

# Comparing Non-Hierarchical Governance in Action: the Open Method of Co-ordination in Pensions and Information Society\*

MARTIN LODGE

London School of Economics and Political Science

## Abstract

Non-hierarchical modes of governance, such as the ‘open method of co-ordination’ (OMC), require particular prerequisites to operate effectively. This article points to three essential components of any regime, then assesses their operation in two ‘real’ OMCs, pensions and information society. Given the finding of defective regimes, this article argues that the observed patterns are not surprising given the high demands that non-hierarchical governance places on participants. In addition, the context of the politics of the EU suggests that non-hierarchical governance is inappropriate as a means of inducing policy reform.

---

## Introduction

Up to now, the approach to implementing the Lisbon Strategy has had limited success. The Lisbon package consists of 28 main objectives and 120 sub-objectives, with 117 different indicators. The reporting system for 25 Member States adds up to 300 annual reports which clearly no-one reads.

European Commission, Lisbon Strategy website<sup>1</sup>

\* I am grateful to Elena Bechberger for superb research assistance and to Damian Chalmers, Sharon Gilad, Will Jennings, Andrea Lenschow, Uli Sedelmeier, Nick Sitter and Kai Wegrich for valuable comments. Earlier versions of this paper were presented at a CARR staff seminar on at LSE 8 March 2005 and the EUSA 9th biennial international conference, Austin/Texas, 30 March to 2 April 2005.

<sup>1</sup> European Commission website ‘A new start for the Lisbon strategy’, see: [http://www.europa.eu.int/growthandjobs/index\\_en.htm](http://www.europa.eu.int/growthandjobs/index_en.htm) (accessed 25 February 2005). By 2 April 2005 the last sentence had changed into ‘Nobody reads of all of them’ (sic).

This official statement on the European Commission's 'Lisbon strategy' website regarding the future of the main policy programme to advance European economic performance and reform appears to be a damning conclusion to a process, the 'open method of co-ordination' (OMC), that has caused so much hope and celebration in recent years (for an early appraisal, Hodson and Maher, 2001). By 2005, the hope and celebration had turned into a more sombre assessment by journalists, politicians and academics alike: the *Financial Times* called the Lisbon strategy an example of 'irrational exuberance' among national political leaders,<sup>2</sup> a 'high level group' convened by former prime minister Wim Kok expressed strong criticism<sup>3</sup> and Andrew Moravcsik suggested that regardless of all the hype; '[y]et there is little evidence that any of this matters for policy outcomes' (Moravcsik, 2005, p. 18).

Regardless of these criticisms, the OMC is an important field of study. It is important given the widespread enthusiasm it generated in the field of European studies (Hodson and Maher, 2001), in particular in terms of introducing a new set of particular techniques into the wider EU modes of governance. These techniques were novel in the sense of their explicit reliance on benchmarking and peer-review rather than Community law. The OMC was widely seen as crucial in terms of altering national policy beliefs, in terms of offering an ideal solution for 'tricky' policy domains that require European-wide approaches, but not uniform policy responses (given legitimacy and national diversity concerns) as well as an ideal platform to advance deliberation and 'experimental learning' (Zeitlin, 2005a, pp. 22–23; but see Chalmers and Lodge, 2003). More generally, the OMC represented a key example of 'non-hierarchical governance' that has received considerable interest in the wider literature on the 'post-regulatory state' (Scott, 2004), namely that intended and converging policy outcomes can be generated through non-coercive and voluntary devices.

Should we be surprised at this cycle of enthusiasm and virtual despair about the OMC? This article looks at the OMC as a particular example of non-hierarchical governance and explores what prerequisites are essential for such a system to operate. It does so through the lens of a basic control framework consisting of three elements – standard-setting, information-gathering and behaviour modification. This article suggests, first, that the prerequisites for non-hierarchical governance to work are very demanding (when viewed through the control perspective), second, that the experience of

<sup>2</sup> *Financial Times*, 7 March 2005, p. 19 (London edition).

<sup>3</sup> See <[http://europa.eu.int/growthandjobs/pdf/kok\\_report\\_en.pdf](http://europa.eu.int/growthandjobs/pdf/kok_report_en.pdf)>.

two OMCs in pensions and information society has been disappointing (for those enthusiasts of the OMC) because of 'defects' across all three components of the control framework and, third, that contemporary advocacy for solutions are as misplaced as earlier enthusiasm for the OMC given the high demands of non-hierarchical governance systems.

This article applies this basic control framework to investigate two 'pure' OMCs: pensions and information society. Most of the literature has been concerned with the Employment Strategy and the Stability and Growth Pact, but their basis arises from undertakings in the Treaty and they emerged before the official baptism of the OMC at the Lisbon summit in 2000. In contrast, pensions and information society offer two 'pure' OMCs in the sense that they solely rely on voluntary Member State adjustment and contributions, they emerged in the context of 'the' Lisbon summit and they were both at the heart of economic (and social) policy discussions. They offer sufficient variety in terms of 'motive' and 'opportunity' for success in encouraging policy change. The 'information society' domain is characterized by a high degree of technical uncertainty and internationalization of markets. Member States should thus have substantial *opportunity* to encourage reforms; in addition, given the supposed significance of the 'information technology complex' for national economies, this domain should also provide for at least some degree of motive for national co-operation. In contrast, the pensions domain is likely to offer an example of a domain where the *motive* is particularly high, given demographic and budgetary developments, but where the opportunity for voluntary adjustment seems particularly low given the embeddedness and diversity of national welfare state institutions.<sup>4</sup> Before considering these two domains in some more detail, this article first turns to a brief introduction of the OMC and the prerequisites for non-hierarchical governance.

## **I. The Open Method of Co-ordination and Prerequisites for Non-hierarchical Governance**

### *The Open Method of Co-ordination*

The term 'open method of co-ordination' arrived in the *Eurospeak* dictionary as part of the so-called Lisbon agenda with the aim of making the European economy the most competitive by 2010 and matching the perceived economic success of the US in terms of productivity and growth (Portuguese

<sup>4</sup> Laffan and Shaw classify information society as 'strong' in terms of institutionalization, where as pensions is described as 'nascent' (Laffan and Shaw, 2005, p. 16).

Presidency, 2000). However, the OMC is an offspring of a variety of processes and related initiatives during the 1990s (de la Porte, 2002). On the one hand, the OMC resembled in its mechanisms those chosen earlier for the Stability and Growth Pact, but without sanctioning powers for non-compliance. A framework relying on voluntary compliance was also introduced in the so-called Broad Economic Policy Guidelines (BEPGs) that were to operate as a fiscal policy 'balance' to the monetary emphasis of the Stability and Growth Pact, supposedly encouraging labour market 'flexibility' and public finance 'sustainability' across Member States.

On the other hand, the area of social policy had seen a number of largely unsuccessful initiatives during the 1990s. One key insight from this series of disappointments had been that, given the diversity of member countries in terms of their welfare states, there was little utility in attempting to establish a 'social Europe' via a uniform EU policy. Given the lack of success of the 'Essen agenda' (due to neutering by finance ministers) in the context of the 1993 White Paper on 'Growth, Employment and Competitiveness' and the concern that the agenda of monetary union was not accompanied by a social dimension (at a time of rising unemployment), the 1997 Luxembourg Presidency presided over a so-called 'jobs summit'. National sensitivities in this social policy domain and the national diversity of labour markets led to the adoption of a method relying on co-ordination and benchmarking without sanctions. On the summit road from Luxembourg to Lisbon, this 'Luxembourg process' found increasing attraction in a diversity of fields, whether it was in structural economic reform ('Cardiff', 1998) or the 'macro-economic dialogue' ('Cologne') and the like. At the Lisbon summit (23–24 March 2000), the 'open method' finally became institutionalized in the Summit conclusions (para. 37). At the heart of Lisbon-baptised OMC was a motivation among the agenda-setting Member States (principally Spain and the UK) that sought to move outside the 'traditional' community method and sought to reduce the role of the European Commission as an agenda-setter and eliminate any influence of the European Parliament.

In broad terms, the pure form of the 'open method' relied on a number of interrelated steps, starting from a joint diagnosis of a problem, a shared commitment to solve this 'problem' via setting Europe-wide guidelines, the identification of 'good practices' and (qualitative and quantitative) indicators for benchmarking purposes, the preparation of national action plans (so-called NAPs), the implementation of these into national plans and, finally, the periodic evaluation of national efforts. These were supposed to facilitate adjustment processes through peer-group pressure and mutual learning that in themselves would also lead to a re-evaluation of the initial

pan-European guidelines and indicators (see Portuguese Presidency, 2000, para. 37).<sup>5</sup>

### *Control and Non-hierarchical Governance*

Any policy regime, hierarchical or 'co-ordinated', requires particular elements in order to succeed in achieving its desired policy objectives (see Schäfer, 2004).<sup>6</sup> For any regime to achieve a desired sub-set of possible states of the world it requires (the functioning of) three essential components, standard-setting, information-gathering and behaviour modification (Dunsire, 1991, p. 328). Such a control system perspective may be regarded as overly simplistic, but it allows the analysis to move beyond mere description and draws also on other accounts concerning prerequisites for successful co-ordination. For example, for Herbert Simon (1957/1997, p. 112), co-ordination involves a division of labour, the development of standard operating procedures and a programme, the creation of transmission channels for decisions, the provision of communication channels for information and means of training and 'indoctrination'. In addition, Simon stresses the importance of the willingness of individuals to permit their behaviour to be guided by the agreed programme. Simon's prerequisites for co-ordination broadly fit with the basic control framework of standard-setting, information-gathering and behaviour modification. But what sort of characteristics do the three components take when it comes to forms of non-hierarchical governance? The rest of this section explores these prerequisites.

*Standard-setting* is defined as the overall objectives and goals of the particular system. In other words, standard-setting is about a clear knowledge as to what preferred state of the world one seeks to achieve or maintain – and what sort of processes need to occur in order to attain such a outcome. Standard-setting is also about establishing an infrastructure that is capable of giving such direction in terms of deciding what type of 'performance' requires (what type of) measurement and what underlying motivation is at the heart of the 'target-setting'. Non-hierarchical modes of governance stress the importance of setting the context for organizations to control themselves – through 'best practice' comparison via benchmarks. This interest in targets and benchmarks and the related problems of uncritical reading-across from the world of private business have been widely discussed (see Atkinson *et al.*,

<sup>5</sup> The actual procedures across the various OMCs revealed substantial variety. For example, the European Commission was allowed to issue recommendations in the areas of BEPG and Employment only, while the European Parliament had the right to be consulted in the employment process (see Deroose *et al.*, 2005; Laffan and Shaw, 2005).

<sup>6</sup> A standard dictionary defines 'co-ordination' as 'the bringing into a proper or required relation to ensure harmony or effective operation' and as 'to work or act together effectively'.

2004). In addition, Bob Behn (2003) has shown the vast differences in the way in which standards can be defined depending on the context and motivation. For example, there are substantial differences between standards designed for public celebration, standards for organizational self-motivation and those designed for comparison and learning.

*Information-gathering* refers to all the ways in which the system receives good information about the current and changing 'state of the world'. For benchmarking and learning processes to function, there needs to be some reliable information about 'what is going on out there', requiring a reliance on the voluntary provision of information by Member States. More generally, 'more' information is required for any system to reduce the degree of uncertainty it faces and to postpone the process of inevitable entropy inherent in any system of control, but without leading to paralysis through information 'overload'. In addition, information-gathering requires that appropriate information is collected that is meaningful to the type of goal the overall system seeks to achieve – a key issue given that indicators may appear relevant and legitimate while ignoring key underlying dynamics, as the literature on 'accountingization' has illustrated (Power, 1997).

Finally, *behaviour modification* is necessary to reduce the discrepancy between the preferred and observed state of the world. Even with complete information and clear ideas about what objectives are to be achieved, if there are no pressures to adjust behaviour, any system of control is ineffectual. The attraction of 'non-hierarchical' modes of governance is their supposed reliance on non-coercion instead of a threat of sanctions. In these 'non-hierarchical' settings, behaviour modification operates by 'soft' instruments such as 'peer pressure', 'naming and shaming' as well as 'learning', which encourage voluntary adjustment rather than coerced adjustment. For such informal pressures to apply, a certain amount of interaction intensity is required to develop among participants of such a process. Table 1 summarizes these key components of non-hierarchical modes of governance.

Table 1: Control Systems and Non-hierarchical Governance

<i>Central component</i>	<i>Non-hierarchical mode of governance prerequisites</i>
Standard-setting	Clear direction of normative intent, infrastructure for the setting of common goals, agreement on purpose of objectives
Information-gathering	Voluntary provision of accurate information that reflects state of the world and is relevant for policy goal
Behaviour modification	Willingness by members to alter their behaviour after peer review

Even at this level of analysis, it is evident that any regime that relies on voluntary adjustment and peer-group review assumes very high pre-conditions, in particular continued commitment to these sort of processes. As will be argued later, the political imperative of blame-avoidance and the overall logic of Member State participation makes the OMC hardly appropriate in terms of encouraging policy 'learning' and 'best practice' diffusion.

## II. Standard-Setting

As already noted, standard-setting refers to the way in which the knowledge of what one seeks to achieve is being expressed and how the infrastructure is set up to give such direction to the overall system. In the case of the OMC, standard-setting referred to the broad statements encouraging the emergence of the OMC in any particular domain (via the vehicle of European Council conclusions) as well as the guidelines, principles and indicators that were subsequently developed by committees of Member State officials. The OMC therefore also required indicators that were not overtly biased in favour of particular policy inheritances rather than others and somehow managed to grasp public attention, while also encouraging learning among policy practitioners. At the same time, the OMC required an infrastructure that avoided agenda overcrowding and continued high-level political support.

### *Pensions*

The importance of pensions or rather the implications of demographic developments on Member State budgets was considered in a communication by the European Commission in 1999 (see Schludi, 2003, p. 23). This marked the beginning of a pensions debate that was directed towards economic stability and therefore differed from earlier debates, which largely concentrated on encouraging worker mobility across Member State borders. The Lisbon summit pronounced that the 'sustainability of the pension systems' was an essential part of the overall agenda and should be explored by the Social Protection committee.

The allocation of the pensions issue to the Social Protection Committee was in itself noteworthy as the origins of the debate have been associated largely with economic rather than 'social' EU actors. For example, in late 2000 the Economic Policy Committee had provided a policy document that recommended that Member States should work on containing benefits in order to safeguard solvency, reduce public debts, individualize contributions in the benefit system and increase the funded schemes. These recommendations, based on indicators that focused mostly on public pension schemes,

were therefore accused of being insufficiently neutral across Member States. These developments led the DG Employment and the Social Protection committees, largely decoupled from the economic 'OMCs', to develop their own pension agenda (see Schludi, 2003, pp. 23–24). These two largely separate streams were 'joined up' in the Stockholm and Göteborg summits of 2001. The involvement of the Social Protection committee was seen as a major step towards reducing the hegemony of the 'economic' interests in this process (see de la Porte and Pochet, 2003).

The Stockholm and Göteborg summits set out the framework through which pension policy was to be co-ordinated across the different Member States. As noted, the pensions process was to involve an adjustment process between more social (the Social Protection Committee) and more economic actors (the Economic Policy Committee) (see Council of the European Union, 2001). The Göteborg European Council also agreed a 'multi-lateral surveillance' procedure where Member States were to present their strategies for dealing with the economic and budgetary implications of their ageing populations in the light of their wider economic stability programmes. Nevertheless, Member States stressed the importance of the 'subsidiarity' principle. Apart from 'social protection' and the BEPG, pensions were part of the Stability and Growth Pact as well as of the European Employment Strategy.

The Göteborg summit agreed on three central principles that were to underline developments in pension policy: 'safeguarding the capacity of systems to meet social objectives', 'maintaining financial sustainability' and 'meet changing societal needs'. At the Laeken summit, which called for the application of the 'open method', 11 common objectives were agreed which were subsumed under the 'three Göteborg principles' (Social Protection Committee and Economic Policy Committee, 2001).

These principles and the related objectives were sufficiently vague to allow any policy development to comply with such standards. It also reflected a commitment by Member States to avoid any direct 'Europeanization' of their national pension policies, while offering a framework that was to provide somewhat standardized information to the discussions surrounding the BEPG. In addition, the principles and objectives could be interpreted as the 'least undesirable' outcome of negotiations between 'economic' and 'social' actors. Member States were to report, in their National Strategy Reports, on their adjustment policies following the prescribed 11 objectives. The 2003 Council was then to assess the reports, identify best practice and develop a 'common approach'. Work on indicators was to commence with the 'Ageing' Working Group of the Economic Policy Committee developing indicators regarding the financial sustainability of national pension plans,

whereas the Social Protection Committee was to develop further indicators in co-operation with the Economic Policy Committee.

Later statements of October 2003 mostly reasserted the existing 'Göteborg principles', while encouraging a further 'refinement' of the initial set of objectives in order to establish an overall approach towards social protection (Presidency Conclusions, 2003, para. 23). These conclusions followed a long list of Presidency pronouncements on pensions that apart from agreeing to emerging guidelines and objectives, encouraged the development of indicators, regularly called on Member States to make more of an effort, while signalling the commitment to a 'European Social Model'. The recommendation to integrate and adjust the domain's objectives followed a communication by the Commission (2003) that had suggested a closer co-ordination of different 'social protection' fields involved in different OMCs (social inclusion: a domain that had witnessed a rapid decline in Member State interest as evidenced in their reduced reporting of 'social inclusion' policies – pensions, health and long-term care) as well as a better 'synchronization' with the already synchronized economic and employment reporting cycles. By 2006, a single 'social protection' report was to be published. This was to facilitate a 'substantive streamlining and simplification, which include a more clear definition of its scope' (Commission, 2003, p. 4). This included one major report by Member States in the first year of a three-year cycle, while 'lighter' reporting duties were to apply in years two and three. Again, the Commission recommended the development of common indicators.

In sum, some broad objectives did exist in the field of pensions, but in terms of standards that would prescribe any certain policy or policy direction, the objectives were very weak (and were intended to be so). The absence of indicators was not only an example of the technical difficulties in devising indicators in a domain that was characterized by large variety across Member States. Apart from the technical difficulties, the variety across Member States also meant that any indicator would have a differential impact, thereby leading to potential political costs. In other words, any indicator or mix of indicators was unlikely to be able to avoid politicization, to avoid clashing with different national policy priorities or to avoid creative compliance by Member States. Even if it is claimed that the OMC was about outcome convergence (on the lines of the programme underlining the BEPG) rather than policy or input convergence, it was doubtful whether such standards offered national governments any particular guidance (or carrot) in motivating reforms in addition to those that already existed at the purely national level. Furthermore, these standards were operating in the shadow of more significant targets that concerned the cost of pensions,

thereby clearly defining the orientation that the 'openly co-ordinated' pension policy was to take.

### *Information Society*

Activities in the 'Information society' domain built on existing benchmarking exercises in the area of telecommunication. Thus, the 'open method' was involved in institutional competition with other forums, such as the European regulatory group and the European Platform for Regulatory Authorities (see also de la Porte and Pochet, 2003). At the heart of the OMC was the so-called 'eEurope' (initially eEurope 2002, then eEurope 2005). Although 'eEurope' was at the heart of Lisbon (as an agenda and as a process) its basis was already formulated in a supporting Commission document (Commission, 1999, 2000) that was formally adopted at the Feira Summit in June 2000. The eEurope 2002 strategy was to emphasize the importance of 'connection' in terms of access to a wide range of high quality and low cost services, as well as initiatives to prevent 'info-exclusion' of particular groups in society. It also reflected attempts by the European Commission to demand the full implementation of the (legislative) communications framework package of 2003. At the Stockholm summit (March 2001) the 'information society' domain was seen as critical for the development of a 'knowledge-based economy' as existing strategies were seen as not achieving their 'full potential' (especially in terms of consumer confidence in digital services and 'digital literacy'). Following the completion of the eEurope 2002 programme (Commission, 2002a), a further strategy, eEurope 2005 was initiated at the Barcelona summit (March 2002). Its overall theme reflected a shift in emphasis towards the 'use and availability' of new services, for example in terms of broadband availability and usage, network security, eGovernment, eLearning, eHealth and eBusiness. The Seville summit (in June 2002) agreed on four themes for eEurope 2005, involving legislative measures (at EU and national levels) dealing with access to public services and quality of access and the 'benchmarking', the exchange of 'good practices' and an 'overall co-ordination of existing policies'. This involved the spreading of targets from 16 to 27 (nine primary and 18 secondary targets), although the previous reporting period had suggested mixed results among Member States (which, however, were averaged out by the Commission in its benchmarking report).

While a number of indicators did exist (in contrast to pensions), it was questionable whether there was a clear causal relationship between indicators and the objective they were supposed to fulfil, while the overarching objectives were extremely broad. There was no substantial discussion of the changing ways in which the indicators (primary and secondary) were

revisited, despite some claims that these indicators offered a limited set of primary policy objectives indicators, while the secondary indicators were to offer supplementary statistical information (Commission, 2002b).

The European Commission commented on the quality of these indicators as follows: 'the current indicators focus too much on readiness and not enough on intensity and impact', 'indicators do not show to what extent the targets of eEurope have been achieved' and the need to provide comparative figures for third countries; in other words, eEurope should be benchmarked against other countries (Commission, 2004a, pp. 24–25), leading to the judgement that there was a 'need for more analysis and a more policy relevant and comprehensive set of indicators' (Commission, 2004b, pp. 9–10). Various summit meetings called on Member States to 'boost momentum' or 'rapid implementation' (such as the March 2003 and the October 2003 summits). As a replacement of 'eEurope 2005', the 'i2010' strategy was to take the existing 'eEurope' initiatives further (Commission, 2004c).

A number of sub-areas also saw a spreading of indicators, in a typical bureaucratic process of target-inflation. This included areas of 'cheaper internet', 'e-security', 'e-safety', e-education, e-working, e-accessibility, e-research, 'Go Digital' (Commission, 2001), e-government, e-health, e-transport and e-content. There were also further activities in terms of 'Safer Interaction Plans', while the 6th Framework Programme involved as a priority theme 'information society technologies'. Although these areas were part of the overall eEurope strategy, they were more associated with 'traditional' Community measures, such as Directives and Commission communications. Furthermore, the overall standard-setting machine lacked overarching integration, with the eEurope theme suggesting rather than providing a central standard that offered clear direction with regard to the sub-themes. Finally, many of the sub-themes (such as e-transport) did not move beyond the initiation stage. The 'Go Digital' initiative established a set of benchmarks that emerged from information gathered from national practices that were classified as 'good public sector practice' (which was undertaken at a conference in June 2002). However, no further indicators emerged, despite some intentions to develop an 'e-business scoreboard'. The quality of the 'final benchmarking report' became particularly evident in the 'lesson drawing' section of the report, which noted (as its third of a total of 15 lessons) that 'various policy instruments are available, but they should be used in a co-ordinated and consistent manner' (Commission, 2002c, p. 28).

In sum, the two domains revealed many of the difficulties that were more widely associated with OMC standard-setting. Indicators appeared technocratic, but were highly political in sense of generating biased outcomes and

asymmetric adjustment costs across different welfare state regimes, while the Council infrastructure suffered from agenda-crowding (despite a streamlining of processes) and neglect during the so-called Spring summits due to external events as well as the widespread lowest-common denominator nature of widely-trailed Presidency conclusions.

### **III. Information-Gathering**

As noted, information-gathering refers to the way in which systems generate their knowledge about the current state of the world. In a 'benchmarking' regime, such information-gathering requires not only the compliance with provisions to generate comparable information, in particular relating to possibilities of cheating (for example, by somehow delivering different statistics) or by gaming (for example, via creative accounting). In the context of the EU, such a process is inherently difficult in the absence of unified statistical data in particular fields – and even where such unification has taken place, such exercises have been seen as problematic in the light of well-known difficulties in EU-wide data collection. And as any observer of UK public policy post-1997 or of the Soviet Union will testify, information-gathering via targets is highly problematic even at the national level in the light of contested and competing data, biased behaviour leading to perverse outcomes and outright manipulation of information.

#### *Pensions*

Information-gathering took place through 'National Strategy Reports'. This labelling points to the absence of particular benchmarks and indicators at the European level (which also explained why this domain did not use the word 'National Action Plan'). Thus, Member States reported on their domestic policies, suggesting how these policies could be interpreted as falling under the different headings. The joint report (Commission and European Council, 2003) made only very broad statements about the path of national reform policies that hardly offered comparative information. On explicit command from Member States, the European Commission did not 'rank' Member States according to their performance in terms of achieving a 'sustainable' pensions system, although it did mention which countries were 'successful' or 'latecomers' and those that required substantial reform. In other words: 'Before being able to draw reliable conclusions on the adequacy of pensions systems, the quality of income data and their timeliness must be improved as a matter of priority' (Commission and European Council, 2003, annex, pp. 104–5).

Apart from the absence of a regime that was able to generate information (and therefore was far from providing an 'integrated reporting framework on all issues relating to future pensions provision' or 'detailed information and analysis') (Commission and European Council, 2003, p. 4), the Member States' responses to these information provision requests suggested an extremely limited interest or commitment towards the process. For example, the German response of 2002 offered little else than the provision of fine-sounding paragraphs suggesting that the German pensions system was doing extremely well (Federal Republic of Germany, 2002). It hardly offered a way to examine and compare information, assess 'best practice' or expose the German or any other national pensions system to mutual learning. Similarly, Lange (2003), writing on the Austrian experience, reports that the explicit requirement for the Austrian report was to summarize the existing activities, but at all cost to avoid controversy or excite any national debate on pensions. In addition, Lange notes (2003, p. 48, footnote 46) that each Member State was allowed approximately 40 minutes of discussion on their national pensions policy, which was largely spent on presentation.

### *Information Society*

The 'eEurope 2005' process involved annual reporting by Member States of 'National Action Plans' as well as annual Commission benchmark reports. The various sub-themes relied mainly on Commission communications rather than extensive interaction. The Commission commented on the quality of the reporting system (2004d, p. 3): 'considerable effort goes into the collection of the benchmarking data, but currently the results are not presented in a way which gives the highest possible visibility to developments in the European information society'. In setting out its demands for an iEurope2010 strategy, the Commission also noted the poor quality of tools for providing information, demanding that a better balance had to be struck between timeliness of data provision and the robustness of the data itself.

How limited these activities were became evident in particular in the secondary themes. For example, the 'Go Digital' activity had been established to support SMEs to utilize ICT and to facilitate their involvement in the e-economy (Commission, 2001). The initiative was fully dependent on the reporting by Member States about specific national policy initiatives that were supposed to support the use of ICT and e-business by SMEs. A further issue concerned the way in which indicators were used without much attention being paid to the ways in which they reflected domestic policy choices that may have been flying in the face of the intentions of EC provisions – for example, the extent of 'roll out' of broadband in Germany was regarded as a

success, although this success could be seen as having been achieved through a predatory pricing strategy by the national incumbent.

### **Behaviour Modification**

Behaviour modification in the case of the 'pure' OMC was supposed to rely on peer-pressure and learning, thereby allowing for changing policy beliefs and the tipping of balances between domestic coalitions. Thus, the OMC was to encourage quasi-voluntary adjustment due to their 'openness' rather than closure or open rejection. Such phenomena are likely to be avoided when underlying actor constellations allow for co-operation (Scharpf, 1997). At the same time, the tracing of processes such as the OMC on actual policy change faces considerable difficulties. Even if there is policy activity, it is inherently difficult to associate policy reform directly with a Member State's OMC experience.<sup>7</sup>

Such a definition of behaviour modification may be regarded as too 'tight' or 'strict' for a system such as OMC (as an exemplar of 'contextualized benchmarking', Zeitlin, 2005b, p. 472). In a wider sense, non-hierarchical processes arguably lead to an indirect policy impact in the sense of altering policy discourse. Such framing effects are likely to impact in the long term both at the broad level of policy 'discourse' as well as at the level of the individual participant in peer-review processes. At the individual level, peer-review and related mechanisms relying on 'naming and shaming' may 'feel' (in the sense of being so painful that it leads to advocacy about the desirability of particular policy reform options), but whether such a 'feeling' then translates into wider policy change at the national level requires an existing public interest and salience in the policy under consideration and, to a lesser extent, that the individual should be in a position to influence national policy discussions receptive to external commentary. Nevertheless, such framing effects at the collective level are likely to be significant. In the case of the OMC and economic policy reform, it is therefore significant that all 'social' OMCs were framed by the language of the overarching BEPGs.

### *Pensions*

While one could point to the diverse pension reforms in a number of EU Member States (Italy, France and Germany) (Natali and Rhodes, 2004), it is difficult to suggest that these reforms have been either initiated or informed by the 'open method'. Rather, these reforms seem to be driven by similar

<sup>7</sup> For example, Kenneth Armstrong (2004) suggests that in the area of social inclusion, policy content was 'Americanised' rather than altered via discourse at the level of the OMC.

motivations, i.e. the problem of public finances in an age of shifting demographics and accompanying national and international policy discourse that made existing pension 'bargains' vulnerable. The set of principles and objectives offered little scope for behaviour modification and the evaluation of the national strategy reports was hampered by a lack of statistics. Nor did the national reports allow a truly comparative picture of national policies in terms of assessing the adequacy of protection levels (objective 2), thereby minimizing any opportunity for achieving some form of mutual learning. Nevertheless, Member States were seen as being, in different ways, under challenge and as having identified the need for dealing with these issues (see European Commission and European Council, 2003). However, 'more' action was 'needed', especially in the light of the growing problems in pension systems within the next ten years.

Furthermore, national governments jealously guarded their autonomy over their pension policy, which hardly suggested that the OMC had managed 'to develop a common understanding of national strategies' as was initially intended (Commission and European Council, 2003, p. 4). For example, the German response of 2002 suggested on the first page alone that the national level 'must' remain sovereign over pensions policy and that the national diversity of pension policies disqualifies any attempt at harmonization on at least six counts (the report's claim that the 2001 pension reforms were a significant step towards sustainability looked slightly outdated in the light of reforms conducted in 2003). Similarly, in the Austrian case, hardly a trace of any influence was found (see Lange, 2003, p. 59). Given the broadness of the 11 principles, pension policy could be hardly seen to have been informed or shaped by the 'open method'.

### *Information Society*

It was difficult to believe that the increase in schools having Internet access was closely (or loosely) tied to the OMC (in fact, the UK Labour Party had made such a pledge in 1995 while still in opposition). Thus, the achievements that were reported as part of the 'benchmarking progress report' on eEurope 2002 (Commission, 2002c, p. 4) noted many developments that were outside the original OMC process and related to the traditional 'community method' or were due to national policy developments.

The rather loose way in which the annual report pointed to the various Member States' performance did not suggest the existence of major 'naming and shaming'. For example, the Go Digital initiative could be said to have gone out with a whimper, ending in a series of Brussels-based workshops rather than in any substantive recommendation as to how to facilitate SMEs'

'e-capacity'. Finally, in its 2004 report the Commission also noted the rather limited way in which 'exchange of good practice' had operated: 'more thought is needed on how to target their [forums and conferences as well as codes and checklists] use to achieve a greater impact than in an ad hoc manner' (Commission, 2004b, p. 10).

### *Comparing OMCs in Action*

The two domains provided little evidence for an effective system of control (or 'co-ordination'). Despite taking domains characterized by 'high motive' or by 'high opportunity', the experiences in both domains were similar. In both areas the basic infrastructure for the OMC to operate has been found wanting: standards had no directing capacity, information-gathering offered only very little truly comparative information to encourage 'benchmarking' or 'learning with others' and voluntary adjustment pressures seemed hardly present (see Table 2). Such a finding relates in many ways to studies of the OMC in other fields, such as Meyer's study (2005) on public attention paid to the workings of the OMC in media coverage or Casey and Gold's analysis (2005) that found no evidence of a policy impact of the OMC, an extremely tenuous linkage between OMC and national ministries and substantial discretion with the basic standards of the OMC for diverse national responses. Not only with pensions and information society, the OMC hardly seemed to be a case of challenging domestic understandings in the policy domain. To what extent, however, the OMC in, for example, pensions supported or complimented existing discourses of particular paths of national reform

Table 2: Comparing OMCs in Pensions and Information Society

	<i>Standard-setting</i>	<i>Behaviour modification</i>	<i>Information-gathering</i>
Pensions	Vague three principles, 11 objectives and no indicators	No noticeable impact, link to wider economic/social reform discourse	Pure reporting via National Strategy Report, rejection of critical engagement in reporting by Member States
Information Society	eEurope indicators regarded as insufficient, lack of integration of various initiatives	Not noticeable; main change via 'traditional' measures	Not uniform reporting by Member States

(primarily of an 'economic' nature) is a different question and would require a more long-term analysis. It is notable, however, that the German Agenda 2010, despite using the same timeline as Lisbon, did not once make reference to wider European developments, but remained a solely national document (Federal Republic of Germany, 2004).

## Conclusion

This article has taken the discrepancy between initial enthusiasm for the 'Open Method of Co-ordination' and the rather disappointed commentary a few years later as a starting point and has explored this discrepancy through the lens of a control framework based on three components, standard-setting, information-gathering and behaviour modification. This perspective has made the reasons for the failing of the OMC (and thus also the wider Lisbon agenda of the EU) apparent in suggesting that across all three basic components, the OMCs in pensions and information society have been defect – a finding that also resonates with studies in other OMC domains (that however have not utilized this particular analytical perspective). In addition, in the light of the demanding conditions which are placed on participants of a non-hierarchical governance approach, this finding does not come as a surprise. It is rather surprising that the existing analysis of OMC has ignored such discussions (but see Schäfer, 2004). This conclusion briefly returns to the prerequisites of any system relying on non-hierarchical devices.

As noted earlier, non-hierarchical governance appears particularly appropriate in the context of those domains in the European Union where national sensitivities and, more importantly, national diversity in their political economies make a harmonized supranational policy approach not feasible. However, as also noted, non-hierarchical governance places also high demands on its participants: it relies on the voluntary provision of meaningful information, voluntary adjustment as well as the presence of (outcome-) directing standards. It is not as if such systems have not been tried before – and in different guises. For example, Hugh Hecló and Aaron Wildavsky's (1974) description of the 'Whitehall village' running British economic policy in the 1970s points to a system where norms and peer-pressure provide a system of seemingly non-hierarchical governance among the top civil service. However, this form of 'village life' was characterized by a high degree of informality rather than the existence of formal target systems. On a more formal setting, the example of the Stalinist economic policy that relied heavily on plans and targets, as well the UK Labour government's interest in

targets since the late 1990s, present policy approaches that rely on incentives rather than 'hierarchical' modes of governance. The OMC is supposed to partly change 'policy discourse', which is the equivalent of creating the 'Whitehall village' of Heclo and Wildavsky. It is arguably one of those chicken-and-egg questions whether the convergence in policy beliefs has to come prior to governance arrangements that seek to reinforce such initial preferences or whether non-hierarchical governance arrangements can generate convergence in policy preferences. Some domains in which the OMC has been applied are characterized by substantial heterogeneity and diverse preferences – such as pensions (as a 'low opportunity' domain) – and it is questionable whether any standards can be developed in these domains that do not provoke hostile reactions and therefore 'gaming' rather than 'compliance' among Member States.

Thus, while the OMC appears as a 'technocratic' fix to 'wicked' transnational policy issues which are difficult to approach through purely supranational 'hard law' solutions, the supposedly 'neutral' content faces substantial difficulties in generating not only agreement of anything but the blandest standards, but also in inducing Member State officials and politicians to comply voluntarily with requests for 'meaningful' information as well as with exposure to public and/or peer criticism.

In addition, non-hierarchical governance failed to reinforce the dominant political logic of European integration among Member States and, instead, ran completely against it – therefore adding a further dimension to the high demands of non-hierarchical governance. That is, argumentation favouring 'deliberation' and 'technocracy' should not forget the nature of politics (i.e. power and self interest) (Radaelli, 2004). In an age where political science has become interested in 'blame management' (Hood, 2002), it is questionable why national governments would ever – against their interest – seek to engage in supposedly *open* processes that expose them to attack from domestic opposition parties and societal groups, for example, because of the revelation of 'bad' performance in contrast to other Member States. The logic of European integration is defined by Member States consenting to the delegation of particular policy activities in order to advance their own policy preferences, thereby seeking not to incur electoral penalties. Non-hierarchical governance does not only strike at the heart of domestic welfare states and therefore electoral preferences, but also does not allow for blame-shifting to the European Commission for 'Brussels dictates'. It also provides a political context that is especially ill-suited for 'decentralized experimentation' (Zeitlin, 2005b, p. 488). How is such 'experimentation', essential for learning and peer-review, going to operate in a domain such as pensions without provoking considerable political opposition?

Such an argument also places later OMC reform advocacy into context. One example of 'reform advocacy' was provided by the European Commission (2005a). It put forward a 'new approach' which:

clears away the jungle of existing reporting obligations. Essentially, it shifts the focus from co-ordinating through multi-lateral discussions between 25 Member States and the Commission, on individual policy themes, with a bilateral in depth dialogue between the Commission and Member States on a commitment-based national action programme. (Commission, 2005a, p. 33)

While this 'new approach', representing a narrowing of the Lisbon strategy to 'jobs and growth' (as well as some environmental and social policy dimensions), was broadly accepted by Member States at the Spring summit 2005, it was questionable whether it would lead to any different outcomes than observed for the initial OMC.<sup>8</sup> It still relied on the voluntary participation of Member States within the OMC framework, while placing a greater reliance on national policy debate. Such views also reflected arguments regarding the importance of OMC as 'irritant' in terms of urging the creation of new national co-ordination mechanisms and other consultative forums. Whether national governments would welcome such 'irritation' that may provoke debate on controversial policy issues was questionable; in addition, Casey and Gold (2005) have noted that such 'irritation' effects have hardly been evident.

The European Commission's proposal to 'mainstream' the 'Lisbon agenda' into the national policy process was also part of the comprehensive set of recommendations by one of the leading students of the OMC, Jonathan Zeitlin (2005b, pp. 483–93). Zeitlin's 'reflexive reform strategy' includes five key elements: apart from the 'mainstreaming' of the Lisbon agenda into national contexts, increased transparency, ensuring broad participation, reinforced mutual learning and the commitment by governments to remove political obstacles. None of these proposals by Zeitlin are disputable or disagreeable as such, however, in the light of the above discussion, they amount to little else than proverbs (Simon, 1946). Zeitlin's advocacy for more public and extensive documentation seems problematic in the light of the prerequisite of 'open conversations' among central participants. How are Member State officials to talk openly about policy problems in the limelight

<sup>8</sup> The domains of 'information society' and 'pensions' (as part of social protection) were part of the 'ten areas of action' of the post-2005 agenda. The European Commission (2005b) advocated a streamlining of the process that concentrated on a dialogue between European Commission and individual Member States that would produce an integrated 'national Lisbon programme' (co-ordinated at the national level by a Mr/Mrs Lisbon).

of wide participation – especially given Zeitlin's recommendation of representation by all 'relevant' interests? Learning usually takes place in small-scale settings that allow for iterative processes rather than large-scale, public processes (Luhmann, 1971, p. 11).

Zeitlin also advocates the use of 'precise, but also more explicit, diagnostic and revisable indicators' (Zeitlin, 2005b, p. 493). Again, following the argument outlined in the previous sections, such a suggestion is confronted by inherent tensions and trade-offs. First, (the choice of) indicators in pensions, the information society and elsewhere have proven to be inherently contestable. Second, indicators face the difficulty of having to provide both political headline-grabbing information (on the lines of 'the most competitive economy by 2010') for political leaders at agenda-overloaded summits as well as 'technocratic' information regarding the 'performance' of particular policy domains. Third, Zeitlin's argument says little about information-gathering in the sense of overcoming inherent problems of gaming in terms of the generation of manipulated, meaningless or creatively constructed data. Fourth, apart from difficulties in establishing indicators that are both revisable, but allow for comparison over time, 'precise' indicators were likely to encounter problems of 'quantifying' problems of a mainly qualitative kind. In short, advocacy of certain seemingly uncontested propositions was faced with inherent problems when it came to thinking about actual implementation – and these problems were likely to be compounded when taking the various proposals together.

In conclusion, this article has explored how three basic but essential components of any system of control are required to function in order to allow non-hierarchical modes of governance to operate. This article has sought to emphasize three claims. First, non-hierarchical governance, of which the OMC is a leading example, requires extremely challenging prerequisites that were previously not sufficiently explored by students of the OMC. Second, the exploration of two 'pure' OMCs has shown a high degree of dysfunctionality when compared to the requirements posed by any system of non-hierarchical governance. The control perspective advanced here facilitated the systematic study of such governance regimes. Finally, this article has turned to reform proposals regarding the OMC and argued that these fail to address the challenges posed by the prerequisites of non-hierarchical governance; thereby they are unlikely to advance the functioning of any OMC process. This is not to say that all such attempts at non-hierarchical governance are likely to fail or are intellectually uninteresting; but enthusiasm for a 'theoretical promise' (Zeitlin, 2005b, p. 483) should not stand in the way of a theoretically-enriched study of actual practice.

*Correspondence:*

Martin Lodge

Department of Government &amp; ESRC Centre for Analysis of Risk and Regulation

London School of Economics

Houghton Street

London WC2A 2AE, UK

email: m.lodge@lse.ac.uk

**References**

- Armstrong, K. (2004) 'How Open is the United Kingdom to the Open Method of Co-ordination Process on Social Inclusion?' Implementing the Lisbon Strategy: Policy Co-ordination through 'Open Methods', Working Paper. ESRC Seminar Series 'Implementing, the Lisbon Strategy'.
- Atkinson, A.B., Marlier, E. and Nolan, B. (2004) 'Indicators and Targets for Social Inclusion in the European Union'. *Journal of Common Market Studies*, Vol. 42, No. 1, pp. 47–75.
- Behn, R. (2003) 'Why Measure Performance? Different Purposes Require Different Measures'. *Public Administration Review*, Vol. 63, No. 5, pp. 586–608.
- Casey, B. and Gold, M. (2005) 'Peer Review of Labour Market Programmes in the European Union: What Can Countries Really Learn From One Another'. *Journal of European Public Policy*, Vol. 12, No. 1, pp. 23–43.
- Chalmers, D. and Lodge, M. (2003) 'The Open Method of Co-ordination and the European Welfare State'. *CARR discussion paper* No. 11, London, LSE.
- Commission of the European Communities (1999) 'eEurope – An Information Society for All', COM (1999/687).
- Commission of the European Communities (2000) 'eEurope – An Information Society for All', Communication Prepared for the European Council meeting in Lisbon.
- Commission of the European Communities (2001) 'Helping SMEs to Go Digital' [COM (2001) 136 final].
- Commission of the European Communities (2002a) 'Communication on eEurope 2005: Benchmarking Indicators', COM (2002) 655 final.
- Commission of the European Communities (2002b) 'Benchmarking Report Progress during eEurope 2002', COM (2002) 263 final.
- Commission of the European Communities (2002c) 'Benchmarking National and Regional e-business Policies for SMEs', Final Report of the e-Business Policy Group, 20 June 2002.
- Commission of the European Communities (2003) 'Strengthening the Social Dimension of the Lisbon Strategy: Streamlining Open Co-ordination in the Field of Social Protection', COM (2003) 261 final, May 2003.
- Commission of the European Communities (2004a) 'eEurope 2005 Mid-term Review Background Paper', Working Paper.

- Commission of the European Communities (2004b) 'eEurope 2005 Mid-term Review', 18 February 2004, COM (2004) 108 final.
- Commission of the European Communities (2004c) 'Challenges for the European Information Society Beyond 2005', Brussels, 19 November 2004, COM (2004), 757 final.
- Commission of the European Communities (2004d) 'eEurope 2005 Action Plan: An Update', COM (2004) 380 final.
- Commission of the European Communities (2005a) 'Working Together for Growth and Jobs – a New Start for the Lisbon Strategy', Communication to the Spring European Council, COM (2005) 24.
- Commission of the European Communities (2005b) 'Delivering on Growth and Jobs: A New and Integrated Economic and Employment Co-ordination Cycle in the EU', Brussels, SEC (2005) 193.
- Commission of the European Communities and European Council (2003) 'Joint Report on Adequate and Sustainable Pensions'. 6527/2/03.
- Council of the European Union (2001) 'Quality and Viability of Pensions – Joint Report on Objectives and Working Methods in the Area of Pensions', 23 November, 14098/01.
- de la Porte, C. (2002) 'Is the Open Method of Co-ordination Appropriate for Organizing Activities at the European Level in Sensitive Policy Areas?' *European Law Review*, Vol. 8, No. 1, pp. 38–58.
- de la Porte, C. and Pochet, P. (2003) 'The OMC Intertwined with the Debates on Governance, Democracy and Social Europe', Manuscript, April 2003.
- Deroose, S., Hodson, D. and Kuhlmann, J. (2005) 'Economic Governance in the EU: Options for Strengthening the Broad Economic Policy Guidelines', paper presented at EUSA conference, Austin/Texas, 31 March–2 April 2005.
- Dunsire, A. (1991) 'A Cybernetic View of Guidance, Control and Evaluation in the Public Sector'. In Kaufmann, F.X. (ed.) *The Public Sector* (Berlin: de Gruyter).
- Federal Republic of Germany (2002) 'National Strategy Report on Old Age Pension Provision', EMPL 11325-00-00.EN.TRA.00 (DE).
- Federal Republic of Germany (2004) 'Agenda 2010 Deutschland bewegt sich', English edition, Berlin.
- Hecló, H. and Wildavsky, A. (1974) *The Private Government of Public Money* (London: Macmillan).
- Hodson, D. and Maher, I. (2001) 'The Open Method as a New Mode of Governance: The Case of Soft Economic Policy Co-ordination'. *Journal of Common Market Studies*, Vol. 39, No. 4, pp. 719–46.
- Hood, C. (2002) 'The Risk Game and the Blame Game'. *Government and Opposition*, Vol. 37, No. 1, pp. 1–15.
- Laffan, B. and Shaw, C. (2005) 'Classifying and Mapping OMCs in Different Policy Areas', NewGov paper, 02/D09.
- Lange, H. (2003) 'Die Methode der offenen Koordinierung im Rentenbereich', WiSo Dokumente.
- Luhmann, N. (1971) *Politische Planung* (Opladen: Westdeutscher Verlag).

- Meyer, C. (2005) 'The Europeanization of Media Discourse: A Study of Quality Press Coverage of Economic Policy Co-ordination since Amsterdam'. *Journal of Common Market Studies*, Vol. 43, No. 1, pp. 121–48.
- Moravcsik, A. (2005) 'The European Constitutional Compromise and the Legacy of Neo-functionalism'. *Journal of European Public Policy*, Vol. 12, No. 2, pp. 1–37.
- Natali, D. and Rhodes, M. (2004) 'Tradeoffs and Veto-Players: Reforming Pensions in France and Italy'. *French Politics*, Vol. 2, No. 1, pp. 1–23.
- Portuguese Presidency (2000) 'Employment, Economic Reforms and Social Cohesion – Towards a Europe Based on Innovation and Knowledge Lisbon', January 2000, 5256/00.
- Power, M. (1997) *The Audit Society* (Oxford: Oxford University Press).
- Presidency Conclusions on the Lisbon Strategy by Theme, European Councils: Lisbon To Brussels December 2003.
- Radaelli, C. (2004) 'Who Learns What? Policy Learning and the Open Method of Co-ordination', Paper for 'Implementing the Lisbon Strategy', ESRC Seminar Series, 26 November 2004.
- Schäfer, A. (2004) 'A New Form of Governance? Comparing the Open Method of Co-ordination to Multilateral Surveillance by the IMF and the OECD', Max Planck Institute for the Study of Societies Working Paper, 04/5.
- Scharpf, F.W. (1997) *Games Real Actors Play* (Boulder, CO: Westview).
- Schludi, M. (2003) 'Chances and Limitations of "Benchmarking" in the Reform of Welfare State Structures – the Case of Pension Policy', Paper Presented at the Amsterdams Instituut voor ArbeidsStudies, 8 May 2003.
- Scott, C. (2004) 'Regulation in the Age of Governance: the Rise of the Post-Regulatory State'. In Jordana, J. and Levi-Faur, D. (eds) *The Politics of Regulation* (Cheltenham: Edward Elgar).
- Simon, H. (1946) 'The Proverbs of Administration'. *Public Administration Review*, Vol. 6, pp. 53–67.
- Simon, H. (1957/1997) *Administrative Behaviour: A Study of Decision-Making Processes in Administrative Organizations* (New York: Free Press (fourth edition)).
- Social Protection Committee and Economic Policy Committee (2001) 'Joint Report on Objectives and Working Methods in the Area of Pensions. Applying the Open Method of Co-ordination'. 14098/01.
- Zeitlin, J. (2005a) 'Introduction: The Open Method of Co-ordination in Question'. In Zeitlin, J., Pichot, P. and Magnusson, L. (eds) *The Open Method of Co-ordination in Action: The European Employment and Social Inclusion Strategies* (Hamburg: PIE, Peter Lang).
- Zeitlin, J. (2005b) 'Conclusion: The Open Method of Co-ordination in Action: Theoretical Promise, Empirical Realities, Reform Strategies'. In Zeitlin, J., Pichot, P. and Magnusson, L. (eds) *The Open Method of Co-ordination in Action: The European Employment and Social Inclusion Strategies* (Hamburg: PIE, Peter Lang).