

# **The Open Method of Coordination and the Future of the European Employment Strategy**

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## **1. The OMC: Theoretical Promise of a New Mode of EU Governance**

- I'd like to begin with a definition (adapted from Frank Vandebroucke, Belgian Minister of Pensions and Social Affairs, and one of the chief architects of the new OMC processes in EU social policy): "Open coordination is a mutual feedback process of planning, examination, comparison and adjustment of the...policies of [EU] Member States, all of this on the basis of common objectives."
- One should immediately add, with Vandebroucke, that the effectiveness of this process depends on the development of common indicators, benchmarks, and targets, accompanied by peer review and exchange of good practices, in order to facilitate mutual learning and monitor progress towards agreed goals. And I would insist, for my own part, that both the legitimacy and the effectiveness of this process also depend on the participation of the widest possible range of actors in policy formulation, implementation, and evaluation at all levels (EU, national, subnational) in order to ensure the representation of diverse perspectives, tap the benefits of local knowledge, and hold public officials accountable for carrying out their mutually agreed commitments.
- Such a relatively 'thin', general definition of the OMC has a double advantage. First, it allows us to abstract from the many procedural variations within the OMC, especially between the highly institutionalized treaty-based policy coordination processes of the EES and the Broad Economic Policy Guidelines on the one hand, and the more loosely structured coordination processes for social inclusion, pension reform, and (possibly) health care on the other. Such a definition also highlights the affinities between the OMC and a wider class of experimentalist governance arrangements, which have proliferated in recent years in the US as well as in Europe, based on various combinations of devolved decision-making, information pooling and performance comparison, deliberative exploration of promising solutions, and redefinition of policy objectives in the light of accumulated experience.
- From this perspective, the OMC appears to be a highly promising governance instrument for EU policy making in several respects. First, as many commentators have emphasized, the OMC appears particularly well adapted for identifying and pursuing broad common concerns while respecting national diversity, since it encourages convergence of

objectives, performance, and (to some extent) policy approaches, but not of specific programs, rules, or institutions. Second, by systematically and continuously obliging the Member States to pool information, compare themselves to one another, and reassess current policies against their relative performance, the OMC also appears to be a promising mechanism for promoting crossnational deliberation and experimental learning across the EU.

- For each of these reasons, the OMC in various forms has rapidly become a virtual template for EU policy making in other complex, politically-sensitive areas beyond employment and social protection, such as education, research, innovation, immigration, and asylum, while also spilling over into the European social dialogue, health and safety regulation, and other established policy fields. It has also begun to attract increasing attention from academics and policy makers in other parts of the world, as a possible tool for improving multi-level governance in federal systems and for enhancing the implementation of common commitments within international organizations.

## **2. The EES as an OMC: Empirical Realities and Impact Evaluation**

- But how far has the theoretical promise of the OMC as a new mode of governance been realized by ‘actually existing’ OMC processes? The jury necessarily remains out on the new coordination processes in the field of social protection, only one of which (social inclusion) has so far completed an initial round of national action plans and joint reviews. Yet there are encouraging signs, especially from the social inclusion process, in terms of the OMC’s capacity to focus a normative consensus around common objectives, the identify common challenges and promising policy approaches, and encourage the involvement of NGOs and other civil society actors.
- The most significant test case, however, is that of the EES, which has been running for five years on an annual basis, and has just been subjected to a far-reaching evaluation by the Commission and the Member States. Despite many methodological difficulties associated with the exercise, there is now more empirical information available on the operation and impact of the EES than even the most dedicated specialist can fully digest. From this material, as from other independent research such as that presented at an international conference organized a few weeks ago by our EU Center and the Observatoire Social Européen, the verdict on the EES which emerges is decidedly mixed.
- Simplifying brutally given the limited time available, I would say that the EES has been most effective in promoting administrative reorganization and revised approaches to employment policy in the Member States. Thus in most, though not all Member States, there has been more horizontal integration among formally separate but interdependent administrative areas (e.g. labor market policies, social assistance, pensions, taxation), greater decentralization (especially of the public employment services), and increased attention to vertical coordination between national, regional, and local levels of government. In many areas, such as active ageing, lifelong learning, or the adoption of a preventative approach to combating unemployment, there is also evidence of broad shifts in the policy thinking of Member States, which can be partially attributed to their

participation in the EES. Yet such effects are complex and subtle, since Member States' policy orientations had often begun to shift before the creation of the EES, whose guidelines they also helped to define themselves. Hence it seems better on the whole to speak of a two-way interaction rather than a one-way impact. Perhaps the greatest influence, however, has come in the area of equal gender opportunities, where the EES has proved able to raise new issues even for the best performing Member States, for example by highlighting the problem of occupational segregation in the Nordic countries despite their very high levels of female employment. Even here, however, the effectiveness of the guidelines also built on the commitments to gender mainstreaming at EU and national level which had already been initiated before the advent of the EES.

- On the negative side, it seems that despite all the attention given to these issues, the EES did not do an especially good job in identifying which types of active labor market policies or tax-benefit reforms were most effective under what circumstances, and revising the guidelines accordingly, although there is now a great deal of material from the evaluation studies which could be drawn on for that purpose. Even more strikingly, the Member States do not seem to have made much tangible progress in drawing on crossnational learning at the level of local practice about 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.
- Much of the problem seems to stem from the fact that in many (though not all) Member States, the EES remains little known or regarded as a narrow, technocratic reporting process involving primarily high civil servants working in direct contact with EU institutions, rather than an broad, open process of public policy making, accessible to the participation of all those with a stake in the outcome. Most Member States have sought with varying degrees of success to involve the social partner organizations more fully in the formulation of their National Action Plans (NAPs), though the very tight timetable and the bureaucratic rigidity of the procedure have remained continuing obstacles, along with disagreements among the parties over the objectives themselves. Many Member States, following changes in the guidelines and the Commission's communications about acting locally for employment, have also sought to involve subnational actors in the implementation of the NAPs, often through the formulation of regional and local employment action plans (RAPs and LAPs). But few Member States have sought to broaden participation in the EES to NGOs and civil society groups beyond the traditional social partners (e.g. anti-poverty or women's organizations), or to involve local and regional authorities in the formulation and monitoring as opposed to the implementation of their NAPs. As a result, there are few, if any, examples in the evaluation research of upwards transfer of learning from promising local policy solutions to the national and European levels, or of the modification of national programs and European guidelines in light of positive or negative experience at subnational levels of governance.

### **3. Opening the Open Method of Coordination**

- Thus from the available empirical evidence, the EES during its first five years of operation appears to have realized only to a partial extent the theoretical promise of the

OMC as a new mode of EU governance. For the future of the OMC, as well as that of the EES itself, it is important that the EU and the Member States take advantage of the mid-term review to improve the process and overcome the weaknesses thrown into relief by the evaluations. Based on the analysis developed a moment ago, I believe that three major types of reform of the EES would be desirable:

- open the process to participation by a wider range of actors and make it more transparent;
  - mainstream the NAPs into national policy making at all levels;
  - strengthen the mechanisms for promoting mutual learning.
- In reforming the EES, the EU and the Member States might do well to follow elements of the approach recently proposed by the Commission to the Social Protection Committee for “Taking the European Social Inclusion Strategy Forward” (SPC/2002/June/02 en). Among other valuable recommendations, this document urges that in the next round of NAPs/incl, the Member States should:
    - show how their action plans are integrated into and add value to existing policy making processes (including budgetary and fiscal decision making), by providing a mechanism for reviewing and where necessary adjusting them;
    - strengthen the territorial dimensions of the process by encouraging participation of regional and local governments in the preparation as well as the implementation of the NAPs (a proposal long advocated by the Committee of the Regions in the case of the EES);
    - increase public awareness and mobilization of all relevant actors, including NGOs, social partners, social service agencies, academics, national parliaments, regional and local authorities, and those directly affected by social exclusion themselves.
  - In addition to these proposals, which could easily be adapted to the EES, the Employment Committee (EMCO), which orchestrates the process at EU level, would itself benefit from greater transparency. It would be extremely helpful to all those seeking to monitor the EES (including academic researchers like myself as well as parliamentarians, social partners, NGOs, and others) if EMCO placed all committee documents on an open website after they have been discussed, as I believe it is planning to do from this autumn. But it would also be valuable if EMCO were to release a summary of its discussions after an appropriate interval, as is done in various forms by the Bank of England’s Monetary Policy Committee and by the US Federal Reserve Board’s Open Market Committee.
  - Finally, a reformed EES would also benefit from reinforced mechanisms for promoting mutual learning. By most accounts, the EU level peer review process for exchanging good practices works reasonably well, though greater efforts could be made to disseminate the results within the national policy making process, perhaps by including more local and regional representatives among the participants. But the mutual surveillance or ‘Cambridge procedure’, whereby the Member State representatives on EMCO criticize each others’ NAPs, is arguably too short to encourage much real

learning, since the whole exercise takes less than an hour for each case, even if the participants do pose genuinely probing questions. A more intensive, but perhaps less frequent procedure might thus prove more effective, backed up by better and more comparable indicators, data, and targets, as well as by more regular horizontal exchanges of experience at lower levels of governance.