

# **Open Coordination, Convergence, and Hybridization in European Welfare States**

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## **I. Balancing the EU’s Social and Economic Objectives**

### **A. Introduction**

1. The editor’s introduction and the papers for the special issue of *Social Policy and Administration* on “Making a European Welfare State? Convergences and Conflicts over European Social Policy” (vol. 37, no. 6, December 2003), which form the object of this panel, seem to me to raise three fundamental sets of questions:

- a) What is the relationship between the EU’s social and economic objectives, and how does this influence European policy making?
- b) What forms of convergence, if any, can be observed across European welfare states?
- c) Do European welfare systems continue to display strong path dependencies based on their original regime types, or do they instead show signs of hybrid innovation?

2. I propose to comment briefly on each of these questions, using the Open Method of Coordination (OMC) as a connecting thread. In so doing, I will highlight the contribution of the OMC, both actual and potential, to balancing the EU’s social and economic objectives, promoting cognitive and normative

convergence, and encouraging hybrid innovation in Member States' welfare and employment systems.

## **B. Neither Schumpeter Nor Polanyi**

1. In his introductory essay, Peter Taylor-Gooby counterposes Schumpeter and Polanyi as reference points for conflicting visions of European policy making: one based on the pursuit of economic growth by innovative entrepreneurs subject to minimal social and institutional constraints; and the other based on the protection of society against the ravages of uncontrolled markets by the civilizing powers of the welfare state. EU policy making, he argues, “accepts the Schumpeterian argument that market freedom is essential to economic success, but [allows] a social agenda to enter, so long as welfare ends do not conflict with the market, and encourages social interventions when they can be made to support [that] goal”, especially in relation to employment.

2. This way of posing the problem has a long and distinguished pedigree, as Peter’s reference to Schumpeter and Polanyi writing at the end of the Second World War makes clear. But it seems to me entirely the wrong framework for analyzing the evolution of EU policy making since the mid-1990s, when social protection began to be redefined as a productive factor and especially since the March 2000 Lisbon European Council, which famously set the Union the goal of becoming “the most competitive knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion”. Welfare issues such as social inclusion, social security, pensions, and health care have advanced on the EU policy agenda over the past decade in ways few analysts then believed possible. They have done so not by demanding social protection against the market, but rather by emphasizing the need to reconfigure welfare regimes designed for a previous economic era, based on very different employment patterns and family structures, and to support individuals and households in navigating the resulting new social hazards of the labor market and the life course.

### **C. Advancing Common European Objectives through OMC**

1. Rather than subordinating social to economic goals, the emerging framework of EU policymaking seeks instead to balance or reconcile them. Here the OMC makes a crucial contribution by establishing common European objectives against which Member States benchmark national progress in an iterative cycle. These common objectives link OMC processes upwards to the fundamental values and goals of the Union (as set out in the Treaties) on the one hand, and downwards to more specific policy approaches and programs pursued by the Member States in advancing them on the other. They are typically multi-dimensional and embrace both social and economic considerations: “more and better jobs”, “flexibility and security”, “reconciling work and family life” in the first EES; employability, quality and productivity at work, and an inclusive and cohesive labor market in the new employment guidelines; social adequacy, financial sustainability, and modernization of pension systems; quality, accessibility, and financial sustainability of health and long-term care.

2. As Bruno Palier points out in a paper for another panel at this conference, the “Europeanization” through OMC of social policy fields like pensions (and now health care) was the outcome of a deliberate mobilization by “socially oriented actors” within the Council and the Commission to ensure that national policy reforms would not be dictated exclusively by “economically oriented actors” concerned with retrenchment of public spending to meet EMU targets. OMC pensions objectives, as we have seen, place social adequacy and financial sustainability on an equal footing. They have already shown their value in drawing attention to defects in the adequacy of pension provision in some Member States (notably the UK), and in redirecting EU policy debate away from funded pensions towards increasing the effective age of retirement as the best way of reconciling financial sustainability with social equity.

3. Even when the political pendulum swings to the right at EU and/or national level, as it has clearly done since Lisbon, OMC objectives serve as a social counterweight, since policymakers are obliged to refer to them as well as to

economic criteria in justifying their programs. They also create a platform for non-state actors (such as NGOs, social partners, and opposition parties) to hold European and domestic policymakers publicly accountable for their performance in carrying out mutually agreed commitments (as for example in the case of EAPN's criticisms of the neglect of the social inclusion objective in the current round of NAPs/empl).

4. OMC's contribution to balancing the EU's social and economic objectives has been strengthened through the streamlining and synchronization of the economic and employment policy guidelines around the spring European Council. From 2006, OMCs in Social Protection and Social Inclusion will be fed into the synchronization process, thereby institutionalizing the concept of a social, economic, and employment policy triangle for the EU. Assuming that it is eventually ratified, the draft constitution produced by the Convention on the Future of Europe will mark a further significant step towards parity between the Union's social and economic values and objectives, while also incorporating the Charter of Fundamental Rights into the Treaty. The practical meaning of such general declarations of social values, objectives, and rights can in turn be defined experimentally through OMC processes, which often refer to them explicitly.

## **II. Promoting Cognitive and Normative Convergence**

### **A. Varieties of Convergence**

1. Whether or not we see convergence across European welfare states depends, at least in part, on what we are looking for. Thus, for example, Bjørn Hvinden distinguishes five possible forms of convergence in his paper for this panel on disability policies, involving:

- a) Constraints and conditions for policymaking;
- b) Policy objectives;
- c) Policy instruments (means, measures, and approaches);
- d) Outputs; and
- e) Outcomes.

2. The OMC has rapidly become the EU governance instrument of choice for complex, domestically sensitive policy areas like social welfare where variations among Member States preclude harmonization, but inaction is politically unacceptable. Among the major reasons for this ascendancy is that the OMC aims to produce convergence of objectives, performance, and policy approaches, but not specific programs, rules, and institutions. Hence it has widely been seen as a promising instrument for identifying and pursuing common European concerns, while respecting legitimate national diversity.

## **B. The Impact of OMC**

1. How far have actually existing OMC processes contributed to convergence on these dimensions?
2. The question is most difficult to answer in the case of performance. Thus, for example, EU member states showed significant improvements in their employment performance between 1997 and 2001 (especially among women, youth, and older workers) in ways consistent with the EES. In some (though not all) cases, these improvements narrowed the gap between leading and laggard countries. But the causal connections between such national performance improvements and the EES are complex and uncertain.
3. We are on much firmer ground in arguing that OMC processes have helped to promote cognitive and normative convergence among EU member states. I have already underlined the OMC's contribution to building consensus around common objectives for European social and employment policies. Even where no

guidelines or quantitative targets have been established, as in social inclusion and pensions, OMC processes have already proved effective in identifying common challenges, uncovering promising policy approaches, and advancing the development of common statistical indicators and performance metrics.

4. Through such mechanisms, OMC processes have also help to stimulate cognitive shifts in the policy thinking of EU member states. Thus OMC processes have contributed to the widespread adoption at national level of EU policy concepts and categories such as activation, a preventative approach to unemployment, social exclusion, active ageing, lifelong learning, gender mainstreaming, an inclusive labor market, making work pay, and so on. As in the case of performance, however, we must be extremely careful in interpreting the causal role of OMC in such developments. For Member States' policy orientations had often begun to change before the launching of new OMC processes, whose objectives and strategy they also helped to define. Hence it seems better to speak of a two-way interaction between OMC processes and national policy change than a one-way impact of the former on the latter.

5. In many cases, moreover, common European concepts have been interpreted and inflected in distinctive ways in different national contexts. Thus, for example, as Jean-Claude Barbier has shown, labor market activation has not meant the same thing in Denmark, the UK, and France. Nor should such local interpretive variations be surprising, since as Bruno Palier, Kerstin Jacobsson, and others (including myself) have argued, the strategic use of OMC by domestic actors (both within and outside government) constitutes one of the main channels through which it may influence policymaking within Member States.

### **III. Encouraging Hybrid Innovation**

#### **A. Path Dependent Reform within Regime Types?**

1. Does such evidence of local interpretation of European concepts mean that OMC may be considered merely another factor reinforcing path-dependent

reforms of national social and employment policies consistent with their inherited welfare regime type? Arguably not, for several reasons.

2. One reason is that, as neo-institutionalist scholars like Wolfgang Streeck and Kathleen Thelen now contend, historically entrenched national welfare regimes and employment systems may be incrementally transformed through mechanisms such as layering, conversion, and drift. Among the papers for this panel, Karl Hinrichs and Olli Kangas make precisely such an argument about the potential system-shifting effects of small changes in the rules governing German and Finnish pension arrangements. Nor do such mechanisms necessarily work in the direction of greater liberalization (as both Hinrichs and Kangas and Streeck and Thelen appear to suggest): on my reading of the debate, for example, the transformation of French social policy in the 1990s has involved the construction of new forms of tax-financed republican solidarity for the poor and excluded (which combine universal and means-tested elements) as much as the narrowing scope of traditional conservative-corporatist social insurance arrangements for regular employees.

3. A second objection to such claims about the path-dependent trajectory of social and employment policy reforms is that, as Colin Crouch and others have recently argued, most welfare and employment regimes are themselves hybrids rather than pure types. Esping-Andersen himself is well aware that most countries contain elements drawn from multiple welfare regimes, but nonetheless claims that most cases fall into one of his three major types on the basis of the “over-dominating character of the whole welfare package”, an unspecified and probably unspecifiable concept. Hence systemic change may take the form of reactivating previously secondary elements of existing policies and institutions. Thus, for example, Barbier and Théret interpret the “new French system of social protection” which emerged during the 1990s in terms of a reconfiguration of the Beveridgian and Bismarckian components of the nation’s historically hybrid welfare structure.

## **B. The OMC and Hybrid Innovation**

1. Hybrid innovation within national welfare states often takes the form not only of a recombination of existing elements, but also of selective borrowing and adaptation of new policy approaches and practices from foreign systems.
2. Here the EU in general and the OMC in particular have an important part to play. Among the papers for this special issue, for example, Ana Rico et al. emphasize the progressive hybridization of European health care systems through the gradual (but by no means universal) diffusion from one set of countries to another of organizational reforms involving network coordination between primary care providers, professional specialists, and higher-level administrative authorities. Maurizio Ferrera and his collaborators likewise emphasize the role of EU recommendations in the early 1990s and the OMC social inclusion process more recently in pushing southern European countries towards the strengthening of social safety nets and minimum income guarantees.
3. OMC can be seen as a promising instrument for promoting innovative hybridization of national welfare states through experimental learning since it systematically and continuously obliges EU Member States to pool information, compare themselves to one another, and reassess current policies against their relative performance. The peer review and mutual learning processes associated with the OMC are well-conceived for this purpose insofar as they emphasize the need to understand foreign good practices in their local social and institutional context in order to imagine how they might be adapted to often very different settings in other Member States. Anton Hemerijck and Jelle Visser have thus favorably contrasted the “contextualized benchmarking” deployed in the European Employment Strategy (EES) and other OMC processes with the decontextualized “one-size-fits-all policy” prescriptions of the OECD Jobs Strategy.
4. How well has such mutual learning through OMC worked in practice? Here, as in the case of convergence, the evidence is so far mixed. Within national

administrations, OMC has encouraged enhanced awareness of problems, policies, and practices in other Member States, accompanied by selective borrowing and adaptation, especially in areas like activation, gender equality, and tax-benefit reform. But there has been much less evidence of cross-national learning at the level of local practice, especially within the employment strategy, about questions such as how best to integrate labor market activation with social inclusion, balance flexibility with security, or extend the scope of lifelong learning to a wider section of the population.

5. Much of the problem in the EES, appears to stem from the limited participation of local and regional authorities and non-state actors beyond the national social partner organizations. The organization of the social inclusion process has been much better in this respect, especially since “mobilizing all the relevant bodies” forms one of its four overarching objectives. There have been some improvements in this respect within the EES, as a result of efforts by the Commission and the European Parliament to open up the process, through support for local and regional action plans, and for participation by representatives of local authorities, NGOs, and social partners in peer review and mutual learning activities.

6. But proposals to include the aim of mobilizing all relevant actors and stakeholders in the governance arrangements for the new employment guidelines were watered down as a result of Member State resistance to what they perceived as illegitimate intrusion of EU institutions into their domestic implementation arrangements. It remains to be seen how this issue will play out in the case of the emerging procedures for streamlining OMC in social protection, where the Commission is pressing for the same kind of open and participatory governance as currently prevails in social inclusion. If we consider mutual learning as a key source of the OMC’s added value, then the outcome of this struggle will prove crucial not only for the contribution of this method to the EU’s democratic legitimacy, but also to its problem-solving effectiveness.