

# **EU Policy Coordination Beyond 2010: Towards an Inclusive Governance Architecture**

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The Lisbon Strategy, which was launched by the European Council in March 2000 as a medium-term framework for EU socio-economic policy coordination, formally elapses in 2010. Almost from the outset, the Lisbon Strategy was the subject of sharply contrasting interpretations, while its governance architecture has been formally or informally revised several times. This workshop thus offers a welcome opportunity to consider the future of the Lisbon Strategy and the appropriate governance architecture for EU policy coordination beyond 2010.

The paper which follows is divided into two main parts. The first part looks backward at the governance of the Lisbon Strategy since March 2000, providing a critical overview of the three principal phases of its development. The second part looks forward, examining the appropriate future governance architecture for EU policy coordination after 2010. The argument proceeds in three steps. The first sets out five architectural design principles for EU policy coordination. The second considers three alternative governance options for EU policy coordination after 2010: (i) the status quo (the existing Lisbon Strategy for Growth and Jobs); (ii) ‘Lisbon Minus’ (the Cohen-Tanugi Report); and (iii) a new inclusive architecture, based on four equal, mutually reinforcing pillars (economic growth, full employment, social cohesion, environmental sustainability). The final step assesses the risks and opportunities for EU social policy coordination arising from the third, preferred option of a new inclusive governance architecture.

## **I. The Governance of the Lisbon Strategy, 2000-2010: A Critical Overview<sup>1</sup>**

### **A. Lisbon I (2000-2005)**

As is well known, the original Lisbon Strategy laid out a broad, ambitious agenda aimed at making the EU by 2010 ‘the most dynamic and competitive knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion’. This inclusive agenda was based on the concept of a ‘socio-economy policy triangle’, with equal weight for full employment and social cohesion alongside economic growth and

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<sup>1</sup> For fuller analysis and documentation, see Zeitlin 2007, 2008).

competitiveness as EU objectives. In 2001, under the Swedish Presidency, environmental sustainability was added as a fourth ‘pillar’ or core strategic objective.

To advance this ambitious agenda, the Lisbon Strategy inaugurated a new approach to EU governance, the Open Method of Coordination (OMC), based on iterative benchmarking of national progress towards common European objectives and organized mutual learning. But the OMC was never intended to serve as the sole governance instrument for the Lisbon Strategy: it was always supposed to be combined with other EU policy tools, including legislation, social dialogue, Community Action Programmes, and the structural funds.

Lisbon I was widely criticized by the 2004-5 Mid-Term Review for its lack of strategic focus and multiplication of objectives, targets, and coordination processes. The OMC in particular was harshly criticized by the Kok Report and the incoming Barroso Commission for failing to deliver Member State commitment to the implementation of agreed reforms needed to reach the Lisbon targets (Kok 2004; European Commission 2005). Some of these criticisms of Lisbon I were arguably justified, notably the weakness of the overarching governance architecture for integrating and reconciling overlapping sectoral policy coordination processes (coordination of coordination). But other criticisms were much less justified, since the review process ignored much of the available evaluation evidence, both official and academic, which suggested that the OMC should be considered a qualified success in some fields like social and employment policy (European Commission 2002; Zeitlin and Pochet 2005), while in others like information society, innovation, and enterprise promotion, no real judgment could be reached, since the method had not yet been fully implemented (Tavistock Institute et al. 2005).

## **B. Lisbon II (2005-2008)**

The Lisbon Strategy was formally relaunched in 2005, with a sharper focus on growth and jobs. The architectural core of Lisbon II was the fusion of the European Employment Guidelines (EEGs) and the Broad Economic Policy Guidelines (BEPGs) into a single set of 24 Integrated Guidelines (IGs) for Growth and Jobs, divided into separate macroeconomic, microeconomic, and employment chapters. In line with this architectural shift, the National Action Plans for Employment (NAPs/empl) and the Joint Employment Report (JER) were replaced by sections within Member States’ National Lisbon Reform Programs (NRPs) and the Commission’s Annual Lisbon Progress Report respectively. This relaunched, refocused Strategy was to be implemented through a new set of reform partnerships between the Commission and Member States on the one hand, and between national governments and domestic stakeholders on the other. These new reform partnerships were explicitly designed to shift the focus of the Lisbon Strategy away from ‘co-ordination through multi-lateral discussions between 25 Member States and the Commission, on individual policy themes (the OMC)’ towards ‘a bilateral in depth dialogue between the Commission and Member States on a commitment based national action programme’ (European Commission 2005).

On the social side, the three ‘strands’ of the social OMCs (inclusion, pensions, health and long-term care) were ‘streamlined’ into a single overarching Open Method of Coordination on Social Protection and Social Inclusion (OMC/SPSI), with both common and sector-specific objectives. According to successive European Council conclusions, the relaunched Lisbon Strategy was designed to provide ‘a framework where economic, employment and social policy mutually reinforce each other, ensuring that parallel progress is made on employment creation,

competitiveness, and social cohesion in compliance with European values'. This mutually reinforcing dynamic within the revised Lisbon Strategy was supposed to be achieved by a reciprocal relationship between the streamlined Open Method of Coordination on Social Protection and Social Inclusion (OMC/SPSI) and the Integrated Guidelines for Growth and Jobs at both national and European levels, whereby the former 'feeds in' to growth and employment objectives, while the latter 'feed out' to advance social cohesion goals.

A central objective of the relaunched Lisbon Strategy was to close the implementation gap through better governance. But the experience of the past three years suggests that the revised governance architecture introduced under Lisbon II has proved problematic in a number of major respects. First, the integration of the European Employment Strategy with the Broad Economic Policy Guidelines, the enhanced freedom for Member States to set their own priorities within the NRPs, and the concomitant disappearance of the JER and NAPs/empl has reduced the visibility of employment policy coordination at both EU and national levels. No less significantly, the revised arrangements have led to greater unevenness in national employment policy reporting and a loss of European-level monitoring capacity.

Second, in the absence of any specific institutional mechanisms to ensure a mutually reinforcing feedback between the social, economic, and employment dimensions of the relaunched Lisbon Strategy, the practical effectiveness of such feedback has remained decidedly limited, with wide variations across Member States. Only a minority of Member States have included social cohesion objectives in their NRPs, most of which make relatively limited cross-reference to the OMC/SPSI. Nor has there been much evidence so far of explicit 'feeding out' from the Integrated Guidelines and NRPs to the OMC/SPSI, for example through systematic impact assessments of the actual or prospective effects of Member States' economic and employment policies on social cohesion/inclusion outcomes (Begg and Marlier, 2007).

Third, according to a variety of independent sources, the NRP implementation process has continued to lack public visibility in most Member States, while involvement of non-state and subnational actors was often confined to formal consultation and/or information exercises, with limited opportunity to influence substantive policy direction or content. By all accounts, civil society actors, such as NGOs and voluntary associations, were much less involved in most Member States, often because of difficulties in obtaining access to consultation and coordination processes dominated by Finance or Economics ministries with whom they had little previous contact (Begg and Marlier, 2007; European Anti-Poverty Network 2007; Begg, 2007).

Nor does it appear to be the case, finally, that the revised governance arrangements of Lisbon II have significantly helped to unblock reforms at the national level. Thus an official evaluation of the Integrated Guidelines for Growth and Jobs conducted on behalf of DG ECFIN concluded that they had induced an 'incremental impact' on national reform processes, not through peer or public pressure, but 'mainly through framing policy issues, mutual learning, legitimizing reform promoters, and enlarging stakeholders' consensus' (Euréal/Rambøll Management 2008).

### **C. Lisbon III (2008-2011)**

In response to persistent complaints about the weakness of the mutually reinforcing dynamic between economic, employment, and social policies within the revised governance architecture of Lisbon II, the Spring 2007 European Council resolved that the 'common social objectives of

Member States should be better taken into account within the Lisbon Agenda...in order to ensure the continuing support for European integration by the Union's citizens.' The result was a year-long public debate under the German and Portuguese Presidencies of the EU about how best to strengthen the social dimension of the Lisbon Strategy. Two countervailing positions emerged within this debate: one advocated incorporating the EU's common social objectives into the Integrated Guidelines and linking the OMC/SPSI more closely to the Lisbon Strategy; the other favored maintaining the stability of the Guidelines while focusing on better implementation of national reforms. The solution adopted split the difference: at the Commission's insistence, the Integrated Guidelines were retained unchanged for 2008-2011, but their social dimension was strengthened by revision of the accompanying explanatory text, which called for closer interaction with the OMC/SPSI and more systematic monitoring of 'feeding in/feeding out'. The Commission's Renewed Social Agenda for 2010-2015 takes this approach a step further, proposing to reinforce the OMC/SPSI by bringing it closer to the Lisbon Strategy through the use of targets, common principles, enhanced monitoring, and recommendations (European Commission 2008).

It is hard to regard the governance architecture of Lisbon III as anything other than a flawed compromise. The disconnect between the old guidelines and the new explanatory text will not improve European citizens' understanding of EU policies, nor will it enhance ownership of the Lisbon Strategy by national actors. Neither is the institutional divide between economic and employment policies on the one hand and social policies on the other conducive to the joined-up governance and stakeholder participation needed for innovative structural reforms. It remains to be seen how the commitment to promote greater synergy between the IGs/NRPs and the OMC/SPSI will be followed up and monitored (e.g. through guidance to Member States on preparation of their NRPs and/or development of indicators for 'feeding in/feeding out'). At a deeper level, moreover, this governance architecture leaves the EU with multiple, overlapping, and potentially inconsistent 'mega-strategies', including not only Lisbon and the OMC/SPSI, but also the Sustainable Development Strategy and the Energy Policy for Europe (Larsson and Begg 2007).

## **II. Towards an Inclusive Governance Architecture for the Post-Lisbon Era**

### **A. Architectural Design Principles for EU Policy Coordination**

What should the governance architecture of EU policy coordination look like after 2010? In approaching this question, it may be helpful to lay out five architectural design principles, informed by the strengths and weaknesses of EU policy coordination under Lisbon I, II, and III.

1. Enhance overall policy coherence: avoid multiple, overlapping, potentially inconsistent strategies.
2. Improve horizontal coordination and cross-sectoral synergies, without sacrificing the Union's core policy objectives (e.g. economic growth, full employment, social cohesion, environmental sustainability).
3. Ensure autonomy, specificity, and visibility of sectoral processes necessary for effective coordination of complex policy fields.

4. Promote mutual learning and evidence-based policy making through consistent reporting against common indicators, diagnostic monitoring, peer review, and evaluation of different national approaches to achieving common European objectives.
5. Mobilize increased commitment and participation by Member State governments, national publics, and other stakeholders, including civil society and subnational actors.

## **B. Governance Options for EU Policy Coordination Beyond 2010**

Three principal governance options can be identified for EU policy coordination beyond 2010: (1) the Lisbon status quo (the existing Strategy for Growth and Jobs); (2) ‘Lisbon Minus’ (proposed by the Cohen-Tanugi Report); and (3) a new inclusive architecture, based on four equal, mutually reinforcing pillars (economic growth, full employment, social cohesion, environmental sustainability).

### *1. The Lisbon Status Quo*

The first option would be to retain the existing governance architecture, centered around the Lisbon Strategy for Growth and Jobs in its present form. This is clearly the path of least resistance. But as argued above, it is also incoherent and unsustainable, because of the disconnect between the form and content of the revised Integrated Guidelines; the growing interpenetration between the Lisbon Strategy and the OMC/SPSI; and the persistence of multiple, overlapping, and potentially inconsistent ‘mega-strategies’.

### *2. ‘Lisbon Minus’*

A second option, proposed by *Euroworld 2015*, the Cohen-Tanugi Report (2008) prepared for the French Presidency of the EU, would be to recast Lisbon as a European strategy for globalization and refocus its internal component on competitiveness through innovation. This would interlink the environmental, social, and economic dimensions of a knowledge-driven economy and society, without monopolizing all national and European policies in these areas. In social policy, it would mean concentrating the Strategy on education, lifelong learning, mobility, globalization adjustment, integration, dealing with an ageing population, flexicurity, and relaunching social dialogue, while leaving other issues to the European Social Agenda and the OMC/SPSI. This approach is presented as ‘Lisbon Plus’ in the Cohen-Tanugi report, but it should really be termed ‘Lisbon Minus’, because it represents a further *narrowing* of scope relative to the Strategy for Growth and Jobs.

Like the status quo option, Lisbon Minus suffers from major architectural design flaws. First, even more than the current Strategy for Growth and Jobs, it leaves the EU with overlapping, potentially inconsistent strategies and processes: thus coordination of coordination would become a still greater problem at both European and national levels. Second, it risks subordinating social and employment policies to competitiveness and innovation goals, without providing a legitimate and effective mechanism for balancing and reconciling countervailing but equally indispensable goals (e.g. more and better jobs; flexibility and security; adequate and sustainable pensions; accessible, high-quality, and sustainable health care). Third, the narrowed scope of this approach makes it even less likely to inspire national ownership and participation than the current Strategy for Growth and Jobs.

### *3. A New, Inclusive Governance Architecture*

A third option for the EU would be to develop a new, overarching strategy and inclusive governance architecture for the post-Lisbon era based on four equal and mutually reinforcing pillars: economic growth, full, employment, social cohesion, and environmental sustainability. Within such an architecture, each pillar should have its own objectives, guidelines, targets, indicators, national strategies, monitoring, peer review, and evaluation process. Incorporating these common sectoral objectives and indicators into the EU's overarching strategy is not like adding unnecessary ornaments to a Christmas tree, as a widely used metaphor has suggested, but rather like equipping a cockpit of a high-speed aircraft with the full set of instruments needed to avoid flying blind.

But in order to avoid overloading the center, the Integrated Guidelines and National Reform Programmes should be reconceived as twin apexes of a synthetic policy coordination process built up from sectoral OMCs for each pillar (including the existing OMC on education and training). The IGs and NRPs should thus become sites where conflicting priorities and approaches can be provisionally reconciled, rather than as unified, centralized replacements for the sectoral coordination processes themselves. To this end, each sectoral policy coordination process should explicitly incorporate indicators for monitoring mutual interactions between them (e.g. feeding in/feeding out, mainstreaming, ex ante/ex post impact assessment).

To maximize opportunities for mutual learning, Member States should report consistently on progress towards each objective/guideline, using common European indicators as far as possible. Common indicators should be outcome-oriented, responsive to policy interventions, subject to clear and accepted normative interpretation, timely, and revisable. Indicators should also be sufficiently comparable and disaggregable to serve as diagnostic tools for improvement and self-correction by national and local actors, rather than as soft sanctions or shaming devices to secure Member State compliance with EU targets.<sup>2</sup>

Within this four-pillar architecture, horizontal coherence and cross-sectoral synergies could be enhanced through joined-up thematic strategies, based on the adoption of common European principles; intensive follow-up, monitoring, and evaluation; and possible use of common and/or country-specific recommendations. Such strategies have already been proposed by the Commission for flexicurity and active inclusion, but a similar approach could easily be extended to other cross-cutting issues, such as child poverty and well-being/investing in youth, active ageing, and gender equality/work-family reconciliation.

To expand stakeholder participation, finally, both sectoral coordination processes and NRPs should be opened up to active involvement by civil society and subnational actors. To facilitate this objective, NRPs should be coordinated by Prime Ministers' or Cabinet Offices rather than by Finance or Economics Ministries (as also proposed by Cohen-Tanugi 2008); National Action Plans for Employment and Social Inclusion should be revived and/or reinvigorated; and local

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<sup>2</sup> The current Lisbon Assessment Framework, developed by the EU Economic Policy Committee, does not meet these criteria for a number of reasons: (1) it is based on a growth accounting/GDP framework, which is inappropriate for evaluating key objectives of national social and employment policies; (2) it involves an unbalanced and over-aggregated selection of growth components, policy fields, and indicators; and (3) it is explicitly designed as an 'expertocratic' approach, inspired by the OECD, which does not incorporate self-assessment, peer review, and mutual evaluation by national policy makers. For related objections, see Employment Committee (2008).

and regional action plans should be promoted. To monitor and evaluate this process, indicators of participatory governance should be developed, which could be used to benchmark national performance and compare good and bad practices.

### **C. Risks and Opportunities of an Inclusive Governance Architecture for EU Social Policy Coordination**

Based on the design principles outlined above and the experience of EU policy coordination under the three phases of the Lisbon Strategy, the development of a new, inclusive governance architecture should arguably be the preferred option. Yet even those in favor of strengthening the social dimension of the Lisbon Strategy may fear that it would create risks for EU social policy coordination. Two main concerns stand out in this regard: subsidiarity and loss of autonomy.

#### *1. Subsidiarity*

Member States retain primary competence for the organization and development of their social protection systems. There are also wide variations across the EU in the institutional structure and programmatic design of national welfare states, whose reform is often a highly sensitive issue in domestic politics. Under these circumstances, Member States have so far remained understandably reluctant to move beyond the agreement of common objectives and indicators for social protection/inclusion to the establishment of European guidelines and country-specific recommendations.

But this horse is already out of the stable. Member States are *already* subject to EU guidelines and recommendations on the reform of their social protection systems for financial sustainability and higher employment under the Lisbon Strategy for Growth and Jobs. The Commission has also proposed extending targets, common principles, enhanced monitoring, and recommendations to the OMC/SPSI as part of its Renewed Social Agenda. The territorial closure and autonomy of national welfare states has likewise been significantly challenged in recent years by the jurisprudence of the European Courts on health care, supplementary pensions, and social assistance. The real question is thus not *whether* but *how* the EU should be involved in coordinating Member State responses to the common challenges of reforming their social protection systems, while respecting legitimate national diversity.

Nor is it necessarily the case that European guidelines and recommendations will lead to backdoor efforts at harmonization of national social protection systems through the imposition of “one-size-fits-all” policy models. Here the experience of the European Employment Strategy (EES), the original model for the OMC, provides a broadly positive example. In a series of iterations over the past decade, the European employment guidelines have proved highly adaptable to the wide variety of employment systems across the Union, encouraging convergence of objectives, performance, and broad policy approaches through contextualized benchmarking, self-assessment, peer review, and exchange of good practices rather than harmonization of institutions, rules, or programs. Although the country-specific recommendations have remained more controversial, they too have arguably added value to national policy making by feeding the results of the European evaluation process back into domestic debates, and drawing attention to overlooked problems even in the best performing Member States. At a deeper level, the EES and the OMC more generally should be understood

as embodying a new form of dynamic subsidiarity, based not on a rigid allocation of competences, but instead on collaboration between different levels of governance in which each participating unit contributes its distinctive expertise and resources to tackling common problems cutting across jurisdictions.

## *2. Loss of Autonomy*

A second concern is that incorporating the OMC/SPSI into a new inclusive governance architecture could weaken EU social policy coordination and reduce its autonomy. This is a legitimate concern, as demonstrated by the experience of the EES under Lisbon II and III, where integration of the economic and employment policy guidelines has led to the dominance of economic policy actors and reduced visibility, monitoring, and mobilizing capacity of employment policy coordination at both European and national levels.

But retaining procedural autonomy while sacrificing political influence is the greater risk facing the OMC/SPSI, since Member States are already subject to one-sided coordination of their social protection reforms under the existing Lisbon Strategy for Growth and Jobs. Any risk of reduced autonomy for EU social policy coordination would in any case be substantially offset by the new governance architecture outlined above, based on four equal, mutually reinforcing pillars, each with its own objectives, guidelines, targets, indicators, national strategies, monitoring, peer review, and evaluation process. Consistent with this balanced, inclusive governance architecture, it would be important to ensure that NRPs are coordinated by Prime Ministers' or Cabinet Offices rather than by Finance or Economics Ministries, and that the EU's Spring Socio-Economic Summit is prepared by the General Affairs rather than the Ecofin Council.

## *3. Conclusion*

With this new, inclusive governance architecture in place from 2010, European social, economic, environmental, and employment policies could at last begin to work together in a mutually reinforcing way to deliver faster sustainable growth, more and better jobs, and greater social cohesion, as envisaged by the designers of the original Lisbon Strategy eight years ago.

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