The Open Method of Coordination and the Governance of the Lisbon Strategy

Jonathan Zeitlin
University of Wisconsin-Madison
EUSA conference, May 16-19, 2007
Plan of the talk

• I. Revising the Lisbon Strategy: What was at stake?
• II. Where’s the evidence? The OMC in action
• III. What’s left of Lisbon and the OMC?
  – Closing the implementation gap through better governance?
  – Reorienting the relaunch? Towards Lisbon III
I. Revising the Lisbon Strategy: What Was at Stake?

• Ambiguities of the original Lisbon Agenda: something for everyone
  – Competitiveness: liberalization and structural reform
  – Innovation: a dynamic knowledge-based economy
  – Sustainable economic growth
  – Full employment: more and better jobs
  – Greater social cohesion: fight against poverty/social exclusion, modernization of the European Social Model
  – Environmental sustainability
    • added in 2001 under the Swedish presidency
Lisbon’s contested legacy

• Rival interpretations of the Lisbon Strategy
  – One focused on competitiveness and innovation
    • ‘Making the EU the most competitive and dynamic knowledge-based economy in the world by 2010’
  – Another focused on new balance between social and economic dimensions of European integration
    • ‘socio-economic policy triangle’: equal weight for full employment and social cohesion alongside growth/competitiveness/fiscal stability as EU objectives
Lisbon’s contested legacy (2)

- Ongoing struggle for control of EU policy coordination between economic and social actors
  - ECFIN/Ecofin/EPC vs. EMPL/EPSCO/EMCO-SPC
- Ongoing critique by ‘competitiveness lobby’ of slow progress towards economic liberalization
  - DGs Internal Market/Enterprise, business groups, think tanks, financial press
- Changing political composition of the Council
  - Election of new center-right governments, 2001-4
OMC as a new governance instrument for Lisbon Strategy

• Reconciling pursuit of European objectives with respect for national diversity & subsidiarity through iterative benchmarking of progress against common indicators

• Promoting mutual emulation and cross-national learning by comparison of different approaches to shared problems

• A ‘third way’ for EU governance between harmonization/centralization and regulatory competition/fragmentation

• Never intended as sole governance instrument for Lisbon
  – to be combined with other EU policy tools (legislation, social dialogue, structural funds, community action programs, etc.)
Ambiguities of OMC

• Recipe, cookbook, or architecture?
  – Multiplication of procedural variations
  – ‘Lite’ recipes/missing elements in many newer OMCs
• Convergence of what?
  – Performance or policies?
• Open in what sense?
  – Role of EU recommendations?
  – Participation by non-state/subnational actors?
• A tool for building Social Europe or for avoiding new EU social legislation?
Critique and contestation

• OMC as a potential threat to Community Method
• OMC as an infringement of subsidiarity
  – Intrusion of EU into reserved competences of MS
• Convention stalemate over constitutionalization
• Struggle over review/reform of EES (2002-4)
  – Simplified guidelines/quantitative targets
  – Participation of non-state/subnational actors
  – Commission or MS as agenda setter for national reform? (Kok Employment Task Force)
OMC and Lisbon Strategy review

• OMC doubly called into question by 2004-5 Lisbon Strategy review

• Horizontally
  – Balance and integration between distinct policy coordination processes/objectives

• Vertically:
  – Effectiveness in securing Member State progress towards common European objectives

- Criticized OMC for weakness of incentives for MS policy delivery
- But also noted ineffectiveness of Community Method in ensuring implementation of directives
- Called for refocusing of objectives and targets on growth and employment
- To be supported by intensified peer pressure on MS (naming, shaming, faming/league tables)
Barroso Commission (Lisbon New Start 2005)

- Criticized OMC for failing to mobilize MS commitment to implementation of strategy
- Rejected naming & shaming approach
- Called for new reform partnerships between Commission and MS, and between national governments and domestic stakeholders
- From sectoral, multilateral policy coordination (OMC) to integrated, bilateral dialogue on national reform programs
Beneath the debate:
old and new cleavages

• Supporters vs. opponents of social regulation
  – Market liberals vs. social democrats
  – Social welfare as a by-product of economic growth vs. social protection as a productive factor

• Supporters vs. opponents of Europeanization
  – ‘Federalists’ vs. ‘subsidiarists’

• Political will vs. experimental policy learning
  – EU & MS already know what to do in terms of economic and social reforms, but have lacked political will to implement them
  – Alternative view: ongoing experimentation and policy learning are needed to discover how best to pursue multi-dimensional objectives in diverse national contexts
II. Where’s the Evidence?

• Kok Lisbon Strategy Report
  – Unbalanced composition
    • Dominated by economists and business figures
  – Limited expertise on social/employment policies
  – No systematic review of OMC processes

• Revised Lisbon Strategy/New Start
  – Drafted primarily by DG Enterprise
  – Appears to have ignored internal and external evidence on successes and failures of different OMC processes
Advancing the European knowledge economy through OMC: a failure?

- Weak performance of innovation/information society initiatives within Lisbon Strategy
  - Lack of progress towards 3% R&D target
  - Limited impact/visibility of eEurope policies
- ‘Lite’ OMC recipes and fragmentary architectures
  - European Action Plans, objectives, targets, indicators, benchmarking/scoreboards
  - But no agreed National Action Plans, systematic monitoring/reporting, peer review, or country-specific recommendations; weak mutual learning mechanisms
  - External evaluation (Tavistock Institute 2005): OMC in these areas ‘cannot yet be said to be a success or failure’: ‘simply has not been fully implemented’
The OMC in action: employment and social inclusion

• Employment and social inclusion: most fully developed and institutionalized OMC processes
• Methodological problems of assessing the causal impact of an iterative policymaking process based on collaboration between EU institutions and MS without legally binding sanctions
• But now a large body of empirical research, based on both official and independent sources
• Synthetic overview in Zeitlin & Pochet (eds.), *The OMC in Action* (P.I.E.-Peter Lang, 2005)
OMC in employment and social inclusion: a qualified success

- Improvements in EU employment performance
  - Structural improvements, 1997-2001
  - But connections to EES complex and uncertain

- Substantive policy change
  - Increased political salience/ambition of national employment and social inclusion policies
  - Broad shifts in national policy thinking
  - Some influence on specific reforms/programs
  - Two-way interaction between OMCs and national policies rather than one-way impact
OMC in employment/inclusion: a qualified success (2)

• Procedural shifts in governance/policymaking
  – Horizontal integration across policy areas
  – Improved statistical and steering capacity
  – Vertical coordination between levels of governance

• Participation of non-state/subnational actors
  – Particularly strong mobilization in social inclusion
  – Uneven but growing participation in EES
  – Social NGOs and local/regional authorities more active than social partners
OMC in employment and inclusion: a qualified success (3)

• Mutual learning
  – Identification of common challenges and promising policy approaches
  – Enhanced awareness of policies, practices, and problems in other MS
  – Statistical harmonization and capacity building
  – MS stimulated to rethink own approaches/practices, as a result of comparisons with other countries and ongoing obligations to re-evaluate national performance against European objectives
OMC in employment and inclusion: limitations

- Lack of openness and transparency
  - Dominant role of bureaucratic actors in OMC processes at both EU and national level

- Weak integration into national policy making
  - NAPs as reports to EU rather than operational plans
  - Low public awareness and media coverage

- Little bottom-up/horizontal policy learning
  - Few examples of upwards knowledge transfer and cross-national diffusion from innovative local practice
A reflexive reform strategy

• Overcome limitations of existing OMC processes by applying method to its own procedures
  – Benchmarking, peer review, monitoring, evaluation, iterative redesign
• Ongoing reforms as evidence of practical viability
  – Strengthening of peer review/mutual learning programs
  – Proposals by EU institutions for greater openness, stakeholder participation, and ‘mainstreaming’ of OMCs into domestic policy making (2003-6)
III. What’s Left of Lisbon and the OMC?

• Rebalancing the Lisbon Strategy
  – Retreat by Barroso Commission from attempt to exclude social cohesion from revised Lisbon Strategy
  – Successful EU-level campaign by social NGOs, with support from key MS and European Parliament
  – Social objectives reinstated in Lisbon Strategy by 2005 Spring European Council Presidency Conclusions
    • Including commitment to decisive reduction of poverty & social exclusion
  – Reaffirmed in 2006/2007 Spring European Council Conclusions
Saving the social OMCs

• Social protection OMCs reaffirmed
  – Inclusion, pensions, health care
• Three ‘strands’ streamlined into an integrated process with both common and specific objectives
• Social OMCs to ‘feed into’ new Lisbon Strategy
  – Weak influence on NRPs, with some exceptions depending on national priorities
  – Joint Report, key messages → Spring Euro Council
    • Continuing struggle with Barroso Commission priorities
  – Monitoring Lisbon Strategy impact on social cohesion (‘feeding out’) – little evidence of this so far
Integrating the economic and employment guidelines

- Bigger change on employment side, through integration of EEGs with BEPGs
- Main thrust of existing EEGs preserved, including linkage to overarching objectives
  - But only at cost of maintaining complexity
- Continuing tensions between economic and employment actors within new integrated guidelines/coordination process
Closing the implementation gap through better governance?

- Simplification of objectives & reporting?
- Increased national ownership & participation?
- From multilateral coordination to bilateral consultation?
- Results of first two rounds of NRPs not encouraging
Simplification or specificity?

- Difficulty of sustaining simplified focus
- Need for specificity and detail to coordinate complex policy areas effectively
- Interdependence between growth/jobs and other policy areas with separate coordination processes
  - social protection/inclusion, education/training, environment/sustainable development
- Multiplication of new priorities, coordination processes & reporting obligations
  - E.g. better regulation, immigrant integration
Reduced monitoring and coordinating capacity

- MS free to set own priorities in NRPs
- National employment reporting less extensive and more uneven than in NAPs
- Diminished reference to guidelines, targets, and common indicators
- Commission assessment methodologies disputed between EPC and EMCO
- Selective peer review of NRPs
  - Focused on 3 key themes in employment
  - Broader in macro/micro economic policies
Decoupling mutual learning from policy making?

• Mutual learning activities stepped up within EU committees (EMCO, SPC)
  – Peer review/exchange of good practices, thematic seminars, national follow-up activities

• Risk of decoupling mutual learning from national policy making: opposite of mainstreaming
  – Perverse effects of recent French and German employment reforms as cautionary examples

• Risk to institutional capacity building and governance improvements at EU and MS levels
Increased national ownership and participation (1)?

• Round 1 (2005)
  – Limited ambition/novelty of many NRPs
    • Repackaging of national policies very common
    • Low status of Lisbon coordinators in many MS
  – Low public and media visibility
  – Little involvement of national parliaments
  – Limited/variable involvement of social partners
  – Little involvement of subnational & civil society actors
  – A clear step backwards from NAPs/empl & incl in inclusion of civil society
Increased national ownership and participation? (2)

• Big Commission push for greater national ownership in 2\textsuperscript{nd} round of NRP implementation (2006)
  – Creation of new consultative/coordination bodies
  – Upgrading of political status of Lisbon coordinators
  – Wider involvement of national parliaments, social partners, regional/local authorities
  – Little opportunity for participation by social NGOs & other civil society groups

• But still low strategic commitment from non-state actors & limited public appeal of relaunched Lisbon Strategy
  – Especially where social cohesion objectives are excluded from NRPs, and process is dominated by finance/economics ministries
The return of recommendations: friendly advice or naming & shaming?

- Commission did not make formal recommendations to MS on 2005 NRPs
  - Just flagged ‘points requiring further attention’
- 2006 Annual Progress Report includes country-specific recommendations
  - MS progress in implementing revised Lisbon Strategy graded from “limited” to “very good”
  - MS receive 0-5 recommendations, + 3-5 additional ‘focus points’
- Lack of transparency/legitimacy in evaluation criteria
  - Recommendations negotiated bilaterally with MS
  - EMCO rejects peer review/multilateral surveillance of country-specific employment recommendations
Bilateral consultation or multilateral coordination?

- Difficulty of sustaining shift from multilateral coordination to bilateral consultation between Commission and MS
- Low quality/lack of comparability of many NRPs
- Continuing commitment of MS to comparing policy approaches/performance & mutual learning
- Commission plans for renewed mutual surveillance on ‘horizontal’ issues
  - e.g. energy, research/innovation, flexicurity
- Mutual learning workshops within network of National Lisbon Coordinators on priority areas
  - e.g. one-stop shops for setting up new enterprises, business-university cooperation, extending working lives of older workers
Deficiencies of Lisbon II

• Inadequate integration of social, economic, and employment policies
• Decoupling of policy making from mutual learning
• Reduced monitoring and coordinating capacity
• Insufficient openness to civil society actors
• National commitment remains limited
Reorienting the relaunch?  
Towards Lisbon III

• Mounting pressure to reorient the Lisbon Strategy
  – ‘Un Nouvel Élan pour l’Europe Sociale’ declaration of 9 MS Labor/Social ministers
  – Social priorities of EU Team Presidency (DE/PT/SI)
  – 2007 Spring European Council conclusions
  – SPC debate on strengthening the social dimension of the Lisbon Strategy
  – 10-year review of the EES (2007)
  – 2008 revision of Integrated Guidelines