “Social Europe and Experimental Governance: Towards a New Constitutional Compromise?”, in G. de Búrca (ed.), *EU Law and the Welfare State: In Search of Solidarity*, Oxford: Oxford University Press.

Zeitlin, J. (2007). “Strengthening the Social Dimension of the Lisbon Strategy”, paper presented to an informal meeting of the EU Social Protection Committee, Erfurt, Germany, 23 May.

Zeitlin, J. (forthcoming). “The Open Method of Coordination and Reform of National Social and Employment Policies: Influences, Mechanisms, Effects”, in Heidenreich and Zeitlin (forthcoming).

Zeitlin, J. and P. Pochet, with L. Magnusson (eds.) (2005). *The Open Method of Co-ordination in Action: The European Employment and Social Inclusion Strategies*, Brussels: P.I.E.-Peter Lang.

Zeitlin, J. and D. Trubek (eds.) (2003). *Governing Work and Welfare in a New Economy: European and American Experiments*, Oxford: Oxford University Press.