

# 1. Variations on Soft EU Governance: The Open Method(s) of Coordination

**Elissaveta Radulova**

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The 1990s was one of the most dynamic periods in the history of European integration. Next to major treaty revisions and significant increases in the competences of the supranational institutions, European Union (EU) member states also endorsed new practices of cooperation and modes of European governance. The scope of the European integration process has expanded considerably and currently encompasses (directly or indirectly) all spheres of contemporary policy-making. In particular, European institutions have increased their competence in contentious policy areas such as employment regulation, social inclusion, pensions, enterprise policy, education and vocational training, and research and innovation policy. Most of these fields were for decades carefully safeguarded from communitarisation by national governments. Yet, somewhat surprisingly, at the end of the 1990s the strategic formulation of such policy fields came to be decided at the supranational level. Moreover, they became central elements of the so-called Lisbon Process – the millennium strategy to transform the EU into the most competitive economy in the world, capable of developing and maintaining a high level of social cohesion and environmental sustainability (European Council 2000; European Council 2001b). The Open Method of Coordination (OMC) was the governance tool chosen to achieve progress toward these goals. Central to this novel mode of EU governance was that the process of political steering would rely on incentives and learning rather than on coercion stemming from legal obligation. It is related to the EU's increasing recourse (Héritier 2002), from the end of the 1990s onwards, to instruments of what we might term 'soft governance'. Soft governance is related to the idea that national policies should gradually become more alike through the voluntary exchange of information among officials on what has worked at the national level in order to achieve shared goals (Stubb, Wallace and Peterson 2003, p. 142).

This chapter seeks to examine this unexpected move away from the status quo. More concretely, why did member states agree to cooperate in these contentious areas of policy-making? Why was a soft mode of governance – the Open Method of Coordination – chosen as the appropriate institutional

form such cooperation should take? What properties did the OMC acquire when applied to different policy areas? What do the preliminary results suggest about the effectiveness of the method? The chapter proceeds as follows: Firstly, the demand and supply aspects of EU cooperation are discussed. It is argued that decreasing competitiveness and growing unemployment in Europe in the beginning and middle of the 1990s led then predominantly social democratic governments to cooperate at the EU level in order to initiate major policy reforms. Secondly, the particular factors that led to the adoption of this novel governance formula (OMC) are examined. The heterogeneity of both interests and existing policy approaches represented the crucial factor that led member state governments to avoid the Community method and instead opt for a new form of cooperation. Thirdly, the chapter examines the variation of the properties the method acquired when applied to two differing policy areas<sup>1</sup> – those of employment regulation and research and development. These policy fields were selected since they are examples of what I call a ‘heavy’ and a ‘light’ version of the Open Method of Coordination. The closing sections discuss the OMC’s implementation and suggest a preliminary assessment with regard to the effectiveness of the method.

## THE LISBON AGENDA OF THE EU

By the mid 1990s, the various pressures stemming from aggravated global competition were compelling European governments to reform their manner of policy-making across a number of different policy fields. EU member states were exposed to the numerous challenges and consequences of globalisation (e.g. rising unemployment, decreasing competitiveness, aging populations, changing household and family structures, etc.) and having dealt with these problems for some years without much success and in the context of Economic and Monetary Union (EMU), i.e. with their hands tied to apply monetary tools in order to fight these problems, they turned to the EU level in their quest for solutions. The EU member states came under increasing pressure to reconstruct their welfare states and to increase the competitiveness of their economies separately but harmoniously (Zeitlin 2005, p. 4). There were also some contextual factors that played a role, namely the EFTA enlargement of 1995 (which brought three new member states that were particularly interested in promoting social policy cooperation at the EU level<sup>2</sup>), as well as the need to develop the EU’s social dimension in order to tackle the growing popular discontent with the predominantly economic character of the European integration process (Arnold and Cameron 2001).

The combined effect of all these factors accounts for the increased demand for EU cooperation at this particular time.

However, the combination of these functional pressures is, in itself, an insufficient explanation for the institutionalisation of a new policy area at the EU level of governance. They represent only one side of the coin, namely the demand for European integration. There has to be a match between such demand and the supply of European level cooperation in order for new policy areas to be attracted to the EU centre of gravity and to become institutionalised in some form at the supranational level. Tackling elevated levels of unemployment and the need to play catch-up in the global competitiveness race had been on the agenda among West European countries since at least the middle of the 1980s. It was only in the late 1990s, however, that EU leaders became prepared to initiate EU level cooperation. In other words, only at this point was the demand for integration met by a sufficient degree of supply. How can we account for this dynamic development? Why were the member states only then ready to address such common problems with common means?

The answer demands a careful investigation of the partisan composition of the European Council. At the time when the Amsterdam Treaty, 1997, and the Lisbon Agenda, 2000, were negotiated, the majority of EU governments in office were, for the first time in the Unions history, dominated by left-of-centre parties (Arnold and Cameron 2001; Manow, Schäfer and Zorn 2004; Schäfer 2004). In particular, for the case of the emergence of the employment coordination mechanism, Arnold and Cameron found that the extent to which a particular government supported or opposed the development of EU-wide employment measures was strongly related to the extent to which one or the other political grouping controlled their respective government at the time of the IGC. The research showed a strong correlation ( $r = 0.70$ ) between the extent of control of government by parties of the Left and support for the development of EU-wide measures. Conversely, government control by parties of the centre-right, broadly defined, strongly correlated ( $r = 0.71$ ) with opposition to the development of EU-wide employment measures (Arnold and Cameron 2001, p. 21).

According to Manow, Schäfer and Zorn (2004, p. 30), prior to Amsterdam, Britain, France and Germany had all been strictly opposed to bringing employment policy into the treaties since they feared higher EU spending and excessive intervention on the part of the European Commission. After the electoral swing to the left in the wake of the British and French general elections of 1997, however, Germany appeared to be left isolated. Yet the German coalition government proved to be less opposed to the employment title than had been generally believed and reported (Johansson 1999, p. 95). With their previous administrations having been strong opponents of the

employment title, at the Amsterdam summit of 1997 the new governments in France and the UK agreed to support it. In particular, the new French government of Prime Minister Lionel Jospin insisted on the inclusion of the employment title and even threatened to reject the proposed Stability Pact (Goetschy 1999, p. 126; Jenson and Pochet 2002, p. 8) if the employment provisions were not accepted. In the end, the European Council summit adopted both the Stability and Growth Pact and the new Employment Title (Manow, Schäfer and Zorn 2004, p. 30). The new British government supported the title because it closely reflected the centre-left programme of Prime Minister Tony Blair (Pollack 2000, p. 269), i.e. because the agreement was believed to simply represent the export of the UK's new reform model to the EU level. In other words, the unique constellation of predominantly left-of-centre parties in the European Council between 1997 and 2002 provided a 'green light' for EU level cooperation in previously contentious policy areas such as employment policy regulation, social exclusion and pension reform.

These findings are far from surprising, given that social democratic governments had a strong incentive to develop the social dimension of European integration – this was expected to secure vote gains by providing increased EU involvement in the prominent fight against unemployment. Perhaps more importantly, however, at the end of the 1990s the Left had acknowledged the importance of sustaining economic competitiveness in order to provide for a high level of welfare. There was a clear trend among EU member states towards 'active welfare' policies that attempted to integrate efficiency and redistribution concerns (Wincott 2003). In other words, the belief that economic efficiency and social justice were in mutual opposition was beginning to give way to the novel governance agenda of combining competitiveness and social cohesion – the 'third way' politics championed by Blair. This is how the Lisbon agenda came to include political goals as divergent as the stimulation of new technologies and innovations and modernisation of social protection systems.

To summarise, alongside the strong demand for EU solutions, at the end of the 1990s there was also strong support and incentives for the supply of EU level cooperation. More precisely, it was the unprecedented domination of member state governments by left-of-centre parties between 1997 and 2002 that assured a convergence of preferences at the 1996–7 IGC and the Lisbon European Council of 2000. This cleared the way for a 'third way' strategy aiming simultaneously at the reinforcement of both European competitiveness and that of the European Social model in an age of globalisation challenges – i.e. the Lisbon Agenda. The match between supply and demand for European-level cooperation marked the beginning of a quest for the appropriate institutional form such cooperation should take.

## INSTITUTIONAL CHOICE AND THE EMERGENCE OF THE OMC

All of the policy fields in which the Lisbon Agenda aimed at establishing cooperation are characterised by a high level of heterogeneity among both interests and policy approaches. Moreover, they are areas with strong distributional effects and their communitarisation would require a substantial restructuring of domestic policy structures. These are both reasons why governments would be reluctant to attribute competences or put in place more binding or obligatory forms of cooperation.

In the case of employment policy, there was a particularly strong heterogeneity of interests: Some member states were willing to institutionalise a binding form of cooperation by delegating substantial powers to the EU (e.g. Austria, Sweden), while for the UK, conversely, anything remotely binding would push the country away from any discussion and certainly away from the negotiation table.

According to research into member state positions in 1995 on the inclusion of an employment title in the treaties, member state governments fell into one of three clusters (Arnold 2002, p. 7). The first group of countries (Sweden, Austria, Belgium and Denmark) was interested in a reasonably binding coordination procedure, including recommendations and, if needed, sanctions. A second group of countries (the Netherlands, Luxembourg, Greece, Portugal and Finland) was largely interested in an employment title but did not want it to go beyond the elements already included in the Essen Presidency Conclusions of 1994 (where legal sanctions were not foreseen). A final group of countries (Spain, France, the United Kingdom and Germany) was rather hostile to the introduction of a new employment title or chapter. This was based both on a belief that no added value could be achieved through it and that if any effect at all could be expected, it would be one which would merely raise the risk of increasing budgetary consequences for the member states (Arnold 2002, p. 7). In other words, there was agreement that something needed to be done at the EU level yet disagreement with regard to the institutional form that such cooperation should take.

It is not surprising that different member states took different positions toward the degree of bindingness. On the one hand, it was clear that the EU would initiate considerable reforms of many existing national welfare state arrangements. Such reforms would be expected to substantially shift the domestic power balance which might well translate into popularity losses and potentially even into electoral defeats for the ruling parties. On the other hand, there remains a persistent divergence of domestic institutions in Europe, which perform differently in terms of efficiency and equity. A familiar grouping based on earlier political sociology work (Esping-Anderson

1990) partitions welfare systems into four regimes: a liberal regime (encompassing Anglo-Saxon countries); a conservative regime (encompassing continental countries); a Mediterranean regime; and a social democratic regime (encompassing Nordic countries). According to Sapir (2005), the Continental and the Mediterranean models are unsustainable and must be reformed in the direction of greater efficiency (Sapir 2005, p. 10). Under such conditions of heterogeneity, many governments (rightfully) feared that a common EU policy might prove unable to accommodate divergent national interests. For this reason, it is unsurprising that governments adopted cautious positions at the EU level and shied away from committing themselves to any binding arrangements in the field of social policy. Similarly in the field of research and innovation policy, the structural diversity of member states' national innovation systems and the variations in their innovation performance, including their competition for resources (Prange and Kaiser 2005, p. 298), made a binding form of cooperation at the EU level overly contentious.

Under these conditions of policy diversity and divergence in the degree of commitment, the prevalent form of European-level institutionalisation – the Community method – was not a viable option. It is not well-equipped for such situations of high heterogeneity since it is, by definition, a mode of governance that brings about harmonisation. When it comes to the policy areas in question, however, harmonisation is the path to be avoided, given the structural and ideological differences among the member states. What is more, in the concrete field of social policy regulation, the Community method had essentially exhausted its credibility with the failed attempt to endorse the Social Charter as part of the Maastricht Treaty<sup>3</sup> (Hantrais 2000; Pochet 2004). Finally, national governments wanted to maintain some degree of control over tools that they considered essential for their political future (Dehousse 2002, p. 6), especially given that these were predominantly social-democratic governments.

Similarly to the Community method, the other institutional form available – that of the intergovernmental method – also did not offer a feasible solution. The need for unanimity coupled with the binding nature of agreements achieved under the Intergovernmental method often leads to decisions that represent a very slow advance from the status quo. Moreover, the intergovernmental method is also averse to situations of policy uncertainty since the parties would simply not sign an intergovernmental agreement under such conditions. The EU, however, needed concerted and effective action to be devised and implemented despite the high level of heterogeneity and policy uncertainty.

To summarise, on the one hand there was a clear inclination to use the existing European institutions, given both the spillover effects of the

delegation of previous policies to the EU level and the availability of 'Brussels bureaucrats' to support the process (Stevens and Stevens 2001). On the other hand, the two typical patterns of EU policy-making – the Community and the Intergovernmental methods – did not offer feasible alternatives for establishing EU level cooperation. Agreement on Communitarisation would be difficult to achieve since it involved a high level of obligation, to which governments were reluctant to commit. Equally, the intergovernmental method would also not have been the most effective institutional configuration to adopt in pursuit of the ambitious Lisbon goals, given both its tendency to produce lowest common denominator solutions (or no solutions at all) in situations of high interest heterogeneity and its low level of delegation. And yet centripetal forces (described in the first section) were pressuring member state governments to instigate some form of cooperation at the EU level. The time was ripe for a new approach.

As Renaud Dehousse observed, 'in situations where political choices aren't pointing in the same direction, the typical EU solution is to invent a new institutional arrangement' (Dehousse 2005, p. 6). The solution that gradually emerged in the second half of the 1990s and which was then embodied in the Lisbon European Council conclusions, was to 'decouple' complex policy problems and to some extent 'mute' the most acute political controversies by devising a new method of governance (Radaelli 2003, p. 20). Inspiration for it came from the coordination procedure in the field of fiscal and economic policies (the Broad Economic Policy Guidelines). Iterative routines, based on commonly endorsed guidelines and indicators, as well as periodic monitoring of national performance, were already an established way of streamlining the diverse fiscal and economic cycles throughout the EU and of organising the process of economic convergence needed to assure the proper launch and functioning of the EMU. Given the similar initial conditions (heterogeneity of national circumstances and interests) and the analogous objectives (convergence toward common goals), this novel integration instrument seemed suited for application to other contentious policy areas. Thus it was 'borrowed' for the employment coordination procedure of 1997 and was extended to other policy areas (e.g. social exclusion, research and innovation) by the Lisbon Council of 2000 (Hodson and Maher 2001, p. 726) under the name of the 'Open Method of Coordination' (OMC).

According to Radaelli, the OMC seeks to tap knowledge about ways of improving the status quo and of how innovation can be transferred from one system to another. This micro-orientation breaks down political complexities into smaller compounds that are more manageable (Radaelli 2003, p. 20). In short, the EU discovered an approach 'to deal with the growing pressure for European solutions under conditions of politically salient diversity' (Scharpf, 2001, p. 11). What is more, the OMC was a matching structural solution

which closely reflected the ideational underpinnings of the Lisbon process. Dehousse (2002, p. 7; 2005, p. 8) claims that the neo-liberal Lisbon ideology is also mirrored in the institutional choice – the vocabulary of the OMC is full of references to the market: ‘management by objectives’, ‘self-evaluation’, ‘peer control’ (in the same vein of thought see Goetschy 2001). Finally, it also addresses the problem of policy uncertainty by installing a deliberative and iterative routine which allows for revision in case of new information.<sup>4</sup>

Thus, the method of open coordination emerged as the appropriate institutional solution since firstly it did not involve sovereignty losses and secondly, moreover, since it accommodated heterogeneity by establishing a policy-making process of low obligation and moderate delegation. It was presented as a third way between ‘pure integration’ on the one hand and the logic of genuine intergovernmental cooperation on the other (Dehousse 2002, p. 4; Portuguese Presidency 2000, p. 4). It might seem strange that social democratic parties should opt for this third path of institutionalisation and shy away from the communitarisation of social policy, even though they dominated the EU agenda and had an unparalleled opportunity to do so. Having a strong majority (between 1997 and 2002) in the European Council, why did these governments prefer to put in place such a ‘harmless’ mode of governance such as the OMC instead of establishing supranational institutions? According to Manow, Schäfer and Zorn (2004, p. 29) two factors explain this outcome. Firstly, the Left had become far less interventionist – and instead more ‘Blairist’ – than in the past. Secondly, the enthusiasm for further integration had vanished in the wake of Maastricht (also confirmed by the data of Arnold and Cameron 2001). As a result, social democratic governments failed to build supranational institutions that could effectively commit their successors (Manow, Schäfer and Zorn 2004, p. 29) and instead opted for the new governance formula of open policy coordination.

## IDEAL-TYPICAL AND TANGIBLE FEATURES OF THE OMC

The previous sections examined the need for EU level cooperation and discussed the recourse to a new mode of governance, namely the OMC. The chapter now goes on to study this novel form of institutionalised cooperation in greater detail. In particular, it traces the evolution of the method and compares the variation in the way it is institutionalised across policy areas. Its application to two policy areas – employment regulation and Research and Development (R&D) – is examined more closely in order to illustrate variations in implementation and to provide an idea of how open policy

coordination actually functions in practice. The chapter concludes with a preliminary assessment of the effectiveness of the method.

At the Lisbon European Council in 2000, EU member states coined the term 'Open Method of Coordination' (OMC) and launched it in the policy areas of social inclusion, enterprise policy, research and innovation, and information society. It was further extended by the Stockholm European Council of 2001 to the areas of educational and vocational training and pensions (European Council 2001a). In its ideal-typical form the OMC is a framework of political steering where the EU level is involved in strategic objective and target setting (creating in this way a set of non-binding regulations). It facilitates and monitors implementation and provides a forum for the discussion of policy approaches and the common evaluation of progress. The OMC perches on the fence between the Community method on the one side and the intergovernmental method on the other. While it coaxes member states into coordinating their national public actions within a collectively decided framework and spreads widely into different policy areas, it cuts across national-EU borders through the use of persuasion rather than coercion (Borras and Jacobsson 2004, p. 187). The process is based on soft law, remains to a large extent voluntary and is thus entirely dependent on the political will of the participating member states.

In its fully-fledged form, the method involves the following processes (European Council 2000, Paragraph 38):

- fixing guidelines for the Union combined with specific timetables for achieving the goals which they set in the short, medium and long terms;
- 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 practice;
- 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 organised as mutual learning processes.

From this definition of the European Council (and as it will be illustrated below), different frameworks of policy coordination have developed in practice depending on the policy area in which the method has been applied (Borras and Jacobsson 2004; Porte and Pochet 2003; Radaelli 2003). This led the Belgian Minister for Social Affairs and Pensions, Frank Vandebroucke, to claim that 'open co-ordination is a kind of a cookbook that contains various recipes, lighter and heavier ones' (Vandebroucke 2001, p. 4 and 2002, p. xxi). Currently, we observe a plethora of coordination procedures,

some of which are ‘heavier’ in some policy areas (e.g. economic and employment policy coordination) and ‘lighter’ in other areas (e.g. information society, pensions, social exclusion). Table 1.1 provides comparative data of three policy areas to demonstrate this variation. As illustrated there are considerable differences

*Table 1.1*

*Defining properties of three OMC processes*

	<i>Employment</i>	<i>Pension reform</i>	<i>Research</i>
<i>Established by and operational since</i>	Art 128 TEC; since 1998	Stockholm European Council of March 2001; since July 2001	Lisbon European Council of March 2000; since 2003
<i>Preparatory committee</i>	Employment Committee (EMCO)	Social Protection Committee and Economic Policy Committee (SPC & EPC)	Scientific and Technical Committee (CREST)
<i>Type of regulatory instrument</i>	Annual employment guidelines	Broad common objectives	Action Plan ‘Investing in Research’
<i>Evaluation instrument</i>	Annual National Action Plans	Every three to four years national strategy reports	Annual report of CREST
<i>Sanction mechanism</i>	Recommendations; peer pressure; benchmarking; reports	Peer pressure	Peer pressure; benchmarking reports (Scoreboards)
<i>Operational interface</i>	European Commission	European Commission	CREST
<i>Participation of NGO’s</i>	Replicates national patterns	Replicates national patterns	Only if appointed as experts in the OMC subgroups

in the OMC modalities and procedures. For example, the employment OMC makes use of annual guidelines, National Action Plans (NAPs) and

recommendations to individual member state governments. By contrast, the national strategy reports in the area of pension reform are only due every three to four years. There are no guidelines but instead 'broad common objectives'. Recommendations to individual member states are not foreseen. This makes the Pensions OMC process much 'lighter' in terms of the requirements of member state compliance.

In the case of the Research OMC, where not even specific guidelines or broad objectives have been endorsed by the Council, member states are merely required to adhere in their policies to the action lines identified in the Action Plan 'Investing in Research' of 2003. It is uncertain whether 'proper' guidelines will be adopted in the future (interview 8 April 2005). The first Research OMC cycle (concluded in October 2004) was more of an information gathering exercise than a regulatory process.

Furthermore, it ought to be noted that the OMC process in the areas of pensions and research is not mentioned in the treaties, but is instead based on a European Council mandate. The result is that the procedural routines of the two OMC processes have evolved in different ways. In particular, the role of the European Commission has been marginalised in the case of research, whereas in pensions it has had much more power to shape the discourse and to direct the process in the desired direction (interview 30 March 2005; interview 8 April 2005). In both cases the mandate was given to intergovernmental committees that form part of the plethora of preparatory bodies in the Council – the Economic Policy Committee and the Social Protection Committee for pensions and to the Scientific and Technical Committee (CREST) for research.<sup>5</sup> The first two are relatively new and their secretariat is provided by the Commission, prompting a higher level of reliance on Commission resources, including expertise. CREST on the other hand is an 'old formation' (established in 1974) whose secretariat is provided by the Council (interview 21 March 2005). Arguably this variation in the choice of the operational interface reduces the possibilities for the Commission to influence the process of the research OMC as much as it could do so in the pensions OMC. Other variations concern the use of indicators and benchmarks, review and evaluation, as well as the degree of participation of non-governmental actors in the policy process.

To summarise, from the common set of ideal-typical features defined by the Lisbon Council, different coordination procedures have evolved in practice. In order to theorise the established variation, I employ the concept of legalisation. Its analytical dimensions allow for comparative analysis of the various OMC mechanisms that are currently applied in the EU. The following section elaborates the analytical framework and applies it to two OMC processes.

## FRAMEWORK FOR COMPARATIVE ANALYSIS OF OMC PROCESSES

The concept of legalisation is defined by Abbott, Keohane, Moravcsik and Snidal (2000, p. 401) as a particular form of institutionalisation characterised by three components: obligation, precision and delegation. The variation in the three components leads to a variation in the degree of legalisation of the OMC process. Consequently, we observe diversity in the coordination mechanisms established in the EU, ranging from 'heavier' modes, where all three elements are strongly present, to 'lighter' ones.

Obligation means that states or other actors are bound by a rule or commitment or by a set of rules or commitments. Specifically, it means that they are legally-bound by a rule or commitment in the sense that their behaviour thereunder is subject to scrutiny under the general rules, procedures and discourse of international law and often of domestic law as well (Abbott, Keohane, Moravcsik and Snidal 2000, p. 401). Given that we are discussing international public law, in practical terms this category demands a measure of the subjective acceptance by states of a particular rule as a legal rule or not, i.e. as binding or non-binding as a matter of international law (Abbott, Keohane, Moravcsik and Snidal 2000, p. 409, footnote 14). For the purposes of comparison between OMC processes, I operationalise this subjective acceptance by differentiating between coordination procedures that have been codified in the treaties and those coordination procedures based on a European Council mandate. The rationale of distinction here is that if member states wished to demonstrate that they felt legally-bound to coordinate their policies, they would have enshrined this in the primary law of the Union.

On the other hand, precision narrows the scope for reasonable interpretation (Abbott, Keohane, Moravcsik and Snidal 2000, p. 412) and restrains opportunistic behaviour. A precise rule specifies clearly and unambiguously what is expected of a state or other actor in a particular set of circumstances (in terms of both the intended objective and the means of achieving it). In the context of OMC, precision will be deemed high when both the long-term objective and the means to achieve it are specified in the OMC guidelines. For example, the Employment OMC aims at 60 per cent female employment by 2010 and moreover specifies that to this end member states must assure the availability and affordability of childcare (i.e. a specific policy solution is put forward and given priority over others).

Precision is low when a specific objective is set yet the EU level does not foster a concrete policy solution, i.e. member states rely on their own discretion, based on their national context, about how the objective should be achieved. In the case of research, for example, member states set the

objective of raising investment in R&D to 3 per cent of GDP (of which two-thirds should be financed by the private sector). However, no particular policy solution is favoured and nothing more than ‘fields of work’ are identified at the supranational level, e.g. the encouragement of research-intensive SMEs should be fostered and research-conducive fiscal measures should be designed, etc. Hence, when member states have both freedom of interpretation and discretion, precision will be considered low.

*Table 1.2*

*Properties of OMC*

<i>Category</i>	<i>Indicator</i>	<i>Measure</i>
<i>Obligation</i>	Treaty based	High
	Mandated by the European Council	Low
<i>Precision</i>	EU sets both: policy objectives and policy approaches	High
	EU sets only policy objectives and/or targets	Low
<i>Managerial delegation</i>	Supranational operational interface	High
	Intergovernmental operational interface	Low
<i>Enforcement delegation</i>	Possibility to issue recommendations	High
	Only peer pressure and/or comparative tables	Low

*Source:* Radulova 2006, based on Abbott, Keohane, Moravcsik and Snidal 2000

Delegation is the extent to which states and other actors entrust authority to designated third parties – including courts, arbitrators and administrative organisations – to implement agreements (Abbott, Keohane, Moravcsik and Snidal 2000, p. 415). Following Abbott and Snidal, I will make a distinction between ‘managerial’, i.e. the power to apply and elaborate agreed rules and ‘enforcement’ delegation, i.e. the power to evaluate, judge and sanction performance (Abbott and Snidal 2000, p. 430).

The level of 'managerial' delegation of an OMC mechanism will be considered high if the member states have endowed the Commission with the power to take care of the procedural routine of an OMC iteration, i.e. to issue guidance notes, to monitor the process of implementation and to collect and summarise data about performance; in short, to act as a mediator and operational interface for the OMC mechanisms. Conversely, if the principles (the member states) have not endowed an agent (such as the Commission) with managerial powers but have rather retained them themselves (e.g. empowering an intergovernmental body such as CREST instead), the managerial delegation will be considered low.

Enforcement delegation in the case of an OMC mechanism will be high when a third party (e.g. the Commission) has the power to propose recommendations to countries that underperform or are deemed to be on the wrong track towards the commonly desired outcome/objective.

The application of the analytical framework of Abbott, Keohane, Moravcsik and Snidal (2000) with the respective interpretation and coding for the specificities of the OMC procedure presented above yields Table 1.2.

Table 1.3

*Types of OMC processes*

		<i>Employment</i>	<i>Research</i>
<i>Obligation</i>		High	Low
<i>Presicion</i>		High	Low
<i>Managerial delegation</i>		High	Low
<i>Enforcement delegation</i>		High	Low
		↓	↓
<i>OMC mechanism</i>		Heavy	Light

Source: Radulova 2006, based on Abbott, Keohane, Moravcsik and Snidal 2000

When we translate the properties of the OMC processes of employment and research from Table 1.1 into the modes of coordination procedures presented in Table 1.2, this results in Table 1.3.

The table confirms the metaphor that the OMC is a cookbook of lighter and heavier recipes. The Open Method of Coordination can indeed be seen as a variation on a theme with a convergence of labels and a diversity in procedural set-ups (Gornitzka 2005, p. 28). It is beyond the scope of this chapter to establish why the method acquired different properties when applied to different policy areas. Given the established variation, however, it is interesting to explore whether this plays a role when it comes to policy outcomes. To this end, I examine the implementation of the OMC in the policy areas of employment and research. These two fields can be understood as examples of respectively a 'heavy' and a 'light' OMC process, depending on the level of legalisation involved. The working hypothesis is that the 'heavy' OMC process of employment has more effective implementation (i.e. is closer to achieving its objectives), whereas the research OMC is less effective in terms of policy outcomes. The following comparison of the coordination procedures established for employment and research policies shows how these procedures produce different levels of effectiveness in the two policy areas examined.

## OMC IN THE AREA OF EMPLOYMENT POLICY

The employment OMC process aims to raise the overall EU employment rate through encouraging the adoption of active labour market policy measures. The main implementation tool is the so-called European Employment Strategy (EES). The EES, also known as the 'Luxembourg Process', was initiated in 1997 and plays the central role in coordinating EU policies designed to create 'more and better jobs'.

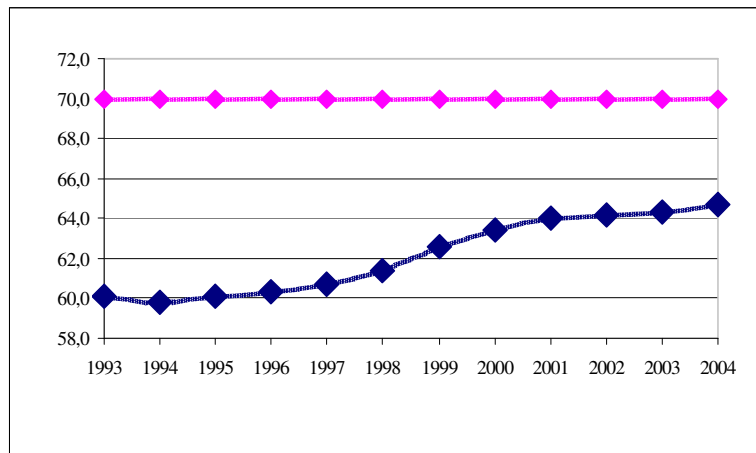
The employment OMC has been operational since 1998, meaning that there had been six annual iterations by 2005. Consequently, it has a highly developed procedural routine. Its main objective is the activation of the European labour force and the reform of member state labour market policies through a package of guidelines endorsed at the supranational level. The objectives provide direction for the national policy-making efforts. The common guidelines are set at the European level, based on a proposal from the Commission and are discussed by representatives of the member states in the Employment Committee (EMCO). The European Parliament is then consulted, but the final decision rests with the Council of Ministers acting under QMV.

Implementation is to be achieved through national implementation plans prepared by each member state. These are supposed to accommodate the European guidelines and to provide translation of the EU targets into their national contexts. Each member state's implementation plan has to outline the

national-level strategies for achieving the European-wide policy objectives. Thus the plans also serve to demonstrate the different approaches and alternative ways employed by each member state in achieving the common aims. Hence, they are sources for the evaluation of good practice and the identification of effective actions within the diverse national contexts.

*Figure 1.1*

*People in employment in age group 15–64*



*Notes:* Proportion of the total population in the same age group and the target of 70 per cent by 2010.

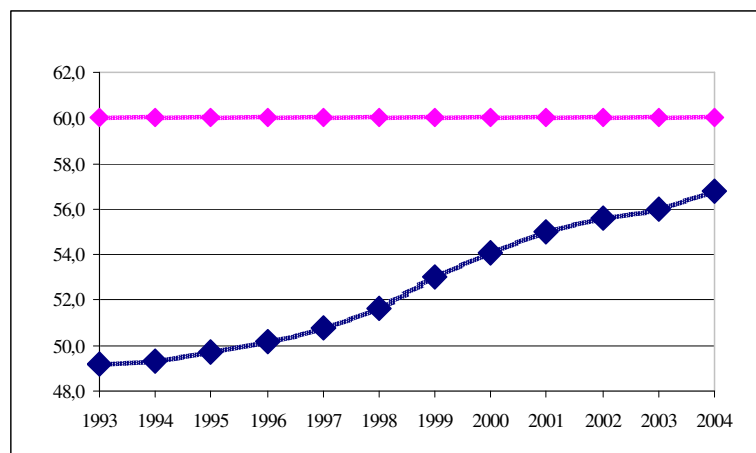
*Source:* European Commission 2005

Parallel to the efforts taking place in the member states, the Commission organises good practice exercises and compiles benchmarking reports in order to enhance mutual learning. The primary function of identifying good practice is to offer lessons from the success achieved by particular policy-makers. A second function is to exercise peer pressure on states that are not conforming to – or not yet achieving – the standards set by the EU. The objective is to establish a framework of common dialogue where the benefits of good practice identification and the benchmarking results are analysed and reviewed by the member states. The idea is that civil servants can pool, study and comparatively evaluate the experiences of national and local experiments

and, in the light of the lessons learned, improve knowledge and efficiency (Overdevest 2002, p. 18). Moreover, this is a ‘soft’ method of inducing the non-complying member states to revise their actions. In this way, a ‘soft’ mechanism of accountability of the member states to the Union as a whole is established. Depending on the peer review conclusions, some member states may receive policy recommendations, the OMC targets may be updated, new guidelines may be endorsed and then the cycle will be re-launched.

*Figure 1.2*

*Employment rate for women 1993–2004*



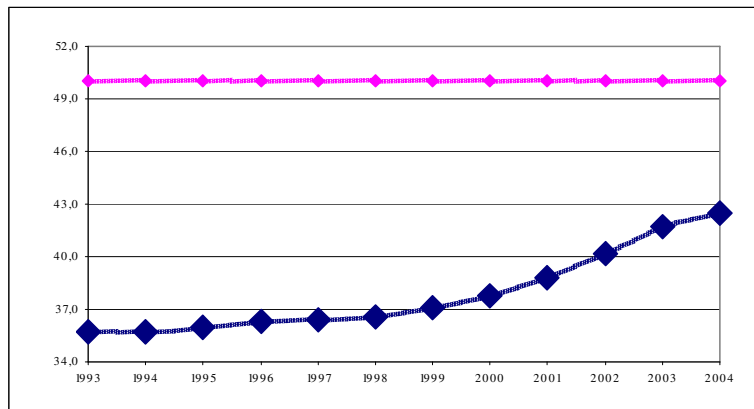
*Notes:* Women in employment in age group 15–64 as a proportion of total women in the same age group and the target of 60 per cent by 2010.

*Source:* European Commission 2005

The Employment OMC is governed by two main quantitative objectives, namely that European leaders have committed themselves to achieving a 70 per cent overall employment rate for people between the ages of 15 and 64 and at least a 60 per cent employment rate for women by 2010.<sup>6</sup> The Stockholm European Council of March 2001 added one additional target – that of a 50 per cent employment rate for older workers (i.e. above 55 years of age).

Figure 1.3

*Employment rate for older workers 1993–2004*



*Notes:* Persons in employment in age group 55–64 as a proportion of the total population in the same age group and the target of 50 per cent by 2010.

*Source:* European Commission 2005

Figures 1.1, 1.2 and 1.3 reveal that EU performance falls short on all three targets: The employment rates all demonstrate an upturn but the targets are far from being achieved. In particular, in 2004 the overall employment rate was 64.7 per cent (the 2010 target is 70 per cent), the female employment rate was 56.8 per cent (the 2010 target is 60 per cent) and the rate of participation of older workers amounted to 42.5 per cent, whereas the 2010 target is 50 per cent. Although there may well be further progress toward the objectives in the run-up to 2010, even the most optimistic analyses do not predict sufficient growth for the Lisbon and Stockholm goals to be achieved in time.<sup>7</sup>

## OMC IN THE AREA OF RESEARCH POLICY

Unlike employment regulation, which was a new field of cooperation at the EU level, various aspects of research policy have been coordinated at the EU level for more than 30 years, with the Scientific and Technological

Committee (CREST) established as early as 1974. Indeed, a range of European initiatives have been undertaken with regard to the research and innovation policies of member states. Thus the OMC was established on top of these ongoing initiatives and can be considered as a parallel rather than a streamlining process. Its principle objective is to build a stronger public research base in the EU and to make the Union more attractive to private investment in research and innovation. One of the major goals of the process is to bridge the critical (and growing) gap in the levels of research investment between Europe and its economic rivals (the USA and Japan), which is considered to jeopardise the EU's long-term innovation, growth and employment potential. The concrete objective set by the March 2002 Barcelona European Council was to increase the average research investment level from 1.9 per cent to 3 per cent of GDP by 2010, of which two-thirds should be funded by the private sector (European Council 2002, Paragraph 47).

Arguably, some of the OMC elements had already been in place since 1996 when the First Action Plan for Innovation in Europe was launched. At the time, 'benchmarking' was one of the Commission's buzzwords and benchmarking reports and national comparisons subsequently became the main instruments for the implementation of the 1996 Action Plan. By the year 2000, these practices represented an established institutional pattern for organising activities in the policy area and undoubtedly shaped the OMC process launched by the Lisbon Council. Initially, the Lisbon process created something very feeble – simply the 'benchmarking of national policies', according to a Commission official (interview 8 April 2005).

After the endorsement of the 3 per cent Barcelona target, the Competitiveness Council of December 2002 proposed the launching of a fully-fledged OMC as a means to achieve the 3 per cent investment target. The spring Council of 2003 endorsed this decision and hence led to the establishment of the Research OMC, which is a much more loosely-coupled and 'light' process than that of the Employment OMC. The Competitiveness Council of 13 May 2003 empowered CREST to act as an interface with regard to the 3 per cent target (Scientific and Technical Research Committee, 2004). In the autumn of 2003, CREST proposed the establishment of five expert groups in order to implement the open method of coordination.

These five expert groups became operational in October and November 2003. The five expert groups, which worked for less than a year (from October/November 2003 until June 2004), were the main implementation vehicles of the Research OMC process. Each of the groups was composed of experts nominated by the member states – either civil servants or experts external to the national administrations, i.e. stakeholders from universities, research institutes, etc. (interview 21 March 2005; interview 8 April 2005).

The Research OMC is a process of a predominantly intergovernmental nature and each expert group came up with conclusions and recommendations which were then endorsed by CREST. The final CREST report on the first cycle was published on 1 October 2004, which marked the end of the first iteration of the Research OMC. Figure 1.4 presents data about the progress of then 15 member states toward the 3 per cent Barcelona objective.

*Figure 1.4*

*Research and development expenditure as per cent of the GDP 2001–2004*



Source: EUROSTAT, OECD

Figure 1.4 indicates that the EU is not only firmly behind in its progress towards the 3 per cent target, but also that on the whole, little progress has been achieved towards it in recent years. In 2004, according to Eurostat, the Research and Development (R&D) intensity (i.e. expenditure as a percentage of GDP) in the EU stood at 1.9 per cent, compared to 1.92 per cent in 2003. R&D intensity remained significantly lower in the EU than in other major economies: In 2003, R&D expenditure was 2.59 per cent of GDP in the United States and 3.15 per cent in Japan, while it was 1.31 per cent in China. Furthermore, there are huge discrepancies between the R&D spending intensities of the different member states. In 2004, the highest R&D intensities were registered in Sweden (3.74 per cent of GDP) and Finland (3.51 per cent). The lowest intensities were found in Greece (0.58 per cent), Portugal (0.7 per cent) and Spain (1 per cent).<sup>8</sup>

With regard to the second Barcelona target (two-thirds of the average research investment level should be funded by the private sector), in 2003 the business sector, on average, indeed financed the highest share of EU expenditure on R&D (54 per cent), followed by the government sector (35 per cent) and funding from abroad (9 per cent). However, the target of 66 per cent is far from being reached. Among the member states, Luxembourg (80 per cent) recorded the largest share of R&D expenditure financed by the business sector in 2003, followed by Finland (70 per cent), Germany (66 per cent), Sweden (65 per cent), Denmark (61 per cent) and Belgium (60 per cent). At the bottom of the table are again Greece (30 per cent) and Portugal (32 per cent).

## CONCLUSION: OMC - AN EFFECTIVE TOOL OF EU GOVERNANCE?

The two OMC processes of Employment and Research are clearly differently equipped. The Open Method of Coordination as applied in Employment is characterised by a higher level of legalisation, i.e. it represents a 'heavy' coordination procedure, while in contrast, OMC in the domain of Research is hardly legalised at all, i.e. it represents a 'light' coordination procedure. This appears to influence the outcomes of the policy process. To be sure, in both policy areas the targets set for 2010 are far from being achieved, but while the employment rates at least demonstrate an upward trend, the R&D spending rates not only fall halfway short, but also showed a negative trend in most member states during 2004.

Analysed from the perspective of institutional design, these policy outcomes suggest that implementation is more effective where the stronger involvement of supranational institutions such as the European Commission is

present (i.e. where managerial delegation is higher), where iterations are shorter, where recommendations are available (i.e. where some sort of soft enforcement delegation is present) and where concrete targets and policy approaches are highlighted (i.e. where precision is higher) and progress towards these is regularly tracked.

All of the above suggests that the OMC does not seem to be a very effective governance tool in both of the examined policy areas, i.e. regardless of the manner of institutionalisation. Where the method is ‘heavier’, however, as in employment regulation, the OMC process seems to perform better in terms of policy outcomes. This preliminary review reveals that effectiveness may indeed be higher under a ‘heavy’ OMC model and less so under a ‘light’ model. Naturally, these are only preliminary observations and require deeper investigation into the other potential reasons behind the observed policy changes. Further in-depth case studies will need to be conducted before any definite conclusions can be drawn about the effectiveness of this otherwise promising new mode of EU governance.

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## NOTES

1. The Employment OMC process aims to raise the overall EU employment rate through the encouragement of active labour market policy measures. The R&D OMC aims to build a stronger public research base in the EU and to make the EU much more attractive to private investment in research and innovation.
2. The Nordic countries were interested in reducing their comparative disadvantage, which their expensive social models imposed on them by exporting a similar system to other countries. Next to this primarily economic motivation stood an equally important political incentive – for domestic reasons they needed to show that they could push a ‘Nordic agenda’ in the EU, which they have recently joined.
3. Opposed by the United Kingdom.
4. For a more elaborate account on how the structural properties of the open method of coordination match the particular complexity configuration of the 1990s see Blom and Radulova 2005.
5. The Scientific and Technical Committee is better known in the field as the ‘Comite de la Recherche Scientifique et Technique’ (CREST).
6. Endorsed by the Lisbon European Council in 2000.

7. By 2010 the indicator that is expected to be closest to the set objective is the one related to female employment. The greatest discrepancy between the targets and the actual performance most likely will concern the elderly employment rate.
8. If we consider the EU 25 then the lowest scores are to be found in Malta (0.29 per cent) and Cyprus (0.37 per cent).

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