



**Department of Political and Social Sciences**

**THE EUROPEAN LEVEL DEVELOPMENT  
AND  
NATIONAL LEVEL INFLUENCE  
OF THE OPEN METHOD OF  
COORDINATION:  
THE CASES OF EMPLOYMENT AND  
SOCIAL INCLUSION**

**Caroline de la Porte**

Thesis submitted for assessment with a view to obtaining the degree of  
Doctor of Political and Social Sciences of the European University Institute

Florence, June 2008

EUROPEAN UNIVERSITY INSTITUTE  
Department of Political and Social Sciences

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This thesis is dedicated with love to My Son, Samir Alex de la Porte.

## Abstract

This thesis aims to understand how the Open Method of Co-ordination (OMC) has developed at the European level and to explore how, and with what effect, it has influenced the EU Member States. My cases are policy areas, which have been selected on the basis of their salience in Member States. The case of high salience is employment policy and the case of low salience is anti-poverty policy. Regarding the European level, the thesis seeks to identify the main causal factors that determine the development of the OMC. I use an adapted version of the Principal-Agent framework, where the Member States represent the Principal(s) and the European Commission represents the Agent. While most existing literature analyses the OMC at one moment in time, I analyse how the OMC develops through time, where I distinguish between emergence, when it has not been fully established, and evolution, when it has been fully established as a policy coordination instrument. I develop two hypotheses to test Commission-Member State interaction during OMC development during emergence and evolution<sup>1</sup> and two to test if their interaction differs in cases of high and low saliency<sup>2</sup>. My findings show that the

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<sup>1</sup> Hypothesis 1 (H1A-B) addresses emergence of the OMC and hypothesis 2 (H2A-2B) addresses evolution of the OMC.

H1A: If the Agent (Commission) has weak legislative powers in a policy area, then it will seek to define EU-level policy priorities and other non-legislative political tools to achieve those objectives.

H1B: If the Agent (Commission) has weak legislative powers in a policy area, then the Principal (Member States) will be able to define the EU-level policy priorities and the political tools to achieve those objectives.

H2A: If an OMC contract has been created, then the Agent (Commission) will change it through the administrative tasks that it has been delegated in the OMC or through the political actions of the Commission.

H2B: If an OMC contract has been created, then the Principal (Member States) will change it through the OMC policy cycle or through the political actions of the Council.

<sup>2</sup> Hypotheses 3A and 4A address application of the OMC to an area of high domestic saliency and hypotheses 3B and 4B address application of the OMC to an area of low domestic saliency.

H3A: If the policy area to which an OMC is applied is of high domestic salience, then the Member States will establish strong control mechanisms and they will seek to determine the policy agenda of the OMC (during emergence and evolution)

H3B: If the policy area to which an OMC is applied is of low domestic salience, then the Member States will not establish such strong control mechanisms and they will not seek to determine the policy agenda of the OMC (during emergence and evolution)

H4A: If the OMC is applied in an area of high domestic salience, then the capacity for the Commission to influence the emergence and evolution of OMC policy is low.

H4B: If the OMC is applied in an area of low domestic salience, then the capacity for the Commission to influence the emergence and evolution of OMC policy is high.

Commission has a greater influence during the emergence of the OMC and that the Member States have more influence during the evolution of the OMC. The saliency of a policy issue only minimally influences Member State and Commission interaction in the two cases. For the national level, the thesis seeks to shed some light on how and the extent to which the OMC has been integrated into the domestic contexts of (14) EU Member States. The endeavour is first to draw some general conclusions about how governmental and non-governmental actors in Member States use the OMC. My findings show that it has mainly been used as a policy reporting instrument, but has in some cases also been used for policy development. The aim is secondly to assess the extent to which the general objectives of the OMC have been achieved. My findings show that it does not define core reform programmes in Member States, which is hardly surprising, since the OMC is a soft policy instrument.

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Firstly, my acknowledgments are directed towards the academic community at the European University Institute (EUI), indispensable for the existence of the thesis. I would like to thank Martin Rhodes (the thesis supervisor) and Adrienne Héritier for persuading me of the added value of a theoretically driven analysis that qualifies a PhD thesis. Special thanks go to Martin for his patience and hard work helping me to confront the difficulties I faced in the transition from policy-oriented to academic work, and for allowing me to develop this thesis according to my own ideas and ambitions. I would also like to express special gratitude to Tanja Börzel and Maurizio Ferrera, for accepting to review this thesis as members of the jury.

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Caroline de la Porte, Florence, April 2008.

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## LIST OF ABBREVIATIONS

AHWG	‘Ad Hoc’ Working Group
ALMP	Active Labour Market Policy
CASE	Community Action Programme against Social Exclusion
CNLE	Conseil National des politiques de lutte contre la pauvreté et l’exclusion sociale
DG	Directorate General
DGAS	Direction Générale de l’Action Sociale
DWP	Department for Work and Pensions
EAPN	European Anti-Poverty Network
ECHP	European Community Household Panel
ECJ	European Court of Justice
EEI	European Employment Initiative
EES	European Employment Strategy
EET	European Employment Taskforce
ELC	Employment and Labour Market Committee
EMCO	Employment Committee
EMU	European and Monetary Union
EP	European Parliament
EPC	Economic Policy Committee
ESF	European Social Fund
EU	European Union
EUI	European University Institute
EU-SILC	Community Statistics on Income and Living Conditions
FEANTSA	European Federation of National Organisations Working with the Homeless
FER	Female employment rate
GDP	Gross domestic product
IGC	Inter-Governmental Conference
ISG	Indicators Sub-Group
IWG	Indicators’ Working Group
JIR	Joint Inclusion Report
NAP	National Action Plan
NGO	Non-governmental Organisation
NMG	New Mode of Governance

OECD	Organisation for Economic Co-operation and Development
OMC	Open Method of Co-ordination
OSE	Observatoire social européen
P-A	Principal-Agent
PES	Party of European Socialists
PLMP	Passive Labour Market Policies
PPP	Purchasing Power Parities
RETIS	Transnational European Network for Social Inclusion
SALA	Swedish Association of Local Authorities
SMEs	Small and Medium-sized Enterprises
SPC	Social Protection Committee
SPTF	Social Policy Taskforce
TER	Total employment rate
VAT	Value Added Tax
WGSP	High Level Working Group on Social Protection

## GENERAL INTRODUCTION

This thesis aims to understand the European level development and the domestic integration of the Open Method of Coordination (OMC). The OMC consists of the coordination of policies, facilitated by the European level, in policy areas where Member States face similar challenges, but where the EU level has weak legislative power. In the OMC policy cycle, the European Commission ensures the enactment of the coordination cycle and makes proposals on common objectives, develops policy and technical expertise, and plays a key role in monitoring and evaluating Member State policies. The Member States agree on the policy objectives for each specific OMC process, comply with national reporting requirements, and establish mechanisms for controlling the action of the Commission. I have selected two OMC issue-areas as cases, on the basis of their different domestic salience, which has allowed me to develop opposing hypotheses for the two policy areas. The first (high salience) is employment, represented by the European Employment Strategy (EES) and the second (low salience) is anti-poverty policy, represented by the Open Method of Coordination in Social Inclusion (OMC/inclusion).

For the European level analysis, I analyze the interaction of the Member States and the Commission through a Principal-Agent analysis, to explain the changes in the OMC from one empirically defined temporal 'stage' to another. The existing literature provides relevant insights into the development of the OMC, by combining intergovernmental and neo-functionalist explanations, but it leaves a gap regarding the conceptualisation and explanation about exactly how the Commission and Member States interact in the development of the OMC, which the first part of this thesis addresses. On the basis of the P-A model, I characterize the OMC as a contractual relationship between Member States and the European Commission. Through an inductive approach, I first identify empirical stages of OMC formation (dependent variable), where a stage is an institutionally significant development in the OMC. Then I develop four hypotheses to analyze how the OMC has developed.

On this basis, two competing hypotheses are developed about Commission-Member State interaction when legislative power is weak. Hypothesis 1 (H1A-B) addresses emergence of the OMC and hypothesis 2 (H2A-B) addresses evolution<sup>3</sup> of the OMC.

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<sup>3</sup> Evolution is defined in this thesis as a process of change in the development of a political phenomenon over time. Here it does not imply evolutionary theory, which would imply that a phenomenon would originate in other pre-existing types and would change in a certain determined direction ([www.m-w.com/dictionary](http://www.m-w.com/dictionary), Merriam-Webster Online Dictionary).

H1A: If the Agent (Commission) has weak legislative powers in a policy area, then it will seek to define EU-level policy priorities and other non-legislative political tools to achieve those objectives.

H1B: If the Agent (Commission) has weak legislative powers in a policy area, then the Principal (Member States) will be able to define the EU-level policy priorities and the political tools to achieve those objectives.

H2A: If an OMC contract has been created, then the Agent (Commission) will change it through the administrative tasks that it has been delegated in the OMC or through the political actions of the Commission.

H2B: If an OMC contract has been created, then the Principal (Member States) will change it through the OMC policy cycle or through the political actions of the Council.

Hypotheses 3A and 4A address application of the OMC to an area of high domestic saliency and hypotheses 3B and 4B address application of the OMC to an area of low domestic saliency.

H3A: If the policy area to which an OMC is applied is of high domestic salience, then the Member States will establish strong control mechanisms and they will seek to determine the policy agenda of the OMC (during emergence and evolution)

H3B: If the policy area to which an OMC is applied is of low domestic salience, then the Member States will not establish such strong control mechanisms and they will not seek to determine the policy agenda of the OMC (during emergence and evolution)

H4A: If the OMC is applied in an area of high domestic salience, then the capacity for the Commission to influence the emergence and evolution of OMC policy is low.

H4B: If the OMC is applied in an area of low domestic salience, then the capacity for the Commission to influence the emergence and evolution of OMC policy is high.

In order to test these hypotheses, I analyze all the stages of emergence and evolution of an OMC and weigh the relative power of the Commission and Member States in each of those stages.

Regarding the national level development of the OMC, the literature has above all emphasized the 'learning effect' of the OMC, derived from sociological institutionalism and policy transfer literature (de la Porte and Pochet, 2004). This literature provides interesting insights into the soft effects of policy coordination, including the incremental development of new 'conceptions' of employment and anti-poverty policy. The literature also highlights the role of past legacies and institutional capabilities for the present reform dynamics (Ferrera and Sacchi, 2005). Building on

this rich literature, in the comparative national analysis (14 countries), I conceptualize the influence of the OMC as a process, that may have a different effect in the various Member States, dependent on actor configurations, governance structures and (past as well as present) reform trajectories. The research ambition has been modest due to the wide number of countries selected: I seek to draw some general observations about how the OMC is integrated into the Member States and what effect it has. The first national chapter analyzes the degrees of variation in the way that the OMC has been used by actors in Member States. Conceptually, this is captured through an ideal-type based typology that identifies various categories to analyze how the OMC could be used in the domestic context by governmental and non-governmental actors. It allows me to determine if and if so how actors in Member States are empowered through the OMC – for policy setting or policy reporting. Empirically, I then use secondary data to develop a general comparative overview about how actors have integrated the OMC as a policy instrument at the domestic level. In the second national chapter, I explore, on the basis of descriptive statistics and secondary literature, policy outcomes in regard to the key OMC policy objectives (although this may not necessarily be a direct result of the OMC). I take account of the main reform programmes in that process. I organize the countries by 'clusters' (developed prior to the OMC implementation), on the basis of descriptive statistics, which provides me with a yardstick against which to analyse the evolution of key indicators over time. The analysis covers a time period of ten years, which provides the necessary temporal leverage for detecting the evolution towards the OMC's main objectives. Whether or not this is due to the OMC would need to be analyzed in more detail via national case studies. This analysis allows me first to make some general observations about the heuristic value of a statistics-based analysis of the influence of the OMC and second, to assess the quality of the indicators that are the central 'monitoring' instruments in the OMC.

This thesis has 7 chapters. Chapter 1 reviews the literature on the OMC and points to its explanatory power but also its weaknesses in attempting to explain the emergence and evolution of the OMC at European and national levels. Chapter 2 provides the conceptual framework of the study, sets out the research design, explains case-study selection and establishes the methodological approach. The first empirical part of the thesis focuses on the emergence and evolution of the OMC in two successive chapters. Chapter 3 is on the European Employment Strategy (EES) and chapter 4 the Open Method of Coordination in social inclusion (OMC/inclusion). The second empirical part of the thesis, chapter 5, focuses on actor development, based on the OMC's own ambitions and resources, in the EES and the OMC/inclusion. The third empirical part, chapter 6, analyzes policy outcomes in the Member



States in light of the key objectives of the EES and OMC/inclusion. Chapter 7 draws conclusions about the European level evolution of the OMC and whether the degree of domestic salience of a policy determines or influences the Member State(s) strategies with regard to OMC development at the European level. It also draws general conclusions about OMC-induced actor development and policy outcomes in the Member States.

# **CHAPTER 1**

## **LITERATURE REVIEW:**

### **EUROPEAN INTEGRATION, NEW MODES OF GOVERNANCE AND LEARNING**

This chapter reviews the literature on the OMC, pointing to its explanatory power but also to its weaknesses. The OMC has since its political creation in 2000 been the object of vivid academic debate, in terms of how Member States' priorities are transposed to the European level and how the European level instruments and policies are integrated at the national level. Academic interest in the OMC – both European and national level development – has predominantly been focused on learning. In this thesis I seek to bring in several other dimensions, in particular that of the temporal evolution of the OMC, the combination of ideational and rational actor-based strategies and the 'effect' of the OMC on policy outcomes.

#### **1.1 Literature Review**

This literature review is organized according to three core questions:

1. Why did the OMC emerge and how has it evolved at the European level?
2. How does the OMC operate at the European level?
3. How, and with what effect, does the OMC become integrated into the domestic policy and institutional contexts of the EU-15?

##### **1.1.1 Why did the OMC emerge at the European level? At the cross-roads of European integration and governance theories**

The literature on the OMC that addresses the emergence and evolution of the OMC at the European level combines a number of classical approaches to the study of European integration including intergovernmentalism and neo-functionalism. The former seeks to explain change by focusing on the power of Member States at crucial decision-making moments and the latter by concentrating on the role of the European institutional actors, in particular the European Commission. Since the concrete decisions on the OMC represent the dependent variable, these theories do contribute to explain changes. However, they do not conceptualise or trace the dynamic interaction between Member States and the Commission over time. But even more of the literature on the OMC is nested in the more recent 'governance' approach, which has included tangential approaches, such as those derived from deliberative democracy.

The main value of this literature is to develop a discussion about the normative aims of the OMC, but it is often disconnected from the empirical development of the OMC at the European level.

***a. Intergovernmentalism, Advocacy Coalitions and Neo-functionalism***

The intergovernmental approach focuses on “history-making moments such as treaty revisions or major crises” for locating structural change in European Integration (Rosamond, 2000: 106). In that vein, much of the early literature on the EES focused on the importance of the Amsterdam Treaty for the EES (Goetschy, 1999; Szyszczak, 2000a and 2000b) and the first analyses on the OMC focused on the significance of the Lisbon Summit for its institutionalisation in various policy areas (Hodson and Maher, 2001; de la Porte, 2000; de la Porte and Pochet, 2002a; de la Porte *et al.*, 2001; Borrás and Jacobsson, 2004). Empirically, both the EES and the OMC emerged when social-democratic governments were dominant in the Council, which is taken into account in the explanations. Prior to the Amsterdam Conference in 1996, the UK and Germany opposed the inclusion of a separate Title for Employment Policy. The change of government to New Labour in the United Kingdom enabled a more positive approach to employment policy at the European level. New Labour supported the inclusion of the Title in the Treaty which also persuaded the most resilient country, Germany, to change its position (Goetschy, 1999 and 2003; Jacobsson, 2004; Petite, 2004; Adnett, 2001). The literature that focuses on the emergence of the OMC has also highlighted the social-democratic coalitions in the Council as an important enabling factor (Schäfer, 2004; de la Porte and Pochet, 2002a). The intergovernmental approach, which includes political interest coalitions in the European Council, has mainly been used to explain the emergence of the EES and the Lisbon Strategy, which includes the OMC/inclusion. This literature shows that the EES and OMC/inclusion have been defined through the agenda-setting initiatives of Presidencies of the Member States to the European Council, that were successful when the interests of the Member States coincided (de la Porte and Pochet, 2005; Rhodes, 2005; Schäfer, 2004). But it does not show how, if at all, the Commission played a role in the emergence of the OMC.

The ‘advocacy coalition’ approach explains the emergence of the EES and OMC on the basis of a power struggle among groups of actors who are identified according to their partisan preference. The advocacy coalition framework emphasises the existence of a social-democratic coalition not only in the Council, but right across the European institutions as the key factor in the agreement to adopt European objectives and instruments in the social policy area. Bart van

Riel and Marc van der Meer (2002) have argued that in the aftermath of Maastricht, a confidence crisis emerged in the European Union, where one advocacy coalition emerged among the social democrats in the European Parliament, the Commission and various Member States, and another among the conservatives, led by the British government. They argue that the 'social-democratic' advocacy coalition, enabled by the 'brokering' role of certain key individuals, managed for the first time to include employment as an issue on the agenda of the Inter-Governmental Conference (IGC) of 1996. Similarly, Karl Johansson (1999) has traced the origins of the Employment strategy objectives and institutional model to a social-democratic coalition that originated around the labour movement in Sweden, preceding that country's membership of the EU. Regarding the OMC/inclusion, Armin Schäfer (2004) argues that the social-democratic governments in the Council mobilised support across the EU institutional spectrum in order to obtain support for the Lisbon Strategy and in particular its social dimension. But while the approach is interesting, particularly in arguing that it is political forces across the different institutions of the European Union, rather than the dynamics driven by the institutional affiliation – i.e. within the Commission, the Council, the European Parliament – it has some shortcomings. First, the definition of the work of an opposing coalition is not developed in the analyses. Second, they fail to show exactly how the broader social-democratic advocacy coalition, rather than the Member States in the Council, was the driving force in the emergence of the EES and OMC.

In the literature on the OMC, intergovernmentalist explanations for the emergence and evolution of the OMC are combined with the neo-functionalist explanations that point to the role of the Commission as a norm entrepreneur in the crystallization and evolution of the policy objectives and the institutional model of the EES and the OMC. The EES and the OMC have been explained as processes of functional and political spill-over from the EMU, since the coordination model of the EES (and then the OMC) was inspired by EMU guidelines, benchmarks, national reporting, peer review and multi-lateral surveillance. Also, each OMC has an issue-specific advisory committee (Employment Committee for the EES and Social Protection Committee for Social Inclusion) akin to the EMU's Economic and Financial Committee (de la Porte and Pochet, 2002; Hodson and Maher, 2001; Goetschy, 2003; Trubek and Mosher, 2003). As for policy objectives, in the area of employment, several authors (Goetschy, 1999; Petite, 2004; Jacobsson, 2004) highlight the role of the European Commission in the debate on employment through informal agenda-setting in the years preceding the Amsterdam Treaty and in the run-up to the 1996 IGC. Likewise, in the area of social protection, I trace, together with Philippe Pochet (2002a), the work of the Commission in setting the terms

of the debate on social protection, prior to the development of the OMC. But even when combined, these two approaches do not conceptualise the dynamics of the power struggle between the Commission and the Member States over time.

## **b. Governance**

The emergence of the EES (and even more so the OMC) has also been analysed from a governance perspective. The starting point of this perspective is that the European Union, made up of various levels of government including a wide range of governmental and non-governmental actors, is increasingly complex (Kooiman, 1993; Scott and Trubek, 2002), for which traditional top-down regulatory mechanisms no longer suffice, requiring new and more adequate ways of responding to the challenges. From a governance perspective, the European Union is conceptualised as a multi-level entity in which responsibilities over-lap among multiple levels of governments, with complex interaction among political actors across those levels (Marks *et al.*, 1996b). Joanne Scott and David Trubek (2002) have defined 'new modes of governance' (NMG) in a broad manner as "any major departure from the classical Community method". They offer a number of explanatory conditions for the emergence of NMG in the EU. The first explanatory condition is the generic reference to the complexity of the EU and its Member States, where the use of Directives may not be appropriate for all countries. The second is represented by legal and normative conditions, notably the need for a new type of (input) legitimacy for the EU to engage in policy making via a broad participation of various actors. The third condition refers to the features of policy areas where the EU intervenes and where EU level action is politically or constitutionally limited or non-existent and where NMG may be the only way for the Union to play a role. The last condition they refer to is subsidiarity as defined in the EU Treaties and that puts the emphasis on whom and at which level power should be exercised, establishing that the European level should only take action if it brings in an element of added value compared to national and regional levels of governance.

More specifically, the 'new modes of governance' approach broadly covers "...the range of innovation and transformation that has been and continues to occur in the instruments, methods, modes and systems of governance in contemporary polities and economies, and especially within the European Union (EU) and its Member States" (EUI, 2003: 1). The governance approach that is very broad in scope highlights general conditions that explain the emergence of new modes of governance and the OMC. But these are general conditions rather than specific explanatory factors per se and they do not identify more specific conditions for

emergence or evolution of the OMC. I seek to explain the specific conditions under which the OMC emerges and evolves at the European level, where I focus on the role of the Member States and the Commission. I analyze the evolution of their relationship in the development of the OMC over time, which is considered as a dimension of variation per se, since the OMC is a soft policy instrument that is altered regularly, both in terms of its institutional form and its policy objectives. I undertake this analysis in chapters 3 (EES) and 4 (OMC/inclusion).

### **1.1.2 How does the OMC operate at the European level? The ‘governance’ approach: empirical descriptions and normative expectations of the OMC**

This section shows how the existing literature on the OMC addresses and (partially) explains the operation of the OMC at the European level, via two interpretations of the governance approach. Analyses of the operation of the OMC at the European level consist first of thick empirical descriptions of the policy cycle of the OMC, and second, of arguments regarding how the OMC should operate according to its own or other normative ambitions, derived from sociological institutionalism, the study of network governance and normative discussions of deliberative democracy.

#### ***a. The concrete governance of the OMC: OMC process descriptions***

Analysis of the operation of the OMC consists mainly of descriptions of features of the policy cycle at the European level the definition of policy objectives, their transposition (or planned transposition) in national reports, evaluation and monitoring (European Commission and Council via joint reports and/or recommendations), and mutual learning (peer review among Member States). Most of the literature describes these features of specific issue areas as ‘processes’, emphasising day-to-day policy-making. These descriptions are located in the multi-level governance perspective that emphasizes institutional factors. The largest proportion of such studies is on how the EES – as the precursor to the OMC – functions as a process, differentiating it from classic regulatory modes of governance (Goetschy, 1999; Jacobsson, 2004; Szyszczak, 2000a and b; Trubek and Mosher, 2003; de la Porte, 2002; Adnett, 2001). This literature provides details on day-to-day policy making in the Employment Committee (that advises the Labour and Social Affairs Council and is made up of two representatives per Member State and two Commission representatives (Jobelius, 2003). It also highlights the key roles played by the Commission as an initiator and monitoring agent (de la Porte *et al.*, 2001; Adnett, 2001; Goetschy, 1999 and 2003).

Apart from the institutionalisation of the EES, attention has also been paid to other specific areas, notably social inclusion – the first area where the OMC was fully applied. The OMC inclusion cycle is bi-annual, and although benchmarks are not used, core indicators portray the poverty situation in different countries. An important feature of the OMC in social inclusion is the existence of a multi-annual programme to fight poverty. It includes funding at the European level for civil society organisations involved in anti-poverty policy and that participate in the OMC/inclusion via formal and informal pressure on national governments. It also includes a peer review programme for the exchange of best practices on concrete examples of anti-poverty policy (Ferrera *et al.*, 2002, de la Porte, 2002; de la Porte and Pochet, 2005; Daly, 2006; O'Connor, 2006). Other authors focus on features of one specific policy area: immigration (Caviedes, 2004) and research and innovation (Kaiser and Prange, 2004). Susanna Borrás and Kerstin Jacobsson (2004: 193-194) compare the features of various policy fields to which the OMC or an OMC-like process is applied.

#### ***b. Normative expectations of the OMC***

Aside from 'thick description', the operation of the EES (and the OMC) has been analysed according to its 'learning capabilities' – i.e. the features and instruments which, they maintain, embody 'mechanisms for learning'. These mechanisms include means for bringing together governmental and non-governmental actors with diverse perspectives in settings that favour the production of information and an open dialogue about policy development. They encourage comparison, particularly against best performers and thereby oblige actors collectively to redefine objectives and policies (Trubek and Mosher, 2003). David Trubek and James Mosher argue that the EES contains these elements. More specifically, they identify the overall objectives (reinforced through quantitative benchmarks) of the EES as the most powerful learning instrument, in that they could challenge previous framing of a policy issue and thus lead to incremental changes via an ideational shift in the conception of a policy problem. Similarly, Kerstin Jacobsson (2004) identifies in the EES a common 'Euro-discourse', i.e., "employability, adaptability, flexibility, and full employment" – and also 'Euro-indicators' created in the context of welfare state reforms across the EU Member States (Jacobsson, 2004: 360-361). She argues that language has the capacity to steer thought and focus attention and through that process, to frame conceptions of reality. She concludes that the establishment of a common language and interpretative framework in the EES is an achievement at the level of policy thinking (Jacobsson, 2004: 361). This argument about the steering capacity of the

discursive framework of the EES reappears in many analyses of the EES and OMC (on the general conceptualisation of the EES's soft influence and discourse, see Goetschy, 1999 and 2003 and Barbier, 2005).

Some empirical analyses of 'learning' highlight the dissemination of knowledge and cross-country comparisons via peer reviews (institutionalised in the EES and the OMC) as the way that this discourse filters into Member State conceptions of policy problems (Jacobsson, 2004: 362-363; 365). In the peer review sessions on good and best practices, where less than an hour is allocated for discussion of each National Action Plan (including a presentation by the Member State, comments by two other states, and discussion) presentations are merely a formality. Selected best practices are often annexed to the core national reports that identify the major reforms taken and planned with regard to the OMC objectives (Trubek and Mosher, 2003). In addition to the limited space and time allocated for the exchange of best practices, it has been pointed out that 'practices' are difficult to transpose due to different contexts and structures (Visser, 2002; de la Porte, 2002; de la Porte *et al.*, 2001; Arrowsmith *et al.*, 2004). Other analyses of learning suggest that 'learning' and 'socialisation' occur mainly in the European level committees, but this is not explicitly addressed in the literature on the OMC, particularly in the more normative discussions about its operation. Empirical research supports the general claim that civil servants in the main OMC committees do develop a dialogue about policy problems and that they learn to reconceptualise policy problems in their own country in that light. However, the link between the civil servants and the decision-making actors varies in the different countries and across issue areas (Jacobsson, 2005; Ferrera and Sacchi, 2005).

Other analyses derive theoretical conclusions and models from the OMC as a new mode of governance (NMG). In that vein, Christopher Knill and Andrea Lenschow (2003: 7) have characterised the OMC as "a mere process model", where "The EU merely provides a context and enabling structures for cooperation and learning among national policy makers". There has been a focus on the participation of different stakeholders in the process, related to alternative democratic models for the European Union, and in particular normative models of deliberative democracy (Eberlein and Kerwer, 2002; Jacobsson and Vifell, 2003; Sabel and Zeitlin, 2003). In these theories, deliberation is defined as "(self-) reflective debate by which participants reason about proposals and are open to changing their initial preferences – aimed at consensus" (Cohen and Sabel, 2003: 346). Proponents of this approach conceive the key task of politics as addressing practical problems, and where the actors concerned participate in an open-ended logic of "collaborative problem-solving on equal terms" (Cohen and Sabel, 2003: 363). Joshua



Cohen and Charles Sabel (2003: 366) use the EES to support these theories. In terms of process (how the actors interact and in which institutional settings), they claim that the “EES depends on organisational infrastructure where... lower-level actors are given autonomy to experiment with their own solutions to broadly defined problems of public policy.” What they do not point out, however, is that the European level sets the over-arching guidelines which Member States should strive to achieve and that, apart from the committees themselves, there are no institutionalised fora for open-ended experiments. They erroneously re-define the EES as an example of ‘deliberative polyarchy’ characterised as an open-ended experimental process guided by the search for the common good (Cohen and Sabel, 2003: 366).

Likewise, Bernard Eberlein and Dieter Kerwer (2002: 8; 2004) argue that democratic experimentalism is the most valuable theoretical framework through which to explain the dynamics of the OMC and NMG: “the theoretical discussion of democratic experimentalism is the key to understanding the significance of the new modes of governance in the EU”. The approach is normatively driven, with expectations of more participation, voluntary compliance and more effectiveness (Eberlein and Kerwer, 2004: 121). A similar ‘network approach’ to European Integration is also used in association with the notion of new modes of governance and the normative model of ‘directly deliberative polyarchy’. Charles Sabel and Jonathan Zeitlin (2003: 3) identify the instruments used to add a more social colour to Europe as “new forms of networked governance”, including the open method of co-ordination. They claim that the emergent system of governance is organised in the form of a horizontal network rather than a hierarchy, extending the circle of participants in the decision-making process (Sabel and Zeitlin, 2003: 11). One specific reproach to these accounts is that there is no reference to the vertical, closed and political nature of the process (de la Porte and Pochet, 2003).

Together with Patrizia Nanz (2004), I explore the possibility of operationalizing deliberative democracy – transparency, public debate, participation and learning – and use these criteria to analyse the application of the OMC to two policy areas. On the basis of our empirical analysis, we conclude that the OMC is not particularly open or transparent. Regarding its participatory dimension, we conclude that while representative interest organisations (social partners) are involved formally, their involvement falls short of the normative expectations of theories of deliberative democracy, whereby they would be involved in deliberations in policy development and implementation. We also conclude that the value of theories of deliberative democracy for the OMC is interesting from a normative perspective. But we also conclude that they are not the most useful for understanding the empirical dynamics of the OMC (de la Porte and Nanz, 2004).

Similarly, Stijn Smismans (2004) has analysed the EES on the basis of its Treaty definition and refers to the weak legal basis for broad participation in the sense that is advocated by deliberative democracy arguments. Instead, an approach that takes account of the interests of the key actors is more appropriate, since the OMC can above all be conceived as a (soft) political opportunity structure (with a coordination cycle and specific policy objectives) that can be used by actors to support or to develop a political strategy.

### **1.1.3 How, and with what effect, has the OMC been integrated into the national polities of the EU-15?**

Linked to analyses of the operation of the OMC at the European level, national level analysis of the impact of the OMC focuses mainly on its learning effects, in terms both of policy objectives and institutional capabilities. The first wave of literature provided a solid theoretical foundation by adapting learning theories to the specific case of the OMC (Mosher and Trubek, 2003; Goetschy, 1999; Jacobsson, 2004). The second wave of literature also followed the same theoretical approach and sought empirically to detect the learning effects of the EES via domestic process-tracing. Most of the empirical literature on the national implementation of the OMC concludes that learning may even be the most important domestic-level outcome of the OMC.

#### ***a. From theory to an empirical focus on policy learning***

In line with the identification of learning as the main mechanism through which the OMC could influence Member State policies, many analyses have tried to analyse policy learning via the OMC in Member States. For example, the Dutch national evaluation of the EES in 2002 sought to detect the ‘learning’ effects of the policy objectives defined in the EES. The analysis concluded that there were some changes with regard to the specific policy objectives that underlie the EES, particularly related to ‘activation’ and prevention in labour market policy, but there was considerable doubt that the EES was the main causal factor, since it is such a weak resource in the national policy agenda (Zijl *et al.*, 2002). Jelle Visser concludes that in the Netherlands the EES and the OMC/inclusion have had little influence on the definition of problems of (unemployment) and poverty, or on how these problems should be resolved. But, he does stress that “the biggest influence of the EES was that it helped the Dutch approach towards inactivity and long-term unemployment out of a blind alley and offered some new arguments and instruments for a preventive approach” (Visser, 2005: 207). In other words, the

EES did provide new input and ideas about the development of a strategy to which the Netherlands was favourable, but it was adapted to specific challenges in the Dutch context. In subsequent empirical analyses of the OMC (EES and OMC/inclusion) in other countries, the conclusions are similar: first, there has been a 'learning' effect, particularly as regards activation and prevention as broad categories incorporating various means of 'active' labour market reform (reform of the public employment services, employment of various categories of the potential workforce). Second, the EES is just one (weak) resource among others (domestic and external) that contributed to the development of activation. In the French case, the subtle ideational influence is acknowledged in the different studies (Barbier and Samba Sylla, 2001; Erhel *et al.*, 2005).

While there may have been policy learning, the empirical literature on EES influence in Member States concludes that its role as a determinant of political choices has been weak. For the French case, Christine Erhel *et al.* conclude that "political choices were already made without considering the European orientation" (Erhel *et al.*, 2005: 241). For Germany, Milena Büchs and Dawid Friedrich (2005: 278) conclude that the EES and OMC/inclusion have not had any direct influence on policy development. The authors suggest that the EES and the OMC/inclusion have been "silently" and quite superficially integrated, mediated by various factors, notably the institutional configuration of policy areas in the domestic context (Büchs and Friedrich, 2005: 281-282). For the Irish case, the core argument is that the EES and OMC/inclusion do embody the necessary information to implement changes, but the actors that are involved in the process are too weak to enact change or even to influence the more powerful actors (O'Donnell and Moss, 2005: 342-343; Participant observation, 2004).

More recent empirical contributions on the effect of the EES confirm that its main effect is as an instrument that could induce policy learning, rather than instigating changes in preferences. The most comprehensive multi-country analysis (Germany, UK, Denmark, Sweden, France) by Jonathan Zeitlin summarises that main finding as follows: there has been a "... shift of emphasis from reducing unemployment to raising employment as a core objective, from passive income support to activation services, and from a curative to a preventive approach to fighting unemployment" (Zeitlin, 2005a: 451). But he recognises first, that via the learning approach it is difficult to identify the causal influence of the EES and OMC/inclusion and second, that 'learning' may be considerable for the actors involved in the process, but those actors do not have much power or decision-making capacity (Zeitlin, 2005a: 453).

## **b. From learning to institutional capabilities**

As suggested above, 'learning' about policies among bureaucrats involved in the EES and OMC/inclusion may not be a sufficient condition to mobilise policy change. Maurizio Ferrera and Stefano Sacchi (2005: 140) integrate 'learning' with actor dynamics and systems of collective action, as well as a complete conception of policy cycles, which is crucial in the OMC. Institutional capability is defined along four dimensions: first, the planning component, which is the capacity to diagnose challenges in an informed way, in order to identify and to evaluate the options in the light of the socially and politically relevant interests; second, the decision-making component, that refers to the capacity to form alliances in the view of making a decision; third, the implementation component, which refers to the concrete implementation of decisions as planned; and fourth, the learning component, which refers to the capacity to monitor and revise the actions undertaken in the planning, decision-making and implementation components.

But the empirical evidence for the development of institutional capabilities, i.e. the creation of new arenas for actors or the empowerment of existing ones via their involvement in planning (national action plans), decision-making and implementation is mixed. In essence, the EES has served as a resource (albeit a weak one) for actors in Labour ministries, and it has led to the development of horizontal and inter-departmental collaboration and communication on the policy issues that derive from the EES, in particular related to 'employability' (broadly synonymous to 'activation') policies (European Commission, 2002a; de la Porte and Pochet, 2005). This effect has been interpreted differently in the distinct national contexts, but on the basis of subjective rather than objective criteria. For the French case, the assessment of actor-empowerment and their capacity to successfully communicate the policy objectives of the EES to other actors has been positive (Erhel *et al.*, 2005: 240). By contrast, for the case of the Netherlands, the evaluation of ideational influence and actor empowerment in the EES is criticized for remaining "...bureaucratic and isolated – from parliamentary influence, from NGOs, from the social partners and from public debate" (Visser, 2005: 208). These are but two examples of the conclusions about the extent of actor empowerment and 'ideational' influence of the OMC in Member States. In addition to this, the OMC is far from having a monopoly on 'learning' capacity about labour market or anti-poverty policies. The OECD is a strong external organization in both these areas, and what is more, its policy advice on employment and labour market reform pre-dated the EES and OMC/inclusion. In addition, the OECD influences other more powerful actors, i.e. the Finance rather than the Employment and Social Affairs ministries (Zeitlin, 2005a: 453; Casey, 2004).

In line with the capabilities approach (e.g. Ferrera and Sacchi, 2005), many national case studies of domestic adaptation of the OMC highlight that preferences and opportunity structures are key determinants of how the different issue-specific OMCs can be implemented. The lesson, then, is that any complete study of the impact of the OMC must focus on national institutions and actor interaction within them, taking account of ideational and interest-based effects of the OMC. In one such attempt, Manuele Citi and Martin Rhodes (2006) conceptualises the top-down 'policy convergence capacity' of governance mechanisms, on a continuum from lowest to greatest convergence capacity. The mechanism having the lowest convergence capacity, according to their framework, is the loosest process, while the one with the greatest convergence capacity consists of legally binding regulations. They rank the EES mid-way in this context. This is a useful top-down starting point, but has not yet been applied to detailed case studies. They also recognise that "different degrees of policy convergence are the result of incentive and preference structures that, from a national point of view, make the transfer of policies 'rational' for domestic actors." They mention national interest, the rationality and utility of policy transfer, the political salience of policy areas, and domestic costs of policy change as contributing factors to such 'rationality'. This bottom-up, contextualised approach will be the starting point for my own research design on the domestic influence of the OMC.

In my own analysis of the influence of the OMC, I use ideal-type categories of policy process development as the basis for a cross-country analysis of the OMC's capacity to empower domestic actors. These ideal-types seek to capture which actors are involved in the OMC and whether this is mainly through ex-post policy reporting or ex-ante policy planning. This differs from the case-study based analyses that provide rich empirical information on one case, but do point to general trends about OMC-actor based development. I also analyse policy outcomes in the areas where the OMC is applied, which may or may not be a direct result of the OMC. As I use OMC-generated descriptive statistics, I can draw observations about the quality of the statistics as the main monitoring tool in the OMC.

## **CHAPTER 2**

### **RESEARCH DESIGN**

#### **2.1 Research questions**

This thesis aims to contribute to understanding the dynamics by which the OMC emerges, evolves and influences Member States. These questions are still contested between various approaches to European Integration, new modes of governance, theories of democracy and institutionalism(s). The thesis aims to be both interpretative and causally analytical. The interpretative work consists of putting together the evidence about a phenomenon (OMC) in a way that is sensitive to chronological evolution, i.e. where temporal variance is described and explained. General conclusions can then be derived on the basis of the findings of the cases. As highlighted by Charles Ragin, there is no contradiction between interpretative work on cases and a causal analysis that aims to draw conclusions about the causes of empirical phenomena (Ragin, 1987). In my own work, I will combine interpretative and causal-analytical work. The first part on the European level development of the OMC starts with identifying interpretatively derived categories and then develops a casual analytical framework to test hypotheses. The second part on how actors in Member States have used the OMC as well as the third part on how the OMC policy objectives compares to policy outcomes in Member States are mostly interpretative.

The first empirical part of the thesis (chapters 3 and 4) focuses on understanding which actor dynamics could explain European level evolution of the OMC. It is an important question because the OMC or other comparable soft governance mechanisms are increasing in the European Union, especially in areas where the main competency lies at national level. If one aim of the OMC is to avoid direct intervention in areas of Member State sovereignty, then the issue of who shapes the OMC and how is crucial. Does the Commission merely manage the administrative part of the process or does it instead direct the policy objectives? Is the action implemented by the Commission in line with or against the aims of the Member States? Is the OMC open to the involvement of other actors and if so, how decisive is their role in OMC development? I will address the question about the role of the Commission and the Member States in the formation of the OMC through an in-depth qualitative analysis based mainly on interviews and official primary documentation. A substantial amount of the work will be interpretative. But, in order to maximise the value of this work, I will operationalize the research design through an adapted version of the Principal-Agent theory to understand how the Member

States and the Commission (with other actors) interact in the emergence and development of the OMC. This will allow me to draw some conclusions about how the key actors, at different moments in time, influence the OMC. Ultimately, it will contribute to understanding whether actor involvement in the OMC effectively represents soft or hard and constraining governance (in disguise) and whether it is open or closed to the involvement of various actors.

Regarding the national level influence of the OMC, one of the main problems that researchers have been facing is that the dependent variable – the influence of the OMC – is difficult to distinguish from other developments. It is intrinsically connected to existing actor dynamics, institutions and policy reform initiatives. Regarding actor development, the strengthening or weakening of the institutional capability of an actor may be due to a combination of factors, notably domestic reform initiatives (such as institutional reform that affects the competencies of a governmental ministry or a change in government that affects the direction of reform). The OMC may or may not play a role in the development of institutional capability. Regarding policy outcomes, an increase of employment rates (for the EES) or a decrease in poverty rates (for the OMC/inclusion) may be due to many factors, most notably national reform programmes and/or changes in economic growth. These problems have been part of OMC research from the very beginning because the OMC is a soft mechanism that can contribute to policy reform, but which replicates or adds to the work of other instruments, from the domestic and international levels. These problems are inherent in any study of the domestic impact of the OMC, and can only be resolved partially. While national case studies have contributed considerably to understanding the dynamics of OMC integration, exactly how the domestic impact of the OMC influences actors and policy outcomes in domestic policy arenas remains unclear.

As a research strategy, one innovative path through which to begin to explore the influence of the OMC is to distinguish between two distinct research questions (represented by two dependent variables), that respond to two important dimensions indicative of the functioning of the OMC. In chapter 5 (part 2), the dependent variable consists of domestic actor configurations developed as a result of the OMC. I develop a framework based on ideal-types to identify the main dynamics that have taken place through the OMC across Member States. This does not in anyway replace the national case studies in the academic literature that are rich in empirical detail. But, these case-based analyses have made it difficult to draw general conclusions about the impact of the OMC on actors. However, in light of the OMC's own normative aims to involve a wide range of actors in policy-making and in policy implementation, it is an important question.

Such knowledge would also contribute to the development of an understanding about how the OMC is integrated into the domestic contexts.

Through the development of ideal-types, my analysis will provide a general overview of how the OMC is integrated in Member States and what the main function of the OMC in Member States is. The main finding is that the Member State actors will use the OMC when it provides a strategic resource for policy development and /or institution building in the domestic context. In chapter 6 (part 3), I focus on how policy outcomes in Member States have evolved with regard to the main objectives of the OMC. Crucially, I assess whether it seems plausible that the OMC has played a role in this regard. This question will be addressed with the support of general descriptive statistics derived from the OMC, and will merely point to the broad trends with regard to the OMC. It will also allow me to draw conclusions about the quality of the quantitative data produced through the OMC process. By implication, it will also allow me to assess the quality of the Commission's core monitoring and assessment tool – via core indicators and benchmarks. In the remainder of this chapter I explain the case study selection and the conceptual framework and operationalize the theoretical framework for the analysis of the OMC.

## **2.2 Case Selection**

As the broad research puzzle is to untangle some of the mechanisms through which the OMC develops at the European and national levels, then the possible cases are individual issue areas to which the OMC or an OMC-like process has been applied. Due to the broad scope of the research questions, I have selected to analyse two comparable OMC cases in-depth. To be comparable, the two cases should be consistent, that is they should have sufficiently similar features regarding its structure (instruments used in the OMC), mandated actor roles (the governmental actors and the Commission) and means of operation (policy cycle). In addition, the OMC to be analyzed should be sufficiently concrete, but also observable over time in order to be able to test the working hypotheses (King *et al.*, 1994: 109). Furthermore, in order to be comparable, I have sought to ensure that the actors would be concerned with the same broad thematic policy issue, which is that of welfare state change. Welfare state reforms are a constant issue of debate and policy initiatives at both the EU and national levels. Finally, hypotheses should be falsifiable, which means that they should guide the research task, and the analysis of the empirical data should be able to show if they are false. I have also verified the possibility of being able to use and also to generate valid quantitative and qualitative data during the research process. This responds to the criteria of feasibility that should underlie any



research project in the social sciences (King *et al.*, 1994: 115). The cases should be distinguishable (i.e. expected variation) via the explanatory factors through which the OMC is to be explored and hypothesized (Lijphart, 1975: 159).

I have intentionally selected cases on the basis of their different degree of importance (political salience) in Member States in the area of welfare state policy. Salience of a policy area is a condition that is prior to the development of the OMC and is a relatively long-term and stable feature of public policy making structures. By selecting cases on the basis of the domestic importance of the issue, I will be able to generate hypotheses that can be tested in two distinct cases, for which I expect opposite results due to the selection of cases with different salience. Table 1 below summarises the possible issue areas that could serve as cases for the analysis on the basis of their core features.

**Table 1: Possible issue-areas as cases**

	<b>Features Process</b>	<b>European Employment Strategy</b>	<b>Social Inclusion</b>	<b>Pensions</b>	<b>Health care</b>	<b>Research and Innovation</b>	<b>Information society</b>	<b>Education</b>
Concreteness of the OMC	Year established	1997	2000	2001	2002	2003	2000	1999
	Institutional design	OMC	OMC	OMC	OMC	OMC	OMC-like	OMC
	Institutionalisation	High	Medium	Low	Low	Medium	Low	Low
	Temporal Consistency of policy aims	High	High	Low	Low	Medium	Low	Medium
Actors	Committee	Advisory	Advisory	Advisory	Advisory	Advisory	Regulatory	Advisory
	Consultative participants	Medium	Medium	Low	Low	Low	Medium	Low
	Commission role (monitoring, proposals)	High	High	Medium	Low	Medium	Medium	Medium
Data generated		High	Medium	Low	Low	Low	Low	Medium
<b>Political Salience</b>		<b>High</b>	<b>Low</b>	<b>High</b>	<b>Medium</b>	<b>Medium</b>	<b>Medium</b>	<b>Low</b>
<b>Welfare State Development</b>		<b>High</b>	<b>High</b>	<b>High</b>	<b>Low</b>	<b>Low</b>	<b>Low</b>	<b>Low</b>

On the basis of the considerations discussed above I chose to analyse the European Employment Strategy and the Social Inclusion strategy. Below, I describe key aspects of the employment and social inclusion OMCs that are crucial to be able to generate valid and reliable analyses: these are first, the political saliency of the issue-area (in the broad area of welfare

state policy); second, the solidity of the dependent variable, the involvement of the key actors, the possibility to obtain and interpret observable data.

### **2.2.1 The European Employment Strategy (EES)**

First, the EES is the most concrete and integrated OMC process, both in terms of the legal norms in the Treaty and the policy cycle. The EES was institutionalised at the Amsterdam Summit in 1997 through the creation of an Employment Title, defining its institutional feature and principal policy objectives. It is the most institutionalised OMC process: the policy cycle – i.e., (re)defining European objectives, national reporting, European assessment and joint reporting – has been repeated yearly since 1998. Second, concerning the actors, the committee where most of the work with regard to the OMC takes place has existed already since 1996 and the institutional framework defining the participation of the Commission and the Member States has been stable. Other actors (non-governmental interest organisations) have a minor role that has also been formally codified in the 1997 Treaty chapter. Third, the data generated within the process is considerable. Nine cycles of the process have been completed, providing both quantitative statistics and qualitative assessments on its effectiveness by the Commission (evaluations were undertaken in 1999, 2002 and 2005). In addition, there are many in-depth national case studies on the EES, which provide considerable empirical detail.

Concerning the political salience of employment policy, it has since the beginning of the 1990s featured persistently on the agenda of the EU and its Member States and all Member States have undertaken reform to affect employment patterns and to decrease unemployment rates, particularly with regard to the problem of the demographic ageing of the populations in Europe. Furthermore, employment policy at the macro-level is closely linked to economic policy that is a central component in steering national economies. In Eurobarometer surveys, Europeans consistently affirm that ‘unemployment’ is their main issue of concern (27% in the last Eurobarometer survey, August 2007: 21), showing that it is considered as an important issue among the population.

Through its objectives, the EES promotes first, an increase in the employment rate; second, the development of family and gender friendly policies; third, further education and training in working life, and fourth ‘flexicurity’. The policy objectives of the EES have since the very beginning been politically consistent – i.e. putting pressure on Member State governments to increase employment rates. In particular, quantitative benchmarks – 70 per cent overall

employment rate, 60 per cent female employment rate – have been established to represent this aim of increasing the employment rate (European Council, 2000a). These benchmarks embody what I refer to as the ‘European full employment model’, which I define as the political agreement among Member States to achieve the 70 per cent and 60 per cent benchmarks by 2010.

### **2.2.2 The Social Inclusion Strategy**

The social inclusion area was the first to which the OMC as conceptualised at Lisbon (de la Porte, 2002) was applied. Secondly, the social inclusion process is, after the EES, the second most institutionalised OMC. It is a bi-annual process that follows the steps of the Lisbon definition of the OMC, except that the detailed ‘guidelines’ are replaced by more general ‘objectives’. Four cycles of the OMC in inclusion have been completed. As a complement to the OMC in social inclusion, a Community Action Programme (covering the years 2002-2006) has been adopted. Its objectives partially overlap with and support the OMC social inclusion in seeking to understand poverty across Europe and to involve civil society organizations. Third, regarding the empirical data, it is much weaker than for the EES, but since its creation, the quantitative data for anti-poverty policy have been improved, focusing equally on monetary poverty and other dimensions of exclusion such as health and education. Furthermore, not only the Commission, but also the European Anti-Poverty Network (EAPN) and national members of the EAPN provide additional qualitative data on the process.

Compared to employment, social inclusion is of low political salience. Poverty and exclusion problems are increasing in all EU countries, regarding most notably new family patterns, precarious employment arrangements and the reform of pension systems. But anti-poverty policy strategies are not central in steering of the economy. In Eurobarometer surveys, poverty is not mentioned as an issue of concern by the citizens, which means that it is not considered important among the population (Eurobarometer, 2007: 21). The objectives of the OMC/inclusion, that are concerned with the transformation of the welfare state are: to promote participation in employment and access to resources, rights, goods and services for all citizens; to prevent risks of social exclusion; to ‘target’ actions for disadvantaged groups; and to mobilise all actors concerned in policy formulation and implementation. While there are no benchmarks in this area, an EU poverty threshold (60 per cent of the median income) has been adopted and is used by the Commission in its assessment of the poverty situation across Member States.

## 2.3 Conceptualization and operationalization of theoretical framework

### 2.3.1 Why and how did the OMC emerge and evolve at the European level?

#### *a. Conceptualizing the features and development of the OMC*

The first empirical part of the thesis is interested in why and how the OMC emerged and evolved at European level. In this section I develop three conceptual tools for being able to map OMC development at EU level that are intended to support my empirical analysis. The first conceptual tool is to analyse the OMC in terms of its 'policy objectives' and 'institutional model'. The 'policy objectives' refer to the specific policy goals<sup>4</sup> that have been agreed via the OMC in a particular policy area. They represent the objectives that Member States have agreed to achieve, whereas the means to achieve them may be suggested, but not explicitly prescribed. The OMC's 'institutional model' is defined as the formal and informal rules and norms that determine the role of various actors in the OMC policy cycle and process.

The second conceptual tool is to explain the development of the OMC (policy objectives and institutional model) in terms of its 'emergence' and then its 'evolution'. As a vast body of public policy literature has shown, the 'emergence' and 'evolution' of a political phenomenon take place according to different logics (Zahariadis, 1999; Parsons, 1995). Prior to emergence a policy area is more fluid and under certain circumstances (e.g., windows of opportunity) it can be open to influence. More actors (including actors that are outside the decision-making circles) can be involved in setting a policy agenda and as a consequence in determining the outcome (Kingdon, 1994). In the OMC, the stage of 'emergence' includes all stages prior to its full institutionalisation (very broad policy objectives, no clearly defined actor roles and absence of an iterative policy cycle). In other words, the emergence of the OMC represents the process of development prior to the agreement of a full 'contract' between Member States and the Commission. However, already during this period, the Commission and the Member States are involved in a contractual relationship as policy objectives and tasks (for the Commission and the Member States) are specified. The full institutionalisation of the OMC consists of having an operational policy community and an established policy coordination process sustained by policy objectives. A full institutionalisation of the OMC consists of a fully operational 'contract'

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<sup>4</sup> Policy designates a course of action or inaction pursued under the authority of government, and is distinct from programmes, decisions, social movements and intentions (Heclo, 1974). This means that the OMC policy is a course of action specified by the EU and national levels of government.

between Member States and the Commission. 'Evolution' refers to changes to policy objectives (change in direction of a policy) or to the institutional model (the creation of instruments or the adaptation of existing ones) after full institutionalisation of the OMC 'contract'. If OMC development is analysed first in terms of emergence and second in terms of evolution, it follows that the OMC is different at time 'te' (time of emergence) that precedes time 'tev' (time of evolution). This brings me to the following device, a 'stage'.

The third conceptual tool is to capture the temporal evolution of the OMC via the notion of 'stage', which I define as a significant empirical development in the formation of a political phenomenon (dependent variable). Since the OMC is soft and alterable, both its policy objectives and institutional model can be – and have been – modified throughout the processes of emergence and evolution. It is therefore imperative to consider time as a dimension along which to gather observations, in other words, as a dimension of variation per se (Bartolini, 1993: 132). Concretely, this could consist of collecting information on the phenomenon (OMC) at successive moments in a temporal sequence (te 1, te 2... te n... and tev 1, tev 2, tev), where each significant moment is defined as a 'stage'. A stage is represented by a significant change in the OMC (either its policy objectives or institutional model or a combination of both). This enables me to collect data that I can use to analyze how the actors have been involved at different stages. The 'stage model' tradition has been developed in historical analyses and has been used in interpreting and explaining historical developments taking place at a macro-level. In that tradition, a 'stage' is identified according to functionalist evolution (for example, the evolution of the functions performed by political systems or the evolution of a country or system with regard to specific developmental problems) (Skocpol and Sommers, 1980; Tilly, 1984). The use of 'stage' here is rather different and merely aims to capture an institutionally significant empirical development in the OMC. The criteria for identifying a significant 'stage' in the development of the OMC is a change in its institutional model (policy community and coordination procedure) and/or policy objectives (that are specific for each policy area) that should be recognized and legitimized by the key actors involved. While some 'stages' of 'emergence' or 'evolution' of the OMC may be legally endorsed in the Treaty, most 'stages' are agreed upon by other informal dynamics and are endorsed officially at meetings of the European Council. To analyze the OMC at each significant 'stage' is an important key to understanding why and how it develops. The next section links the interpretative part of the analysis with a deductive framework – P-A analysis – in order to develop a causal analysis.

## ***b. The Principal-Agent (P-A) model and the OMC: main features***

The above conceptual devices - distinguishing the OMC in terms of its 'policy objectives' and 'institutional model', time of emergence ( $t_e$ ), and time of evolution ( $t_{ev}$ ) 'stages' of development – are useful for mapping the development of the OMC. The empirical stages are important because they allow me to capture the action (and interaction) of various actors at particular moments in time, linked to an institutionally significant OMC development. This should allow me to determine when and how various actors have played an important role. In order to link OMC development (coordination procedure and policy community and policy objectives) to a causal-analytical framework, I discuss below how the P-A model can be used to analyse the development of the OMC and then derive working hypotheses for analysing the OMC. While numerous analyses of the OMC highlight the tasks of the Commission and Member States in the OMC policy cycle, there are ultimately no clear explanations about which actor drives forward the different aspects of the OMC policy process, i.e. its adoption of guidelines, indicators, benchmarks, national and European reports. Is there a clear distinction between Member State and Commission action (and their interaction) in the stages of emergence and stages of evolution of the OMC? Do the role(s) of the Commission and the Member States differ in the various temporal 'stages' of the OMC? Does the Commission have more influence on the OMC policy objectives and/or institutional model? Do the Member States have more influence on the OMC policy objectives and/or institutional model? Is there a distinction in the involvement of Member States in the European level OMC in regard to the different levels of the domestic salience of the policy?

To answer these questions and to build on the existing literature on the OMC, the Principal-Agent model allows me to generate core hypotheses about Commission-Member State interaction in the emergence and evolution of the OMC. In contrast to intergovernmental or neo-functionalist approaches, biased respectively towards the Member States or the Commission, the P-A model takes account of both the supranational institutions and the Member States, allowing a specification of how they interact in the emergence and evolution of the OMC. In the model, the basic approach is functionalist, in the sense that choice is explained in terms of the 'functions' that a given institution (or agent) is expected to perform on the basis of an agreement with the principal. Theoretically, the assumption is that principals decide to delegate powers to an agent so as to reduce the 'transaction costs' of policy-making through various mechanisms (Pollack, 2003: 20-21). In the P-A model, the principal and the agent agree on a 'contract', where the principal selects to delegate specific tasks to the agent. The presumption of the

principal is that the agent will comply entirely with its tasks to produce the outcome it expects (Tallberg 2002: 25).

The majority of empirical analyses focus on how the agent develops strategies to enhance its scope of action and authority. Contracts are developed between the Commission and the Member States in a variety of policy areas to achieve particular aims via the delegation of certain functions to the Agent by the Principal. Accordingly, the terms of the contract (which include specifying the tasks of the Commission and the control mechanisms of the Member States) are variably open for interpretation by the agent (Pollack, 2003: 91-94). In European politics, studies have focused on Member States as the principal and the European Commission or the European Court of Justice as agents. And as highlighted by Jonas Tallberg (2002: 36-37), P-A relationships can be characterized as ongoing processes, where “EU governments have integrated lessons learned in previous interaction into future delegation, institutional design, and behaviour... principal-agent relationships tend to be dynamic and interactive, subject to bargaining and revision by the parties.”

The most sophisticated development of the P-A model of delegation identifies various tasks the principal can delegate to an agent, beginning with the completion of a partial ‘contract’. On the basis of this contract (or through other arrangements between Principal and Agent), other tasks can be delegated from the Principal to the Agent. These include the development of credible expertise in areas where principals have incomplete information, setting the agenda and monitoring compliance of the principal(s) (Pollack, 2003: 21). The main features of the model will be presented, including some critiques that have been made of the model (Bauer, 2002; Hooghe, 2001) and how the weaknesses have been or can be overcome in the model (in the light of its application to the OMC). The model has been criticized for being too narrow and simplistic along several dimensions and thus not being able to factor in the complexities of policy-making in the EU. These complexities are first, a broad interpretation of the ‘rationalist’ presumption of Commission and Member State behaviour; second, the existence of multiple interests among Member States; third, the existence of various interests, levels of action and departmental divisions in the Commission and fourth, the inclusion of various networks and lobbies in the analysis of policy development.

***c. Merging interest-based and ideational approaches to conceptualize Commission action (informal agenda-setting, discourse framing and the development of focal points)***

The strict theoretical presumptions of rational actor behaviour that underlie the P-A framework would assume that actors enter the political arena with pre-determined interests according to which they develop strategies in the view of maximizing their gains (Boucher, 2006: 44). This logic is derived from utilitarianism developed in economic theory, on the basis of which assumptions are made about categories of individuals that are likely to benefit or lose from certain changes. In other words, actors are presumed to act exclusively in their interest. Albert Hirschman has identified two important features that characterize interest-driven action: self-centredness, which is the predominant attention of the actor to the consequences of any action for him or herself and rational calculation, which is a systematic attempt to evaluate prospective consequences of the action in terms of benefits and losses (Hirschman, 1986: 36). Broader interpretations of interest-based action also take account of the environment that creates constraints and opportunities for actors, and partially moulds their preferences. ‘Interests’ or ‘preferences’ – that I will use interchangeably – refer to what an actor (individual or organization) perceives as being to his/her/its benefit (Hall, 2005: 154-155). A broader interpretation of interests and rational actor behaviour recognizes that interests are not ‘fixed’ since they are affected and partially shaped by socio-economic conditions, institutional rules and norms and other circumstantial factors (Katznelson and Weingast, 2005: 3). Indeed, rational choice scholars have moved away from a ‘thin’ and restrictive utilitarian definition of interests, to a ‘thicker’ interpretation of interest based action in the development of a political phenomenon. The approach has thus evolved to include various ways that actors develop strategies, including the adoption of new ideas (Katznelson and Weingast, 2005: 7-8). Barry Weingast (2005: 163) argues that for individuals (or organizations) to adopt a new idea, it requires not only that the idea should have a logical appeal, but also that there is sufficient evidence to support the idea as a viable policy solution. This implies, as highlighted by Peter Hall that ‘interests’ do not develop unambiguously from the world of ‘ideas’, but result from active interpretation by the core actors, particularly when the means to achieve the goal is not clear (Hall, 2005: 150). Importantly, an idea can gain power when it fits well with the dominant interests of actors in that setting or where it can contribute to develop or change interests. In this thesis, I assume that actors essentially act with a view to achieving their goals (interests), which evolve over time and that this includes adopting new ideas when they can contribute to



the achievement, development or transformation of interests<sup>5</sup>. On the basis of this thick interpretation of interest-oriented behaviour of actors that I also use in conjunction with the P-A model, I assume that both the Commission and the Member States seek to develop strategies and to act with a view to achieving their aims. However, they may be open to the adoption of new ideas to find solutions to complex policy problems, where the means to reach a solution are not pre-defined.

In the P-A model, innovations have been made to combine the ideational and interest-based actions of the Commission. These insights will be used and combined to develop operational categories of analysis for Commission behaviour in the development of the OMC. According to the P-A model, one important function that Member States delegate to an Agent is to develop information and consequently to build up expertise where it is absent or where solutions are unclear. This expertise could then be used for developing a common frame of reference around a policy issue, which has been referred to as 'discourse framing' (Bauer, 2002). 'Discourse framing' includes developing a frame of reference around a policy 'problem' and then proposing a 'solution' as a response. Michael Bauer (2002) presents the empirical example of the social exclusion concept that was created in the 1980s on the basis of Commission-generated data. This was then used by the Commission to challenge the conceptualisation of poverty as a monetary problem that had dominated the approach in many Member States during the 1970s. In accordance with predictions by the P-A framework, the Commission first produced data that provided the frame of reference through which to analyse a policy problem and then on that basis it proposed policy solutions. Michael Bauer (2002) affirms that through that process, it enhanced its own power and also contributed to strengthening the expert authority of Europe (represented by the European Commission) in an area where it has no legal competences.

In a similar mode, Geoffrey Garrett and Barry Weingast (1993) develop the notion of 'focal points' which the agent can construct around core themes or concepts (supported by expertise) for bargaining about a policy issue. Throughout 'discourse framing', several 'focal points' can be produced (these can either refer to a policy problem or a policy solution). These innovative conceptual insights link the rational (and benefit/utility maximisation) logic that explains the agent's behaviour with an ideational action (discourse framing where there are one or several focal points) that it undertakes to achieve its aims. In areas such as the OMC, the Commission has informal agenda setting competencies that involve developing proposals for policy

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<sup>5</sup> While this implies that the individuals representing those organizations act in the view of their interests, the level of analysis is not on the micro-foundations of the development of a policy process.

objectives for an OMC and the development of statistical data in an OMC area. In terms of the P-A framework, then, the OMC-contract establishes the informal agenda-setting power of the Commission, which is linked to the production of policy proposals (solutions) on the basis of expertise. In the OMC, the Commission has *de facto* rather than *de jure* power to initiate proposals for changing or developing new policy objectives. In the operationalization of the framework, I merge the creation of information (expertise), discourse framing (including the development of focal points) and informal agenda-setting to develop operational hypotheses for the analysis of the OMC.

#### ***d. Conceptualizing Principal action as control and sanctioning but also policy development***

In the initial conceptualisation of the P-A model (applied mostly to analyse American political decision-making), the Principal was conceived as a single unitary actor. But to analyze decision-making in the European Union, this model was adapted through the ‘multiple principals’ concept that takes account of the different and even conflicting policy preferences of the Member States (that collectively make up the Principal). They can work individually or in groups, creating alliances areas around policies that they consider as important. Some countries may also choose to include the Commission as an ally (Pollack, 2003: 43). In the application of the P-A model to issues of EU politics, there has mostly been interest in the principal’s control and monitoring mechanisms. These analyses mostly focus on Commission and Member State interaction in a P-A logic once a ‘contract’ has been established between the Principal and the Agent. The contract defines the objective agreed by Principal(s) and specifies the tasks that have been delegated from Principal to Agent to achieve that objective (Pollack, 2003). If the contract is breached (that is, if the Agent oversteps the agreed terms of the contract to enhance its power) then the Principal will typically sanction the Agent by reducing some of its delegated responsibilities. For example, in the case of the Poverty Programmes, the Commission was taken by the UK to the European Court of Justice for having approved funding under the presumption that Member States would agree on a fourth round of the Poverty Programmes. The Member States (as the principal) subsequently did not endorse the fourth round of the programme, which reduced the delegated responsibility to the Commission (Bauer, 2002). This action is explained through Member States ‘sanctioning’ the Commission for having overstepped its authority (shirking). But aside from ‘control’ and ‘sanctioning’, the P-A model does not conceptualize the capacity of the Principal to set the policy direction of a process. As highlighted by Michael Bauer (2002), there is an “...implicit theoretical tilt towards controllability”

in the P-A model as applied to the analysis of European policies. In the model, the action of the principal is perceived in a limited way, merely to control the agent (in this case the European Commission). The role of the Principal(s) in policy development is not included in the model.

In the development of political instruments, Member States do establish control mechanisms in a 'contract' and have sanctioned the Commission in cases that it over-stepped its delegated tasks ('shirking' the Member States). But Member States also play a role in the definition of policy aims. This is particularly true for the OMC, since it is a malleable policy instrument, where the Member States have the mandate to define the key policy objectives in the EES (in the Employment Title of the Treaty of Amsterdam) and the OMC (in the European Council, 2000). That is why I propose to create a concept that takes account of the more pro-active role of Member States in defining the key political aims of the OMC, which I refer to as 'setting the policy direction'. I define 'setting the policy direction' as the action taken by the Member States that defines or changes the political direction of the OMC. This can guide the Commission in its tasks or over-ride attempts by the Commission to define the policy aims of the OMC. In setting the policy direction, Member States may use expertise (in the form of reports and analyses) to support their aims. The 'setting the policy direction' concept captures the policy role of the Member States in the P-A relationship. It brings the intergovernmental dimension back into the P-A model and is linked to the eminently political nature of the OMC whereby policy objectives are redefined on a permanent basis. It seeks to capture the dynamic action by the Member State(s) to bargain common policy preferences for coordination, rather than merely to control the action of the agent.

#### ***e. The Commission as a multi-level actor with diverse tasks and means of action***

The third core critique is that the P-A model does not take account of the complexity of the structure of the European Commission. As demonstrated notably by Liesbet Hooghe, the Commission is a complex multi-level organization that can be divided into a 'political' level consisting of the Commissioners and their cabinets, and a 'bureaucratic' level consisting of a (variable) number of Directorate Generals (DGs), each responsible for administrative 'expert' work in their specific policy area (Hooghe, 2001: 6-7). Liesbet Hooghe's analysis of the preferences of top Commission officials shows that top Commission officials are divided on what type of organization the Commission is. But her evidence suggests that a strong and growing number of Commission officials assess its main functions as administrative, including task management and implementation and the development of data and expertise. It is likely, as

she points out, that the Commission uses these means to influence policy development (Hooghe, 2001: 166-167). In the OMC, the administrative ('expert') power of the Commission is considerable. The OMC-specific administrative tasks of the Commission are to ensure that Member States comply with the iterative reporting requirements, to produce qualitative and quantitative data and to prepare evaluation reports and recommendations and to propose policy objectives for different OMCs. These administrative tasks and the power of the Commission are consistent with the empirical findings of the main features of the Commission and with the conceptualisation of the Commission as an Agent. These tasks are to be carried out in a manner that would be in line with and consistent with the broader aims decided by the Member States at the level of the European Council.

As pointed out in analyses of the Commission (Hooghe, 2001), the departmental divisions in the Commission are greater than in national bureaucracies, and accordingly, so is the sectoral specialization. In social policy, which is my interest here, DG employment and social affairs (DG EMPL) carries out most of the data production, policy preparation and monitoring tasks in the EES and the OMC/inclusion. This data is derived from various statistical databases managed by Eurostat, notably the Labour Force Survey (for the EES) and the ECHP recently replaced by EU-SILC (for the OMC/inclusion). One important function of this data is to focus on showing the outcome of policies for aims related to the European Employment Strategy and the OMC applied in other areas of social policy. While social policy issues are addressed in other DGs (and its aims may be reflected in other statistical databases and policy documents), most notably the DG for Economic and Financial Affairs (DG ECFIN), the core responsibility for the administrative tasks of the OMCs in social policy is in DG EMPL. These tasks include the development of data as a basis for expertise, policy proposals and monitoring EU and Member State policy development as well as the preparation of reports that assess Member State performance. There may be conflicts between the social and economic priorities of the Union in the OMCs, but these are played out before decisions are taken (de la Porte and Pochet, 2002a). The official positions on policy (in Communications, White Papers and other documents) represent the whole Commission, hence the value of conceptualising the development of the OMC with the P-A framework, where the Commission is the Agent and the Member States represent the Principal. In this way, it is clear that the P-A framework does take account of multiple functions and modes of action of the European Commission.

#### ***f. Inclusion of the action of Commission-sponsored policy networks***

A fourth revision of the P-A model required in analysis of the EU concerns inclusion of the policy networks that lobby systematically for particular policy issues. Indeed, due to the depth of sectoral specialization in the Commission, networks of governmental and non-governmental actors have developed an interest influencing in different issue to achieve certain aims. Policy network scholars thus analyse specific DGs of the Commission and the vast network of players (that are not dependent on Commission resources) they interact with according to sectoral interests, rather than as a single organisation. In such cases, the network approach may be the most useful to understand process of the emergence or evolution of a political phenomenon. From a policy network perspective, a core critique of the P-A model (Peterson, 2004) is that it excludes powerful actors which are not involved in the actual decision-making process. Lobbies may use political persuasion to influence or affect decisions and they may use or create expert data to support their strategies. However, the network approach considers all actors on an equal footing in the institutional actor configuration, which they clearly are not.

In some cases, it is the Commission itself that supports the creation and development of some non-governmental issue-specific actors by providing resources. In such cases, the policy network approach underemphasizes the specific role of the European Commission itself as a player that has power to actively interpret the various provisions of the Treaties and other 'contracts' of European integration, to initiate and to manage expertise for a specific policy area, to set the agenda both formally and informally, and to ensure Member State compliance, as discussed above. In the OMC (despite its own political rhetoric on openness (Council, 2000), the main actors that participate in the development of the OMC are the Commission and the Member States (de la Porte and Nanz, 2004; de la Porte and Pochet, 2005). But in some OMC issue areas, there are Commission supported actors that play an important role and these need to be factored into the model.

The action by the Commission to create these actors has been referred to as 'lobby sponsoring' by Michael Bauer (2002). The 'lobby sponsoring' concept offers a theoretical solution to the inclusion of Commission-sponsored representative interest organizations (Bauer, 2002). It can be defined as the capacity and action of the Commission to create a third party actor that will consistently support the development of a particular policy issue. The input of this lobby actor (via positions on a policy issue that are advocated through formal and informal channels) can influence policy deliberations and provide the Commission with a stable pillar of support for the

development of a particular policy issue. Once created, the lobby actor may develop an independent capacity to place issues on the agenda and to maintain focus on those issues. In the area of anti-poverty policy, the European Anti-Poverty Network (EAPN), created by the European Commission in 1989, is a key example of 'lobby sponsoring' as its operations are 90 per cent financed by the Commission (Bauer, 2002: 389). Michael Bauer (2002) has found that its support for the development of anti-poverty policy in the 1980s supported the Commission in its endeavours to develop a European framework for social exclusion. While the P-A model does not deny intra-Commission differentiation or issue-specific networking (Pollack, 2003: 36-37), there have been few attempts to conceptually integrate these networks of actors. The 'lobby sponsoring' developed by Michael Bauer ensures a structural integration (through formal and informal means) of the role of issue-specific actors in the political development of a process, recognizing the dependency of the lobby on the European Commission (Bauer, 2002). The starting point for my analysis is that lobby sponsors have already been created. I thus seek to understand the role of these actors in the subsequent development of the OMC. The concept not only takes account of, but expects, independent action on the part of the lobby sponsor regarding a specific policy issue, which at a structural level supports the Commission in its endeavour to develop policies in a particular area, and in doing so enhances its power. I have presented the main features of the P-A model and explained the conceptual innovations that have been introduced to account for complexity in EU policy-making.

***g. Hypotheses derived from the P-A model to analyze the development of the OMC***

The conceptual innovations within the P-A model that concern the Agent (Commission) are to combine ideational and rational behaviour of the Commission and to include various levels of Commission action (political and administrative). The innovations in the P-A model that concern the Principal(s) (Member States) are to take account of its actions to control the Commission and to develop policy (where an OMC is applied). Finally, there is another innovation that is external to the P-A model itself, which is to identify the policy discourses produced by lobby organisations supported by the Agent and that can then be used by the Agent (Commission) to strengthen its own position vis-à-vis the Principal (Member States). I develop hypotheses on the basis of this adapted version of the P-A model to test how the Commission and the Member States interact in the emergence and the evolution of the OMC in areas of high and low saliency. As discussed above (see section 2.3.1.a. Conceptualizing the features and development of the OMC, p. 35), it is imperative to analyze the OMC in terms of 'stages of emergence' and 'stages of evolution', since it is more open in the former compared to the latter.

The former is the phase of policy and instrument definition and the latter is the phase of policy implementation and revision.

Although the P-A model has not been applied to study the emergence of a policy, it is pertinent for EU policy-making since the Commission and Member States interact in a P-A logic, not only during the implementation and revision of a policy, but also during its definition. Even in the absence of a legal right of initiative, the Commission tries to gain power and authority incrementally, when its actions are not perceived as a threat to Member States. In addition, even when the Member States have not delegated authority or specific tasks to the European Commission through a formal agreement, the Commission does have an informal right to propose policy priorities for the Member States (in Green Papers, White Papers and Commission communications). In areas where the Commission has weak legislative power, it will seek to define policy priorities for the Member States in such documents. In accordance with the P-A model, the Commission does this in order to gain some influence (and to increase its own power) in a particular policy area. Following Commission initiatives, Member States can agree to delegate some tasks the Agent (Commission) which could include information production (data and comparative country analyses). In accordance with the P-A model this can be interpreted as providing the Agent with an informational advantage over the Principal at one moment in time. But if such tasks are repeated, then the information asymmetry that the Commission acquired vis-à-vis the Member States at one moment in time (for example through comparative country analyses) may develop into more permanent expertise of the Commission, enabling it to develop information-based policy reports and advice to each Member State. But in order for the Commission to maintain or to strengthen that expert-based power over a period of time, then an EU initiative – EU programme, committee, statistical infrastructure or policy coordination cycle – would have to be agreed by the Member States. Each type of initiative would institutionalize the power of the Commission in a particular way. A funding programme could enable the Commission to administrate projects, to decide upon fund allocation for projects and also to monitor implementation. A policy coordination cycle would enable the Commission to produce comparative country information (according to key objectives agreed by Member States) and then to issue reports (and in some cases policy recommendations) to each individual Member State. The point is that even during the emergence of a political mechanism, when the final outcome and form is not clearly defined, the Member States and the Commission interact in a Principal-Agent relationship in which the Agent tries to influence policy and to establish mechanisms through which to exercise power on a more permanent basis. The Principal (at decision-making moments), will propose or agree on EU initiatives depending on

the policy priorities among the majority of Member States. This permanent struggle between the Agent – to develop new European initiatives – and the Principal – to define which issues should be addressed at EU level in line with its own agenda - is precisely why it is important to analyse the emergence and the evolution of a political phenomenon through a Principal-Agent analysis. On this basis, two competing hypotheses are developed about Commission-Member State interaction when legislative power is weak.

H1A: If the Agent (Commission) has weak legislative powers in a policy area, then it will seek to define EU-level policy priorities and other non-legislative political tools to achieve those objectives.

H1B: If the Agent (Commission) has weak legislative powers in a policy area, then the Principal (Member States) will be able to define the EU-level policy priorities and the political tools to achieve those objectives.

In order to test these hypotheses I analyse all the stages of emergence (of an OMC, distinguished according to policy objectives and institutional model) and weigh the relative power of the Commission and Member States in each of those stages. Then I can assess whether it is the Commission or the Member States that have defined the policy objectives and political tool through which to achieve those objectives.

Once a political mechanism has been established, it is codified in a ‘contract’ created by the Principal (Member States) and which defines the tasks that are delegated to the Agent. In an OMC contract the Commission’s tasks are to adapt policy objectives, to produce information (statistics, data) and to monitor the compliance of Member States’ policies with the agreed objectives. In the contract, the Member States establish mechanisms for controlling the action of the Commission. The most important is that Member States (in an issue specific Council formation) have the final veto point on each task carried out by the Commission. In an OMC, the Commission could propose to make changes on the basis of its informational advantage and rights of initiative in the OMC process, but the Member States could influence (and indeed, change) the overall policy direction of an OMC through its representatives on an OMC committee or alternatively, at a higher political level. In order to test how the Commission and the Member States interact in the evolution of an OMC (after the “contract” between Agent and Principal has been established), I develop two competing hypotheses, one according to which the Commission has the power to change it and the other according to which the Member States have the power to change it.



H2A: If an OMC contract has been created, then the Agent (Commission) will change it through the administrative tasks that it has been delegated in the OMC or through the political actions of the Commission.

H2B: If an OMC contract has been created, then the Principal (Member States) will change it through the OMC policy cycle or through the political actions of the Council.

In order to test these hypotheses, then I analyse all the stages of evolution (of an OMC distinguished according to policy objectives and institutional model) and weigh the relative power of the Commission and Member States in each of those stages.

Hypotheses 3A and 3B as well as 4A and 4B have been generated to test the difference between the two cases - employment (high salience) and social inclusion (low salience). They will be discussed in chapter 4 where the two cases can effectively be compared. As discussed earlier, Member States may be more reluctant to accept Commission policy advice through an OMC when it is applied in an area of high salience.

H3A: If the policy area to which an OMC is applied is of high domestic salience, then the Member States will seek to establish strong control mechanisms and to determine the policy agenda of the OMC (during its emergence *and* evolution)

H3B: If the policy area to which an OMC is applied is of low domestic salience, then the Member States will not establish such strong control mechanisms and they will not seek to determine the policy agenda of the OMC (during its emergence *and* evolution)

H4A: If the OMC is applied in an area of high domestic salience, then the capacity for the Commission to influence the emergence and evolution of OMC policy is low.

H4B: If the OMC is applied in an area of low domestic salience, then the capacity for the Commission to influence the emergence and evolution of OMC policy is high.

For all these hypotheses it has been important to distinguish between high and low influence of the Commission and the Member States, respectively. 'High' influence is attained when an actor (Agent or Principal) uses the different strategies and instruments at its disposition, successfully accomplishes its aims during a stage of OMC formation. By contrast, influence is 'low' when an actor (Agent or Principal) has used different strategies and instruments at its disposition, but has been unsuccessful in achieving its aims during a stage of OMC formation.

In order to undertake the empirical analysis, I have identified criteria for identifying the dependent variable and also the actions of the Commission and Member States (independent variables). First, to find evidence for an OMC 'contract' between the Commission and Member States, I analyze the Treaty provisions and meetings of the European Council, where the terms of the contract are laid out, including the tasks of the Commission and the Member States and broad aims to be achieved by the Member States. These contractual clauses represent the outcome (dependent variable) and will be identified in terms of the policy objectives and institutional model.

Second, there are three strategies that could be undertaken by the Commission in this P-A relationship. The first is to create a discourse (discourse framing) that could involve the conceptualization of key 'focal points' that could be focus on one or more 'policy problems' followed by one or more 'policy solutions'. More specifically, the Commission could use data generated through the OMC to develop a particular way of conceptualizing a problem, and then on that basis propose a policy solution. Policy discourses developed by the Commission are laid down in informal agenda-setting tools of the Commission (White Papers and Communications). The second strategy of the Commission could be to create OMC-specific instruments to enhance its own role as expert. This can be traced by following a Commission initiative from its suggested creation until its adoption or rejection by Member States. The third strategy of the Commission could be to use the policy demands articulated by lobby sponsors instrumentally for strengthening the support for its own policy aims (policy discourse and/or policy solution). Lobby sponsors have established several voluntary and informal channels of influence, notably opinions and position papers on Commission communications.

Regarding the effort made by Member States to determine policy, I would first need to find evidence that would indicate if the proposals of the Commission are accepted (in which case Member State influence is low) or undermined in favour of the decisions by the Member States (in which case Member State influence is high and Commission influence low). The evidence for whether the decisions are in line with or against the position of Member States is examined mainly through interviews and analysis of official documents that represent the positions of the Member States (Presidency Conclusions of summits of the European council) and the Commission (communications). Member States may use data (generated independently of the Commission expertise developed in a policy area) to support their objectives. Concretely, it would be represented by a report or analysis commissioned by the Member States to external

experts, in order to achieve a particular policy aim (either at the emergence of a phenomenon or a change in direction).

#### ***h. Data, Methods, Structure***

In chapters 3 and 4 mainly qualitative data are used. This data includes official documentation from the European Institutions (mainly the European Commission and European Council), 27 in-depth expert interviews, participant observation in several European conferences that contributed to the evolution of the OMC, as well as formal and informal information via email and telephone interviews with key informants and colleagues. All expert interviews are anonymous, but their institutional affiliation is indicated (see Annexes 1 and 2 for information on first-hand data). Regarding the documents from the European institutions, the Presidency conclusions are analyzed in detail since they indicate key moments in the evolution of the OMC, regarding both policy objectives and institutional model. I also analyse the key contributions from the Commission (communications, reports) to the initial crystallization and subsequent evolution of the OMC. The main tool employed is process-tracing (Checkel, 2005), that consists of carefully tracing (diachronically) the key periods pertaining to the emergence and evolution of the OMC.

The analysis of the European-level evolution of the OMC focuses separately on Employment (chapter 3) and Social Inclusion (Chapter 4). Each chapter distinguishes between the stages of emergence and the stages of evolution, in order to locate the distinct dynamics of the two processes. I proceed through a stage-by-stage analysis. For each stage, I first discuss Commission-Member State interaction in development of the OMC. This allows me to understand the distinctiveness of their power balance for each stage, and will allow me to detect how it evolves over time. It then describes the outcome (i.e., the development of the institutional model and/or policy objectives) in emergence or evolution of the OMC. Together, there are approximately ten institutionally significant stages in the temporal development (emergence and evolution) of each OMC.

### **2.3.2 How, and with what effect, did the OMC become integrated into the domestic policy systems of the EU-15?**

#### ***a. Key questions and conceptualization***

The second and third empirical parts of the thesis (chapters 5 and 6) endeavour to provide an explanation for how the OMC influences Member States. Most of the literature draws inspiration from learning theories (Rose, 1991) and conclude that an important effect has been ideational, particularly regarding new ways of understanding Europe's core employment and poverty problems (de la Porte and Pochet, 2004). But there is still a vivid debate about who learns what and how it is transposed into the Member States.

As recognized in the literature on the OMC, the effect of the OMC cannot be assessed in terms of its convergence or harmonization effect. Furthermore, the potential scope of influence of the OMC is broad-ranging. It can affect actors, policy programmes, creation of new actors and institutions, development of a new policy approach to be integrated to existing institutions as well as new legislation in the areas applied to the OMC. It is therefore important to identify what (potentially) provides a scope for influence from the EU level and how that can be assessed. Obviously, it is impossible to undertake an exhaustive account of OMC influence. Therefore, I have to select different key dimensions to focus on in light of the two issue areas that I focus on in this thesis – employment that is of high domestic salience and social inclusion that is of low domestic salience. Are there differences in the two policy areas based on the overall importance of the policy area domestically? Derived from the literature of the OMC (Zeitlin and Pochet, 2005; Buechs, 2007; Ferrera and Sacchi, 2005) as well as the political discourses about the OMC (European Council, 2002; Council of the European Union, 2000), I have identified two outstanding dimensions of OMC influence: on actors and on policy outcomes. How 'open' is the OMC to the involvement of various actors and how do actors integrate and use the OMC (to report or to set policy)? How, ultimately, is the OMC related to policy outcomes in the policy areas where it is applied? These two questions are important to answer, since they are related to the effectiveness and legitimacy of a soft policy instrument, which are central in the OMC literature and the debate about the relevance and legitimacy of a soft governance instrument, which remains highly contested. If it has an effect, is that effect legitimate from the domestic perspective? Is it in line with the principle of subsidiarity, where the added value of the European Union should complement Member State action? How useful, effective and legitimate is a soft policy instrument?

The national integration of the OMC is a recent area of academic interest (that began after the political denomination of the OMC in 2000) and there are numerous in-depth case studies that represent a rich source of empirical detail. But the comparative dimension is not well developed in the OMC literature because of the complexity involved in analyzing OMC integration in Member States. Indeed, most analyses of OMC impact are case studies (one or two cases) that seek to be internally valid and reliable, both theoretically and empirically, rather than to draw more general conclusions about conditions for OMC influence. These secondary analyses (in-depth national case studies) provide a substantial amount of empirical information (although there is a risk of idiosyncrasy) that has not been used for undertaking an overall comparative analysis about OMC influence. I will use this opportunity to fill a gap in the literature by undertaking a comparative study of the influence of the OMC in EU Member States. In line with my research questions, this will allow me to draw some tentative (general) conclusions about the integration of the OMC among domestic actors and policy outcomes in relation to the OMC's political objectives. I choose to analyse all 15 pre-2004 EU Member States, excluding Luxembourg (due to incomplete) data. The new Member States are excluded because of the problem of time horizons: they have been members for such a short period of time and evidence of change in line with OMC policies is correspondingly lacking. The comparative analyses that I undertake in chapters 5 and 6 are based on drawing up classification systems and provide initial findings about the overall influence of a soft governance mechanism in the EU. They provide partial answers to some of the core questions in the literature about the extent of OMC influence in Member States.

I first focus in chapter 5 on how the OMC affects institutional arrangements (the empowerment of governmental and non-governmental actors that have a role in the OMC), where I develop an analytical framework on the basis of ideal-types. The 'actor-based model' consists of a 'policy community' that refers to the core (governmental) actors involved directly in the OMC (preparation of the national report that should reflect adoption of the policy objectives) and a 'policy network' that refers to the broader network of non-governmental actors that should, via a legal or political mandate, play a part in the development and implementation of policy aims in the OMC (by contributing to the national report). I seek to understand if how actors have been involved in the OMC through the development of an analysis on the basis of ideal-types of actor configurations.

I devote one chapter (chapter 6) to analyse the influence of policy objectives in Member States (on the basis of past policy legacy and main reform programmes). My initial presumption is that

the OMC as such, due to its soft character, has no capacity to determine preferences, but that these are defined by domestic factors: institutional and policy legacy as well as recent reforms (in the areas concerned). If there is an indication of policy influence, it could be because an OMC 'policy' is consistent with reforms being undertaken in the area, and/or because an OMC 'policy objective' has been capable of incrementally shifting the way an actor perceives a policy issue, through learning. I do not seek to make an output-based analysis, but focus on the outcome<sup>6</sup>, where the aim is to assess how the trends in Member States compare with the OMC aims. This will be assessed on the basis of outcome indicators (using Eurostat descriptive statistics), developed in the OMC process to assess policy outcomes. The statistics are an important tool used by the European Commission in the monitoring of Member States performance and thus also provide analytical information about the quality of the statistics and the monitoring role of the European Commission in the OMC. I also seek to take account of the main policy reforms undertaken by Member States during the time period that the OMC was being implemented, in order to contextualize the 'outcome' in Member States.

The research task in chapters five and six consists of making classification systems as a first contribution to the overall assessment of the impact of the OMC across Member States. In order to do this, I have sought to develop well-articulated, logically correct systems of organising the data, taking special account of the research aim of each chapter (Lazarsfeld, P. and Barton, A., 1951). The schemes have been developed on the basis of existing data about actor development and policy outcomes. The development of each classification system is explained below, first regarding actor development and then policy outcomes.

### ***b. Which type of actor configurations have developed through the OMC?***

Chapter 5 seeks to understand which actors in the domestic sphere have become involved in the OMC and whether they mainly play a role in policy reporting or policy development. To what extent have actors actually become integrated in the OMC-process and to what extent is this linked to the domestic policy development process (ex-ante policy setting or ex-post policy reporting)? To answer this question, I develop an analytical framework for understanding the influence of OMC on actors, since the OMC 'delegates' soft powers to various actors (through the policy communities and policy networks defined above) within Member States. Although there have been in-depth case-study-based analyses that describe how actors 'participate' in

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<sup>6</sup> I use the definition by Hugh Heclo, who distinguishes 'output' of a specific policy measure, from 'outcome' that refers to the broader often unintended effects of policy (as an intended direction) (Heclo, 1974: 4).

the OMC, there have thus far been no attempts to theorize – beyond reference to the OMC's own normative aims about actor involvement – about how actors in Member States engage with the OMC. In Member States, governance structures of each policy area (employment and social inclusion) differ vertically and horizontally in relation to the delegated and de facto responsibilities in decision-making and implementation of public policy. This indicates that the incentive structure and likelihood of becoming involved may be variable for the various actors (determined by institutional legacies, distinct governance structures and their interest in the OMC). In one Member State, an actor may already have strong means (based on legacy, division of competencies and resources) to determine policy, and hence the OMC would not provide an additional opportunity. In this scenario, then the actor is likely not to use the OMC, either through learning or a strategic and intentional use of the OMC, to develop policies or make institutional innovations, while in another, the situation may be the opposite. As shown in empirical case studies, there is no black or white scenario, considering the complexity of multi-level governance structures and intricate power games within and between actors in these structures. That is why it is indispensable to develop an analytical framework allowing me to detect different degrees of nuance and specific types of actor configurations (see Table 2 below).

Considering the OMC as a mechanism that provides specific (planning or information) resources that can be used by actors, I first characterize the types of actors that are delegated tasks through the OMC and then develop analytical criteria for identifying different ideal-types, corresponding to various types of effects. I will analyse the impact of the OMC on the policy community (governmental actors involved in the OMC) as that is where the decision-making power lies. I will also analyse how the actors of the policy network (social partners or NGOs) could be involved in policy development and policy reporting through the OMC.

For both the EES and the OMC/inclusion, the main actor designated in the implementation of the OMC is the core policy community at national level. It has the responsibility of setting policy by drawing up a national action plan, respectively for employment (NAP/empl) and social inclusion (NAP/inclusion). In the EES, the core actor is (most often) located in the Labour Ministry, but through horizontal integration, other actors that have a policy stake in the EES – notably the Finance Ministry, regarding budgetary coordination and the Education Ministry for issues of training and education – should also be involved in devising policies for the NAP/empl. In the OMC/inclusion, this core actor is located in the social ministry, and like for the area of employment, other ministries with an interest in poverty policy should contribute to the

NAP/inclusion. The role of this policy community ‘upwards’ is to ensure reporting to the European Union and ‘downwards’ to ensure the integration of European policy objectives into the domestic policy process.

The secondary aspect of the policy community consists of vertical involvement of public authorities at various levels of government through policy coordination (contribution to the NAP, indicating how they intend to develop policies on the basis of OMC). In the EES, there is no legal mandate for regional and local-level involvement, but there has been political support for enhancing their involvement (de la Porte and Pochet, 2005), especially since 2000 when the OMC and the concept of governance were in the spotlight of the Lisbon Summit (European Council, 2000). For the OMC/inclusion, the OMC policy objectives more assertively prescribe integration of public authorities at multiple levels of government (national, regional and local). The key task of this multi-level policy community should be to develop new policies in Member States on the basis of the OMC and also to report on how the OMC policies have already been implemented. The second dimension of actor designation in the OMC refers to a broader non-governmental policy network, which is distinct for each policy area. In the EES, these actors are social partners<sup>7</sup> and also informal interest organisations<sup>8</sup>, in the OMC/inclusion they are mainly civil society organisations with a stake in poverty policy<sup>9</sup>. The OMC should in theory empower

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<sup>7</sup> The main reference to social partner involvement in the Treaty is in article 126, paragraph 2, which states that ‘Member States, shall regard promoting employment as a matter of common concern’. The Treaty only indirectly requires Member States to integrate social partners, according to their national practice (Smismans, 2004). But the EES policy cycle includes considerable scope for social partner involvement in the EES. The Council conclusions in 1997 state that ‘[...] the social partners at all levels will be involved in all stages of this approach and will have their contribution to make to the implementation of the ‘guidelines’ (European Council, 1997). In addition social partners were encouraged and expected to take up some responsibility for the development for training, work experience and traineeships, which are part of the employability objectives. They also should endeavour, together with governments, to shift resources towards ‘lifelong training’ and to address the issue of the technological divide, providing, for example, training in information technology for early school leavers (European Commission, 1998).

<sup>8</sup> Regarding informal interest organisations (civil society organisations), there is no legal mandate, but only political incentives for their involvement, and thus their involvement is likely only in the case that firstly, they are aware of the EES and secondly, that they perceive it as an instrument to strengthen their own position or power.

<sup>9</sup> The third dimension is that of the broad-based horizontal policy networks (civil society organisations at relevant levels) involved indirectly in determining anti-poverty policy. The OMC/inclusion specifically sets out to mobilise all actors concerned in the development, implementation and monitoring of anti-poverty policies. Aside from the core policy community, this should consist of enhancing horizontal dialogue and partnership between all relevant bodies, public and private, including social partners, NGOs and social service providers, and of encouraging the social responsibility and active engagement of all citizens in the fight against social exclusion, as well as



these actors, in contributing jointly to decide on, implement and monitor policy objectives in Member States. In order to understand if and how these actors – multi-level policy community and policy network – have been involved in and used the OMC, I develop ideal-types of actor configurations, each corresponding to a type of development (Table 2).

**Table 2: Ideal-types of OMC-derived actor development**

Actor co-ordination (+/-)/ NAP Function (Policy Setting/Policy Reporting)	Horizontal co-ordination (+/-)	Vertical co-ordination (+/-)	Participation (+/-)	Type of Development	Reference Number
Policy Setting	+	+	+	Fully co-ordinated participative policy planning	PS – 1
Policy Setting	+	-	+	Horizontally co-ordinated participative policy planning	PS – 2
Policy Setting	+	+	-	Fully co-ordinated non-participative policy planning	PS – 3
Policy Setting	+	-	-	Horizontally co-ordinated non-participative policy planning	PS – 4
Policy Setting	-	+	+	Vertically co-ordinated participative policy planning	PS – 5
Policy Setting	-	-	+	Un co-ordinated (centralized) participative policy planning	PS – 6
Policy Setting	-	+	-	Vertically co-ordinated non-participative policy planning	PS – 7
Policy Setting	-	-	-	Un co-ordinated (centralized) non-participative policy planning	PS – 8
Policy Reporting	+	+	+	Fully co-ordinated participative policy reporting	PR – 1
Policy Reporting	+	-	+	Horizontally co-ordinated participative policy reporting	PR – 2
Policy Reporting	+	+	-	Fully co-ordinated non-participative policy reporting	PR – 3
Policy Reporting	+	-	-	Horizontally co-ordinated non-participative policy reporting	PR – 4
Policy Reporting	-	+	+	Vertically co-ordinated participative policy reporting	PR – 5
Policy Reporting	-	-	+	Un co-ordinated (centralized) participative policy reporting	PR – 6
Policy Reporting	-	+	-	Vertically co-ordinated non-participative policy reporting	PR – 7
Policy Reporting	-	-	-	Un co-ordinated (centralized) non-participative policy reporting	PR – 8

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fostering the social responsibility of business. It also sets out to promote the participation and self-expression of excluded persons by promoting the participation of citizens (Council of the European Union, 2000b).

The first analytical dimension (x-axis) identifies whether policy coordination has (+) or has not (-) been developed as a result of the OMC, both for horizontal and vertical actor involvement, as described above. It also identifies whether the policy network has been involved in developing the NAP (in the form of a (policy) contribution that has been integrated into the NAP by the core policy community). The second analytical dimension (y-axis) characterizes how the NAP report is used in Member States. I distinguish between two NAP functions: an ex-ante policy-setting plan (PS) that Member States use as the main point of reference to develop policies and an ex-post policy report (PR) that Member States use to report on policy developments. The various combinations of these dimensions could lead to (16) distinct types of actor development, identified in column 5. Each type of actor development is associated with a reference number that will be used in the empirical analysis and discussion about actor development through the OMC. The categorisation according to ideal-types should allow me to map patterns of actor development, taking account of the variation in Member State governance structures.

I presume that the OMC is likely to lead to variations of coordination and participation depending on how much power the actors may have ex-ante (where they have weak resources they are more likely to use it, either for policy setting or policy reporting). But I also expect the OMC to be above all a policy reporting rather than policy setting instrument, because the policy objectives determined through the OMC (a soft policy instrument, applied here to policy areas that are under Member State sovereignty) are not intended to be the main reference point for policy development in Member States, and because the actors are most likely to use resources for influencing policy from their past institutional legacy.

### ***c. The OMC and policy outcomes***

I start my analysis from the OMC's own policy objectives, which will allow me to draw up a 'European' point of reference to organize Member States in relation to their distance from this normative European policy aim. Then, I aim to analyse how the policies in Member States have evolved. I seek to take account of the policy legacy and major policy reform programmes as factors that may influence and determine the conformity of Member States policy outcomes compared to the OMC policy objectives. I will examine how the OMC policy objectives compared to core reform programmes in Member States and I will also analyse the policy outcomes. This is important not only because it provides information about the relationship between the OMC objectives (in employment and in social inclusion) and the outcomes, but

also provides insights into the power of the Commission's monitoring mechanisms established in the OMC process.

***d. Identifying core policy objectives in the EES and OMC/inclusion***

For each policy area, I identify the core policy objectives in each OMC that represent the European pressure for adaptation. I then develop, on the basis of descriptive statistics, the clusters of countries according to their distance from the European policy objective. Each 'policy objective' derived from the OMC at the European level may place different degrees of constraint on the Member States, depending on their 'distance' from that particular objective. This renders an exhaustive analysis of all the policy objectives impossible for the big-N analysis that I undertake. As it is not feasible to trace the integration of all policy objectives for each OMC under examination, I will select a representative 'policy core'. The criteria for selecting the 'policy core' are: salience for the EU and national agendas, availability of quantitative data generated within the OMC and temporal consistency (the durability of objectives on EU and national agendas). I draw the data from the European Commission's descriptive statistics generated for monitoring the OMC<sup>10</sup>. Then, on the basis of the policy core, I draw up a general indication of the initial policy distance between the European and national levels. The countries are then organised according to clusters (three or four), defined by their policy distance from the European-level OMC, representing the differential pressure of the European on the national level.

This paves the way for me to be able to analyze integration of OMC policy objectives in Member States<sup>11</sup>. In the empirical chapters, the data for determining the evolution of policy objectives is first, statistical and second, qualitative (mainly secondary sources that have contributed to the empirical knowledge about the OMC). On that basis, I establish where the policy outcomes (derived from OMC core objectives) is high, medium or low. Table 3 below summarises the main statistical indicators for each OMC-policy area under examination.

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<sup>10</sup> Many national and other statistical bases are qualitatively superior, but my task here is not to undertake an in-depth national case study. Instead, the value of this analysis is to discover the general logic by which the OMC operates, that I argue is rational, both for the development of core policies and the empowerment of actors.

<sup>11</sup> It also enables me to assess the strength and quality of the 'monitoring' of the Commission according to indicators and thereby ensures a linkage between the European and national level analyses of this thesis that are otherwise distinct.

**Table 3: Assessing influence of the OMC via Policy objectives**

Dimensions/OMC	EES	OMC/inclusion
Initial policy configuration (Ex-ante)	Expenditure on active labour market policies	Expenditure on social transfers (social protection benefits)  Expenditure per capita on social assistance and housing <sup>12</sup>
Outcome (Ex-post)	Reforms in labour market policies; Shifts in expenditure active labour market policies; employment rates	At-risk of poverty rates before and after social transfers  In-work poverty rate

The row ‘initial policy configuration’ refers to the ex-ante position of Member States with regard to the European policy objectives. The ‘outcome’ refers to the data that is used to assess how the situation has evolved after the implementation of the OMC. For the EES, the data will allow me to draw conclusions related to expenditure on activation (means) and also employment rates (outcome). For the OMC/inclusion the EU-generated statistics only allow me to assess the evolution of the poverty level, as there are no precise indicators to measure the policy effort. I would like to insist that the statistical indicators serve mainly to determine outcome (defined in each OMC) and not impact of the OMC per se. The analysis in the chapters on the one hand uses this statistical data that assesses what conclusions could be drawn from the Commission’s own data. Second, this is complemented by a qualitative content-based analysis on the basis of secondary sources, that will provide information regarding the Commission’s assessment tools and the main reform dynamics in Member States compared to the key objectives of the OMC.

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<sup>12</sup> The two sets of data used to determine the initial policy configuration of the OMC/inclusion are arguably quite poor and inconsistent, but it is the only available data generated by the European Commission. It allows me to draw up ‘clusters’ of countries and to determine the initial degree of fit/misfit of the Member States domestic situation with the OMC/inclusion objectives.

**e. Employment: the EES ‘employability’ policy objectives (European pressure)**

The EES employability objectives represent the core reference points against which change is measured in the EES. The EES ‘employability’ aims represents the most salient aspect of the strategy. Any attempt to analyse the domestic integration of all aspects of the EES policy objectives embodied in the guidelines would be too wide in scope for a big-N study. Furthermore, the focal themes<sup>13</sup> of the EES policy agenda have shifted in importance over time and throughout the development of the process. ‘Employability’, broadly synonymous to ‘activation’, refers to the aim of increasing labour market participation and facilitating take-up of employment for individuals. But, the notion of ‘employability’ has specifically been created in the framework of the European employment guidelines. Below, a synopsis of the evolution of the content ‘employability’ objectives of the EES is made, showing its temporal evolution and also key characteristics. I first analyse what is meant by ‘employability’ in the articles in the Treaty that are devoted to the EES, as it provides the legal basis for the development of policy objectives. Second, I analyse the temporal development of the employability policy objectives at the level of the Council in the OMC policy cycle. In my analysis, I also include welfare state regimes as an analytical point of reference when discussing the outcome of OMC policies.

The overarching aim and mode of functioning of the EES is established in the Employment Title of the Amsterdam Treaty (articles 125 EC – 130 EC), agreed at the Amsterdam Summit in June 1997. Its objective is to achieve a high level of employment through the promotion of ‘...a skilled, trained and adaptable workforce and labour markets responsive to economic change’ and by incorporating employment policy concerns with other Community policies and activities, particularly economic policy (article 125 EC). In line with the principle of subsidiarity, Member States ‘... regard promoting employment as a matter of common concern’ (Article 126 EC), where the role of the Community is to ‘contribute to a high level of employment by encouraging cooperation between Member States and by supporting, and if necessary, complementing their action.’ Employment growth is clearly the backbone of the Strategy.

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<sup>13</sup> The various focal issues include, inter alia, the Gender dimension that first increased, but has since gone through various “ups and downs” (Rubery *et al.*, 2004, and also Fagan *et al.*, 2005; Rubery *et al.*, 2004; Rubery, 2005); work organisation, in particular flexibility and security, that is highly sensitive issue in terms of its ideological orientation, and has increased in salience from 2005 onwards; entrepreneurship, especially to support the development of SMEs, which has also received a boost of support since 2005.

More specific policy objectives were then agreed upon and these have been revised yearly within the EES policy cycle. The first set of objectives – referred to as ‘European Employment Guidelines’ by the European Commission and Member States – was agreed In November 1997, when an Extraordinary Summit was organized for that purpose. The Commission categorised policies specifically aimed at increasing the employment rate for the active population (i.e. those aged 18 to 65) under the term ‘improving employability’. This is broadly equivalent to the concept of ‘activation’, i.e., policies to tackle problems of (un)employment through the development of a preventive (rather than curative) and active (rather than passive) approach. This concept has remained the structuring element of the approach since the outset. The projected policy outcomes defined in the EES is to maximise the participation of the active population in paid employment, which should in turn contribute to improving the economic growth rate<sup>14</sup>. The EES suggests employability is the main means to achieve a high rate of employment (outcome).

The main features of and changes in the guidelines, particularly pertaining to the ‘employability’ objectives, are summarised below. In the European Employment Guidelines for 1998, the Commission specified seven (out of a total of nineteen) guidelines devoted to policies for increasing the employment rate among various groups of the active population (i.e. those aged 18 to 65). The main target population was unemployed youth and adults, for which Member States should aim to develop preventive and ‘active’, rather than passive labour market strategies. Member States also agreed to ensure that every unemployed young person would be offered a ‘new start’ within six months of unemployment and other unemployed persons within twelve months of unemployment. Concretely, this ‘new start’ would take the form of involvement in employment or alternatively supply-side measures, in the form of training, retraining, work practice, a job or other ‘employability’ measure. These measures were to be implemented to promote re-employment of the long-term unemployed into the mainstream labour market (and thereby to boost the employment rate). Member States also agreed to increase the share of the unemployed in active programmes to 20 per cent (European Commission, 1998). In 2000, three elements were added. First, a more precise evaluation criterion: to have been successful, an individual should be integrated into the mainstream labour market after having participated in an ‘employability’ scheme. And second, the ‘inactive’ were

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<sup>14</sup> According to the Treaty, the EES should support and be in line with the aims of economic policy coordination that supports monetary policy coordination for the EMU. Numerous analyses have highlighted the strong links between the two in terms of policy objectives and also institutional model (Hodson and Maher, 2001; de la Porte and Pochet, 2002; Goetschy, 1999, 2003).

explicitly included as a target group. Third, a new policy objective was introduced – the modernization of the public employment system responsible for placing individuals in various types of employment schemes (European Commission, 2000). Furthermore, the Lisbon European Council in 2000 confirmed its support for the EES. During the Summit, Member States agreed on core quantitative employment rate targets – 70 per cent overall and 60 per cent for women – to be reached by 2010<sup>15</sup>. These quantitative objectives define the EU conception of ‘full employment’, which I will use in my discussion about the integration of the EES in Member States (Chapter 5). After a reconfiguration of the guidelines in 2003 and more substantially in 2005<sup>16</sup>, the policy objective of increasing labour market participation overall was enhanced, particularly focusing on older workers, but also other target groups: immigrants, women and other disadvantaged groups (see Rhodes, 2005; de la Porte and Pochet, 2005).

#### ***f. Employment policy clusters***

The literature on the effect of the EES through ‘learning’ is broadly consensual: there has been a general shift among EU countries towards the development of ‘activation policies’ and this shift is partially attributed to the EES (de la Porte and Pochet, 2004; Jacobsson, 2004; Zeitlin, 2005a; Barbier, 2004). However, while providing useful insights, this literature remains ambiguous about how activation or employability (means) relates to the outcome of labour market reforms (changes in employment rates). In addition, there have been no comprehensive cross-country analyses on the basis of the statistics produced within the OMC process. This and the fact that the OMC is soft adds to the difficulty of drawing clear conclusions about the influence of the EES in Member States. An important indicator that reflects changes in ‘employability’ is level of expenditure on Active Labour Market Policies (ALMP). But a change in the level of expenditure is due to a combination of multiple factors, such as shifts in the level of economic growth, variations in levels of unemployment, crises of some industrial sectors and demographic changes, and may not have anything to do with the EES. But, the aim of the

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<sup>15</sup> Then in 2001, an additional quantitative objective – 50 per cent – was agreed for older workers, also to be reached by 2010.

<sup>16</sup> In 2004 it was agreed that from 2005 onwards, the guidelines were to cover a three-year rather than yearly cycle, and in principle to be more closely attached to the process of revising the broad economic policy guidelines (European Commission, 2005).

analysis is to point to general trends about how the core means identified in the EES have evolved in Member States (to be combined with qualitative analysis)<sup>17</sup>.

I distinguish between 'low', 'medium' and 'high' levels of expenditure and indicate which 'ideal-type' different welfare states belong to as well as the initial degree of fit/misfit with European employability aims<sup>18</sup>. Eight out of nine EU categories will be used in this analysis (European Commission, 2006: 8). Six of these fall under the heading of 'active labour market programmes': training, job rotation/job sharing, employment incentives, integration of the disabled, direct job creation and start-up incentives; and two fall under the heading of 'passive' labour market measures: 'out-of-work income maintenance' (mostly unemployment benefits) and 'early retirement'. It is crucial to note that these categories have been constructed to cover measures to improve the 'employability' of unemployed persons in line with the European Employment Guidelines (European Commission, 2006: 8). The ninth category, public employment service, is not included, since diachronic data is not available: it is only available from 2004, which means that the investment effort in public employment services made since the beginning of the EES cannot be measured. The countries<sup>19</sup> are classified according to their expenditure patterns from 1999 onwards because the first EES policy cycle was undertaken in the Member States after 1998. In order to render the analysis more nuanced, I compare the levels of active and passive spending on labour market schemes. I find that there are broadly three categories of spenders on Active Labour Market Policies (ALMP). Each group can further be divided into sub-groups, depending on their level of 'passive' spending on labour market policies. Table 4 below presents the classification of countries according to their expenditure patterns on labour market policies.

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<sup>17</sup> Indirectly, it also seeks to examine how the Commission 'monitors' financial input in labour market schemes and employment rates of Member States.

<sup>18</sup> I use statistical data from Eurostat that has a data series specifically devoted to data on Labour Market Policies. This data was first issued in 2001, using the reference year 1998. The initiative for creating the data was taken in DG-Employment, in the context of the EES and with the support of the Employment Committee.

<sup>19</sup> Excluding Luxembourg, for which the data is available only from 2004.



**Table 4: EU-14 on basis of levels of expenditure on labour market policies**

	High Passive	Medium Passive	Low Passive	<i>Initial consistency with EES outcomes</i>
High Active	DK	SWE	-	<i>High</i>
Medium Active	SF, NL, BE, DE	IRL, FR	-	<i>Medium</i>
Low Active	-	AUT, SP	GR, UK, IT, POR	<i>Low</i>

Source: Series on labour market expenditure, downloaded from Eurostat, 2006.

This classification scheme will help to analyse the evolution of countries (in clusters) with regard to the main policy objectives of the EES.

***g. The OMC/inclusion policy objectives (European pressure)***

The OMC/inclusion policy dimension (anti-poverty objectives) on which I based my analysis are described below. Since the OMC/inclusion is narrower in scope compared to the EES, I have included all key objectives – poverty prevention, social exclusion/inclusion and targeting policies at vulnerable groups – to draw up the reference point against which to measure influence. Here I will explain the main aspects of the normative and policy dimension of these objectives.

From a normative perspective, the OMC/inclusion objectives have been drawn up in line with the European social model that: ‘...places considerable emphasis on maintaining social solidarity and ensuring that all individuals are integrated into, and participate in, a national social and moral order’ (Atkinson and Davoudi, 2000: 434). The Commission’s conception of social exclusion relates the incidence of poverty and disadvantage among some groups and in some locations to wider processes of economic and welfare state restructuring. It also emphasises the multiple characteristics of disadvantage and looks beyond issues of income inequality to incorporate the social and cultural aspects of disadvantage, as well as the notion of citizenship rights (Atkinson and Davoudi, 2000: 438). But, the European concept of exclusion draws on various different normative and political notions of poverty that are rooted in diverse, and sometimes diametrically opposed, ideological conceptions (Armstrong, K., 2006). The two opposing poles of these conceptions are: a targeted curative anti-poverty strategy that has been dominant in the Anglo-Saxon tradition; and a more preventive and universalistic rights-based approach, rooted originally in the Scandinavian countries (Esping-Andersen, 1990; Gough *et al.*, 1997; Palme, 2002). The core of this ideologically-merged European conception of poverty is

contained in the four objectives for social inclusion which were agreed in December 2000 and subsequently extended. The conception of poverty is also partially addressed in the various welfare state regimes (Esping-Andersen, 1990; Ferrera, 1999) and the five 'social assistance' regimes referred to in the welfare state literature – i.e., welfare states with integrated safety nets (UK and Ireland), dual social assistance (Germany, France, Belgium), citizenship but residual assistance (Denmark, Finland, Sweden, the Netherlands), rudimentary assistance (Greece, Italy, Spain, Portugal) and decentralised discretionary relief (Austria) (Gough *et al.*, 1997: 35-36). I include references to these typologies in the analysis that I undertake. But as there have been significant reforms, mainly towards a decentralization of anti-poverty policies, it is less accurate than what it once was.

The OMC/inclusion's four core objectives and statistical indicators are discussed here. I also point to the most representative indicators, which I use in my analysis. The first aim is to facilitate access to employment for all citizens as the most effective tool against social exclusion. There are three indicators related to unemployment<sup>20</sup> that I will not use in my analysis as I am not focusing on the sociological characteristics or evolution of unemployment per se. For this objective, I will use the statistical indicator regarding the monetary condition of workers, particularly the percentage of people with full time jobs that are under the EU poverty threshold (60 per cent of the median income) 'working poor'<sup>21</sup>. The second objective is to provide access for all citizens to multiple social rights (and services), including education, housing, health culture and justice. This aim promotes the creation of a preventative rights-based approach to combat monetary and non-monetary poverty. For this multi-faceted objective, relatively weak indicators have been agreed in the areas of education, health and regional differences, adequacy for housing and homelessness, deprivation and child well-being (Atkinson *et al.*, 2005), which is why I do not use these indicators in my analysis. Instead, I provide a qualitative analysis of these aims, on the basis of traditions in the various welfare state and social assistance clusters. The third aim is to target actions for groups at the risk of social exclusion, seeking to provide temporary financial support for the excluded, as well as to promote their broader societal integration. The groups targeted are the disabled, older persons, women (where emphasis has increased since 2003), immigrants and other groups at risk of exclusion.

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<sup>20</sup> People living in jobless households, children living in jobless households, and the long-term unemployment rate. I have selected not to focus on the social conditions of the unemployed as such in my analysis. Instead, and in the light of the focus at the EU and national levels on increasing the employment rates,

<sup>21</sup> The statistics on the 'working poor' are quite weak, but they represent an important starting point for the analysis (for more in-depth analyses see Peña-Casas, 2002 *et al.*).

A benchmark to eliminate child poverty by 2010 was agreed to in 2005. The last policy objective concerns the policy community and especially the policy network involved in the setting of anti-poverty strategy. This aim seeks to boost the involvement of a wide range of stakeholders, and is particular for the OMC/inclusion.

#### ***h. Social Inclusion: Clusters and the degree of misfit between EU and Member State policies***

The OMC/inclusion seeks to provide a frame of reference for Member States to prevent and to combat poverty for the whole population, and not just the 'excluded'. The academic literature on the OMC/inclusion highlights some national cases where the exclusion and inclusion concepts have been developed (Zeitlin, 2005b). However, there is no reference in the literature to how the OMC has influenced poverty reduction, which is the first aim of the OMC/inclusion. Accordingly, the policy core that I develop relates to this poverty reduction aim. The 'policy core' of the OMC/inclusion that I use is poverty prevention<sup>22</sup>, represented by the rate of social transfers<sup>23</sup>. I use statistics from the ESSPROS (social protection expenditure database of Eurostat). In social transfers, the contingencies that I have included are sickness and disability policies, family policies, unemployment policy, as well as housing and social exclusion policy. These policies are all referred to in the objectives of the OMC/inclusion. Old-age and survivors pensions are excluded since they would create bias towards those countries with unusually low or high pensions. In addition, administration costs are excluded from the level of social transfers as they represent expenditure that is not actually distributed as a poverty prevention mechanism. The reference year that I use for organising the countries is 2001, as it provides data on the situation in the different countries at the launch of the OMC/inclusion. While the data may have some flaws, it is nevertheless relevant for this analysis in terms of its comparative quality. I distinguish between 'Very High', 'High', 'Medium' and 'Low' levels of expenditure (see Table 5 below).

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<sup>22</sup> This also allows me to assess the quality and extent of the 'monitoring' undertaken by the European Commission via the core indicators in this area.

<sup>23</sup> I use social transfers as the main indicator of poverty prevention and access to social rights (and thus the best way to indicate social transfers) rather than only focusing on social assistance expenditure, as beneficiaries of social assistance represent only a marginal target group affected by the strategy.

**Table 5: EU-14 on the basis of generosity of social transfers (2001)**

Country	Social transfers (excluding pensions) in per cent of GDP	Rate
SWE	18,3	VERY HIGH
DK	17,6	
DE	16,2	
NL	16,1	HIGH
SF	15,6	
FR	15,5	
BE	14,3	
AT	14,2	MEDIUM
UK	14,2	
GR	12,7	
POR	10,8	LOW
IRE	10,8	
SP	10,3	
IT	9,2	

While useful for an initial attempt to assess OMC/inclusion influence in Member States, this clustering should be viewed with caution, since, first, the time period analysed is very short, and thus it is not possible to directly and clearly attribute anti-poverty policies and poverty rates to influence of the OMC/inclusion. Second, while the statistical data provides a general idea of how social transfers prevent poverty and how poverty rates have been evolving in the EU-15 during the last 5 years, there is not a strict association between the statistics on social transfers and the OMC/inclusion policy objectives.

### ***i. Data, Methods, Structure***

The classification systems developed for these chapters seek to be well articulated and logically correct. They seek to be of comparative value for the research questions that they tackle. For chapters 5 and 6, I use mainly use qualitative data, from secondary sources of literature. I also use data from the European Institutions (mainly the European Commission's statistics and evaluations), national expert interviews (with members of the core policy community and policy network), formal and informal information via email and telephone interviews with key

informants. All expert interviews are anonymous, but their institutional affiliation is indicated (see Annexes 1 and 2 for information on first-hand data). For both areas, I mainly undertake my analysis via process-tracing (Checkel, 2005).

In chapter 5, I compare actor development in the areas of employment and social inclusion, to determine the main function of the OMC among actors. On the basis of a scheme drawn up on the basis of ideal-types, I am able to assess which, if any type of ideal-type is dominant. It will also allow me to draw tentative conclusions on if and if so, how, the OMC, a soft coordination tool, actually contributes to actor development. For chapter 6, I assess the extent to which the OMC has influenced the policy reform process. For the two areas analysed in chapter 6, I make a cluster by cluster analysis. For each cluster, I first describe the past legacy and then the main policy reforms that have been undertaken during the period under consideration. Then I assess the overall changes in policy outcomes in the two areas.

# **CHAPTER 3**

## **THE EMERGENCE AND EVOLUTION OF THE EUROPEAN EMPLOYMENT STRATEGY (EES)**

### **Introduction**

The adapted version of the P-A model that I developed in chapter 2 is applied in this chapter to test the hypotheses about how the Commission and the Member States interact in the stages of emergence and then the evolution of the EES. The hypotheses that address the emergence of the EES are:

H1A: If the Agent (Commission) has weak legislative powers in a policy area, then it will seek to define EU-level policy priorities and other non-legislative political tools to achieve those objectives.

H1B: If the Agent (Commission) has weak legislative powers in a policy area, then the Principal (Member States) will be able to define the EU-level policy priorities and the political tools to achieve those objectives.

The hypotheses that address the evolution of the EES are:

H2A: If an OMC contract has been created, then the Agent (Commission) will change it through the administrative tasks that it has been delegated in the OMC or through the political actions of the Commission.

H2B: If an OMC contract has been created, then the Principal (Member States) will change it through the OMC policy cycle or through the political actions of the Council.

Hypotheses 3A-3B and 4A-4B will be discussed in chapter 4 where I can compare the two case studies (high and low salience).

To test these hypotheses, this chapter is divided into two empirical sections, the first on the emergence and second on the evolution of the EES. The analysis is carried out on the basis of the interpretively derived empirical stages, where a stage is defined as a significant empirical development in the formation of a political phenomenon (dependent variable). The criteria that has been used for identifying a significant 'stage' in the development of the OMC is a change in its 'institutional model' (policy community and coordination procedure) and/or 'policy objectives' (that are specific for each policy area). The change(s) have been recognized and legitimized by the key actors involved through formal and/or informal mechanisms. Policy community refers to

the main actors involved in decision-making, monitoring and implementation (at the EU level), and coordination procedure refers to the specific coordination process that is used for the implementation of the OMC. Regarding the 'policy objectives', I use Hugh Heclo's (1974) definition of policy, that refers to a course of action or inaction pursued under the authority of government (EU and Member States). Importantly, it is distinct from programmes, decisions, social movements and intentions. While some 'stages' of 'emergence' or 'evolution' of the OMC may be legally endorsed in the Treaty, most 'stages' are identified through an analysis of the informal dynamics and the meetings of the European Council.

### **3.1 The Emergence of the EES**

In this first section, five interpretatively derived empirical stages have been identified in the emergence of the EES, from 1992 to 1999. Table 6 below first summarises the empirical outcome of the OMC, mapped in terms of the inductively derived stages, reference to when those stages were institutionalised (time), and a description of the concrete empirical outcome (aspect). Second, it summarizes the main findings on the basis of the Principal-Agent analysis, where it indicates when it was the agent and when it was the principal that was the main actor (driver) in the formation of an EES stage<sup>24</sup>. In line with hypothesis 1A, the Commission has in 4 of 5 stages of emergence played a crucial role in the formation of the EES, both its policy objectives and institutional model. But was there Member State resistance to the actions of the Commission in employment policy, which is salient at the domestic level? What, if any, mechanisms did the Member States establish to control the action of the Commission and to determine the policy objectives of the EES? Below I proceed to analyse the emergence of the EES through a stage by stage analysis, where I first present the content of each inductively derived stage. This is followed by an analysis of the action of the Commission and the Member States in that particular stage, and a discussion about how it compares with my core hypotheses. This analysis will provide answers to the questions of the strategies and actions of the Commission and the Member States in the stages of emergence of the EES.

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<sup>24</sup> It is important to note that the Member States are in all stages the decision-makers (in Treaty, Conclusions of the meetings of the European Council, other documents).

**Table 6: The Emergence of the European Employment Strategy**

Emergence of EES (where the EES is the OMC contract under examination)					
Empirical Outcome					
Stage	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5
Time	1992 – 1994	1994 – end 1996	end 1996 – June 1997	November 1997 – 1998	1999
Aspect	Policy objectives & Institutional Model	Institutional Model	Institutional Model	Policy objectives	Institutional Model
Concrete Empirical Content	Political objectives and loosely defined administrative tasks	Formal (legal) creation of Policy Community	Formal (legal) establishment of the Employment Policy Process	Political agreement on policy objectives Associated with Legal Title; Implementation	Development of EES instruments: Recommendations, Peer review programme
Main Findings of Commission (Agent) and Member State(s) (Principal) roles in EES Emergence					
Driver	Agent	Agent	Principal	Agent	Agent
Main Action	Discourse Framing	Agenda-setting	Contract Definition	Discourse Framing, creation of focal points (policy objectives)	Contract interpretation, shirking

### 3.1.1 Stage 1

#### ***a. Outcome: Political objectives and defined administrative tasks***

The empirical outcome of the first stage of development of the EES consists of policy objectives and an institutional (implementation) model. It is the latter that distinguishes the OMC from mere



intentions. Five specific policy objectives underpin the EES that aims to establish a job-creation strategy for the EU Member States. These objectives are to invest in vocational training, to increase employment-intensiveness of growth by more flexible work organization and a wage policy which encourages job-creating investments, to reduce non-wage labour costs, to improve the effectiveness of labour market policy by shifting from 'passive' to 'active' labour market policy, to improve measures for vulnerable groups<sup>25</sup>. These objectives define a particular policy direction that the Member States agree to undertake, without specifying the programmes or the means through which to reach those objectives. The institutional model consists of one cycle of administrative tasks, where each Member State agreed to report, by December 1995, on how the employment policies agreed at the EU level have been and will be implemented domestically (in the form of a 'multi-annual programme'). After that, the Commission was to prepare an evaluation report to assess the achievement of the EES by analyzing Member State performance with regard to the five main policy objectives. This report then had to be approved by the Labour and Social Affairs Council, which was in itself a means for Member States to prevent the Commission from over-stepping its authority in its role as 'policy evaluator'. The first stage of EES development was achieved by the Principal (Member States) at the European Council of Brussels in 1993 and confirmed at the European Council of Essen in 1994. Why did the Member States agree on these policy aims and (ad-hoc) institutional model how did the Principal and Agent interact in that process?

### ***b. Commission-Member State interaction***

To analyze the action of the Agent, I investigate the action of Jacques Delors (then President of the European Commission) and that of the European Commission. To analyze the action of the Principal, I examine the role of the European Council, where the decisions of the Member States are taken on this first stage of EES emergence. This dynamic action between the Commission and the Member States (in the Council) is conceptualized through the P-A framework that accounts for initiative taking by the Commission and decision-making by the Member States in their role as the Principal. On the basis of the analysis, I will show that the European Commission was most influential during this first stage, mainly through 'discourse framing' and the creation of 'focal points' – core reference points in the policy discourse – in key documents of the European Commission. I also scrutinize the role of the Party of European Socialists (PES), representing work of the socialist coalition during the period preceding the

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<sup>25</sup> These vulnerable groups are young people, especially with low qualifications, the long-term unemployed, unemployed women and older employees.

initial emergence of the EES. The literature on the EES, on the basis of an advocacy approach, claims that its ideational sources lay in a PES initiative.

The European Commission was particularly powerful as a norm entrepreneur during the Presidency of Jacques Delors, in particular having managed to launch the Economic and Monetary Union. Since the Commission, under the Presidency of Jacques Delors, had been successful in launching a hard and binding economic and monetary policy for the Union, Delors endeavoured to launch a similar project in employment policy. In the aftermath of the 1991 Maastricht Treaty that defined the Economic and Monetary Union, the countries of the European Community entered a period of recession: economic growth was low, the unemployment rate was very high (10,4 per cent) and the employment rate for the whole population was low (60,8 per cent) (Eurostat, 2005, 2006). The political focus at the level of the Council was on preparations for Economic and Monetary Union, including increased co-ordination of associated policies, notably employment policy, which was to support economic growth for a smooth passage to the EMU. The issues of growth and employment were important issues not only on the EU but also on national agendas. However, there was a persistent resistance among Member States to adopt any binding decisions in an area where the Community had no competences and that was considered to be a core area of national policy.

But Jacques Delors sought to maintain the strong integrationist momentum that had enabled the endorsement of EMU. He did this by developing a political discourse about the need for Member States to be supported by a strong Community role in employment policy, in order to support economic growth (Ross, 1995; Boucher, 2006; Verdun, 1996). Despite the fact that Member States were reticent to cede authority during the economic recession that affected Europe in the early 1990s, they declared at the Edinburgh Council in 1992 that unemployment was an issue of great concern and that the European level could support them in their fight against unemployment (European Council, 1992). As President of the European Commission, Delors then used this declaration to obtain the mandate to prepare a policy paper to be submitted to and discussed by Member States at the following meeting of the European Council. He did this in order to obtain a role for the European Community (and the European Commission) in the area of employment and labour market policy.

The meeting of the European Council took place in Copenhagen, in June 1993 and in the light of the preparations for EMU and the persistent low growth among Member States, the Member

States defined the core issue on the agenda: 'growth, competitiveness and unemployment'. This represented an opportunity for Jacques Delors to engage in 'discourse framing' and to propose 'focal points' around which to develop a common frame of reference for the European Community employment problem. He framed the problem as follows: to combat unemployment and to increase the employment rate (to develop a growth-oriented employment policy), then it is important to create more 'active labour market policies' (the 'policy solution'). The specific policy objectives of 'active labour market policies' in the paper were to provide everyone in the labour market with a job or training measures; to adapt to technological changes; and to increase the quality and number of (public) job agencies to provide effective help to every person out of work. The novelty in the policy discourse developed by Delors was to shift attention away from unemployment rates towards employment rates, that is to increase the overall number of people in employment. This was to become central throughout the different stages of formation of the EES, and shows how the initial input by Delors (representing the European Commission) had a substantial impact of the future discourse and policy objectives.

The document was signed by Jacques Delors himself, making a commitment as President of the Commission rather than the whole of the European Commission (Delors, 1992, 1993). But even so, since he was the President of the European Commission, the paper was perceived by the Member States as input from the Commission to the debate about how to solve the problem of unemployment in the EU. The basic terms of the employment policy discourse and its 'focal points' as developed by Delors were endorsed at the Summit. This shows that the P-A framework, where the agent acts through subtle means such as discourse framing, is a valid way to understand the mechanisms by which a policy issue becomes framed in a particular way. This finding is in line with hypothesis 1A, according to which Commission is expected to define EU-level policy objectives and the non-legislative political tools to achieve those objectives where it has weak legislative power. At this point, there is merely an informal consensus among Member States that the employment problem in Europe should be addressed, by increasing the employment rate and developing active labour market policies.

On the basis of his four-page plan, Delors managed to obtain a mandate for the Commission to present a White Paper for a medium-term strategy for boosting growth and employment for the following European Summit, that was to take place in December 1993. The initial conceptualisation of the employment policy debate is clearly being led by Delors, using his personal position of power as President of the European Commission. Based on the focal points in the Delors policy paper (Delors, 1993) the Commission, under his leadership, began work on

the White Paper for Growth, Competitiveness and Employment in mid-1993. Delors and his team used all their formal and informal means of negotiation with Member States to seek agreement on the core aims of the White Paper initiative (Ross, 1995; European level employment interview, No.8; European level employment interview, No.7). The paper included specific proposals by the Commission on how to achieve employment policy objectives, which built on the main 'focal point' in Delors initial policy paper, which was to 'shift focus from decreasing unemployment to increasing employment'<sup>26</sup>. This discourse and these aims have remained central in the various stages of emergence and evolution of the EES, showing the importance of the initial stages of development. In the neo-functionalist vein, it has been characterised as the initial ideational input in the emergence of the European Employment Strategy (Goetschy, 1999 and 2003; Lightfoot, 2003).

But other scholars contest the role of the Commission in the early stages, and instead accord particular attention to political party cleavages in relation to the development of European integration have argued instead that the EES originated in the European political party organizations. Karl Johansson (1999) has shown that the 'European Employment Initiative' (EEI) working group under the auspices of the Party of European Socialists (PES) defined a strategy for combatting unemployment parallel to the work within the Commission in the 1993-1994 period. It produced, under the chairmanship of Allan Larsson, a report called 'Put Europe to Work', subsequently referred to as the 'Larsson report'. Emir Kulachi (2004) and Karl Johansson (1999) claim that the origins of the EES lie in the report. But, the main author of the report, Allan Larsson, then head of the Swedish socialist party and chair of the EEI initiative was at the periphery of the decision-making circles of the European Institutions in the 1992-1994 period. As Sweden was not yet member of the EU, Larsson did not have access to the meetings of the European Council, where the decisions on employment policy for the Union were made. His only and rather weak means of influence at the time discussions were taking place in the Council on employment policy was indirect partisan influence via the Party of European Socialists. But, only a minority of countries (33 per cent – 4 out of 12 governments, Manow *et al.*, 2004) was governed by socialist or social-democratic governments at this time, rendering its overall influence at Council level weak. It thus seems most likely, because of its marginal means of influence at the time, that PES at this stage had a weak influence on the debate in the development of the European discourse on employment and unemployment. In addition to that, Delors participated in the working group and the draft version of the White Paper on Growth and

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<sup>26</sup> The White Paper proposed a quantitative benchmark, to increase the employment rate of the EU to 70 per cent. This would not be adopted by Member States at this time.

Competitiveness influenced the debate and the policy discourse being developed within the EEI (Interview Allan Larsson, 2002). This means that the PES was more influenced by the debate driven by the Commission than the other way around.

In Table 7 below, I compare the employment policy objectives of the Commission White Paper with the PES Put Europe to Work report with the actual outcome, at the Essen European Council, which represents the first stage of emergence of an EU employment policy. Both the White Paper and the PES report (Ladrech, 1997: 175-176)<sup>27</sup> were submitted as policy documents to the Essen European Council and served to encourage the adoption of objectives and a policy coordination mechanism for employment and labour market policy. In the table, the policy discourses developed in the documents are broken down by key thematic aspects of employment and labour market policy, where the main aspects of the discourse framing action and the key 'focal points' developed in by the Commission and the PES are compared with those agreed by the Council. The core issues are the overall employment policy strategy and quantitative benchmarks. The table also compares the policy documents with regard to the specific aims adopted to support the development of an overall European approach to employment. These are policies in education and training, work organisation, non-wage labour costs, the reform of public employment services, the combination of work and family life, equal opportunities, wage policy, actions for vulnerable groups. The table shows that the employment policy objectives agreed at the Essen Summit generally concord with both the White Paper and the report of the PES's European Employment Initiative. However, the specific employment policy objectives endorsed at Essen were more closely aligned with the former than the latter. In addition, the Council endorsed two key policy objectives of the White Paper that were not part of the PES initiative: a reduction of the relative costs of unskilled and semi-skilled labour and wage policy. Conversely, none of the key employment objectives put forward only in the Larsson Report were adopted at Essen. Therefore, the analysis in terms of the centrality of the actors and their sources of direct and indirect influence to the policy-making process as well as the analysis of the documents by the Commission and the PES show that the policy discourse developed in the Commission was the main source that served to fuel the debate in the Council during the 1993 and 1994 period.

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<sup>27</sup> It also served as the common programme of the socialist parties for the European elections in June 1994 (Johansson, 1999: 91). Simon Hix and Christopher Lord (1998: 192) refer to the EEI as the 'first working group of personal representatives of the national party leaders'.

**Table 7: Analytical breakdown of policy aims of the White Paper and the Put Europe to Work document compared to the Employment policy aims agreed at the Essen European Council**

	Policy Document	White Paper	Put Europe to Work	Essen Presidency Conclusions
	Policy Objectives/Acts	European Commission	Party of European Socialists	European Council
<b>Core Policy Aim</b>	<b>Overall strategy Employment Policy</b>	'vigorous action is needed to take jobs' ; 'shift focus from decreasing unemployment to increasing employment.'	'... improvement to the employment performance of the Union as a whole, to the benefit of all its citizens and economies'.	'.. create more jobs for our citizens'
<b>Core Policy Benchmarks</b>	<b>Quantitative Benchmarks</b>	US/Japan 70 per cent, Europe under 60 per cent.	None	No.
<b>Specific Policy Aim</b>	<b>Education and Training</b>	'Investment in education and training: knowledge and know-how throughout life'	Improve quality and capacity in education, training and skill development	Improving employment opportunities for the labour force by promoting investment in vocational training... as many people as possible must receive initial and further training which enables them through lifelong learning to adapt...
<b>Specific Policy Aim</b>	<b>(Flexible) work organisation</b>	Decentralisation – management of working hours, retirement schemes, etc at company level. Part of increasing flexibility in work organisation.	Part of objective to invest in confidence and co-operation... ' a new organisation of work and flexible working patterns'.	More flexible organisation of work in a way which fulfils both the wishes of employees and the requirements of competition.
<b>Specific Policy Aim</b>	<b>Non-wage labour costs</b>	Reducing the relative cost of unskilled and semiskilled labour.	No.	Reducing non-wage labour costs.
<b>Specific Policy Aim</b>	<b>Reform public employment services</b>	Increase in public employment services: information, placement and support.	Invest in effective employment service: information, placement and labour market adjustment.	No.
<b>Specific Policy Aim</b>	<b>Work and family</b>	'dealing with new needs' – including reconciliation of family and work life, notably day care provision	Improvement in social infrastructure and social services, including day care.	No.
<b>Specific Policy Aim</b>	<b>Equal opportunities</b>	Strengthening equal opportunities between men and women, by eliminating discriminatory fiscal and social protection policies, improving existing career opportunities for women, ensure that taxation and social security enable women to reconcile work and family life.	Active measures for equal opportunities for men and women... working life should be organised in such a way that both men and women could have the possibility to combine work with other responsibilities in family and society.	The fight against unemployment and equality for men and women will continue in the future to remain the paramount tasks of the European Union and its Member States, plus special focus on

				unemployed women.
<b>Specific Policy Aim</b>	<b>Wage Policy</b>	Wage policy to encourage job-creation	No.	A wage policy which encourages job-creating investments
<b>Specific Policy Aim</b>	<b>Action for (vulnerable) groups</b>	Targeting specific groups: re-integrate the long-term unemployed, and unemployed young people, as well as women.	Part of objective to invest in an effective employment service: improve employment services to deal with and prevent long-term unemployment. Appropriate service should be given to each individual case.	Improve measure for groups hard hit by unemployment: young people, long-term unemployed, unemployed women and older employees

Below, I analyse and discuss the decisions made on employment policy objectives during the meetings of the Council in the 1993 and 1994 period. At the meeting of the European Council in Brussels in December 1993, employment policy was the core issue on the agenda. Both the White Paper (European Commission), and the 'Put Europe to Work' Report (Party of European Socialists) had been submitted to that Council. At that meeting, the Council agreed on the policy objectives for employment policy, that built directly on the policy objectives developed in the White Paper. These objectives are to invest in vocational training, to develop more flexible work organization patterns and a wage policy that encourage job creation, to reduce non-wage labour costs, to improve the effectiveness of labor market policy by shifting from 'passive' to 'active' labour market policy and to improve measures for vulnerable groups (European Council, 1993b). The PES document was less influential, particularly as there was a minority (Manow *et al.* 2004) of socialist governments among Member States in the Council at that time.

The following sessions of the European Council, in Corfu (June 1994) and Essen (December 1994), the last Summit attended by Delors, did not introduce any qualitatively significant changes to the policy objectives or the institutional form of the EES. Delors pursued his attempt to mobilise support for greater EU commitment through the informal ties developed with the various heads of state and government during his ten-year term as Commission President. However, despite the strength of these ties, the members of the Council, defending their goal to remain sovereign in questions of employment policy, were reluctant to introduce legal commitments in employment policy. We can also observe that some Member States not only seek to direct the policy of the OMC, but to prevent the European Community from developing any authority (or policy) in employment. This is thus a situation where the 'principal' seeks refrains entirely from delegating any power to the agent. However, after persistence from the Commission, and in particular Jacques Delors, even Germany (represented by Helmut Kohl) that had resisted most resiliently, ended up endorsing the employment policy objectives and

even the coordination mechanism “as long as the strategy would not involve legal or financial constraints” (European level employment interview, No.8). But, the policy objectives agreed remained vague; most of the precise (and more restraining) objectives proposed by the Commission were not adopted, most notably the aim to reach a 70% employment rate for the European Community.

At this stage, then, a political commitment to the employment policy objectives and to a soft policy coordination cycle on the part of Council members satisfied those Member States that sought to develop this dimension as EU policy making, as well as those that sought to exclude any European intervention in law-making. The core aspect of the policy discourse established by the Commission was endorsed by the Council in 1993 and then confirmed in 1994. The fact that the political objectives were reiterated at two successive Council meetings shows a continuity in the issue of employment policy for the Council members, which would during later stages act as the foundations for the more concrete policy objectives. The main thrust of employment policy agreed at these Summits was that Member States would pursue a growth-oriented strategy by creating more jobs and getting more people into employment. But the aims for employment policy were adopted as long as they would remain soft in character, and did not include any ‘hard’ delegation of sovereignty.

During this stage, the Commission successfully framed the policy problem (unemployment, low growth) and proposed a ‘policy solution’ (to increase the employment rate and to develop active labour market policies). But the member states delegate almost no power to the Commission, which suggests that the Principal does not want to commit to any delegation of authority to the agent in the area of employment policy. The discourse had been driven forward by the European Commission, on the basis of Delors’ ideas that were first proposed in 1992 and developed in the White paper that addressed employment in 1993 (draft) and 1994 (final version). There is a direct link – in terms of policies proposed in the White paper and those adopted at the Council – between the Commission policy agenda and the objectives adopted by the Council, both in 1993 and in 1994. Even the Party of European Socialists was influenced by the European Commission, and I have shown through an analysis of the position, means of influence and discourse of the PES, that the claims in the academic literature about the role of socialist policy advocates in the development of the EES have been overstated. I have instead shown that it is the Commission, through its informal agenda-setting power and discourse framing (resulting in the development of a policy discourse with policy problems and policy solutions) defined the European policy debate around the issue of employment policy. The



policy aims put forward in the White paper were then deliberated and negotiated with the Member States (that reduced the level of obligation and precision in the objectives). This primarily took place at the level of the European Council. In support of hypothesis 1A the agent defined the policy agenda through the identification of 'focal points' and the development of 'policy solutions'. Although the Member States did not want to delegate any formal power to the agent, they nevertheless agreed that the Commission would analyse their policies according to the key policy aims established by the Commission. This stage consists of policy objectives and one coordination cycle of reporting, accompanied by loose Commission monitoring, which could provide the Commission with an informational advantage over Member States. The influence of the Commission during this stage was high as it achieved its aims.

### 3.1.2 Stage 2

#### ***a. Outcome: The formal creation of a policy community***

The second stage emergence of the development of the EES is represented by the formal (legal) creation in 1996 of a European-level policy community – Employment and Labour Market Committee (ELC) – for the development and monitoring of employment policy (Council decision 97/16/EC, Council of the European Union, 1997). It is a policy community as defined in the research design, since its main task is to discuss and develop employment policy through regular meetings. Its members (two delegates per member state and two delegates from the Commission) are pre-selected and it is closed to external actors. As a collective actor and according to its legal status, it was to have an 'advisory status' in order 'to promote co-ordination between Member States on employment and labour market policies'. This role was mainly to be enacted through the formal production of 'reports' and 'proposals' (Council, 1997). Its function was mostly administrative, preparing the work for the Labour and Social Affairs Council (LSAC) that would then take the final decision on issues of employment policy. Regarding the significance of the ELC for the emergence employment policy process, it meant that employment policy was considered important enough to be a permanent issue on the EU agenda, where the Community could play a role to support Member States with the development of their policies. In the regulations establishing the mode of functioning of the committee, the Member States had established mechanisms through which they would maintain the control over the work of the committee<sup>28</sup>. Importantly, Member States elected the chair

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<sup>28</sup> For example, the Commission could not take the initiative to delegate tasks to the committee. Instead it was Member States in the Labour and Social Affairs Council, which could undertake this task. In addition, the

among its representatives, who set the policy agenda (where the Commission officials were to provide secretary services).

But why do the Member States agree to establish the Committee in employment policy, where the Community does not have any formally defined role?. It is particularly puzzling since the Member States throughout stage 1 had been reluctant to establish mechanisms for Community intervention in this area. If Member States (particularly the hesitant ones) agreed on the employment policy objectives and reporting coordination mechanisms in stage 1 only as a personal favour to Jacques Delors, during his last meeting as President of the European Commission, then the whole ambition to develop employment policy at the European level may have halted after the Essen European Council. But it was nevertheless adopted on the basis of an (informal) agenda-setting initiative by the European Commission. This shows that where the Commission has few formal rights of initiative, its influence is high, as predicted in hypothesis 1A. Below, I will analyze exactly how the Commission and Member States interacted, to bring forth why and how the Commission initiative on the establishment of an employment committee was received and then endorsed by Member States.

### ***b. Commission-Member State interaction***

While in the first stage of development of the EES, where the main achievement was the decision of core employment policy objectives based on the Commission's discourse framing action, this second stage was achieved on the basis of a formal Commission initiative, proposed through its agenda-setting mandate. In line with hypothesis 1A, the Agent is successful in using its mechanisms of agenda-setting: the Commission wanted to develop an institutional basis to sustain the dialogue about employment policy objectives agreed during stage 1. The Commission proposal is welcomed and endorsed by the European Council, which at this stage has a majority of social democratic/socialist governments (9 out of 12 governments). Specifically how that unfolds will be explained below.

During this stage, that spans the 1994-1996 period, the European Commission actively pursued the establishment of a policy community for the employment policy area, and the development of a financial basis for employment policy (EIRO, 1997a). In January 1995, Jacques Santer, a Christian democrat, replaced Jacques Delors as President of the European Commission. He

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committee (mainly represented by Member States) could take initiatives, representing its own opinion, to reflect its policy input to the EES process.

was not as strong a leader as Delors, but continued on the basis of the legacy he had left (Boucher, 2006), which included employment policy. But, the real driver behind the initiative was Allan Larsson who became director-general of DG Employment and Social Affairs in 1995 (where he remained until 1999), moving from a peripheral and exclusively political position (as head of the Swedish socialist party and the author of the 'Put Europe to Work' report of the PES) to a more central technocratic position. In this position Allan Larsson represents the Agent. In an interview, Larsson has cast light on his own consistent role in the development of the EES, working together with various officials in the Commission and also with Member States, particularly during their Presidencies to the European Council. First, Larsson<sup>29</sup> took action to develop a growth-oriented employment policy within the Commission, stressing – like Jacques Delors before him – active labour market policies. In DG Employment and Social Affairs, Odile Quintin and Jerome Vignon (formerly Delor's Cabinet) played an important role in ensuring continuity between the employment policy aims of the Delors and the Santer Commission (European Commission, 1996a; European Commission, 1996b; European level employment interview, No.8). Larsson also recruited Juhani Lonnroth, a Finn working in the International Labour Organisation on employment policy, to develop the policy approach of the Employment Strategy (European level EES interviews, nos. 7 and 8). Various interviewees assert that during the mid-1990s, the Commission actively pursued the development of the group that was later to become the Employment Committee (European level EES interviews, nos 7 and 8).

One theory that takes account of this behaviour is neo-functionalism which argues that the policy coordination committee which had already been established in the area of economic policy was used by the Commission to support the development of such a committee in the area of employment policy. In other words the argument is that there was functional spill over from one policy area to another. But this explanation does not reach far enough: it does not explain why the Member States (as actors) agreed to develop a committee in the area of employment policy. On the basis of the P-A framework, the rationale could be two-fold. First, the development of such a committee would ensure that employment policy was adequately developed, particularly as employment policy objectives had already been agreed during stage

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<sup>29</sup> Larsson is an economist, leader of the Swedish socialist party from 1991-1995 and his employment policy ideas are above all shaped by Rudolph Meidner and Gösta Rehn, two Swedish economists, who emphasized the importance of combining supply-side and demand-side measures for optimal economic efficiency and social justice. In this tradition, an active labour market policy, a solidaristic wage policy and a restrictive budgetary policy are conceived as a bridge between social and economic policies, contributing to economic growth (Interview Allan Larsson, December 2002; Barbier, 2004: 66).

1, and in particular because each Member State had committed to writing a national report on employment policy. The second complementary reason was that the national representatives of social and labour market affairs were more appropriate for the definition of employment policy objectives that would otherwise be influenced and decided by the representatives of economic and financial affairs (representatives of Economic and Finance Ministries) (European level EES interviews, nos. 7 and 8).

Pursuing the analysis through the P-A framework, the initiative to establish the committee was taken by the Commission and was concretely developed in a communication in line with its agenda-setting competences. Through the initiative the Commission aimed to secure an institutional basis for expanding upon the policy discourse which it had developed in stage 1. The initiative was met favourably due to the social democratic/socialist power in the Council (9 out of 15 countries – 60 per cent of Council members, Manow et al, 2004). In 1996, the Presidency of the Council was held successively by Italy and Ireland with left-wing government coalitions. For both these Presidencies employment was a crucial issue, for which the ambition was to develop stronger policies. These countries were favourable to a stronger role for the Community in the area of employment policy, which rendered the conditions for the establishment of an employment policy committee favourable. During the Italian Presidency (governed by the centre-left (Ulivo) coalition), the Florence European Council debated employment policy in substance (policy direction) and form (the development of a concrete means to ensure continuity in the Community role in employment policy). Numerous policy documents had been prepared by various actors for that Council. In particular, France that supported a stronger role for the Community level in employment policy had prepared a Memorandum from France on the European social model. Also the European Commission that wanted a stronger Community dimension in employment policy submitted a declaratory 'confidence pact', where the importance of employment policy for economic and social policies was developed, and an interim report on employment, that aimed to assess Member State policies to develop growth oriented employment policies (focal point), according to the five key policy solutions agreed at Essen in 1994.

On the basis of an analysis of the conclusions of the Council on employment policy development, below, it clearly appears that the disposition was more positive among the members of the Council than it had been in the 1992 to 1994 period during which the EES first started to take shape. The policy objectives that had been developed in the 1993 and 1994 period served as a basis for Member State debates about which policies to prioritize in the area

of employment. But more importantly, the conclusions stressed the need to “introduce a system of common indicators... to verify economic performance in terms of job creation and the operation of the labour market” (European Council, 1996a). The enthusiasm to develop indicators shows that the Council (despite variations and more resistance among some Members) was leaning more towards the development of a fully-fledged coordination cycle in employment policy, akin to the one that had already been developed in economic policy. Such a coordination process should use indicators and benchmarks to assess the relative progress of the Member States versus commonly defined goals. The development of indicators shows that Member States are ready to cede their policies to scrutiny organized by the Community, which gives power and authority (albeit soft) to the Commission, that administratively manages and develops indicators and monitoring mechanisms. This contrasts with stage 1, where any discussion about the development of indicators in a European employment policy had outright been excluded. Why was there this change of wind? At this point, the Member States that sought to receive support from the European level for their domestic strategies or that were favourable to the development of a European social dimension were active in bringing forward the process and the small minority of countries that wished to resist European intervention agreed as no legal obligation or sanctioning mechanism (in case of non-compliance with the objectives) was involved. A crucial finding is that the Commission needed support of Member States to achieve its aims. The action of the Commission can never be successful without the support of the Member States. In that sense, hypothesis 1A should be adapted to take account of the fact that the Commission action requires positive support by the Member States. The Member States define the policy agenda entirely on the basis of the Commission proposals, which is why hypothesis 1B does not explain Commission-Member State interaction during this stage.

It was under these conditions of active debate around both the content and institutional model for a Community dimension and role in employment and labour market policies that the Commission proposed establishing the ELC at the European Council in Florence, in June 1996. The following Presidency to the Council, held by Ireland, and governed by a centre-left government coalition (Fine Gael, the Labour Party and the Democratic Left), was eager to develop policy objectives in employment. In other words it matters what goals the Presidency to the Council (Principal) has and the extent to which it can mobilize support for a particular policy agenda among Member States (that may have different or conflicting agendas). In terms of policy objectives, the ‘Dublin Declaration on Employment’ was adopted as an annex to the conclusions of the Summit meeting that represents the will of the Member States to direct the

definition of policy objectives in the area of employment. The main employment policy objectives then adopted at the Council were to pursue a macroeconomic strategy for economic growth and employment; to develop new sources of employment; focusing on labour market efficiency and investment in human resources; to make taxation and social protection systems more employment-friendly (European Council, 1996b). In essence, focus of this strategy was on boosting economic growth, cutting spending and improving the functioning of the labour market through supply-side measures<sup>30</sup>. This discourse could at the same time satisfy countries with socialist or social-democratic governments, as well as those with more liberal governments, that were more favourable to the growth dimension of the policy, and the job-creation strategy. Importantly, the Irish Presidency and the Council was eager to endorse the decision to set up an employment policy committee. The Commission (DG Employment and Social Affairs) had been able to exploit the disposition in the Council to develop its proposals about the concrete development of a policy community and subsequently the policy coordination cycle. The officials of DG Employment and Social Affairs – Larsson, Lonnröth and Vignon – affirm that the Commission worked closely with the Irish Presidency to mobilise support within the Council for the creation of the ELC. At the Council meeting, the decision to create an employment committee was adopted and the conclusions proclaimed that its tasks should include the development of “common employment indicators” and the examination of “the possibilities of benchmarking” (European Council, 1996b). The Committee was then established legally by a Council Decision on 20 December 1996. From the analysis above it is clear that the Presidency to the Council plays a role, by trying to find a solution that could be acceptable to the differing political-party and national interests among Member States. It is in the Council that negotiations about the details of a policy discourse take place. Indeed, this initiative would not have been accepted had the disposition of Member States not been positive.

What about the role of the PES, that had sought to influence the debate about employment policy objectives during stage 1? Despite the socialist/social-democratic majority within the Council, the political debate in the PES on the content of employment policy did not evolve due to conflicting positions among socialist parties. It became less assertive and changed from a content-based discourse (on which differences among socialist parties became more marked) to unilateral support for the development of an institutional basis for employment coordination: the creation of a committee. But once again, the PES supports rather than drives forward the process, showing that interest-based interpretations on the emergence of the EES have their

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<sup>30</sup> This is similar to, but distinct from the approach advocated by Allan Larsson on the basis of the Meidner-Rehn model, where a combination of supply and demand measures is central.

limitations. It was not the PES that had been the key driver in the development of the ELC, as it did not have the mandate to make the proposal for the establishment of the Committee.

The decision to institutionalize the ELC illustrates a willingness on the part of Member States to develop a dialogue on employment problems at the European level together with the European Commission, but not a complete secession of power to the European level. The European Commission managed with ease to enable the decision on an aspect of institutional model of the EES because of the fact that the Member States were favourable to develop an employment policy committee. This action and strategy of the Commission supports Hypothesis 1A, according to which the Commission will have scope to influence a policy area prior to its institutionalisation and when it is not yet considered a threat by the Member States. This shows that the Commission was not the sole crucial actor, but that it needed the support and approval of Member States in order for ELC to be institutionalized. Parallel to the initiative to institutionalise the ELC, which was successfully achieved by the Commission, the dialogue on the content of employment policy objectives was being brought forward and discussed among various Member States at the level of the European Council, building on the foundations of the discourse framed by the Commission during stage 1. Below we shall see that, based on the momentum established in stage 2, the Member States took control of the process of establishing an employment policy coordination procedure that was then integrated as an 'Employment Title' in the Amsterdam Treaty.

### **3.1.3 Stage 3**

#### ***a. Outcome: A Legal Commitment to a European Employment Policy Process (Amsterdam European Council, 1997)***

This third stage of development of the EES consists of the formal (legal) creation of the iterative co-ordination policy cycle, where Member States do not as such cede power to the Community level to develop policy, but instead agree to render their policies open to scrutiny at the Community level, through a regular iterative policy coordination cycle. Why did the Member States choose to formalize this legally in the area of employment policy that is so sensitive? What role did the Commission and the Member States, respectively, play in this process?

It was at the Amsterdam Summit in June 1997, which concluded the Intergovernmental Conference on Treaty revision that the Member States decided to include a Title on

Employment in the Treaty. The Title represents a legal commitment to the political objective of a high level of employment (Article 127 EC, paragraph 2), to be achieved through a clearly defined and iterative policy cycle. The role attributed to the Community was to “contribute to a high level of employment by encouraging cooperation between Member States and by supporting, and if necessary, complementing their action.” The Employment Title establishes the main features of an iterative policy cycle based on EES objectives, national reports, evaluation and peer review. This policy cycle begins with objective setting, where the Commission makes the first proposal of guidelines (policy objectives) (Article 128, paragraphs 2), but the Member States must approve the Commission proposal through a qualified majority vote – providing them with a clear veto role – in order to prevent the Commission from developing too much power in the definition of policy objectives. In addition, the guidelines should be based on the conclusions of the European Council, which means that political priorities of the Member States (collectively) are institutionalised in steering the process. This was clearly a means of political control established by the principal (the Member States) with regard to the agent (the Commission) that nevertheless possessed the initiative for proposing the guidelines. The second step is the preparation of national action plans (NAPs) by Member States, in which they set out the measures they will take to ‘comply’ with these objectives. The third step of the coordination cycle established in the Employment Title is that NAPs should be ‘peer reviewed’ in a closed two-day meeting of the Employment Committee (EMCO) – the so-called ‘Cambridge Process’. The fourth step is that of evaluating and monitoring Member States’ performance where the Commission and the Council prepare the ‘joint report’ and the individual ‘recommendations’. The ‘joint report’ (Article 128, paragraph 1) is first prepared by the Commission, and then endorsed by the Labour and Social Affairs Council on the basis of a qualified majority vote (Article 128, paragraph 5). It is clearly a fixed part of the EES coordination process. Likewise, ‘recommendations’ (Article 128, paragraph 4) could be proposed by the Commission if deemed necessary, but this had to be approved by the Labour and Social Affairs Council by qualified majority vote and was not conceived as a regular operative feature of the EES policy cycle.

#### ***b. Commission-Member State interaction***

At this stage, the European Commission actively supported the development of a European competency for the area of employment through coordination. But at this stage it was the Member States (where social democratic/socialist governments had a comfortable majority in the Council) that were the key drivers for the development of a legal basis for employment



policy. This became possible after the change in position in two important countries in the Council: elections in the UK and France resulted in left-wing governments, which was the key condition facilitating adoption of the Employment Title. The relative political consistency of the Member States has an effect on their likelihood to adopt the Commission proposals, but is not the explanatory factor per se. As I am showing throughout this discussion, the stage-by-stage P-A analysis allows me to locate when and how the Commission and/or Member States effectively bring forward the institutionalisation of the EES. By contrast, the advocacy approach does not show how the two key actors in the decision-making – the Member States (individually and collectively) and the Commission – interact in the process of the emergence of the EES.

In the run-up to the Intergovernmental Conference (1997) on Treaty revision, the Agent/Commission supported the establishment of a legal basis for employment policy. Allan Larsson and DG Employment and Social Affairs gathered consensus within the Commission for the development of a legally-based employment policy coordination cycle and was successful in that endeavour<sup>31</sup>. This can hardly be considered surprising, as it would provide the Commission with more authority, through management of the administrative task of the employment policy coordination process. This move can be interpreted as a strategy mobilized by the Agent to commit the Principals to a permanent contract concerning employment policy. Key officials that were active in DG Employment at the time (European level EES interview No.8) explain that the action of the Commission built on its legacy that began to take shape in the beginning of the 1990s, spurred by the action of Delors<sup>32</sup>. Thus, there was a long-term institutional support stemming back to the initiation of the EES, followed by the active negotiation of Larsson to obtain the consensus of key actors in the Commission.

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<sup>31</sup> In an interview, he explained that “some people in my DG thought the ‘neo-liberals’ in the ECOFIN DG were out of touch; I had a background in monetary/fiscal policy, so I tried and was able to bridge the differences.” He further explains that even within DG EMPL: “Commissioner Flynn had doubts about the separate title on employment, he was reluctant (...) I defended the idea that there were different cycles for different policies: very short term for monetary policy (one month); rather short term for fiscal policy; whereas employment policy has to be more structural, because there is the time to prepare it and then the time to implement it” (European level EES interview No.3).

<sup>32</sup> On interviewee explains that “The Commission supported the development of an employment process behind the scenes since the mid-1990s, well before the Amsterdam Summit in 1997. The main active supporting units within the Commission were DG Employment and Social Affairs and the DG General Secretariat. It built on the legacy of the 1993 Delors White Paper. The Commission represented a stable pillar of support to the development of the EES.” (European level EE interview No.8).

But at this stage, the action of the Commission could be qualified as supporting rather than driving the process forward. Among Member States, individual countries lobbied aggressively for the inclusion of the Employment Title in the Treaty. In Sweden, Finland and Austria, employment policy coordination at the EU level was presented as a means of safeguarding social standards (European level EES interview, No.7; European level EES interview, No.3). In Sweden, Larsson worked with Ingvar Carlsson in this direction, and presented a paper, 'A vision for the IGC'. In the paper, he defended the idea of developing an employment Union alongside EMU: "the creation of an Employment Union would be the expression of a common European commitment to give a central role to the battle against unemployment, and thereby to honour the Treaty commitment to a high level of employment" (Larsson, 1996: 5-6). In other countries with left-oriented governing coalitions, support was mobilised for the development of a legal status in the Treaty for the EES, but it would not have been possible to obtain an agreement among the EU-15 had it not been for the changes in position among the big EU countries: the UK, France and Germany (Lightfoot, 2003; Trubek and Mosher, 2003; Goetschy, 1999; Jenson and Pochet, 2002; Schäfer, 2004). In other words it seems as if the size of the Principal matters in relation to its interaction with the Commission. The strong support of Blair (Labour Party, UK) and Jospin (Parti Socialiste, France) for the inclusion of the Employment Chapter in the Treaty did have a strong influence on their respective governments and on the entire political momentum in the Council. In the end, Kohl (Christian Democratic Union, Germany), who had been opposed to the Employment Title since Essen, also agreed, as long as subsidiarity would be the guiding principle. Aznar, representing the conservative coalition in Spain also agreed, as long as it would not make any impositions (financial or legal) on domestic employment or social policy (Schäfer, 2004). This agreement was endorsed at the Amsterdam European Council (European Council, 1997). This analysis has shown that the strategies and positions of the individual governments (multiple principals with different interests) are crucial to understand exactly how agreement was obtained on the legal basis for the EES. The Commission (Agent) must try to manoeuvre among political agendas. As the Employment Title represented a Treaty decision, it was a decisive step for Member States to take, because of the centrality of employment policy in the domestic economies, and because employment and labour market policies represent an area of national sovereignty. Member States sought to maintain that sovereignty and succeeded in doing so: only the coordination cycle was mandatory, but none of the policy objectives had to be transposed to national legislation.

Like in stage 2, the PES did not actively influence the outcome, but reflected the consensus among the majority of social democratic/socialist governments at the time (Lightfoot, 2003:

225). The meeting of the party leaders preceding the Amsterdam Summit endorsed support for the inclusion of the Employment Title in the Amsterdam Treaty. This was a last-minute endorsement, on the basis of a compromise by Wim Kok, who had made a proposal of an Employment Chapter on the basis of the Dutch proposal to the Amsterdam Council meeting, and it did not in any way influence the deliberations within the Council (Kulachi, 2004: 231).

While the first two stages had been initiated mainly by the European Commission, this stage that embodied a Treaty change (the establishment of an Employment Chapter) was driven forward by the Member States at the level of the European Council. The favourable momentum that had developed among Member States during stage 2 not only persevered, but was strengthened during this third stage of development of the EES contract. The advocacy coalitions approach highlights the importance of left-wing coalitions across institutions as the main factor, but as discussed above, this underestimates the role of the Council itself that is decisive in Treaty revision. In line with the evidence of my analysis, it is clear that the socialist/social-democratic majority within the Council was a crucial facilitating factor, but not the decisive factor. Also, the governments that were not social-democratic or socialist had to agree to the Employment Title in order for it to be fully endorsed. Kohl, representing Germany and Aznar, representing Spain, eventually did agree to the Employment Title and that was only because no hard authority was transferred to the European Community level. The initiative originated and was driven by the Member States. No matter what lobbying and manoeuvring the Commission would engage in, had the Member States not been favourable to this decision, the EES would never have been included in the Treaty. The European Commission supported this decision but was not a key actor during this stage, as a Treaty decision, particularly in employment policy that is of high salience, remains in the hands of the Member States. While the Commission could merely rejoice about the fact that an Employment Title had been adopted in Employment Policy, it had not in any way influenced the outcome at this particular stage. Here, Member State influence was high and Commission influence was low (which supports hypothesis 1B). This can be explained by the fact that it is a legal decision taken during an IGC on Treaty revision where Member States are the sole actors. However, the Commission would again become more involved in defining the objectives of employment policy (stage 4 below), since it could build on its own legacy in this area.

#### **3.1.4 Stage 4**

### ***a. Outcome: The Development of Policy Objectives and Implementation of the Policy Cycle***

The 'European Employment Guidelines', adopted at a special meeting of the Council in November 1997, represent the policy objectives that should accompany the coordination procedure established in the Employment Title. The empirical outcome of this stage is as follows: the 'employability' objectives broadly seek to render potential workers more attractive to employers and to support the aim of developing employment growth. The aims of this theme are to tackle youth unemployment and specifically to ensure that youth are involved in labour or another activity within six months of becoming unemployed and to tackle long-term unemployment and specifically to ensure that the long-term unemployed become involved in work or another activity within twelve months of becoming unemployed. Other aims under the 'employability' theme are to encourage the development of training and similar activities at enterprise level and also to develop a 'lifelong learning' approach, to facilitate the transition from school to work by tackling early school drop-outs and by ensuring training related to technological developments in all schools. The 'entrepreneurship' objectives aim mainly to facilitate business start-ups, particularly for SMEs and the self-employed, to encourage job creation at the local level, to reduce non-wage labour costs and to reduce the VAT rate on labour-intensive services. The 'adaptability' objectives aim to develop a balance between flexibility and security in firms through various types of contractual arrangements and to encourage skill updating. The 'equal opportunities' objectives seek first to increase the employment rate of women and to implement measures to develop measures for reconciling work and family life, mainly by ensuring access to affordable care. These objectives also seek to encourage the return to work for women, after a period of absence from the labour market and also to encourage the employment of people with disabilities (European Council, 1997).

Immediately after the decision by Member States to adopt these objectives, the decision was taken by the Council to implement the policy cycle of the EES, prior to the ratification of the Treaty, which was not complete before 1999. The PES at this stage plays no role at all, especially since this stage of institutional emergence of the EES is already more 'closed' to other actors than in the first stages. The core actors are undeniably the Member States and the European Commission, interacting via a Principal-Agent framework. How influential was the European Commission during this process of defining policy objectives? Why did the Member States embrace these objectives rather than defining a set of objectives themselves, for example through the ELC?

## ***b. Commission-Member States interaction***

As a contrast to stage 3, it was not the Member States but the European Commission (on the basis of a mandate from the Member States) that drove initiated this stage by developing a proposal on the policy objectives through discourse framing. The main objectives proposed for the EES by the Commission were organised around four ‘focal points’ that are concepts developed by the European Commission in order to steer the policy development process in Member States and to obtain a role as an ‘expert’ within the process, notably with regard to policy development and monitoring. But the objectives proposed at this stage built on the debate that had been launched by the Commission White Paper in 1994 (stage 1) and were then developed further among Member States (in the Council) during the 1994 to 1996 period (stages 2 and 3). Key actors within the European Commission worked towards the development of the ‘focal points’ for employment policy objectives. Concretely, Jacques Santer, then President of the European Commission proposed political objectives around work organisation, and this materialised in the policy objectives on ‘adaptability’. Santer had worked with Jean-Claude Juncker, then acting President of the European Council, for the development of that particular focal point. Santer and Juncker were both from Luxembourg and both emanated from a Christian-democratic tradition, from which they derived the same frame of reference and policy perspective in the area of employment policy. It is relevant to note that they are not from social-democratic parties, which undermines the advocacy coalition approach (which has stressed the importance of a social-democratic advocacy coalition in the emergence of the EES). Concretely, they were both keen on encouraging social partners to become involved in the EES. A high-level Commission official has noted that: “Santer, a Christian Democrat from Luxembourg, particularly emphasised the role of social partners. This principle converged also with the wish of Juncker (Luxembourg), holding the Presidency to the Council in the second half of 1997 and acting as Prime Minister, Minister of Finance and Minister of Employment and Social Affairs.” The political and national origins of these two key actors contributed to creating an atmosphere conducive to fruitful collaboration. For the Commission this was positive as it meant that Luxembourg was favourable to the policy objectives it was developing for employment policy, and for Luxembourg it was positive because it wanted at the domestic level to enact structural reforms for labour market and employment policies.

Other focal points for the Commission proposal on employment policy objectives were developed by actors from the Nordic tradition: Allan Larsson had developed ‘entrepreneurship’,

‘employability’ and ‘equal opportunities’ (European level EES interview, No.8); Juhani Lonnroth supported the development of a focus on the ‘quality’ as well as on the quantity of jobs (European level EES interview, No.3). These different initiatives by the Commission officials were joined as a set of policy objectives (or ‘guidelines’) in a Commission communication that was organised around four themes (focal points), in the following order: entrepreneurship, adaptability, employability, and equal opportunities (European Commission, 1997b). Thus, the different actors, based on their background prior to joining the Commission, proposed particular focal points for employment policy objectives, building on the discourse on employment policy that had been developing since the beginning of the 1990s upon the initiative of Jacques Delors and had subsequently been debated substantially in the Council. As the Commission was developing the employment policy objectives on the basis of objectives to which the Member States had already agreed, it would enhance the possibility of Member States adopting the frame of reference for employment policy problems developed by the European Commission, strengthening the policy legitimacy of the EES. The core aspect of this policy discourse throughout time was to increase the employment rate of the EU and its Member States, in order to achieve economic growth, full employment and social well-being. This contrasts with the approach which was dominant in Member States that focused more on fighting unemployment. As will be discussed, the Member States were favourable to the focal points developed by the Commission (that had been consistent since 1993). And this support was strengthened through the confidence and momentum that had led to the establishment of the ELC during stage 2 and the inclusion of the Employment Title in the Amsterdam Treaty during stage 3.

But in addition to policy objectives around the consistent policy discourse of increasing the employment rate, the Commission communication presented at Luxembourg contained a number of quantitative objectives. The Commission therefore proposed benchmarks for increasing the employment rate and for decreasing the unemployment rate in communication for draft employment policy guidelines: “The EU’s longer-term objective must be to move progressively towards an employment rate of over 70 per cent in line with those of its main trading partners. In order to achieve this, Member States must in the medium term commit themselves to ambitious employment targets and policies while seizing the opportunities afforded by growth and macroeconomic stability. Considering the current favourable outlook for economic growth, the combined efforts of the Member States based on these guidelines, with EU support where appropriate, could result in an increase of the current employment rate of 60.4 per cent to 65 per cent within 5 years and a reduction of the unemployment rate to 7 per cent. This will imply the creation of at least 12 million new jobs...” (European Commission,

1997b). This benchmark was already clearly set out in Delors' White Paper (European Commission, 1993), but had not been adopted during stage 1 of emergence of the EES. The benchmarks were intended to strengthen the Commission's own policy discourse on increasing the employment rate and to enhance the pressure on the Member States to reach the agreed policy objectives. It reconfirms the dominant thrust of the Commission's strategy: placing more European pressure on Member States to adopt policies to increase their employment rates. Since the Council at that time embraced the development of Community action in this area, the Commission interpreted this as a signal allowing it to develop more forceful policy objectives in this area.

While the Commission communication for employment policy objectives was being prepared, the Council was organizing the Summit where the agreement of employment policy objectives among Member States was foreseen. Juncker, who had been closely involved in overseeing and collaborating with the Commission in the preparation of the guidelines, was the key actor that would prepare a special summit, the 'Jobs Summit' (November 1997), to secure agreement among Member States on key employment policy aims. During this summit, it was up to the Member States to decide upon common employment policy objectives that they would pursue through the EES. The main basis for discussion was the Commission communication where the policy objectives had been proposed. During the Summit, the Member States would endorse the core conception of employment policy developed by the European Commission, which focused on the aim of increasing the employment rate of the European Union, but the harder benchmarks would not be adopted<sup>33</sup>. Regarding the focal points developed by the Commission for core objectives, the Member States would adopt these, with minor changes. The changes that were made to the Commission draft were as follows. First, the order of the policy objectives as proposed by the Commission had been changed by Jean-Claude Juncker, then Prime Minister of Luxembourg. While in the Commission draft, 'entrepreneurship' had been the first focal point and 'employability' the third, Juncker shifted the order whereby 'employability' was first, 'entrepreneurship' second, 'adaptability' third and 'equal opportunities' fourth (European level EES interview, No.3). After that, Mr. Juncker organised over 200 preparatory meetings in order to obtain the political consensus necessary to make the Luxembourg Jobs Summit a success: to agree on policy objectives for the Employment Title. As noted in one interview: "during the Presidency of Luxembourg, Juncker in particular played a crucial role in achieving

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<sup>33</sup> The Member States were still on their guard regarding the transfer of power to the Commission in this area. Thus, the 70% and the 65% benchmarks for employment rates proposed in the Commission communication were not endorsed.

agreement on the content of the first set of guidelines. He toured all capital cities to get a sense of which political issues were consensual” (European level EES interview, No.7) and that was the basis for the order according to which the objectives were organised. This has confirmed in other interviews and in the press reports on the Jobs Summit (European level EES interview, No.8; Agence Europe, No.7106, 24 and 25 November 1997). The specific policy objectives for the EES – in the order proposed by Juncker – were endorsed at the special summit initiated by Luxembourg at the end of 1997.

This analysis suggests that a close connection between key political actors in the Member States and the Commission is an important factor during the emergence of the EES. The importance of contacts between core political actors (among Member States and between Member States and the Commission) has also been highlighted in the preceding stages. During stage 4, the Commission was particularly influential through discourse framing (as in stage 1), where the collaboration with the Council (in particular Juncker, acting President of the Council) enabled the attainment of a broad consensus on its policy discourse. Indeed, the policy agenda proposed by the Commission would not have been adopted had it not coincided with the policy aims of the majority of the Member States. In its preparatory work for the guidelines, the Agent sought strategically to take account of the policy interests of the majority of Member States, since that would increase the likelihood that the Council would adopt the Commission-propelled objectives. This was facilitated by the close contact between Juncker and Santer, to high level political personalities, respectively representing the Principal and the Agent. This also means that the Commission does not unconditionally have a greater influence than the Member States during stages of emergence, but that it can define the EU policy objectives in an area where the EU has weak legislative authority if and only if the Member States are receptive to its proposals. The preferences of Member States are often determined on a short-term basis, shifting from the Presidency of one country to another.

The enactment of the EES was agreed on shortly thereafter, upon the initiative of the Member States, in particular those holding the Presidency to the Council after Luxembourg (notably France and the UK). It is crucial to note that the formally institutionalised legal basis (articles 125EC – 130EC, Amsterdam Treaty) provided a strong basis for immediate implementation, although it was not yet ratified. A key interviewee points out that: “We were in an exceptional situation, with a series of very committed Presidencies” (European level EES interview, No.3). After Luxembourg, “France helped in contributing to building up a ‘window of opportunity’ in the political process by calling for the implementation of the EES prior to Treaty ratification.”



(European level EES interview, No.3) The implementation of the strategy was also supported by the United Kingdom, which “wanted to operationalize the welfare to work programmes” (European level EES interview, No.3). The policy cycle of the EES was therefore initiated prior to the ratification of the Amsterdam Treaty (that did not take place until 1999) due to the initiative of Member States because it was in their interests. Here, it is collaboration between successive countries during their Presidency to the Council that ensured continuity in the support for the emergence of the EES. In this process of enactment, the Member States submitted their first national action plans to the Commission in 1998.

Following the Intergovernmental action that was undertaken for the development of the Employment Title (stage 3), the definition of policy objectives during this stage was driven and determined by the Commission, while the level of obligation in the objectives and then the enactment of the Strategy were decided by Member States. The Commission had successfully defined the objectives through discourse framing and the development of key focal points. Since the EES was still in the phase of emergence at this time – i.e. it has not yet been fully institutionalised – there was considerable scope for the Commission to contribute to the process. This finding is in line with hypothesis 1A, according to which the Commission’s action is expected to be greater when its formal right of initiative is weak. First, in line with agenda-setting literature, the EES was more open and fluid in the course of being defined and second, as the EES did not yet have the status of a fully established (soft) contract, it was not identified as a threat by Member States. As highlighted above, this finding must be seen in connection with cooperation between the Principals and Agent, where political and/or national origins of key actors can spark trust and create conditions that are favourable for cooperation. The example here was that the Presidents of the European Commission and of the European Council were from the same political and national origins. This led to the development of trust and then collaboration for the identification of key employment policy objectives in the Commission communication, where the President of the European Council was open to the proposals of the Commission. Furthermore, the incremental emergence of the EES in different stages had created momentum among the successive Presidencies to the Council, which had been particularly strong from stage 2. Beyond the circumstantial and temporal factors that focus on individual actors, the policy objectives presented by the Commission were convincingly framed as solid and viable solutions to the employment and growth problems in the member states of the European Union. In other words, the ‘policy objectives’ were presented and perceived by Member State governments as beneficial to their own interests. They had been developed as a set of policy solutions, on the basis of a Commission-driven policy discourse. In particular since

employment policy is complex, the solution had to have a logical appeal, in terms of its potential efficiency. Importantly, the policy objectives were developed in such a way that they were considered to be precise enough and also broad enough to appeal to the various governments (of different political traditions, although the majority were social-democratic or socialist) in the Council. They were soft in character (non-binding) for those who wished to ignore it, but could also be used by various governments to present the EU contribution to their domestic employment policy objectives in a positive light, to enhance their legitimacy vis-à-vis national electorates. The latter is particularly true for newly elected governments, such as the Blair (UK) and Jospin (France) governments.

### **3.1.5 Stage 5**

#### ***a. Outcome: Recommendations and the Peer review programme***

After the policy objectives of the EES had been endorsed and the cycle had been enacted, the EES contract could have been considered to be fully established. It could very well have continued to operate according to the features defined in the Employment Title and the policy objectives defined in stage 4. But despite this, the European Commission launched two initiatives for the further development of the EES institutional model. The Commission launched these two initiatives – the individual country recommendations and the peer review programme – without having had any specific mandate for being able to do so. Both the recommendations that were highly controversial, and the Peer Review Programme that was not contested, were negotiated and then accepted by Member States. Both then became institutional features of the EES, completing its full emergence: the EES was to operate regularly according to the policy objectives and coordination model as defined during these first five stages of its emergence. The recommendations represent an instrument (used by monitoring by the Commission) with which to highlight acute policy problems in individual Member States, where the employment policy objectives defined during stage 4 serve as the yardstick against which to assess Member States employment and labour market policies. Recommendations can be considered as the strongest aspect of the EES institutional model since they not only highlight specific policy problems in each Member State but also allow the Commission (with approval by the Labour and Social Affairs Council) to ‘recommend’ which policies to adopt to solve the ‘problem(s)’ and to achieve the European policy objectives.

The Peer Review Programme, on the other hand, is a programme that aims to facilitate exchange of experiences and practices in active labour market policies among Member State experts and does not involve top-down monitoring. Compared to the peer review of the core National Action Plans (NAPs) that is organized as a regular part of the evaluation process, it is more targeted and focuses on specific policy experiences that may be shared. Participation is small-scale, voluntary (depending on challenges from the Member States) and is addressed to experts. It is the Member States themselves that propose the 'good practices' that they wish to discuss and present in the peer review programme (Lefresne, 2004: 1-2). Why and how did the Commission launch these actions and how did the Member States react towards the Commission action?

### ***b. Commission-Member State interaction***

According to hypothesis 1A, the Commission is expected to have more scope to influence the development of the OMC contract prior to its full institutionalization. It has crystallized fully at the end of stage 4, the Member States had selected to define the employment coordination process in the Treaty and they had adopted the policy objectives developed by the Commission, which framed the employment policy problem in a particular way. The Commission's discourse framing actions that developed in this area throughout the 1990s had been discussed by Member States during stages 2 and 3 and then adopted as policy guidelines for employment policy during stage 4. Independently of this, the whole Commission faced problems of legitimacy in 1999 in the context of an audit organized by the European Parliament regarding mismanagement. The Commission was thus due to step down in September and under such circumstances, conditions of uncertainty were created and it sought to take actions before being dissolved. It was under these general circumstances that the initiative for recommendations was developed.

Regarding the proposal to issue recommendations for corrective action to all Member States, the European Commission, in particular Commissioner Flynn of the DG Employment and Social Affairs (DG EMPL), sought to make the EES strong before stepping down as Commissioner. He aimed to strengthen the instruments and thereby influence of the Commission on employment policy reform in Member States (EES European level interview No.7). On the basis of the coordination process for economic and monetary policy where individual recommendations are a strong feature, he sought to establish that same instrument in the EES, without having an explicit mandate to do so. During the first rounds of evaluation of the EES that had been managed by the Commission (1995/6 and 1997/8) individual recommendations had not been

issued to any of the Member States. In the Employment Title, the contract provisions regarding recommendations were ambiguous, stating that the Council (upon advice from Commission) 'may' issue recommendations if deemed necessary. This implicitly suggested that it was a tool reserved for acute circumstances. Furthermore, it was clear from the EES contract clause that the Council had to approve of the recommendations proposed by the Commission before they would be issued. Despite this, Flynn took the decision to push forward the strategy boldly by making individual country recommendations in 1999 without a full consensus on that decision within DG EMPL. Furthermore, this action had not only taken place in the absence of a specific mandate for doing so, but also against the wish of many Member States, and can thus be qualified as 'shirking'. It was in September 1999 that the Commission issued individual country recommendations (in the form of a Commission Communication) to all Member States (European level EES interview, No.10).

In terms of the Principal-Agent analysis, this initiative had been taken without any prior indication by the Commission of such an action towards Member States, thwarting the P-A contract and relationship. Furthermore, to enhance the potential impact of the recommendations and to attract public attention to the action of the Commission/Agent, a press conference had been convened the day of making the recommendations public to the Member States. The press conference had been used as a mechanism for the Agent to draw attention to its action, with the knowledge that Member States would react strongly. The Commission was aware of its shirking, as the recommendations should first be approved by the Labour and Social Affairs Council before being issued to the Member States, let alone publicly announced. As a reaction to this, Member States were outraged by the Commission initiative and intervened by editing and softening the recommendations issued to their respective countries (Barbier and Samba Sylla, 2001; Interview André Simon, 16 December 2004). Only after changes to make the recommendations softer did the Labour and Social Affairs Council agree to accept the recommendations as a Council decision, in early 2000 (Council of the European Union, 2000a; European level EES interview, No.7). In line with the expectations of the P-A model the Principal(s) did intervene when the Agent had overstepped its authority, first by changing existing practices without warning, where the policy cycle had previously been implemented without issuing any individual country recommendations, and secondly, by shirking formal rules (to control and guide Commission behaviour) in the P-A contract (Employment Title). If the Commission had the audacity to implement this action (with the knowledge of the probable reaction of Member States) then it is because it believed that the Member States would accept the recommendations. Indeed, after negotiations about when and how to use recommendations,

the first round was accepted and the recommendation instrument became a stable feature of the EES, contributing to its full completion.

An analysis of this process has shown how the Commission sought to legitimize and institutionalize the recommendations as a stable feature of the EES process. First, it organized bilateral meetings between each Member State and the Commission. After these meetings when all Member States agreed (although some after considerable hostility) agreed to the first round of recommendations (Barbier (with contribution Samba Sylla) 2004). The process of negotiation between principal and agent for the first round but also for the procedures to follow in the future were negotiated mainly in the Employment Committee. Second, specific procedures and rules were established for the Commission to follow in order to be able to issue individual country recommendations in the EES process. Henceforth, they were to be based on well-founded analyses and could not be polemical or contrary to what the Member States identified as key problems (Barbier (with contribution Samba Sylla) 2004: 68). Since employment is a salient policy issue and the Community does not have any legislative authority in that area, the Member States established rules to prevent any possibility for the Commission to attempt to intervene in that area, especially since the Commission had acted in the first round of recommendations outside of the agreed terms of the OMC-EES contract.

Regarding the second initiative, the 'Peer Review Programme' on best practices in active labour market policies (ALMP), it had also been launched by the European Commission. Contrasting with the first round of recommendations, the Member States did not resist any aspect of the peer review programme, as it was a softer initiative and did not criticize their employment and labour market policies. The peer review programme addresses the exchange of best practices, rather than pointing to policy initiatives that resulted in failure. It is a case of the Commission interpreting the EES for the development an initiative for which it secured a small financial budget.

As I have shown, the EES emerged during the 1992 to 1999 period in five clearly distinct stages. Most stages – with the exception of Treaty revision driven by principals both individually and collectively – were driven exclusively or mostly by the European Commission. This is in line with the predictions of hypothesis 1A about the possibilities for the Commission to influence a policy when a contract between Member States and the Commission has not yet been clearly defined. On the other hand, the Member States did resist full Community intervention in employment policy. After all, the recommendations had been institutionalized in a form that

should not be polemical and which should in the future always be approved by the Member States. But it would allow the Commission to highlight problems in each Member State, which did make the EES a stronger instrument.

Hypothesis 1A predicted that Commission influence would be high for the definition of an OMC contract during emergence, and on the basis of this empirical analysis, I can tentatively conclude that it has been the case, particularly for the definition of policy objectives and even the establishment of additional means (recommendations) to direct Member State action. 4 out of 5 stages were initiated and mostly defined by the European Commission. On the other hand, the limit of hypothesis 1A is that the Commission needed the support of Member States for its initiatives to be accepted. The Member States have established control mechanisms in the development of the OMC contract, and this has been the case in the establishment of the policy community (stage 2) and the Employment Title in the Treaty (stage 3). In particular, the EES is a policy coordination procedure that does not involve any binding measures. Nevertheless, the Commission did define the focal points of the main policy objectives and also managed to strengthen policy pressure and naming and shaming throughout the emergence of the EES. In line with hypothesis 1B, the Principal established the Employment Title, where it defined the political tool for employment (policy coordination) and mechanisms to control Commission action (via the Labour and Social Affairs Council that must approve all actions that the Commission implements through the OMC). Also, while the Commission did define the focal points of the employment policy objectives, the Member States negotiated these in the Council and decreased the level of obligation.

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In essence, the P-A framework is proving to be a relevant way to analyze the interaction between the Commission and the Member States during the emergence of the EES. In each inductive stage, I locate when and how the Commission and Member States implement diverse strategies. The Commission has undeniably had the most influence during most stages of emergence of the EES, in line with hypothesis 1A, while the Member States were decisive during the definition of the EES contract (the Employment Title in the Amsterdam Treaty).

But it also appears through the empirical analysis that other elements need to be added, particularly the conditions among Member States in the Council, crucial during all stages. The positive momentum among Member States was a crucial enabling factor, which started to shift already during stage 2 and was strengthening in stage 3, when the domestic development in France and UK (elections) acted as a springboard for the legal institutionalization of the

Employment Title. In stage 5, the particular circumstances need to be taken into account: the Commission sought to take strong actions prior to being dissolved in 1999. It thus appears that inclusion of circumstances – or windows of opportunity where a ripe and fluid momentum is created – should be added to the hypotheses. Below, I will pursue the analysis during the institutional evolution of the EES.

### **3.2 Institutional Evolution**

After the EES has been established as a contract, are the Member States more likely to intervene in setting and redefining the policy objectives? According to hypothesis 2, I would expect the Commission to have less power within the formation of the EES and I would expect Member States to intervene much more in the definition of policy objectives during this phase, where the EES has already been fully institutionalized. It could consequently be used by Member States either to set or to reinforce the policy agenda in the domestic context and/or to learn about policy reform in other countries. The EES has become a legitimately recognized instrument (among the Member States) for defining priorities and for monitoring policy reforms via coordination in the highly salient area of employment. How if at all does the Commission influence the EES during this phase? What form does this take and how do the Member States react to Commission strategies and actions? Do Member States intervene more aggressively in the definition of objectives in the EES during its institutional evolution, as predicted by hypothesis 2?

Table 8 below summarises the findings that will be discussed in the remainder of this chapter. These are presented first according to the empirical outcome, that is, the inductively derived stages of evolution of the EES, when they unfolded, and exactly what they consisted of. There are 4 empirical stages of evolution of the EES, unfolding during the 2000-2004 period. Second, the table shows the main findings on the basis of the Principal-Agent analysis, indicating the stages where the Principal and Agent, respectively, were decisive. My evidence will show that once established and considered as a legitimate policy instrument (at least at the EU level), the Member States increasingly control and set the agenda of the EES, which minimizes and even oversteps the role of the European Commission. In the conclusion, I will then discuss how the actions and strategies of the Commission and the Member States compare and differ in the stages of emergence and evolution of the EES.

**Table 8: The Evolution of the EES**

Evolution of the EES after its establishment as a full contract				
Empirical Outcome				
Stage	Stage 6	Stage 7	Stage 8	Stage 9
Time	2000	2000 – 2001	2002 – 2003	2003 – 2004
Aspect	Policy objectives	Institutional Model	Policy objectives	Policy objectives
Concrete Empirical Outcome	Overarching Quantitative objectives	Extension of the policy community	(Expected) Structural Change to EES	(Unexpected) Structural Change to the EES
Main Findings of Commission (Agent) and Member State(s) (Principal) roles in EES Evolution				
Driver(s)	Principal	Agent	Agent	Principal
Main Action	Setting Policy Direction	Agenda-setting	Contract interpretation	Setting Policy Direction, redefinition of contract

Source for statistical data: Eurostat, 2005, 2006; source for political parties: Manow *et al.*, 2004, Schäfer, 2004, and Eironline, various years.

### 3.2.1 Stage 6

#### ***a Outcome: Overarching quantitative objectives***

Stage 6 that crystallized after the EES has been fully established as a contract consists of rendering the EES objectives more stringent, by the agreement of quantitative benchmarks for employment rates. Concretely, it is during the Lisbon Summit in March 2000 that overarching employment rate benchmarks, to support the employment policy objectives defined in the EES, were endorsed. These benchmarks were that the EU should reach a 70 per cent overall employment rate (the employment rate in 2000 was 63,4 per cent) and a 60 per cent female employment by 2010. The Lisbon Summit also created an additional forum in which Member States could meet regularly – the Spring Council (to take place yearly in March) – to discuss employment policies, together with social and economic policies. As the yearly Summit would gather heads and state of government yearly to discuss employment policy issues, employment



policy and the EES in particular would thereby represent a more salient issue in EU politics. Why and how did this decision take place?

During the emergence of the EES it appeared that the Commission had initially proposed the 60 and 70 per cent employment policy benchmarks, first in the Delors White Paper (stage 1) and later in the proposal for policy objectives for the European employment guidelines (stage 3). Did the initiative that resulted in stage 6 also originate in the Commission? Or was it the Member States that initiated and decided to form more stringent policy objectives in employment policy where the EES was a useful means to achieve this aim?

### ***b. Commission-Member State interaction***

During this stage, the EU Member States proposed stronger political objectives and this was supported by the Commission that did not play an important role. The Principal did intervene more in defining policy objectives after the EES was fully institutionalized, as predicted by hypothesis 2. Specifically, it was Portugal, during its Presidency to the European Council in 2000 that sought to use the EES to strengthen the social dimension of Union policies.

Already at the end of the 1990s, Portugal began to prepare for its Presidency and negotiated actively with various members in the Council to seek agreement on a more coherent socio-economic strategy for Europe, where employment policy was central. Guterres, then Prime Minister of Portugal and his advisor, Rodrigues, were key actors that proposed the adoption of core benchmarks for the EES and the strengthening of the process. The Portuguese Socialist government (in power at the time) also used the PES as a forum in which first to test its ideas and to promote an ambitious economic, employment and social policy strategy. At the Party Leaders meeting in January 1999, Guterres, President of the PS and also Prime Minister of Portugal from 1995-2000, presented the PES text on employment entitled 'a European employment pact – for a new European way'<sup>34</sup>. On that basis, the PES members had agreed in principle on the need to develop a stronger employment policy for European Union actions, as

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<sup>34</sup> The key PES objectives with regard to the EES were:

- a strong commitment to economic growth and to a socially fair model of society (notably active participation in the labour market);
- a political commitment to full employment;
- a greater involvement of the social partners; and
- a greater use of targets (PES Party Leaders, 1999).

well as stronger co-ordination. As discussed above in the stages of emergence of the EES, the discussions in the PES can reflect rather than determine the interests of the socialists in the Council. It is not the PES per se that had a strong mobilising power, but rather the socialist or social-democratic governments in the Council. The European Council at that time had an important majority of social democratic/socialist governments (11 out of 15 countries<sup>35</sup>) (Manow *et al.*, 2004: 12). Similar to stages 3 and 4 where Member States were favourable to the initial development of the EES, the Member States at this time also sought placed greater emphasis on employment policy. It is also notable that at this time, the economic growth rate was the highest (3.9 per cent) that it had been since the early 1990s and where policy ideas about active employment policies and high employment rates were favourable, both among the socialist and social democratic governments as well as governments with other political-party coalitions (EP, 1999, 2000).

In line with hypothesis 2 we find that once the EES is institutionalized, then the Member States can (and do) use it to develop priorities, in line with their own priorities. Furthermore, during this stage, employment policy receives more attention among policies discussed at the level of the Council. As a corollary to that, then the EES itself must have been considered as a valid policy instrument with which to understand employment policy problems and develop employment policy solutions. The employment policy solution in this case consisted of taking measures to achieve high employment rates in all Member States. It was the momentum among Member States which led to the initiation of the employment rate benchmarks and also the decision to adopt them. Once again, particular circumstances can explain the action of the Member States, where one country, Portugal, mobilised support for strengthening the EES by proposing the benchmarks.

This shows that Member State action is stronger during the phase of evolution, rather than the phase of emergence of the EES, that is consistent with hypotheses 2 and 1, respectively. Indeed, during stages 1 and 3 of emergence of the EES, when it was a novel and unknown policy instrument, the potential threat in member states was perceived as being high. During stage 6 when the EES was established as a full contract, then Member States had already integrated the EES coordination cycle into their bureaucratic structures. In other words, the effect of the EES – following the coordination procedure – was already known<sup>36</sup> and it presented

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<sup>35</sup> The exceptions were Spain, Austria, Ireland and Luxembourg.

<sup>36</sup> See chapter 5 on this point, where the main finding is that the Member States mainly use the EES as a reporting mechanism, where it does not directly place obligation in the development of employment policy. If it has an

less of a threat. In addition, for the Member States that did want to use it to strengthen employment policy objectives at the EU and/or national levels, then it was consistent with this policy line. Based on these considerations, it is logical that the Member States agreed upon the quantitative employment rate benchmarks. Finally, if it had not been considered a valid instrument, then Member States would have been more likely to overstep it. It can therefore be concluded that during this stage not only was the EES established, but it was also considered as legitimate in terms of the policy coordination procedure and policy objectives. What happens in the next stage? Was it the Member States that initiated a policy proposal or was it instead the European Commission?

### 3.2.2 Stage 7

#### ***a. Outcome: Enhanced political mandate and strengthened operational structure of the policy community***

The seventh stage of the EES development saw an enhancement of the political mandate of the Employment Committee (EMCO), and a strengthening of its operational structure (development of two subordinate committees to undertake specific tasks). The decision was stipulated in Council decision 2000/98/EC (Council of the European Union, 2000b), which replaced Council decision 97/16/EC that established the Employment and Labour Market Committee<sup>37</sup>. It was endorsed in December 2000 (European Council, 2000b), when governments run by social democratic/socialist parties still prevailed in the Council. But, in terms of the principle-agent analysis, who took the initiative for this change? What implications does it have for the development of the EES?

Beginning with the last question, Table 9 below summarises the significance of those changes for the Committee in terms of first, mandated policy objectives (the key political endeavour of the committee), second, types of tasks (administrative – merely reporting and/or political – related to making an analysis with political recommendations), third, instruments (the concrete means with which to carry out the tasks) and finally, which actors can delegate tasks to the committee as well as which tasks the committee itself can delegate and to whom. As will become evident through the analysis of the new structure, in the new committee structure, it

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influence, it is because Member States find they can use it to develop policy and/or to learn from experiences in other countries.

<sup>37</sup> The committee was referred to as the “employment and labour market committee” in council decision 97/16/EC and as the “employment committee” in council decision 2000/98/EC.

was not only the committee itself (mainly member states, and various experts from member states) that would have a more important role in the development of employment policy. Via the committee, the European Commission and other experts could also develop positions on employment based on expert analyses.

**Table 9: Institutional Evolution of the Employment Committee**

Aspect/reference document	1997 (Council decision 97/16/EC)		2000 (Council decision 2000/98/EC)
Mandated Policy Objectives	Employment Situation EU and its Member States	→	Employment Situation EU and its Member States; high level of employment
Tasks	Administrative (and political)	→	Administrative and Political
Instruments	'Reports'; 'Proposals'	→	'Opinions'
Delegation to Committee	Principal (Labour and Social Affairs Council)	→	Principal (Labour and Social Affairs Council) and Commission
Delegation by Committee	None.		Internal External

The tasks of the Committee shifted from providing mostly administrative contributions to the operation of the EES policy cycle to making more political contributions to employment policy making, especially since its key political endeavour shifted from a mere focus on reporting to conceiving ways of achieving a higher employment rate. This is also evident in the change in instruments (type of documents) prepared by the Committee, from 'reports' and 'proposals', that should remain neutral (Council, 1997) to 'opinions'<sup>38</sup>, where a clear position on an issue would be required (Council, 2000). The number of opinions produced by EMCO, independently or together with other actors, has increased from 2000 onwards, showing incremental development of its political role.

Since 2000, EMCO has also been able to delegate work to external experts or to one of two working groups created under the authority of EMCO, for specific tasks – the 'ad hoc' working group<sup>39</sup> (AHWG) and the 'indicators' working group (IWG) (Employment Committee, 2000a; Employment Committee, 2000b). The ad hoc working group (AHWG) is responsible for the

<sup>38</sup> 'Opinions' give EMCO greater space for formulating and defending its own policy position and strengthening its potential political influence. The 'opinions' that EMCO produced as part of the daily policy-making process are on the European Employment Guidelines, the Joint Employment Report, that evaluates the performance of Member States with regard to the political objectives of the EES; and the individual country recommendations.

<sup>39</sup> For the Commission and each Member State, there is one 'core' member and one 'rotating' member.

'learning' (peer review of the NAP/empl and the Peer Review Programme) and 'policy' aspects of the EES. Its policy work consists of analysing specified Commission documents (reports or communications), prior to their discussion in the full committee (European level EES interview No.10). The membership in the IWG (2 per country and 2 for the Commission) consists of technical experts from ministries, but sometimes also from statistical agencies or other organisations (Jacobsson and Vifell, 2003). Its first task is technical, consisting of "developing, revising and improving the set of common indicators... used to assess overall employment performance, policy progress and results" and taking consideration of "statistical developments" under the auspices of Eurostat and "new policy priorities" defined by the Council (Employment Committee, 2000b)<sup>40</sup>. The second task is to provide technical advice for the selection of benchmarks and quantitative targets to support the employment guidelines. This is clearly a policy development objective. The IWG may call upon 'specialists' to provide inputs into the discussions. While the role of the experts in the IWG is mainly technical, the decisions on employment and unemployment rates as well as other issues related to employment and labour market policies are never neutral. They are political decisions, related to political priorities, either of the Union and the Member States. The role of 'specialists' becomes crucial in the development of support for a particular political aim. (Informal discussion, former chair of the Indicators Working Group, December 2004). The implications of these changes are two-fold: first, the policy community in the EES – the employment committee – has an extended operational structure, and second, the EES and its policy objectives, reinforced by the quantitative employment rates benchmarks agreed during stage 6, represent greater political significance of the EES and its policy objectives (at the European level). In addition, and as noted above, within the new structure, the Commission has the power to delegate tasks to EMCO: it can request an opinion to EMCO, a novelty compared to the previous structure, where this right of delegation was reserved exclusively to the Member States. Why would the Member States increase the power of the Commission, if the EES was already established as a contract? According to the theoretical framework, it can be presumed that the Member States considered that within the rules they had agreed for establishing the EES and the EMCO, the means for controlling the agent action ex-ante would be sufficient.

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<sup>40</sup> However, political issues also filter into the technical debate, as the committee's members are aware of the position of their country when deciding to use a certain indicator, creating a bias towards an indicator in which their country performs well.

## **b. Commission-Member States interaction**

Returning to the first two interrogations, why was this change to the structure of the policy community proposed, who initiated the process of extending the EES policy community, and what, if any issue was controversial in the policy proposal and in the decision-making process in terms of the P-A dynamic? The initiative emerged in the European Commission, where, as the agent, it proposed a new structure and extended structure for the EMCO in a Commission communication. The initiative emerged as a process of continuity, where key actors in the Commission who were closely involved in the emergence of the EES and the implementation of the EES policy cycle made the proposal. Why did the Commission propose this change? First, to provide stronger institutional foundations for the EES and second, as a means to enhance its own power vis-à-vis Member States in the Committee structure (by the provision of information, expertise and agenda-setting). Here the Agent uses its formal mechanisms of agenda-setting, to propose a (non-controversial) change in the institutional model of the EES. Third, many of the changes proposed had already taken place in practice (through informally defined policy groups under the ELC and an incremental enhancement of the role of the ELC through its regular policy development tasks). Thus, it was a relatively uncontroversial proposal for a change that mostly had already materialized *de facto*.

But for those Member States that could consider this proposal as a threat to employment policy, there are three explanations for accepting this decision. First, the establishment of new rules and redefinition of tasks of the committee could actually decrease the risk that the agent would take initiatives beyond its mandate then if rules were undefined, where the agent and other actors may have had more scope for action (as we have seen in emergence, for example when the Commission issued recommendations in stage 5). Second, if we focus on the diversity of positions among Member States, those that saw the EES as a means for establishing an employment policy agenda at European level clearly supported this strategy and those that saw employment policy guided from the EU level as a threat could see it as a means to control the Commission and influence the process more by extended involvement in the EES of Member State technical, political and external experts. The technical expertise had up to then mostly been in the hands of the Commission and there was no mandate to involve external experts in the mandate of the preceding committee structure. The new structure for the employment committee could be considered as a means for Member States to enhance its policy influence (via opinions, expert reports, and involvement of technical delegates from member states) in the EES. Third, on the basis of another issue, that is distinct in this phase when the EES has

already been institutionalised, the members of the ELC that were involved in the European level policy development discussions and the national reporting process had gained ownership of the process in their respective ministries and therefore, individually supported this strategy (various national level employment interviews, 2002–2004). This is in line with hypothesis 2, where the Member States are expected to control the EES more during the phase of evolution. Finally, the proposed changes concerned the ‘institutional model’ of the EES rather than the more sensitive policy objectives and did not increase the level of obligation for Member States in the EES process itself.

In sum, the Commission took this initiative in a Commission communication, and as it concerned the institutional model of the EES, Member States adopted it as proposed by the Commission without implementing any changes. In addition, with respect to the political decisions and discussions at the EU level, since the EES had been rendered more salient via agreement of quantitative employment rate benchmarks at the level of the European council during stage 6, then member states deemed necessary to ensure more adequate preparatory work in the EES process. But why in the mandate of the EMCO was there a clause that permitted the Commission to delegate work to the committee, especially the development of opinions that could have implications for political decisions? Since the employment committee consists mainly of member state representatives, an EMCO opinion would be considered as a Member State rather than a Commission driven initiative. The Commission’s role in administrative and managerial (managing the policy cycle) tasks in EMCO and its sub-groups would remain intact in this new structure. The result of carrying out the tasks in the regular policy cycle of the EES was to develop data, knowledge and therefore expertise in comparative employment policy development and reforms. This finding is in line with the findings of Hooghe (2001), who considers that the Commission aims to engage in more administrative and managerial tasks because that is where its potential for influence is greatest. During the following stage, we will see how the Commission aims to use expertise that it has incrementally built up throughout the stages of the EES.

### 3.2.3 Stage 8

#### **a. Outcome: (Expected) Structural Change to EES**

The eighth stage of development of the EES is represented by a change to the policy objectives of the EES, initiated and managed entirely by the European Commission. On the basis of 'expert driven' work by the Commission, the Commission analysed Member State policies in employment, and on that basis, proposed changes to the policy objectives in a Commission Communication. It is relevant to note that the proposals made by the Commission were based on issues of consensus developed by the Member States (within the Employment Committee) and that the evaluation had been foreseen already in 1997. The Commission's task was merely to manage the evaluation process and on that basis make proposals for adaptations to the existing structure of the EES policy cycle. The Commission proposal was endorsed by the Member States at the Spring European Council in March 2003. The changes in the policy objectives are summarised in Table 10 below, where the first column summarises the objectives agreed during stage 4 in the emergence of the EES and that were reiterated until 2002 and the second column presents the new objectives agreed for the EES in 2003.

**Table 10: Policy objectives of the EES (1997-2002 and 2003)**

<b>Guidelines 1997-2002</b>	<b>Result-oriented priorities 2003</b>
1. Activation and the prevention of long-term unemployment, especially addressing young unemployed	1. Active and preventive measures for the unemployed and the inactive
2. Reviewing benefit, tax and training systems to reduce poverty traps and to make it more attractive and easier for the unemployed to access training and employment.	2. Making work pay
3. Facilitation to start up and run businesses, with a particular focus on promoting small and medium-sized enterprises (SMEs).	3. Fostering entrepreneurship to create more and better jobs
4. Creating new opportunities for employment in the knowledge-based society and in services.	
5. Enhancing regional and local action for employment by identifying and encouraging the potential of job creation at local and regional levels.	
6. Reforming taxation to favour employment and training.	
-	4. Transforming undeclared work into regular employment
7. Developing a comprehensive policy for active ageing	5. Promoting active ageing
-	6. Integration of Immigrants in training



	and work schemes
8. Modernising work organisation to achieve a balance between flexibility and security. Render atypical work contracts more secure and facilitate flexible work contracts. 9. Supporting adaptability and innovation in enterprises.	7. Promoting adaptability in the labour market
10. Skill-development for a perpetually changing labour market in the context of life-long learning. This guideline targets the improvement of the quality of education and training systems, especially for the marginal groups.	8. Investment in human capital and strategies for lifelong learning
11. Gender mainstreaming approach. This calls for integrating gender issues transversally into the EEG. 12. Tackling gender gaps in unemployment rates, ensuring a balanced representation of men and women in all sectors and occupations, and taking measures to achieve gender pay equality. 13. Reconciling work and family life through the design and the implementation of family-friendly policies, including affordable, and high-quality care services for children and other dependants, as well as parental and other leave schemes.	9. Gender equality
14. Combating discrimination of access to and on the labour market. This guideline calls for the establishment of a coherent set of policies to promote the social inclusion of disadvantaged groups through employment.	10. Supporting integration and combating discrimination in the labour market for people at a disadvantage
	11. Addressing regional disparities
15. Developing active policies to develop job matching and to combat emerging bottlenecks on the new European labour markets.	

The (11) 2003 supply-side and ‘result-oriented’ objectives of the EES presented in column 2 are framed within a new overall employment policy strategy: to achieve ‘full employment’, (represented by the benchmarks agreed during stage 6), to raise quality and productivity at work, and to promote cohesive and inclusive labour markets. From a policy perspective, what are the implications of these changes? While the original policy objectives developed for the EES during stage 4 were focused on increasing the employment rate of the EU and its Member States this objectives had been re-enforced in the new proposal by the Commission. The focal point in the new objectives focuses on the development of employment growth among all groups capable of working. These will briefly be discussed before turning to the analysis of the Commission and Member State interaction during this stage of evolution of the EES. First, regarding the full employment objectives, policies aimed at women are still on the agenda, but the focus becomes less about the different issues of family and professional conciliation and more about a quantitative increase in female employment rate targets (see former objectives 11, 12 and 13 compared to the new objective 9). Second, older workers are still a target group

in the employment rate objectives (see former objectives 7 and new objective 5). Third, groups that are marginal in the labour market – long-term unemployed, undeclared workers and also immigrants – are a key focus in the new objectives (see former objectives 1 and new objectives 1, 4, 6). This is consistent with the benchmarks agreed during stage 6 and re-enforces the policy objectives themselves aimed towards the enhancement of quantitative employment rate objectives. The other aims also support employment growth, by removing administrative burdens for entrepreneurial initiatives, promoting new forms of work organization and attempting to promote regional mobility, particularly away from areas where there is low employment growth. We shall see in stage 9 that the Member States will through a political initiative change the objectives, reinforcing this last set of aims. But prior to that, the analysis now turns to analyzing Commission-Member State interaction in the agreement of these new policy objectives. Hypothesis 2 predicts that the Member States drives the process forward. We shall see that while Member States requests were taken into account by the Commission, the policy objectives were framed, developed and managed by the Commission. This partially contradicts hypothesis 2 where the influence of the Commission on policy objectives was expected to be low. Why and how did the Commission act in defining the policy objectives and how did the Member States interact with the Commission in this process? Finally what was the reaction of Member States to this proposal?

#### ***b. Commission-Member State interaction***

A five-year evaluation of the EES had been organised in 2002 and was to serve as the basis for a revision to the 'policy objectives' and/or the 'institutional model' of the strategy. The Commission received the mandate (from the employment committee) to undertake the evaluation that took place in three steps. The first was that Member States should evaluate the EES according to its main objectives; second, external experts (representing neither the Principal or the Agent) were to make an overall evaluation of the EES (on the basis of the Commission evaluation reports) according to its main objectives; and third, proposals for new EES objectives were to be developed by the European Commission.

On the basis of Member States reports, the result of the external 'experts' analysed the effectiveness of 'employability' policies, namely those aimed at activating various groups of the population, to increase the employment rate in the various Member States, was questioned. The result of other some other policies, notably those that focused on the gendered aspect of labour market policies were highlighted as the most useful, with regard to the reforms being

undertaken in numerous Member States (European Commission, 2002c). The analytical conclusions drawn about the relevance of the EES policies in the 1997-2002 period suggested that 'activation' per se may not have been effective, while those aimed at facilitating labour market participation of women appeared to have been more fruitful, particularly in Member States where the female employment rates were relatively low.

However, Member States wanted to keep the growth-oriented aspect of the employment policy, and in particular the aim of increasing the employment rates, as it had been identified as the relevant pillar for economic growth. The Commission, too, identified this strategy as a relevant objective for Member States to pursue in the future in its communication that followed the expert evaluation, in July 2002. Drawing on the EES objectives 1997-2002, the Communication devoted much more attention to the 'employability' pillar, compared to the other pillars – 'entrepreneurship', 'adaptability', and 'equal opportunities' in its assessment of the EES. But overall the Commission Communication of July 2002 that followed the revision of the EES concluded that the strategy had been successful. Therefore, the 'new' proposed objectives confirmed the supply-side orientation of the EES. These were: achieving full employment, raising quality and productivity at work and promoting cohesive and inclusive labour markets (European Commission, 2002a: 19). The Communication proposed (in line with demands from EMCO members – representing Principals) to simplify the guidelines and to render them more politically influential both nationally and at European level. It also proposed that the coordination cycle of the EES should be aligned with that of the economic policy process and should encourage concrete results. These objectives were confirmed in the subsequent Commission Communication of January 2003, which also added two new policy issues: addressing the effect of immigration on labour markets and addressing regional disparities. (European Commission, 2003a). These two new objectives had been put on the agenda, studied, discussed and negotiated with the Member States by the Commission in the daily policy-making cycle of the EES.

The process can be explained as follows: the Commission first produces expertise, based on which, second, it makes a proposal to member states informally and if the reaction among member states is favourable, then thirdly, the Commission formally proposes the development of a new objective. A Commission official (member of EMCO) explains this process for the issue of employment policies for immigrants: "For the objectives, for example immigration, the first step is to prepare a Commission communication and also a study. We pointed to globalisation and the demographic challenge, and showed how this would result in around 20 million job

losses. The next step is to see through informal contacts in the EMCO members (seek support and alliances), how the objective will be received.” If the outcome of this reflection process is favourable (i.e. there is a critical mass of Member States in support of the objective), then “...the theme is presented to the EMCO. The Commission puts the issue on the table, as nobody else could have done it...” (European level EES interview No.13). On the basis of the P-A analysis, the Commission took sensitive policy initiatives within EMCO, where it was bureaucrats rather than political personalities that were represented. Thus, Member States at this stage mainly intervened via their officials in EMCO for the specific policy objectives of the EES and changes to the policy cycle. Most Member States had similar demands for the revision of the EES: a simplification of the EES process to render it less bureaucratic and more result-oriented, a clarification of the objectives to render them less ambiguous and an enhancement of the political salience of the EES in the Lisbon Strategy. Most of the proposed changes sought to render the EES more stringent, in terms of the policy objectives and also in terms of the level of obligation (although the process would remain sanction-free). It was this agenda, defined by bureaucrats involved in the EES, which determined the re-direction of the EES. The Commission had carefully taken account of all these demands from the Member States in setting out its proposals. It is in this way that the intervention of the Commission is administrative, since it proposes policy objectives and changes to the policy cycle on the basis of Member States’ demands. It was undeniably in the interest of the Commission to respond the core requests of Member States, as in that way it could maintain or perhaps even enhance its own role as coordinator of the EES policy process. Furthermore, after the clash around the issue of recommendations in 1999, the Commission would also suspect that actions that would go beyond the agreed terms set out in the contract would be met with a strong reaction from the member states. In the Council, the Member States endorsed the changes proposed by the European Commission. In line with hypothesis 2, the Commission did not propose any objectives which were against the interests of the Member States. This suggests that the Member States indeed did serve as the main influence during the stages of evolution. But the power of the Commission was still strong in the way that priorities were framed and the policy discourse that was developed.

The Spring European Council of 2003 adopted the changes to the policy objectives and in principle also those made to the policy process (moving from a yearly to a three-yearly cycle). Thus, while the Commission was the initiator for changes and indeed conceived of concrete proposals about how to respond to Member States demands in the form of 10 objectives and a more stringent policy cycle, a closer analysis of the process reveals that the policy objectives

were proposed only because they had been consensual among bureaucratic representatives from Member States. So, compared to stage 3 when the Commission made proposals mainly on the basis of its own ideas about employment policy reform developed, during this 8<sup>th</sup> stage of development, the novel policy contribution of the Commission was overall less significant, although it had substantial influence over the form. But at this stage, Member States mainly influence the process via bureaucrats and not through political governmental actors. This could indicate that the bureaucratic actors (in the employment committee) represent the governments sufficiently in the EES and that the Commission has not overstepped its authority. We shall see in the following section that political actors from Member States intervene in a more drastic redefinition of the EES, partially undermining the work of the Commission and also of the EMCO.

### **3.2.4 Stage 9**

#### ***a. Outcome: Unexpected Changes to the EES***

While stage 8 was developed from within the process, managed by the Commission, stage 9 represents an external impulse determined on the basis of short-term preferences of some powerful political actors in Member States. It was a process by which some actors exerted their power in the Council to re-define the EES agenda. It was not a reaction against the Commission having overstepped its authority. On the contrary, the Commission had been particularly attentive to the demands of Member States when it made proposals for new objectives.

What exactly are these changes and how have the Commission and the Member States interacted in their development? Table 11 below summarizes empirical outcome of the changes to the EES in stages 8 and 9, respectively, and indicates the main analytical differences in these two stages in terms of the mandate for change and the key actors involved in the change. Below, I will first discuss the differences in the outcome, after which I analyze the interaction of the Commission and Member States through the P-A framework.

**Table 11: Development of the EES in stages 8 and 9**

The outcome of the changes		
Features/Process	Stage 8	Stage 9
Enacted	2003	2004
Policy objectives	<p>Three overarching aims:</p> <ol style="list-style-type: none"> <li>1. to achieve full employment by increasing the employment rate;</li> <li>2. to raise quality and productivity at work;</li> <li>3. to promote social cohesion and inclusive labour markets.</li> </ol> <p>These objectives were further broken down into 10 'result-oriented' priorities (see Table 10 above)</p>	<p>Three overarching policy aims and one aim on improving governance:</p> <ol style="list-style-type: none"> <li>1. to increase adaptability of workers and enterprises;</li> <li>2. to attract more people to the labour market;</li> <li>3. to invest more and more effectively in human capital.</li> </ol>
Peer review (or in-built incentive structures for 'learning')	Yearly peer review of the NAP ('Cambridge process') around 10 result-oriented priorities;	The Cambridge process is to be organised according to the four themes of the EET Report.
Recommendations	Individual country recommendations organised around ten result-oriented priorities	Individual country recommendations organised according to the four themes of the EET Report
Analysis of process of change		
Mandate for change	In EES process – EMCO	Outside of EES process – self-appointed Intergovernmental group
Actors involved in change	Commission and EMCO	The self-appointed European Employment Taskforce (EET)

The 'new' policy objectives of the EES defined in stage 9 were:

- to increase the adaptability of workers and enterprises;
- to attract more people to the labour market, which is consistent with the long-standing supply-side orientation of the EES;
- to invest more and more effectively in human capital (now identified as an aim in its own right, while formerly it was combined with the other aims, in particular entrepreneurship and adaptability).

Regarding the key differences (compared to stage 8), the policy was directed mainly toward developing new forms of labour market organization, especially conditions for employers to

develop contracts more easily, where employees would be less protected. This objective was included in stage 8, but was not a key focal theme in the Commission framed policy objectives. In stage 9, the supply-side policy of increasing employment was included, as was the aim of investing in human capital. In terms of the 'institutional model', these 'new' policy objectives were henceforth to guide all dimensions of the process, not only the reporting by Member States but also the peer review process and the recommendations that are now organised according to the four themes defined during stage 9. Why did the Member States take this initiative and how did this stage unfold in terms of the Commission - Member State interaction?

### ***b. Commission-Member State interaction***

While during the 8<sup>th</sup> stage of development of the EES, the Commission managed the process of re-defining the policy objectives and institutional model of the EES (on the basis of Member State preferences among bureaucrats involved in the core policy committee<sup>41</sup> of the EES), the 9<sup>th</sup> stage is entirely driven by the Member States, by political actors that are outside of the regular EES policy cycle. The initiative was taken by some Member States following a liberal and conservative shift in the government composition of the Council.

The starting point is that some Member States were particularly discontented with the European (economic and employment) growth strategy and therefore set up a working group to work on this issue, voluntarily and outside of the EES process. A joint UK-Portuguese initiative, the 'European Employment Taskforce' (EET) was chaired by Wim Kok, a prominent Dutch politician. It produced the 'Kok report' that proposed new objectives for the EES, ignoring the policy objectives that had been developed and framed by the Commission in close collaboration with the Member State civil servants in EMCO. The Member State-driven intervention consists of producing information in order to support a change in policy direction of the EES.

As a reaction to the Member State initiative, the Commission seeks to maintain influence in this new revision of the EES in its administrative task as the secretariat of the EET. The DG Employment and Social Affairs of the European Commission was requested to undertake administrative work as the Secretariat of the Taskforce, while the DG for Economic and

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<sup>41</sup> In some Member States, the members of the committee are high level civil servants and in others lower level civil servants, reflecting the status of the EES within the Ministerial structures of Member States. But the important point is that the actors were involved in the EES process, and were not external to it.

Financial Affairs was granted an observer position. Through this task, it sought to maintain support for the objectives agreed in stage 8 because they felt that the new direction taken by the EET trampled on their own work in revising the strategy (European level EES interview, No.2; European level EES interview, No.13). One interviewee stated that “Quintin was very angry... for Quintin the report of the Task force in a certain sense ‘delegitimized’ all the work of the Commission” (European level EES interview, No.10). However, the Commission’s strategy quickly changed to seeking to integrate its own revised objectives with those of the EET through the provision of secretariat services in the EET (European level EES interview, No.5). As explained in an interview: “The secretariat of the task force was ensured by two key individuals, who in the role of writing up the political decisions with regard to the EES, integrated as many as possible of the Commission priorities, that had been endorsed previously” (European level EES interview, No.10). On the basis of the work by the Kok group, proposals for new policy objectives had been made, which were subsequently endorsed by the European Council in December 2004. And while the Commission had initially been surprised by the initiative and felt that its own work had been de-legitimized, the assessment of the outcome in stage 9 was that not only that the Member States took the upper hand in defining the policy objectives, but that the Commission role would be strengthened within the process. An interviewee states that: “In practice, the Kok report strengthened the EES by insisting on three themes throughout: adaptability, attracting and retaining people on the labour market and investment in human capital.” (European level EES interview, No.13). And as a consequence if the EES was strengthened, so was the role of the Commission within that process, particularly as it had been involved in the secretariat of the Task Force. Some actors from the Commission involved in the revision of the EES had also been involved in the EET secretariat.

With regard to the core hypotheses, this confirms that European instruments – in this case the EES – are used to discuss and to decide priorities for the salient area of employment policy. This is in line with hypothesis 2 which predicts that once a policy instrument has been institutionalized then it would be more likely that the Member States take the main decisions, particularly regarding policy objectives. The empirical analysis has also shown that when political actors in Member States would like to make a policy decision in the EU, they can do so without using existing instruments. But what makes those short-term preferences even stronger, ultimately, is the fact that a policy instrument with which to reach those objectives has already been established and functions according to particular rules and norms. The Commission influence is expected to be lower when a process is highly salient and that is completely consistent with the finding here.



## Conclusion

In this chapter, I have demonstrated empirically that it is crucial to analyse the development of the EES over time, as it evolves through (inductively derived) empirical stages, where each stage represents a change in the policy objectives and/or institutional model of the OMC. Throughout the stages of formation of the EES, I have tested two core hypotheses through a deductive P-A analysis, to test the relative influence of the Commission and the Member States on the emergence and evolution of the OMC. Like classical adaptations of the P-A model, it takes account of the role of the agent, insisting on its attempt to enhance its own role with respect to the principal (or principals) in employment policy. It also emphasizes the role of the Principal(s) in adapting the initiatives by the Agent, in controlling it but also in setting the policy direction of the OMC.

In line with the predictions of hypothesis 1, my empirical analysis has proved that the Commission actively pushed for the development of the EES prior to and throughout its emergence. The Commission was particularly influential in developing the policy objectives, while the Member States set the terms of the EES policy coordination 'contract' (established in the Amsterdam Treaty). The Commission was already successful in framing the terms of the employment policy debate during stage 1, despite the reticence of Member States. The initial policy discourse developed by the Commission would serve as the basis for the future policy objectives that would structure the EES. After that, in stage 2, the Commission developed a proposal to institutionalize a committee in employment policy through its informal agenda setting mechanisms that was endorsed by Member States. The influence of the Commission was high during this stage, as it achieved the outcome it desired, which is consistent with hypothesis 1. However, as I have emphasized throughout the empirical analysis, the Commission was successful because the attitude in the Council towards the development of employment policy objectives and an employment policy committee was favourable during this time. Indeed, following the establishment of the ELC, it was the Member States that would then adopt the Employment Title (EES contract) which would be integrated in the Amsterdam Treaty and implemented (according to the procedures established in the 'contract') immediately thereafter. The Commission did not have any tools (aside agency lobbying) to influence the decision during stage 3 as it was a Treaty revision, where the Member States are the core actors that must reach a consensus on the terms of the EES 'contract'. This shows that the political will of Member States is indispensable for any substantial progress to be made in the establishment of a political coordination cycle in employment policy. Another noteworthy point is that Member

State agreement on the EES was conditional on its non-binding nature; it would never have been accepted via a harder policy instrument in an area guarded by national sovereignty. The soft nature of the EES could also partially explain why the Commission was again the main driver in its development during stages 4 (discourse framing) and 5 (shirking). Stage 4 – where the policy objectives of the EES were defined – built on the incremental discourse framing driven mainly by the Commission since the beginning of the 1990s. During stage 5 the Commission interpreted an ambiguous contract clause (in the Employment Chapter) to put more pressure on Member States in their employment policies (via recommendations) and did so without former approval by the Member States. In essence, then, the Commission was successful in obtaining its aims during the formation of the EES, when it had instruments to influence the process. During emergence, then, the Commission did have a substantial influence of the EES policy objectives, while the Member States had a substantial influence of the terms of the contract (EES institutional model). On the basis of my findings, the hypothesis could be adapted as follows: If the OMC is not established as a contract (stages of emergence), then the Commission would have a high influence on the development of the OMC and the Member States would be less likely to intervene against the actions of the Commission if and only if the circumstances in the Council favoured the development of an instrument in a policy area defined as an issue of common European concern.

Subsequently, when the EES was institutionalised, the Member States increasingly perceived it as a means to push the interests of their respective agendas to the EU level. Indeed, the Member States used the EES to set a policy agenda at the European level (and external to the EES policy cycle), which would include encouraging Member States to focus more on employment policy development. During these stages, the Commission was mainly influential within the EES policy cycle on the institutional model and not the policy objectives. During stage 6, the Member States used the EES to adopt policy benchmarks for employment policy. This initiative was taken outside of the daily policy-making process of the EES, by an external political impulse. Stage 7 was a Commission initiative, but was an administrative proposal (affecting the institutional model of the EES) and not a political one and hence did not pose any threat to Member States. But then, after the Commission had developed new policy objectives for the EES during stages 8, the Member States re-set the policy objectives of the EES (during stage 9), undermining the work of the Commission (stage 8). Also stage 9 was implemented by high level political actors outside of the EES process itself. This proves that the Member States do not merely ‘control’ the actions of the Commission in an area where power has partially been delegated, but are active in defining the core political objectives of the EES on the basis of their

preferences. In fact, once the EES was established, then the main action of the Member States was to set the policy direction of the EES and not to introduce mechanisms to control the action of the Commission. The empirical evidence about the evolution of the EES supports the adaptation that I made to the P-A framework, which consists of conceptually taking account of the Principal not only in controlling the action of the Member States, but also in setting the policy agenda.

Overall, the Member States have been successful in using the EES to develop their employment policy agenda, mainly outside of the EES policy coordination cycle itself. Hypothesis 2 could be adapted as follows: If the OMC is established as a contract (stages of evolution), then the Commission would have a low influence and the Member States would be more likely to intervene, especially in shaping the OMC political objectives. This is likely to take place outside of the EES policy cycle itself. Overall, this version of the P-A model is the strongest theoretical device to analyse the evolution of 'soft' modes of governance, where the policy objectives and institutional model can easily be changed and are distinct during the stages of emergence and of evolution of a political phenomenon.

## **CHAPTER 4**

### **THE EMERGENCE AND EVOLUTION OF THE OPEN METHOD OF CO-ORDINATION IN SOCIAL INCLUSION (OMC/INCLUSION)**

#### **Introduction**

This chapter analyses the Commission-Member State(s) interaction in the development of the OMC/inclusion, through the P-A framework that I developed in chapter 2. It was applied in chapter 3 on the emergence and evolution of the EES, where the main thrust of my hypotheses 1 and 2 about Commission and Member State interaction in the formation of an OMC were confirmed. My analysis of the emergence of the EES has shown that the relative influence of the Commission was high through discourse framing. Its influence was greatest when the momentum was favourable among Member States. Commission action was especially strong in the definition of policy objectives, although Member States did negotiate the details, rendering them weaker in terms of the level of obligation. But the Member States defined the terms of the EES contract, which established the regulations for the policy coordination cycle. It was accepted by all Member States on the basis of the fact that it would not include any binding regulations. Is this pattern of high Commission influence (on policy aims) and Member State negotiation on details as well as definition of the institutional model comparable in the OMC/inclusion? That would partially confirm hypothesis 1 (which foresees higher Commission involvement when the OMC is not yet established as a contract).

The analysis of the subsequent evolution of the EES has shown that Member States did not focus much on establishing control mechanisms vis-à-vis the Commission, but more significantly, intervened directly and forcefully in the development of policy objectives in this area through high level political initiatives (stages 6 and 9) outside of the bureaucratic policy coordination cycle of the EES itself (this evidence supports hypothesis 2). What is the case for the OMC/inclusion? Hypothesis 2 predicts that if the OMC is established as a contract (stages of evolution), then the Commission would have less scope for influence and the Member States would be more likely to intervene (in controlling the action of the agent and in shaping the OMC political objectives). If these hypotheses are confirmed in this case like they were for the EES, then it indicates that the P-A model, adapted to stages of emergence and evolution of a political phenomenon, can explain the role of the Commission and the Member States in its development.

But in this chapter, I will also incorporate a comparative analysis on the basis of my two cases: the EES, which is highly salient and OMC/inclusion that is of low salience. According to hypothesis 3, Member States' degree of engagement in the OMC (both emergence and evolution) depends on whether it is of high or low saliency and according to hypothesis 4, the possibility for the Commission to determine the formation (emergence and evolution) of the OMC is low for an area of high domestic salience and high for an area of low domestic salience. As established in the research design, the influence of an actor (either the Commission or Member States) is high when it successfully achieves its aims and it is low when it is unsuccessful in that endeavour.

For this area of low saliency, the hypothesis about Member State involvement is:

H3B: If the policy area to which an OMC is applied is of low domestic salience, then the Member States would not establish strong mechanisms to control the action of the Commission and they would not seek to determine the policy agenda of the OMC. In other words, the Commission should have considerable leverage to determine the OMC/inclusion policy agenda, during the emergence and the evolution. The empirical evidence that will be discussed in this chapter will be compared to the case of the EES, for which (hypothesis 3A) I expected high Member State intervention, notably in controlling the Commission and in determining the direction of the policy agenda. According to my evidence in chapter 3, the Member State influence was very strong in the decision-making throughout the emergence and evolution, but the Commission did have a significant impact in developing policy objectives during the emergence of the EES, even though employment is an area of high domestic salience. But in the evolution of the EES, the Commission's policy development initiatives were stepped over by high political personalities in the Council. This was determined from the top-down through the political aims of the Council, whose governments had shifted from a social-democratic/socialist to a liberal and conservative majority

The hypothesis about Commission involvement in this area of low saliency is:

H4B: If the OMC is applied in an area of low domestic salience, then the capacity for the Commission to influence the emergence and evolution of OMC policy is high. This can take place through different tools which the Commission uses – discourse framing (and the creation of focal points) on the basis of Commission-administered information production, contract interpretation (even going as far as shirking), and lobby sponsoring.

This will be compared to the case of the EES, for which (hypothesis 4A) I expected that Commission influence would not be as high since employment is an area of high saliency in the domestic context. But I found that during early phases, the Commission had a very strong influence both in determining the policy objectives and in seeking to strengthen the monitoring mechanisms in the institutional model of the EES vis-à-vis Member States. However, during the evolution of the EES, then the Commission's role was not only limited to administrative tasks, but its role as an expert (to propose new policy solutions after the evaluation of the first five years of the EES) was undermined as the Member States re-set the agenda completely. What will the case be in the OMC/inclusion? Will it have a very high influence in both the emergence and evolution? And which mechanisms strengthen or weaken its role in OMC/inclusion compared to the EES? Ultimately, is it true that the relative influence of the Commission is much higher in an area of low domestic saliency compared to an area of high domestic salience?

To answer these questions and to test the hypotheses, this chapter is divided into three empirical sections, where I reflect on all 4 hypotheses, discussing them in the light of the empirical findings.. The first on the period that precedes the OMC in social inclusion (two stages) which is important as it provides the institutional and policy legacy for the future OMC. The second section is on the emergence of the OMC/inclusion itself (stages 1 to 5), from 1995 to 2001 and the third, on the evolution of the OMC/inclusion (stages 6 to 9), that takes place from 2001 to 2005. Like in chapter 3, the analysis is carried out on the basis of the interpretively derived empirical stages, where a stage is defined as a significant empirical development in the formation of a political phenomenon (dependent variable). For this OMC, the Treaty-basis is weaker than that of the EES and most 'stages' of 'emergence' or 'evolution' of the OMC have been decided by informal dynamics and are endorsed officially at meetings of the European Council. As for the analysis of the formation of the EES, I will specify whether each 'stage' refers to 'policy objectives' and/or 'institutional model', where the former refer to the specific policy goals that have been agreed via the OMC and the latter represents the formal and informal rules and norms that determine the role of various actors in the OMC policy cycle and process. The last part of this chapter concludes on the extent to which the hypotheses that have been confirmed or rejected, and particularly if the low and high saliency are really crucial for determining the degree of Member State and Commission strategies and actions in the development of a European phenomenon.

#### **4.1 The predecessor to the OMC: European anti-poverty policies and programmes**

While the development of a coordination role for the European Community in the area of employment policy in the early 1990s was directly connected with the emergence of the EES, the situation is different in the area of anti-poverty policy. Broad European policy aims and an institutional model for the fight against poverty began to take shape already at the end of the 1970s. While this is not directly related to the emergence of the OMC/inclusion, it is important because, as my evidence will show, it did provide an important legacy (in terms of policies and institutional model) on which the future OMC/inclusion would be built. This analysis will confirm the importance of taking broad time horizons into account when analysing the development of a policy process, which has not been highlighted in the literature on the OMC that generally begins analysis of the process after the Lisbon Summit (2000). The seeds of the OMC/inclusion were sown in the Poverty Programmes by the European Commission via expert authority that it had nurtured throughout the 20 year period that the programmes were implemented.

In this first section on the development of the European anti-poverty programmes, two interpretatively derived empirical stages have been identified, the first unfolding between 1980 and 1989 and the second unfolding between 1990 and 1995. The criteria that has been used for identifying a significant 'stage' in the development of the OMC is a change in its 'institutional model' (policy community and coordination procedure) and/or 'policy objectives' (that are specific for each policy area). The change(s) have been recognized and legitimized by the key actors involved through formal and/or informal mechanisms. During these stages, the Commission was successful in making "poverty" a European policy theme on the basis of discourse framing. The policy discourse, which was accepted by the Member States, then allowed the Commission to develop programmes, to produce data (where the Commission then developed an incentive for its role in expert-based monitoring) and to establish a coalition of non-governmental European anti-poverty networks. The latter was specifically engineered by an inter-play of actors mainly in the Commission but also among non-governmental organisations that later would be involved in and with the European Commission and the emergence of the OMC/inclusion. This has also been shown by Michael Bauer (2002) who has used a P-A framework to analyse development of the Poverty Programmes. But he has not used the 'stage' approach, nor has he linked it to the OMC/inclusion to develop subsequently.

Table 12 below first summarises the empirical outcome of the anti-poverty initiatives, mapped in terms of the inductively derived 'stages', reference to when those stages were institutionalised

(time), and a description of the concrete empirical outcome (aspect). Second, it summarizes the main findings on the basis of the Principal-Agent analysis, where it indicates when it was the agent and when it was the principal that was the main actor (driver) in the formation of anti-poverty policies at the EU level. In line with hypothesis 1, the Commission has during stage 1 of the formation of the anti-poverty programmes played a crucial role through discourse framing and the creation of European 'focal points' on the poverty problems (and proposals about to solve these problems). This concerns both the policy objectives and institutional model of the European anti-poverty initiatives. Was the Commission successful in influencing the policy outcome in anti-poverty policy during emergence (hypothesis 1)? What, if any, mechanisms did the Member States establish to control the action of the Commission and to determine the policy objectives of the OMC/inclusion? During stage 2, there are two empirical findings. The first main development is that the Member States intervened in the development of Poverty Programmes by halting the action of Commission when it had overstepped the designated terms of the contract (shirking) in this area. This was a strong action and is in line with hypothesis 2 where Member State intervention is expected to be stronger during evolution of a political phenomenon. Here the action of Member States was to 'control' the Commission when it had overstepped its authority (and not to set the policy direction). But parallel to this, the second development is that the Commission begins to re-frame the anti-poverty discourse in a broader discourse about social protection reform. Thus, when the Member States intervene in the implementation of the policy programmes, then the Commission develops alternative softer strategies for influencing anti-poverty policy.

Below, I proceed to analyse these two stages of European level anti-poverty action, where I first present the content of each inductively derived stage. This is followed by an analysis of the actions of and interaction between the Commission and the Member States in that particular stage, and a discussion about how it compares with hypothesis 1 (stage 1) and 2 (stage 2). This analysis will provide answers to the questions about the strategies and actions of the Commission and the Member States in the stages of development of European anti-poverty programmes that represent the legacy on which the OMC/inclusion will subsequently be built.



**Table 12: The development of European anti-poverty policies and programmes<sup>42</sup>**

Development of European anti-poverty policies and programmes		
Empirical Outcome		
Stage	Stage 1	Stage 2
Time	1980 – 1989	1990 – 1995
Aspect	Institutional Model; Policy objectives	Policy objectives
Concrete Empirical Content	Poverty Programmes; European Anti-Poverty Network; Resolution Exclusion	Halting Poverty Programmes; (Political Debate on Reform of Social Protection)
Main Findings of Commission (Agent) and Member State(s) (Principal) roles in the Development of European anti-poverty policies and programmes		
Driver	Agent	Principal (Principal-Agent)
Main Action	Discourse Framing (creation of focal points) in conditions of information asymmetry	Commission Shirking then Principal Vetoing (Discourse framing – first Member States and then the European Commission)

Source for table: EUROSTAT; Data for economic growth rate and poverty rates - 60% of median equivalised income is the cut-off point for at risk of poverty rate after social transfers. Date of extraction of statistical data 2 March 2007; Source for political parties: Manow *et al.*, 2004, Schäfer, 2004, and Eironline, various years.

#### 4.1.1 Stage 1

##### **a. Outcome: Establishment of the European Poverty Programmes and Foundation of the European Anti-Poverty Network (EAPN)**

There were three significant European level anti-poverty initiatives preceding the OMC/inclusion: the European Poverty Programmes, the European Anti-Poverty Network

<sup>42</sup> The economic growth rate and poverty rates for pre-stages 1 and 2 are not indicated, as the statistics from Eurostat do not cover that period. The OECD Statistics for that period set a poverty threshold at 50% of the median income (Forster and Mira, 2005) which is a lower threshold than EUROSTAT, that sets the threshold at 60 % median income.

(EAPN) and the Council Resolution on Social Exclusion. Three rounds of 'Poverty Programmes' that had a broad aim of combating poverty were implemented: Poverty 1 Programme (1975 to 1980), the Poverty 2 Programme (1981-1988), and the Poverty 3 Programme (1989-1994). The Commission had the important role of developing, monitoring and controlling implementation of the programmes. But at the same time, Member States oversaw the action of the Commission through a Programme Committee, with Member State and Commission representatives (Bauer, 2002: 385-386). The programmes institutionalised European-sponsored action in the fight against poverty via local small scale projects. As indicated by an interviewee: "The activity in the 1980s and the 1990s was mainly technical, small scale and more focused. The experience was that a lot was achieved for a small amount of funding at the local and regional levels" (European level inclusion interview, No.3). The programmes left an institutional legacy in anti-poverty policy that consisted of local level actors being created or empowered via project development, implementation and monitoring. The programmes aimed to develop information about poverty and to promote the exchange of information as well as evaluation. They provided the bases of an institutional model and policy objectives for the OMC/inclusion, which would begin to take shape after 1995.

The second institutional predecessor to the OMC/inclusion is the EAPN that was created as a permanent European level civil society actor in the fight against poverty. Its establishment and operation was financed mostly (90 per cent) by European funds. It is made up of members representing national networks (voluntary organisations and grass-roots organisations in the fight against poverty and social exclusion) and European Organisations ([www.eapn.org](http://www.eapn.org)). The key aim of the EAPN is to promote the fight against poverty and social exclusion at European level, working with different European means (programmatic, financial and political) towards that goal. In doing so, it has attempted to increase its influence on poverty policy at all levels<sup>43</sup>. After its foundation, the EAPN provided significant input into the European anti-poverty agenda. Importantly, it represents a stable pillar of support for the maintenance and development of that agenda, which the Commission uses to strengthen its own position to maintain (and even strengthen) European intervention in poverty policy. Such a coalition does not exist in the area of employment, which means that in the EES the Commission could be considered to be in a weaker relative position in lobbying initiatives and actions vis-à-vis Member States. If a proposal

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<sup>43</sup> Other groups, notably the FEANTSA (European Federation of National Organisations Working with the Homeless) and Eurochild, that is the European non-governmental network promoting the rights and welfare of children and young people, were established at the same time via the same initiative to create a group of transnational poverty associations (European level inclusion interview, no. 4).

by the Commission in employment were not accepted by Member States, then no other actor would systematically advocate its development<sup>44</sup>. This means that the EES is more closed to external actors.

The third pre-OMC initiative in anti-poverty policy is a Council Resolution on combating social exclusion (Council, 1989). It was agreed more than a decade after the first poverty programme had been launched and represents a policy discourse developed and agreed by Member States in anti-poverty policy. The Resolution framed the fight against poverty on the basis of the Commission legacy that had been developed throughout the administration of the Poverty Programmes. The conception of social exclusion as a multi-dimensional phenomenon (that is not uniquely a problem of resources) and the rights-based approach were both laid out in the resolution<sup>45</sup>. In the resolution, the Council of Ministers for Social Affairs also supported the institutional model developed in the Poverty Programmes<sup>46</sup> (implementation, knowledge-sharing among peers as well as monitoring by the European Commission) that would be adapted slightly in the OMC/inclusion.

Overall, what means of influence did the Commission use during this period in this area of low saliency and did it achieve the results it sought? How, if at all did the Member States intervene in the action of the Commission?

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<sup>44</sup> Although the European social partner organisations to lobby for issues related to labour market policy, but these mainly side-step the EES agenda, that is focused more on employment growth and less on labour market regulation and labour market standards per se.

<sup>45</sup> The issue of poverty was framed according to social exclusion that had emerged in France and had later been adapted to the EU context by the Commission: ‘... social exclusion is not simply a matter of inadequate resources... combating exclusion also involves access by individuals and families to decent living conditions by means of measures for social integration and integration into the labour market’ (Council, 1989, point 6). The resolution also called upon Member States to ensure provision of various rights: education, training, employment, housing, community services, medical care (Council, 1989, point 7).

<sup>46</sup> In the resolution, local actor participation was highlighted: “... the effectiveness of coordinated, coherent development policies based on active participation by local and national bodies and by the people involved” (Council, 1989, point 8). Also, reference to a ‘soft’ policy approach was made, notably via the pooling of knowledge and an assessment of phenomena of exclusion. And finally, a facilitating and monitoring role was attributed to the European Commission. The Commission was called upon to ‘study, together with the Member States, the measures they are taking to combat social exclusion’ and also ‘to report on the measures taken by the Member States and by the Community in the spheres covered by this resolution in three years of its adoption’ (Council, 1989, point 10).

### **a. Commission-Member State interaction**

During the 1980 to 1989 period, economic growth in the EU was relatively stable. It was a time when the members of the Council were generally favourable to the further development of the EU, as indicated by the Single European Act in 1986. This was an enabling condition for the development of European 'Poverty Programmes' and the establishment of a European level gathering of civil society organisations, initiated by the Directorate General in Employment and Social Affairs (DG EMPL) of the European Commission. A key actor in DG EMPL is Odile Quintin, who mobilised support in the Commission for the creation of the programmes. In the 1980s, Quintin conceived and mobilised support for three rounds of the Poverty Programmes (European level inclusion interview, No.4).

Under the guidance of Quintin, the Commission initiated both the policy objectives and institutional implementation model of the anti-poverty projects. The Member States had approved the Poverty Programmes on the basis of article 235 that required unanimity (Bauer, 2002: 392). The Member States would never have agreed the Poverty Programmes had they perceived them as a threat to their sovereignty in the development of anti-poverty policy. After approval, the European Commission played an important role in its implementation and the incremental development of a discourse and strategy for the fight against poverty. In Poverty Programme 1, poverty was conceptualised as a multi-dimensional (and not only economic) phenomenon, and became the 'focal point' of official EU discourse. The corresponding policy response developed by the Commission was about how to re-integrate the 'excluded' into society. This 'discourse framing' not only set the terms for conceptualising the problem, but also pointed to answers to the problem. Michael Bauer concludes that "An analysis of the EU poverty programmes reveals how skilfully the Commission exploited a relatively new concept imported from the social sciences, namely 'social exclusion', (re)defining it as a European problem requiring a European policy response" (2002: 388). The conceptualisation of poverty and its policy response was received positively and without controversy by most Member States. The Commission had thus been successful in developing a convincing policy discourse during Poverty 1, where research and knowledge in Member States was still dominated by monetary poverty. The Commission successfully used discourse framing to achieve its aims and also started to generate comparative European data on the issue of poverty which led to information asymmetry in its favour. Towards the end of the first round of the Poverty Programme, the Commission lobbied strongly for continued funding for the programme and was successful in obtaining funding for a second round of the programme, which the Member States again

adopted on the basis of unanimity. At the end of the Poverty 2 Programme, its protagonists in the Commission were once again successful in lobbying strongly for continued in a third round of the programme. The first 2 rounds of the Poverty Programmes had been implemented smoothly, with no incidences of Commission shirking or other conflicts between Agent and Member States

Since collaboration between the Member States and the Commission was effective during this period (the end of the 1980s), then the Commission, in particular Odile Quintin launched a new idea, which was to set up a European anti-poverty network (EAPN). A delegation involving different actors – Commission, national and non-governmental representatives – was established to discuss the form and purpose of the network. The Delegation was headed by Hughes Feltesse, then member of a French anti-poverty association, and later to enter DG Employment and Social Affairs (European level inclusion interview, No.5). Following the preparatory work of the Delegation, the initiative for the EAPN was officially launched by the Commission, after which it was approved by the Council (1988) with no alterations. Once again, the Commission was successful in achieving the outcome that it strived for. The Member States agreed as the initiative did not involve any decisions that would have implications for their legislation in anti-poverty policy, but involved establishing coalitions of non-governmental actors to lobby specific issues, but which were considered to be weak (and therefore not threatening) actors.

Therefore, in 1989, the European Anti-Poverty Network (EAPN) was established as a coalition of EU non-governmental organisations (NGOs) and groups involved in the fight against poverty and social exclusion. The members of the EAPN are national anti-poverty organisations and the EAPN acts as the umbrella organisation, to try to develop a European framework and policy aim that could be common to the actions of the national members. Hughes Feltesse (having been an important mover behind its initial emergence) was its first President – from 1989 to 1992 – and played an important role in the development of the European frame of reference in which it was to operate. The establishment of the EAPN can be conceptualised as ‘lobby sponsoring’ since it is a collective Commission-sponsored actor whose output could be used by the Commission to strengthen its own pursuance of political initiatives (especially in discourse framing) in specific policy areas (here anti-poverty policy). Michael Bauer (2002: 389) argues that Commission-sponsored lobbies ‘... despite not being particularly powerful players in institutional or legal terms, (they) know how to make their voices heard, and they are often invited to do so by the Commission.’ But how exactly does the Commission use the EAPN as a

pillar of support for a policy issue? First, the Commission nurtures these lobbies not only through financing, but also by organising public relations events around the poverty issue. Second, regarding the difference in the way that policy issues are framed by the Commission and the EAPN in the broad area of anti-poverty policy, the Commission and the EAPN are on the same side. But, the EAPN is more affirmative in its policy position on poverty than the Commission that – to maintain the support for funding and perceived legitimacy of its expert role – must take account of the position of the Member States. In essence, then, the EAPN needs the support of the Commission for bringing forward its core agenda just as much as the Commission needs the EAPN to pursue its anti-poverty policy. But the EAPN does not only lobby policy issues vis-à-vis the Commission. The networks that are members of the EAPN also use their contacts in the Member States (representatives in the Ministries of social affairs that deal with poverty policies) to try and influence their governments so that it enhances the likelihood of securing political and/or financial commitments to ideas, projects and programmes in the area of poverty policy (European level inclusion interview, No.10). The analysis of the emergence of the OMC/inclusion will show that once established, the EAPN would become a key actor in the emergence of the OMC/inclusion.

But while the overall receptivity by the Member States to Commission initiatives in poverty policy was overall positive during this period (1980 – 1989), they also took initiatives to determine the direction of poverty policy. The Member States in the Council lobbied the issue of exclusion as a European concern, as a way to set their (collectively agreed) frame of reference (with particular focal points) in poverty policy rather than accept the Commission-derived poverty agenda. In other words, Principal aimed to control the policy dimension of anti-poverty policy at European level, rather than leaving it entirely to the Agent. The Council adopted a resolution on social exclusion in 1989, which can be considered as a political initiative to direct the policy priorities in poverty policy. But because Member States were beginning to be wary of too much European intervention in this area, they did not introduce new anti-poverty or anti-exclusion objectives, but instead articulated the discourse in terms of their priorities. The Council resolution starts by stating the key goal among Member States in anti-poverty policy: ‘... combating social exclusion may be regarded as an important part of the social dimension of the internal market’. Member States clearly set the policy agenda, but the resolution did not discard the Commission’s policy discourse, nor did it introduce novel aims. This Commission’s former discourse framing action (developed during the 1980s around ‘social exclusion’ as a multi-dimensional phenomenon) was adopted as a European policy discourse by Member States, which suggests that the Commission discourse did have high influence. This finding is in line with hypothesis 4B

according to which Commission influence would be high in an area of low domestic salience. This implies that in assessing whether hypotheses 3 and 4 could be confirmed, then the extent to which existing policy frames are resilient need to be taken into account. Since Member States set the policy direction in poverty policy entirely on the basis of the work of the Commission this means, in line with hypothesis 3B, that they do not intervene in the revision of the established anti-poverty agenda.

During this period when the poverty programmes were developed, the Commission was the main actor that launched, innovated and administered the programmes. The continuation of support among Member States for the Poverty Programmes led to an optimistic perception of Member State action in the Commission and the Commission was able to successfully launch the European Anti-Poverty Network. But then towards the end of the 1980s, after almost 15 years of Commission action in this area, the perception and strategy among Member States started to change. Member states became more acutely aware of the action of Commission and developed more suspicion towards the Commission and its role in administering the Poverty Programmes (in particularly the UK, Denmark and Germany). The strategy therefore changed and Member States sought to take over the control of the agenda, issuing the Resolution against Social Exclusion to affirm that Member States' decided the policy direction in anti-poverty policy. In the next stage then the Commission action in the Poverty Programmes was halted after shirking but the Commission would begin to develop a broader discourse about social protection that would include social exclusion policy. In line with hypothesis 1, the Commission was successful in initiating a series of European actions in the area of anti-poverty policy, notably the development of Poverty Programmes and the creation of the EAPN. The main tool employed was discourse framing, but also data production through the European database – the European Community Household Panel (ECHP). At the same time, the Member States took an initiative to set the policy direction in the area of social exclusion, but rather than discarding work of the Commission (which it had done during the evolution of the EES), the Council resolution was entirely based on the work of the Commission. This means that the Commission was highly influential during these stages, for all dimensions of the Poverty actions, entirely in line with the predictions of hypothesis 1.

#### 4.1.2 Stage 2

##### ***a. Outcome: Halting Anti-poverty programmes and the Initiation of a Political Debate on Reform of Social Policy***

In the early 1990s, Europe entered a deep economic recession that was to last through most of the decade, which led to a general scepticism within the Council towards the deepening of European integration in all policy areas, including poverty. The second stage in the evolution of anti-poverty policies, between 1990 and 1995, consists first of an end to the implementation of the Poverty Programmes. During the Council meeting in 1994, the adoption of a fourth round of the European anti-poverty programmes was not endorsed. It consists secondly of the development of a more general European social protection reform discourse (of which social exclusion is just one element) by the European Commission. The latter shows that when the attitude to European intervention in poverty policy changed in the Council, the Commission adapted its strategy, on the basis of the new themes put forward by the Council at the time. Why did the Member States halt the Poverty Programmes after 15 years of implementation? What was the Commission's reaction and subsequent strategy to this decision?

##### ***b. Commission-Member State interaction***

As discussed above, the Council resolution on social exclusion in 1989 can be interpreted as an intentional action by Member States to set the policy agenda in the area of social exclusion (although the policy discourse replicated the Commission discourse in this area). It thus also brings the issue of social exclusion to the political level of the Council, rather than the administrative level of the implementation of the Poverty Programmes that consisted of bureaucrats (Member State representatives and Commission members in a committee) and local actors in the project implementation. After the resolution on social exclusion in 1989, the long-term support for anti-poverty actions in the Council began to weaken, due to the position of some Member States in the Council. The Maastricht Treaty represents the crucial turning point, after which stronger opposition developed in the Council to any Community intervention at all in the area of anti-poverty policy. This most strident opposition came from three members of the Council: Germany, the United Kingdom and Denmark, all invoking the subsidiarity principle in the Maastricht Treaty as a reason to halt any further Community action in that area (Atkinson *et al.*, 2005: 28).



The Commission had nevertheless launched an initiative to develop a fourth round of the poverty programme, taking account of scepticism in the Council. It thus adapted its strategy and requested a much smaller budget for the Poverty Programme 4 (envisaged for 1994 to 1999) than its predecessors. Indeed, after almost two decades of implementation of three rounds of the Poverty Programmes, the European Commission was keen to secure Member State support for a fourth round of the Poverty Programme, through which it had been able to develop a role in policy analysis, project development and monitoring. The 15-year period during which the Commission had ensured the implementation of these tasks had led to an institutional basis for the implementation of the Poverty Programmes and the Commission's own perception as an expert in this area. The EAPN, the Commission-sponsored organisation expected to consistently support the development of an anti-poverty agenda, supported the Programme: it provided additional backing for the Commission's aggressive lobbying for Poverty Programme 4, envisaged to run from 1995 to 2000. But the EAPN was an emergent actor during this period and had not yet established strong institutional channels through which lobby for its main policy issue – anti-poverty strategy – and was therefore not very influential during this period.

Despite the Commission's awareness about the scepticism towards the Programme in the Council, it did not want to lose any power in the area and pursued the implementation of Poverty 4 prior to its approval in the Council. In August 1995 the Commission announced publicly that a provisional programme to combat social exclusion would be established, and a few days later it opened a call for applications for grants to potential project leaders (companies, local authorities, NGOs). More than 2000 applications were received and almost half were from the UK and Germany whose representatives in the Council had most persistently opposed the Programme. This represents a clear case of Commission 'shirking' against the Council, because the implementation of Poverty 4 (by approving projects for funding) was done against the will of the Member States. The Commission not only launched the call for applications. As the Commission had already made political commitment for specific anti-poverty programmes, this could be interpreted as a strategy to secure approval for a programme when support was weak. As a reaction to this, and despite mobilisation by NGOs and other actors that had applied for funding in anticipation of approval of Poverty Programme 4, the UK and German governments then requested ECJ intervention against the Commission arguing that it had acted without consent from the Council. The ECJ ruling backed the Council against Commission and the Poverty Programmes had de facto and de jure come to a final end. This finding is in line with hypothesis 2 according to which the Member States intervene in Commission action when it has overstepped its authority (control mechanisms). How did the Commission react to this decision?

As the Commission did not want to lose authority in the area of anti-poverty and anti-exclusion policy, it merely changed strategy, with the aim of maintaining its level of activity and expert authority in this area. This consisted of the further development of other programmes that addressed related but not entirely the same policy issues, such as the integration of vulnerable groups into the labour market (Bauer, 2002: 391-393).

Parallel to these tensions with regard to the Poverty Programme, where Member States clearly set the limits for Commission action, the Member States and then the Commission started to develop another policy discourse, about the broader challenge of social protection reform. The Council framed the policy debate in terms of the 'social dimension' of the Single Market, which had also been the perspective adopted in the 1989 resolution that shows a continuation in its line of reflection. Thereafter, Member States adopted a Council recommendation in 1992 that highlighted 'common challenges' facing Member States and proposed a path for Member States to reform their social protection systems (Council of the European Union, 1992a). The recommendation envisaged a role for the Community, which was to support Member State reform in line with subsidiarity. As will be discussed below, the Commission would then incrementally develop a discourse about the common problems faced by Member States and would propose the development of common solutions through 'discourse framing'.

Following the Council recommendation on challenges to social protection reform, the European Commission provided substantial input into constructing the policy discourse in social protection. The individual Commission actors that had been involved in the Poverty Programmes, in particular Odile Quintin and Jerome Vignon, had been actively involved in launching this debate about the need to develop a common approach to the issue of social protection. Hughes Feltesse, the key mover behind the creation of the EAPN, was in the Commission from 1992 to 1995, and contributed in particular to the development of the debate about anti-poverty policy (European level inclusion interview, No.5). Between 1993 and 1995 it prepared three policy documents – a green paper, a white paper and a Commission communication (European Commission 1993, 1994, 1995) – in the area of social protection, to try to locate a way of framing the policy problem and also to identify the policy solutions that would be accepted by Member States. By the time the third policy document was written in 1995 the Commission had developed a clear discourse. The document was entitled 'The future of social protection, a framework for a European debate'. It highlighted the problems for the financial and social sustainability of the social protection systems in Member States due in particular to the ageing of the population (putting pressure on the pensions system and the

health care systems) and a general level of employment that was lower if compared to other areas of the world. The document represented a consensus about the fact that all Member States faced these same challenges, to which the Commission suggested they could find similar solutions, where the Commission envisaged a supportive role by enabling 'soft' dialogue between the European authorities and the Member States and among the Member States. Crucially, the Commission argued that social protection was a 'productive factor', economically and also socially. This discourse was to act as the basis for the subsequent Commission initiatives, where the policy solutions and not only the policy problems are developed in more detail. This discourse framing would continue during the first stages of emergence of the OMC/inclusion.

## 4.2 The Emergence of the OMC/inclusion

**Table 13: The Stages of emergence of the OMC/inclusion**

Empirical Outcome					
Stages	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5
Time	1995 – 1997	1997 – 12/1999	01-06/2000	07-12/ 2000	01 – 12/2001
Aspect	Institutional Model; policy objectives	Institutional Model	Institutional Model; policy objectives	Institutional Model; Policy objectives	Institutional Model; policy objectives
Concrete Empirical Content	Legal Mandate for Exclusion via defined Institutional Model	Political Creation of Policy Community	Political Establishment OMC And application to social inclusion	Legal Establishment Policy Community; Political objectives OMC/inclusion	Setting financial foundations, technical foundations;
Main Findings of Commission (Agent) and Member State(s) (Principal) roles in Emergence of the OMC/inclusion					
Main Driver	Principal (Agent)	Agent and Principal (Agent and Lobby sponsor)	Principal (Agent and Lobby sponsor)	Principal (Agent and Lobby sponsor)	Principal (Agent)
Action	Contract definition (Discourse framing)	Lobbying (Discourse framing)	Setting policy direction (Discourse framing)	Contract definition (Discourse framing)	Setting policy direction (Lobbying and stretching)

#### **4.2.1 Stage 1: A Legal Mandate for Social Exclusion Policy**

The emergence of the OMC/inclusion begins in 1995-1997. The first stage in the emergence of the OMC consists of the legal commitment to the broad objective of social exclusion and the outlining of the institutional model to pursue it. Regarding the former, article 137 of the Amsterdam EC Treaty, defines 'to combat social exclusion' as a policy objective for the Community in conjunction with the Member States. The provision allows the Council to adopt measures to combat social exclusion and as such represents the first general element on which a contract (between Member States and the Commission) could subsequently be built, but as a complement to the core action of Member States. In addition, agreement could be reached on the establishment of a 'contract' in social exclusion by a qualified majority in co-decision with the Parliament and after consulting the Economic and Social Committee and the Committee of the Regions.

At the same time, European level policy objectives for poverty and social exclusion were developed incrementally and mainly in the Commission on the basis of earlier policy work on these issues. The initiative for the objectives built especially on the legacy of the 1995 Communication on social protection, where a discourse had been developed by the Commission on the existence of common challenges in social protection reform (including social exclusion) among all Member States, to which similar solutions could be found. In 1997, the Commission issued a new communication which kept the issue of social protection reform on the EU agenda and that further specified the social exclusion objectives.

##### ***a. Commission-Member State interaction***

During this stage the Member States (successfully) drove forward the process that would lead to the adoption of the Treaty provision for the fight against social exclusion, while the Commission pursued the debate on social protection and social exclusion, to which Member States were favourable.

The strong social democratic/socialist majority in the Council was favourable to developing social provisions in the Treaty. This included explicitly referring to areas where Community intervention was entirely prohibited (social security and worker protection). In addition to that, a provision for social exclusion was developed. It stipulated that the Community could intervene to support Member States action in the fight against social exclusion. The Netherlands – which

held the Presidency in the Council – had advocated the development of a legal provision for social exclusion, and had gathered support from other Council members. Decisions in this area could be adopted by qualified majority voting (rather than unanimity). It was uncontroversial, even among Member States more hostile to the development of a European dimension in poverty policy. That is because of the virtual absence of any obligation attached to the general legal provision. The Commission and especially the EAPN (whose main task is to develop activities to combat poverty and social exclusion) were pleased with the article as it would provide them with means to develop actions in this area. They had supported the action, but did not drive forward the process during this stage. Here Member States rather than the Commission were decisive actors (which is in contradiction with hypothesis 1) since the article represented a Treaty change were Member States are the key actors in the Council.

In the light of the ECJ ruling against the Commission that put a final end to the Poverty Programmes, the Commission sought a new source of legitimacy for the development of Community actions against poverty and exclusion. The Treaty article on social exclusion was a positive development for the Commission. At the same time, the Commission continued to frame the debate in social protection reform, based on the work that it had undertaken in the first half of the 1990s. This was to find a path and means through which the Community level could support social protection reform in Member States. The 1997 Commission communication ‘Modernising and improving social protection’ (European Commission, 1997) – like the Communication in 1995 that preceded it – addressed various aspects of social protection reform. It was all-encompassing in scope, covering four key areas: adapting social protection systems to the ageing population; making social protection systems more employment friendly; adapting social protection systems towards a greater individualisation of rights in the view of changes in gender roles; and adapting social protection to the movement of persons across the Member States of the EU. The Commission also proposed an institutional model by which action could be developed: it proposed a dialogue among different actors to moving these policies forward. Regarding the anti-poverty discourse that the Commission put forward in the communication, it assessed that social protection systems were inadequate for countering new forms of exclusion. On the basis of its own work and discourse on exclusion developed in the anti-poverty programmes, the Commission mentioned various forms of exclusion: educational disadvantage, health problems, homelessness, loss of family support, and exclusion from participation in economic and non-economic activity in society. As a policy solution to exclusion (that was the main focal point on which the solution was built) it advocated on the one hand that social assistance and unemployment compensation schemes as core poverty prevention

mechanisms should be maintained and on the other that social protection systems should increasingly include provisions for ‘activating’ individuals by providing new jobs, but also for encouraging their engagement in non-economic forms of integration. It used ‘focal points’ derived from the EES (which could mobilize support even among the reticent Member States) and combined these with other focal points developed in the discourse developed to counter social exclusion. The action of the Commission is based on discourse framing and is met positively in the Council. But no decisions were taken on this basis at this time.

The EAPN began to play an important role in the European policy debate on poverty from the mid-1990s onwards, particularly in the run-up to the Amsterdam Summit, but also in the Commission’s debate on social protection reform. It developed a strategy similar to the one that had been implemented by the PES to influence the policy debate at European level<sup>47</sup>. This consisted of establishing a ‘Social Policy Taskforce’ in 1996 to first develop its own position and on that basis to try to influence both the Commission (that it would use as an ally) and the Member States (in the Council) to enhance legal, financial and political commitment to the development of policies in anti-exclusion policy. The initiative to establish the Taskforce had been taken by Hughes Feltesse, who had been involved in the Poverty Programmes and was familiar with the advocacy mechanisms used for policy development in the Commission. Similar to the PES working group, the Taskforce gathered a handful of experts from EAPN member organisations that were considered to have clear policy visions (EAPN, 1999b). As a lobby sponsored by the Commission, it depended on the Commission, but also on the Member States to obtain funds for its own operation and also for project development. Therefore, the strategy by which the EAPN could maximise the possibilities for Commission-Member State commitment to projects would be by developing its own policy position nested in the Commission-Member State debate. Its first policy statement consisted of a commentary on the Commission’s 1997 social protection communication (EAPN, 1997), where it emphasized that Member States should take account of poverty risks in all aspects of social protection reform, and not only aims to curb financial spending<sup>48</sup>. This agenda did build on the Commission’s own poverty agenda, although it was more radical in the policies and measures it advocated to fight poverty. But this

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<sup>47</sup> As discussed for stages 1, 2 and 3 of EES development the influence of the PES working group – via the report it produced - had been marginal, compared to that of the Commission and the Member States in the Council that were the central actors during that time.

<sup>48</sup> “The time is long gone since poverty just meant being denied a decent income. It now includes exclusion from a series of other rights: health, housing, training, work, citizenship and the need to for a preventative rights-based approach...the first duty of social protection... is to guarantee a series of fundamental social rights” (EAPN, 1997).

action by the EAPN was in turn used by the Commission to strengthen its own position vis-à-vis Member States. This means that even prior to the emergence of the OMC/inclusion the EAPN was actively involved in developing a discourse about social exclusion, integrating its views in the frame of reference that had been launched by the Commission. In that way, the EAPN sought support for its endeavours in poverty policy.

The Commission communication and the EAPN report were both submitted to the Council that organised a conference on social policy (initiated by the Dutch Presidency prior to the Summit where the Amsterdam Treaty would be agreed). By launching the conference, the Dutch Presidency sought to discuss which issues in social policy could include a role for the European Community and how and which ones should remain of exclusive Member State competency (such as social security). The discourse of social protection as a 'productive factor' developed by the Commission since 1995 and strengthened in 1997 was backed by the Dutch Presidency and especially by Ad Melkert, the Dutch minister of social affairs and employment. The Council was receptive to proposals by the Commission and contributed actively to the debate, but it was the Commission that framed the discourse on social protection reform, although no decisions were taken at this time. The first stage of emergence of the EES had also been based on discourse framing which had been driven by the Commission, and Member States had committed to the objectives and one round of policy coordination. Compared to the first stage of emergence of the EES, the attitude in the Council was more positive and certainly less suspicious.

Since the Council at this time supported the development of social provisions in the Treaty (excluding social security of workers, including a separate Chapter for Employment Policy and including a legal provision for social exclusion), this also created a favourable attitude towards the emergent debate on social protection that was being framed by the European Commission. This suggests that the general level of attention by the Council to a broad policy area such as social policy, rather than the domestic salience of a more narrow issue such as anti-poverty policy, is an important explanatory factor in the possible receptiveness or adoption of legal or political initiatives in that area. Hypothesis 4B predicted higher Commission influence in this area of 'low' saliency and that has broadly been confirmed where the Commission developed a broad discourse in social protection, covering social exclusion with a weak legal basis and other areas with no possibility for any Community intervention. But hypothesis 3B predicted less Member State intervention in this area. What we do see is that Member States define the boundaries of social intervention in social protection, where some possibility for Community



action in poverty policy is envisaged. An important empirical development in this area which was absent in the area of employment is the action of the EAPN, which has, through its status as a sponsored lobby by the Commission (90% of its funding) engaged in discourse framing (entering the debate through the Commission's own emergent discourse in social protection). This suggests that the OMC/inclusion is more open to external actors than the EES, and that may be due to the fact that poverty is a policy area where grass-roots civil society organisations have traditionally been involved, but also because poverty is less salient than employment policy.

#### **4.2.2 Stage 2: The Development of a Social Protection Discourse and the Creation of a Policy Community**

During this stage, the social protection discourse being developed by the Commission became more precise, where four key aims were highlighted: to make social protection systems more 'employment friendly', to ensure that health care would be affordable and accessible for all, to ensure that pension systems would be socially and financially sustainable and to combat social exclusion. On the basis of the latter, the objectives for the European social inclusion strategy became more concrete, on the basis of the political lobbying action of the EAPN, the European Commission (that used the EAPN aims selectively), and support in the Council (where a clear majority of governments were governed by socialist or social-democratic governmental coalitions). It could be compared to the communication by the Commission, where it proposed detailed 'European employment guidelines' (stage 4 in the emergence of the EES). The difference is that here the communication developed policy objectives for anti-exclusion policy prior to the institutionalisation of the Committee in social protection.

On the basis of the Communication, this second stage of development of the OMC/inclusion also sees the establishment of a core policy community for social protection issues. The High Level Working Group on Social Protection (WGSP) was established during the Finnish Presidency in the second half of 1999. It was created on the model of the employment committee, and consists of two civil servants per Member State, and two Commission representatives. At this stage, it was a politically established working group, and was not integrated in the EU Treaty. The WGSP started to work in January 2000, meeting monthly. The means through which the group operated was loose co-operation to confront 'common challenges'. Its mandate was to work on issues of social protection (defined in the 1999 Commission communication), of which one key policy area was social exclusion policy. This

development is comparable to the institutionalization of the ELC in the area of employment policy, where the committee was first established (and immediately operational) on the basis of a political agreement by Member States (Stage 2 in the emergence of the EES).

What were the circumstances under which the WGSP had been established? What role did the Commission and its sponsored lobby, the EAPN, play in its emergence? What was the action and strategy of Member States with regard to the establishment of the WGSP, but also the broader social protection and anti-exclusion policy agenda that was being developed at this time?

#### ***a. EAPN-Commission-Member State interaction***

During the 1997 to 1999 period, the Commission continued to be active in ‘discourse framing’ for the development of the policy agenda in social protection, that included social exclusion policy. Importantly, it also included proposals for the establishment of a policy community and a policy cooperation mechanism through which Member States could develop a dialogue around the issue of social protection. The Commission built its work on the foundations of the discourse framing that it had initiated during the 1990s, and it referred to the legal provision (art. 137 of Amsterdam Treaty agreed during stage 1 above) to legitimise its actions in this area.

But the EAPN was also active in discourse framing (focusing on anti-poverty policy), which would be taken up in the Commission’s own work and thereby play an important role in defining the core policy objectives in anti-poverty policy. The lobbying of the EAPN was driven by a clear political agenda, pushed forward by its new President after 1999, Fintan Farrell (European level inclusion interview, No.4). In March 1999, it organised a conference on the political and legal priorities in the fight against poverty and social exclusion. In the conference ‘Social protection or exclusion: A choice for Europe’, the EAPN developed debates around the themes launched by the Commission in its social protection reform agenda, notably in the communication of 1997. The report that the EAPN had prepared for the conference advocated first, the need for social welfare systems to take account of diversified individual needs (including older persons and children); second, the need to establish and to guarantee access to basic rights for all; and third, the participation of public authorities at all levels of governance in anti-poverty policy. The work that the EAPN had prepared for the March conference was later developed into a more concrete proposal, presented at the Conference on Social Policy organised in May by the European Commission. The EAPN policy document – ‘Europe for all’ – that built on the work of

the March conference had been managed by Hughes Feltesse, who brought together different anti-poverty objectives in the document (European level inclusion interview, No.3). These were, first, the promotion of fundamental rights for all (this notion had been part of the Poverty Programmes and revived in the EAPN, based on French experience)<sup>49</sup>; second the conceptualisation of poverty as a multi-faceted problem; third the proposal of a participatory approach for implementing national anti-poverty agendas, which should include representative organisations of the excluded and the excluded themselves, as well as public authorities<sup>50</sup>. As for the institutional model, the EAPN proposed the development of "... a European strategy to combat social exclusion, modelled on the European Employment Strategy, which sets a common objective for the Community and Member States – stamping out poverty and social exclusion by setting guidelines for combating exclusion – and puts in place national plans to combat exclusions, and verification procedures." It also called for the organisation of an Extraordinary European Council akin to the Luxembourg Jobs Summit (where the policy objectives of the EES had been proposed by the Commission and accepted with minor modifications by the Member States in the Council) to launch the process, and suggested a strong role for itself in monitoring and evaluation (EAPN, 1999). At the May conference, the Commission was cautious as to a specific set of social inclusion objectives, but supportive of the development of a committee for social policy issues, that it would propose concretely later that year. This initiative shows how the EAPN and the Commission acted in synergy for the development of anti-poverty initiatives to obtain support from the Council. In this case, the EAPN had launched the idea of a policy community specifically for social exclusion and also policy objectives.

Then, following the May 1999 conference, the Commission issued another Communication on social protection in July (European Commission, 1999). Compared to the 1995 and 1997 communications that preceded it, the 1999 communication narrowed the scope of social policy themes addressed and made the debate shifted from a focus on policy problems to a debate that proposed more concrete policy solutions. Another point is that in the 1995 and 1997 communications, social exclusion had only been marginally addressed, while the Commission accorded much more attention to it in the 1999 communication, where it became one of four key

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<sup>49</sup> France adopted an anti-exclusion act in July 1998.

<sup>50</sup> The 'participative dimension' had roots in the EU Poverty Programmes and was articulated in the EAPN using lessons from the Irish experience by Hugh Frazer, Director of the Combat Poverty Agency in Ireland between 1987 and 2001 and a key actor in the development of the Irish National Anti-Poverty Strategy (NAPS) (Interview Hugh Frazer, <http://www.cwc.ie/news/art01/hughfrazer.html>, accessed March 23, 2005; EAPN, 1999b).

themes<sup>51</sup>, under the social inclusion heading. The legacy in terms of information (the ECHP database), networks (civil society organisations) and experience in Poverty Programmes in the 1980s, can partly explain why social exclusion had been identified as a more important theme by the Commission in the 1999 communication. But it does not explain why social exclusion was not so important in the 1995 and 1997 communications. What does differ between 1995-1997 and 1999, as explained above, is the political activity by the EAPN, under the Presidency of Fintan Farrell, particularly during the March and May conferences. The policy discourse developed by the EAPN in lobbying social exclusion as a multi-dimensional problem to be resolved through a combination of social rights as well as targeted policies for social inclusion, was developed together with key (social policy) political personalities in Member States. The Finnish Minister of Social Affairs, Marja Perho, had been involved with the national Finnish and European EAPN networks and sought to make social exclusion an important issue on the agenda of the Finnish Presidency. A representative of the EAPN affirms: 'We collaborated closely with the Finnish Presidency prior to the meeting of the Council of Ministers where commitment was made to the social protection strategy, and the set-up of the SPC. We had a pre-established collaboration with the Finns, particularly supported by the fact that the Minister of Social Affairs supported and also knew the EAPN network well...' (European level inclusion interview, No.3). The work of the EAPN was furthermore grounded in the conceptions developed within the Commission, making it compatible for take-up by the Commission in its own 'discourse framing' work in social exclusion.

That is why, in the 1999 communication, the Commission would adopt a slightly adapted and softened version of the EAPN social exclusion policy discourse as a key policy ambition for social protection reform. The value of the work of the EAPN for the Commission is that it develops focal points in poverty policy, which the Commission can and does use in the development of its own discourse. The Commission frames 'social inclusion' as a 'policy solution' to the multiple 'problems' of 'social exclusion', where it identifies three strategies (focal points) (European Commission, 1999). These are first, that social assistance and minimum benefit schemes were to provide basic safety nets to combat poverty for individuals and families; second, the schemes should increasingly include provisions to include people in work and in society through active rather than passive incentives; third, the social inclusion strategy should be implemented via a comprehensive and integrated approach, involving all relevant

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<sup>51</sup> The four key broad thematic aims put forward in the communication are: to make social protection systems more employment friendly, to reform pension systems in the light of the demographic ageing of the population, to provide access to quality health care for all, and to promote social inclusion.

'stakeholders' and actors. This proves that the political action of the lobby 'sponsored' by the Commission, the EAPN, was important for strengthening the discourse in social exclusion. Had the EAPN not actively played this role, then social exclusion may never have been a core area of political focus in the policy discourse of the Commission communication. In this way, the EAPN not only supported the Commission's own work on social exclusion (on which there was already an important legacy, built through the anti-poverty programmes), but strengthened the Commission's own discourse. The EAPN in turn also worked through its governmental and non-governmental networks in Member States for the development of its social exclusion agenda.

In addition to making social exclusion a more important policy issue and to narrowing but specifying the issues in the Commission-propelled social protection discourse, the 1999 communication explicitly proposed the establishment of a working group on social protection as well as a means by which that working groups should operate (European Commission, 1999). The EAPN had prior to that proposed that a committee would be established in poverty policy. More importantly, the Commission looked to the committee that had been established in the area of employment policy and drew direct inspiration from that committee for the proposed committee in social protection. During the Finnish Presidency in the second half of 1999, Finland, in line with its general pro-integration stance, supported the development of a social protection strategy akin to the European Employment Strategy (Finland EES Interview, No.1). Finland was favourable to the proposal in the Communication to establish a social protection committee. On the basis of the Commission proposal to establish a social protection policy group (and prior to that the proposal made by the EAPN for a social exclusion committee) Finland successfully mobilised support in the Council on the decision to set up a High Level Working Group on Social Protection (WGSP) in December 1999 (European Council, 1999). Even the sceptical countries, such as Denmark, Germany and the UK, agreed to the establishment of the WGSP as it would not involve any legal commitments.

This empirical analysis that traces the decision to establish the WGSP shows that the Commission did play an important role in proposing to set up the working group, together with its proposal of social protection objectives (including social exclusion) for Community action. And in the area of social exclusion, the EAPN, as predicted by hypothesis 1, did work parallel to the Commission to establish a strong policy discourse on social exclusion, then used by the Commission itself to specify its policy objectives in social exclusion. However, this does not mean, as suggested by hypothesis 1, that the Member States were not influential. On the contrary, the Member States (in this case Finland) that were favourable to developing more

European action in social protection did work together with the Commission to establish the working group. This means that the Commission (using, adapting or echoing concrete policy issues and proposals by the EAPN) drives forward the proposal, but it needs Member State support. As we have seen during the formation of the EES, when the Commission initiatives coincide with interests of Member States, they can work together to move forward a policy agenda. The difference in this area is that the EAPN was involved in the policy development process, where a comparable actor was absent in employment policy. This suggests that saliency determines the openness of the policy area, but does not seem to have such a substantial impact on the patterns of Member State and Commission interaction.

Indeed, the Commission and Member State action is comparable in employment and social inclusion, where the Commission in both cases frames the discourse and proposes to set up a policy committee and Member States, under favourable circumstances, agree to these proposals. This confirms hypothesis 1, according to which the Commission is expected to have a greater scope of influence during the emergence of a political phenomenon. Furthermore, it means that a Commission proposal for the establishment of a policy community (or other aspect of OMC emergence), needs to be supported by a critical mass of influential Member States in the Council. In other words, the Commission and supportive Member States use each other as allies to mobilise for the support of a political decision, which each consider to be in their interest. This benefits the Commission (agent) in that the policy process becomes more concrete through the establishment of a committee, in which it can develop a role as expert (making policy proposals, policy analyses and evaluating Member State policies). It also benefits Member States who wish to develop a European dimension in social protection just as much as it satisfies Member States who wish to impede any European intervention in social protection, since there are no binding policy objectives involved.

#### **4.2.3 Stage 3: The Political Establishment of the OMC in social inclusion**

This stage sees first the formal political creation of the Open Method of Coordination (OMC) as an institutional model, as defined at the Lisbon European Council in March 2000, and second the agreement to apply it to the area of social inclusion, decided at the Feira European Council in June 2000. Regarding the former, it was created as a policy coordination mechanism that could be applied to various policy areas. The OMC was defined as an instrument of policy coordination, directly inspired by the objective-setting, benchmarking and monitoring procedures of the European Employment Strategy (EES) (Council of the European Union, 2000b; European

Council, 2000a). The OMC involves the development of guidelines (policy objectives based on common policy problems) for the reform in particular policy areas, the establishment of quantitative and qualitative indicators and benchmarks to represent those guidelines, transposing the European guidelines into policies at the national and regional levels, periodic monitoring, evaluation and peer review (European Council, 2000a). In this process, the Commission is meant to play a co-ordinating role, by presenting proposals on the European guidelines, presenting proposals on potential indicators, and providing support to the processes of implementation and peer review. The OMC and the 'Lisbon strategy'<sup>52</sup> were then endorsed at the European Council in Feira, in June 2000.

Second, following the discourse framing and lobbying work in the area of poverty policy by the Commission and the EAPN, the Member States agreed at the Feira Council that the OMC would be fully applied to the area of social exclusion. It was also decided that the OMC in exclusion would be combined with the Community action programme on social exclusion. In addition, the European level policy community (WGSP) that had been established for social protection was to play a central role in implementing the policy coordination cycle for social exclusion via the OMC. The policy cycle was to consist of social inclusion objectives (with clear indicators), national reports, peer exchange on national reports, and a European assessment in the form of a joint report, to take place on the basis of a two-yearly policy cycle.

#### ***a. Commission-Member State interaction***

Key personalities who had been involved in anti-poverty policies in the European Commission and civil society networks throughout the 1980s and the 1990s played an important role in this period. As noted above, Odile Quintin had been involved in social affairs in the Commission since the development of the poverty programmes. From 1998 to 2000, she was Deputy Director-General of the DG for Employment and Social Affairs, and then she became acting Director-General. She represented the Commission herself at the inauguration of the WGSP rather than delegating the task to a lower-level official, which suggests that she wanted to develop a more robust commitment to issues of social protection among Member States. Quintin, like Hughes Feltesse, who moved from the EAPN to the Commission in this period, was

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<sup>52</sup> The 'Lisbon Strategy' is an overarching political aim for the EU to become the world's most competitive and dynamic knowledge-based economy with sustainable economic growth, full employment and social cohesion by 2010. It also created an annual 'Spring Summit' (gathering heads of state and government of the Member States in the Council) to review progress with regard to the Lisbon Strategy every spring.

keen on developing a process with objectives and a clear method for social protection (and social exclusion) akin to the employment coordination process. Other individuals in the EAPN (Hugh Frazer, from EAPN Ireland) had also moved to the Commission during his period (European level inclusion interview, No.9). This movement of individuals from civil society to the Commission strengthens the process of transfer of ideas about poverty from the EAPN to the Commission. This can be compared to the shift of individuals in the PES (Allan Larsson) to the Commission during the development of the policy objectives for the European Employment Strategy. In the EES, Larsson's ideas about policy development were only influential once he was in the Commission. In the OMC/inclusion, by contrast, the EAPN itself was stronger than the PES because its direct links (and interdependence with Commission) were much stronger. It seems that the transfer of individuals from the EAPN to the Commission did result in a stronger focus by the Commission on poverty policy. Furthermore, after the Poverty Programmes that had been halted by the Council – only partially covered by other programmes – had not been replaced, the Commission was seeking to establish a mechanism to redeploy and even strengthen its expertise in this area. Partly on the basis of the EAPN's strategy developed in 1999 and partly due to the active role of the individuals that had transferred from the EAPN to the Commission, it lobbied the four social inclusion objectives developed in its 1999 commission communication and envisaged the development of a full coordination cycle (through the OMC) for these objectives.

At the same time, in the first half of 2000, the EAPN continued to lobby for agreement on European objectives and an institutionalised policy cycle in poverty and social inclusion. The EAPN garnered the support among other transnational civil society organisations that were also sponsored by the Commission in the poverty and social inclusion area., the EAPN lobbied poverty itself as a policy issue via its non-governmental and government contacts in Portugal: 'the Minister of Social Affairs at the time, Eduardo Ferro Rodrigues, was particularly bright and motivated, and supported the development of the strategy. The Minister knew well the EAPN network in Portugal and supported the development of the social inclusion strategy in Portugal and also at the European level.' (European level inclusion interview, No.3). The EAPN thus played an important role in mobilising support for poverty at the European level and in the Member State – Portugal – that was organising the Lisbon summit and its associated agenda. It was much more influential in defining the social exclusion policy agenda than the PES, which as we have seen represents a partisan vision and only has power via partisan governmental representatives in the Council. If the EAPN had not been so active in developing an anti-poverty agenda in previous stages and if the Commission had not exploited the work of the EAPN to



develop a social exclusion policy agenda, then the application of the OMC to the area of social inclusion may never have occurred. The focus on social exclusion was brought to the agenda on the basis of a discourse that had been developed incrementally in the Commission and the direct lobbying action of the Commission and the EAPN in this area. Importantly, the conditions for the adoption of these objectives was favourable among Member States, that had to some degree also been influenced by the national networks of the EAPN.

Parallel to this development pushed by the EAPN and the Commission, Portugal aimed to mobilise Member State support for an ambitious political agenda, including social protection reform. Portugal was at that time represented by António Guterres, Prime Minister of Portugal from 1995-2000, President of the Portuguese Socialist Party and member of the PES. In proposing an ambitious new agenda for European Integration, Guterres engaged Maria Joao Rodrigues as his advisor in the development of a new political strategy for Europe. In her words, Guterres ‘... had the vision and the ambition to launch an extensive process for long-term thinking and decision.’ Guterres mobilized his network of personal political contacts at the European and national levels (Rodrigues, 2002b: 19). Rodrigues, too, had an extensive and powerful network of contacts in European circles, and notably contact with Jacques Delors during the development of the Lisbon Strategy. She also mentioned that she collaborated with other ‘experienced mediators’, notably Allan Larsson (European Commission) and Jean-Claude Juncker (Council) who had been important figures in the development of the European Employment Guidelines (stage 3). She specifies that these actors were important in providing ideas and suggestions about how to develop a European strategy, even reaching to areas where Member States retained full authority (Rodrigues, 2002: p. xi). Together with Guterres she prepared a strategic document that was disseminated at the beginning of the Portuguese Presidency in January 2000 to all EU Member States, European institutions and interest organisations. This included the conceptualisation of the Open Method of Coordination, identified as a soft policy coordination mechanism that could be applied to various policy areas. It was identified as one means among others to support Europe in achieving aims of greater social cohesion and economic growth (Council of the European Union, 2000a). The EAPN not only lobbied vis-à-vis the social affairs Minister in Portugal, but also lobbied vis-à-vis Rodrigues who was working on the broader European policy strategy. A key EAPN representative states that: ‘We also met Rodrigues prior to the Portuguese Presidency. Rodrigues herself had a more ‘theoretical’ approach to the OMC, but did not know exactly what form it would take. EAPN met with her in order to lobby social inclusion and poverty, so it would be adopted by Portugal in the overall Lisbon agenda. But Rodrigues herself was more interested in the global coordination

approach, rather than the specificities of the form that the OMC would take in the various policy areas. She did not make any particular emphasis on the integration of social exclusion within the broad political strategy being developed by Portugal (European level inclusion interview, No.3). However, she did endorse the inclusion strategy in the broader policy strategy that was being developed.

To achieve commitment on a political strategy for the Union, the main ideas envisaged by Portugal had been presented in various settings, including the PES. It was a useful institutional setting for testing the receptiveness of European socialists to an ambitious new agenda for Europe, particularly since 11 of 15 countries in the Council were run by socialist and/or social-democratic governmental coalitions at the time. At the Party leaders' meeting in January 1999, Guterres presented a report which proposed a broad political strategy for the Union, which included the ambition of rendering society more 'active' and 'inclusive', and also to attain a 'binding commitment in the fight against social exclusion'. One year prior to the Lisbon Summit, PES members had in principle been receptive to a stronger social dimension for European Union actions, as well as a stronger co-ordination of social and economic policies. But, compared to the case of the EES, where the PES had established a working group to determine a European employment policy agenda prior to its initial emergence, no comparable PES group was established for the area of social exclusion or the broader area of social protection. In other words, the PES was not active to try to establish a European social exclusion agenda. The power of the PES was instead indirect, through the social-democratic and socialist representatives of heads of state and government in the Council. Since it had no direct influence, then the explanation that refers to the role of European party coalitions (and advocacy coalitions) in the emergence of a political phenomenon sidelines the centrality of the role of the Commission and the Member States in that process.

The impulse to establish the OMC was driven by Principal (in particular Portugal) in conjunction with its aim to develop an ambitious European 'Lisbon agenda' agenda for growth and social cohesion. But, the (Commission and EAPN-driven) poverty agenda was (successfully) promoted by the Commission and the EAPN vis-à-vis Member States. It was then subsequently decided (by Portugal) that the OMC should be included as one element of the more ambitious 'Lisbon agenda' defined during the Portuguese Presidency to the European Council<sup>53</sup>. All members of the Council favoured the introduction of policy coordination as a general European

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<sup>53</sup> The Lisbon Summit is considered here as an important decision-making moment (although not as highly salient as an Intergovernmental Conference on Treaty revision) as it institutionalises a policy co-ordination model that will then be applied to various policy areas.

instrument, applicable to various policy areas. While the broader policy agenda had been determined by Member States, the policy agenda of the OMC/inclusion had been decided by the Commission-Member States, via its incremental discourse framing on anti-poverty policy (by the Commission and the EAPN). The analytical finding is that the work of the Commission can result in further institutionalisation of a political phenomenon if and only if it is consistent with the broader political agenda determined by the Council. The finding in terms of the P-A relationship was the same for stage 2 on the development of the policy community and broader policy discourse for social protection: the Commission and the EAPN were successful in discourse framing and lobbying, but Member States did have to agree to the decision to establish the working group. Here the Commission and the EAPN were again successful in lobbying for specific objectives in anti-poverty policy. But the Council set the overall policy direction for the Member States. It was only because the OMC/inclusion was in line with the policy direction set by the Council that it was adopted. These findings are in line with hypothesis 1, and are also consistent with hypothesis 4B according to which the Commission is expected to have a high scope of influence in an area of low salience.

#### **4.2.4 Stage 4: Legal Establishment of the Policy Community and the OMC inclusion's political objectives**

##### ***a. Outcome***

The fourth stage of emergence of the OMC/inclusion sees first, the creation of a legal basis for the WGSP, renamed the Social Protection Committee (SPC) and officially endorsed in the Nice Treaty (article 144) in December 2000. Its structure and mandate remained unchanged: it consists of two representatives per Member State and two representatives from the European Commission<sup>54</sup>. Its secretariat – the ‘support team’ – is located in the Commission. The European Commission plays proposes policy objectives, develops data (the databases in Eurostat which include indicators in the area of poverty policy) and monitors Member State reports (where they show the efforts made to achieve European objectives), especially through its draft joint report on social inclusion, on which Member States in the Council have the final veto. The mandate of the SPC is to work on social protection issues, including poverty and

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<sup>54</sup> But its structure is not more open than the Employment Committee: it is required to establish ‘appropriate’ contacts with social partners, but not with civil society organisations.

social exclusion<sup>55</sup>. It has an 'advisory status' and prepares reports and formulates opinions at the request of either the Council or the Commission or on its own initiative, which is similar to the structure of the Employment Committee. Secondly, an indicators sub-group, subordinate to the SPC, was established in December 2000 to work on the development of indicators and statistics to support the policy objectives of the OMC/inclusion and other issues related to social protection. The indicators sub-group was also similar to the indicators sub-group in the area of employment.

Third, political agreement was reached on four key social inclusion objectives at the Nice European Council in December 2000. These are:

1. Promotion of a participative society by means of employment (also quality emphasised), but also access to resources, rights, goods and services to be provided through the social protection systems;
2. Prevention of risks of exclusion;
3. Setting out action for vulnerable groups or individuals, especially children and older people;
4. mobilisation of all actors concerned in the formulation and implementation of social inclusion actions. These actors include representative civil society organisations and also the excluded themselves (European Council, 2000b).

As discussed above, agreement on these objectives in the Council preceded the French Presidency, but during the French Presidency, they were officially endorsed. During this stage, then, the main outcome consists of legal codification of the existing policy community and an extension of the structure of the policy community as well as political commitment to political objectives of social inclusion. Which actors in the P-A relationship were driving forces during this stage?

#### ***a. Commission-EAPN-Member State interaction***

In line with its mandate, the Commission proposed the official establishment of 'Social Protection Committee' (SPC), to replace the WGSP. It was not controversial since the WGSP had been fully operational since its political establishment (meetings had been organised monthly). At the same time, the Treaty revision also represented an opportunity to extend the structure of the SPC by also creating a sub-ordinate Indicators Working Group to develop

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<sup>55</sup> The other fields of its mandate are to make work pay, to make pension systems socially and financially sustainable, and to make health care systems accessible for all, of high quality and sustainable.

indicators and benchmarks for issues of social protection. This had already been agreed informally among Member States in the Labour and Social Affairs Council and was, like the legal establishment of the SPC, uncontroversial. What it does mean is that the Member States were ready to establish mechanisms through which to build comparative knowledge about social protection reform challenges and responses. The establishment of the SPC (and its indicators subgroup) in social protection could be explained through neo-functionalism, by insisting on political spill-over from employment to social protection. Indeed, the structure and mode of functioning of the SPC had been built on the model in the ELC, just as the SPC indicators working group had been established upon the one in employment. But it does not explain the actor dynamics behind these decisions. Key personalities in the Commission, in particular Odile Quintin, lobbied actively for social inclusion policy objectives (developed in the Commission communication) during the French Presidency. France was keen on making an impact in the development of social inclusion policy. The fact that Quintin was French provided a favourable basis for collaboration with France during its Council Presidency in the second half of 2000. Similarly, in the area of employment, the nationality of key political personalities in the Commission and the Council had provided additional leverage for the adoption of a decision to affect the emergence of the EES (stage 4 where the political objectives for the EES were agreed). This suggests that nationality and/or partisan coherence between the top political personalities in the Member States and the Commission involved in the emergence of a political phenomenon needs to be taken into account in explaining its emergence. As we have seen in the analysis of the EES, and now the OMC/inclusion, this can change from one stage to another. In the run-up to an Intergovernmental Conference on Treaty Revision, Member States mobilise support for strengthening the legal basis in areas where there is a broad consensus, which in this case was social protection (an area where there had been active debate since the beginning of the 1990s, developed in the Council and especially by the European Commission).

Parallel to the initiative to provide the policy committee in social protection with a legal basis, the French Presidency actively sought to obtain agreement on objectives for the fight against social exclusion. The French Presidency has historically been an important actor in the development of the discourse around the 'European social model' that includes the social exclusion concept and was keen on leaving a mark in the European anti-poverty agenda. As explained above, most of the preparatory work for the development of the inclusion objectives took place in the build-up to the OMC (in particularly stage 2) by the Commission and its semi-autonomous anti-poverty lobby, the EAPN. Table 14 below analyses, on the basis of core policy documents, the relative influence of the EAPN and the European Commission on the Social Inclusion objectives

(outcome) agreed by the Member States in the European Council (during the Nice European Council). The influence of the EAPN can in particular be seen in the rights-based approach and the participatory model. Social exclusion as a multi-dimensional phenomenon had been adopted in the Commission and the EAPN throughout the 1980s, and was part of the European discourse for poverty policy. The work-based approach – i.e. including people into society through paid employment – was stronger in the Commission. The relative influence of the EAPN and the Commission on the decision about social inclusion objectives (endorsed at Nice) will be discussed below.

**Table 14: The policy aims of the EAPN and the Commission compared to the outcome (Council)**

Policy Aim/ Document	'Europe for All' (EAPN)	1999 Communication (Commission)	Nice Presidency Conclusions (European Council)
	May 1999	July 1999	7-9 December 2000
Inclusion through Employment	'...promoting education and academic success for children...'; '...promote pathways to qualifications and back into employment for those most out of touch with the world of work'	'...fostering active rather than passive incentives and providing incentives and pathways to (re)integration into the labour market and society'	'stable and quality employment for all men and women who are capable of working' '... pathways for employment and training'; reconciliation of work and family life; employability, especially of most vulnerable.
Rights-based Approach and prevention	Promotion of 'the effective exercise of fundamental rights by all'; '...resources to live and take part in society so as to live in a manner compatible with human dignity... universal access to health care... Promote the right to housing... Access to public services: for employment, health, education, social protection, culture, transport, energy, housing.	'social protection has a key role to play... in the combating of social exclusion and promotion of social inclusion. Social protection systems have in particular to provide minimum income benefits, access to housing and health services'; 'to ensure efficient safety nets... with a view to efficiently combat poverty and exclusion of individuals and families'	'Ensure access to resources, rights, goods and services for all'; housing, public utilities (electricity, water, heating), health care, education, justice, other public and private services (culture, sports, leisure) '; 'to prevent the risks of exclusion' via use new information technologies, especially for disabled, prevention of life crises, preservation of family solidarity.
Targeting	<i>Helping most vulnerable is through</i>	<i>No explicit groups targeted</i>	'To help the most vulnerable' via

	<i>rights-based and preventative policies according to EAPN</i>	<i>in communication.</i>	social integration of men and women at risk of exclusion; elimination of child poverty and 'comprehensive actions in favour of areas marked by exclusion'
Participative model	'... promote the development of associations and community groups which facilitate the active participation of people affected by social exclusion; ...develop strategies to ensure the active involvement of people affected by social exclusion in the development, implementation and evaluation of local pilot actions... regular dialogue between public authorities at all levels and NGOs...to represent the interests of people affected by social exclusion; promote and support the development of partnerships between public sector bodies, trade unions, employers and enterprises, and NGOs at all levels'	the social inclusion strategy should be carried through via a 'comprehensive and integrated approach, involving all relevant policies and actors'	'To mobilise all relevant actors' concerned in the formulation and implementation of social inclusion actions, including public authorities at national, regional and local levels, dialogue among representative civil society organisations, social partners, social service providers, expression of the excluded themselves, promotion of social responsibility of business

Table 14 shows that the social inclusion objectives agreed by the Council at Nice drew heavily on the more elaborate anti-poverty policy objectives developed by the EAPN. Specifically, the scope of the rights adopted was broad-ranging, including housing and basic utilities, access to health care, justice and culture. In addition, the participatory model for decision-making, implementation and monitoring was comprehensive referring vertically to public authorities at all levels of governance and horizontally to civil society organisations, social service providers and the excluded themselves<sup>56</sup>. The 'rights-based approach' and the 'participatory model' derived directly from the EAPN's rather than the Commission's thinner policy discourse. Contrasting with the EAPN approach, that was more cautious about a work-based integration strategy, the

<sup>56</sup> It is important to note the distinction between the participatory model in the former Poverty Programmes that was institutionalised in the local communities of Member States, and that of the OMC/inclusion, where multi-level governmental and non-governmental participation remains at the level of a discursive normative commitment. The actual implementation (organisation of the policy cycle) was to take place behind the closed doors of the (core governmental) Social Protection Committee.

Commission insisted on employment as the primary means to combat social exclusion. This approach relied heavily on the activation approach of the Employment Strategy (notably the ‘employability’ of the vulnerable). The objectives adopted included a comprehensive rights-based approach, elaborate participatory model, but also paid employment as the first and most important tool to combat social exclusion. This means that during the initial definition of policy objectives for the OMC/inclusion, the arena was more open to the influence of the Commission, which relied heavily on the work of its lobby sponsor, the EAPN. This contrasts slightly with the case for the EES, where the input for policy objectives (stage 4) derived directly from the Commission. The PES or other actors did not influence the process as much as the EAPN in social inclusion. In line with hypothesis 1, the Commission’s capacity to determine the policy discourse was high during this stage of emergence of the OMC/inclusion objectives. But, the OMC/inclusion agenda coincided with that of the majority of Member States in the Council. Therefore, the coincidence of Member State interests with issues proposed by the Commission could be considered a necessary condition for the adoption of a Commission-propelled agenda. It seems that the OMC was not considered as a threat, as it did not involve any hard contractual commitment between the Principal and the Agent: only a general provision on social exclusion (stage 1) and the establishment of the SPC (stage 4) were included in the Treaty. The coordination cycle was established politically (at the level of the Council) and could easily have been amended.

#### **4.2.5 Stage 5: The financial and technical foundations of the OMC/inclusion and completion of the policy cycle**

##### ***a. Outcome***

This fifth stage of development of the OMC/inclusion sees, first, the establishment of the financial basis of the OMC/inclusion in the Community Action Programme against Social Exclusion (CASE).

The CASE was to run from 2002 – 2006 with a 75 million Euros budget. The initiative-taking for use of the funds would be fully in the hands of the Commission. But, a control mechanism for the correct use of the CASE is in the hands of the Member States: fund allocation and overall monitoring are managed by a committee made up of government representatives<sup>57</sup>. The committee provides political guidance to the Commission on the implementation of the

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<sup>57</sup> The programme was established according to structure of the oversight committee in the previous anti-poverty programme (stipulated in Decision 1999/468/EC; European Parliament and Council, 2000a: article 8).



programme, and acts as a partner with the Commission in the implementation of social exclusion policy ([http://europa.eu.int/comm/employment\\_social/soc-prot/soc-incl/faq\\_en.htm](http://europa.eu.int/comm/employment_social/soc-prot/soc-incl/faq_en.htm)). The second aspect of the empirical outcome consisted of the definition of anti-poverty indicators for the OMC/inclusion. This technical dimension was driven and developed by the Member States to support the anti-poverty objectives of the OMC/inclusion. The concrete outcome consisted of identifying and defining poverty indicators. Finally, one cycle of the OMC/inclusion was completed, in which the balance of power between the Agent (via expert advice through monitoring) and the Principal's limitations to that advice (to prevent Commission shirking) were determined. In addition, the Commission's lobby sponsor, the EAPN, also attempted (successfully) to enter the OMC/inclusion process by making assessments of the country reports parallel to the Commission's own monitoring actions. These developments complete the full emergence of the OMC/inclusion.

#### **b. *Commission-Member State interaction***

During this stage, different impulses and decision-making processes unfolded. The Commission (DG Employment) and the EAPN lobbied for establishing a financial basis for the OMC/inclusion<sup>58</sup>. Following the lobbying by the Commission and the EAPN throughout 2000, agreement was achieved in the Commission and European Parliament on the programme for social exclusion that was identified as a part of the OMC/inclusion (European Parliament and Council, 2000a: article 1). Member States did not in any way change the proposal of the Commission and the European Parliament. They did not consider the programme as a threat to their authority in anti-poverty policy as it consisted of financial support for small scale projects and building civil society networks. This contrasts to the situation in the Council that terminated the use of the anti-poverty programmes, where the UK and Germany in particular obstructed further use of the Poverty Programmes (stage 2 in the period preceding the OMC/inclusion).

At this time conditions in the Council were favourable: the attitude towards social initiatives was positive and the Commission (together with the EP) succeeded in mobilising support for the

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<sup>58</sup> The Commission proposed three broad objectives (that were to guide the use of the funds): to improve the understanding of social exclusion and poverty through comparable indicators, to organise exchanges of information on anti-poverty policies, and to develop the capacity of actors to address social exclusion more effectively (European Parliament and Council, 2000b: article 3). For each of these objectives, 'indications', rather than fixed instructions, were given on how the programme could be used. Various proposals for usage of the funds under these three objectives could be submitted according to suggested procedures (European Parliament and Council, 2000b).

CASE, without much difficulty. Political agreement on the establishment of the programme was reached among the Member States in the Council during the Swedish Presidency (European Council, 2001). This suggests that the Agent was successful in developing a proposal according to its policy priorities only because it was consistent with Member State priorities.

While the Commission successfully obtained financial support for the OMC/inclusion, it was the Member States that managed and defined the statistical indicators to sustain the OMC/inclusion. Concretely, it was in the second half of 2001, during the Belgian Presidency, that Frank Vandenbroucke, then Belgian Minister of social affairs, commissioned a report (led by Professor Anthony Atkinson, of Oxford University) to develop indicators for the area of social inclusion (Atkinson *et al.*, 2002). The aim of Vandenbroucke was two-fold: to strengthen the OMC/inclusion process at the European level through the agreement on indicators (European level inclusion interview, No.9), and to use these indicators to revise the poverty strategy in Belgium. It was followed by a European conference among Member States in September 2001 where the main recommendations for indicator development in the report were endorsed. On the basis of this action initiated by the Belgian Presidency, the European Council agreed in December 2001 on 18 European level indicators, to become known as the 'Laeken indicators', named after Council meeting where they were endorsed (Interview Indicators sub-group, representative 2, July 2005; European Council, 2001b). They were established entirely on the basis of the suggestions in the Atkinson report. Half (nine) of the indicators focused on the issue of monetary poverty<sup>59</sup>, four concerned unemployment<sup>60</sup>, two concerned education<sup>61</sup>, two concerned health<sup>62</sup>, and one addressed the regional dimension of poverty<sup>63</sup> (Social Protection Committee, October 2001: 2). The most politically salient monetary indicator was the 'at risk of poverty rate' indicator of 60 per cent of median income (Interview Commission delegate ISG & Eurostat, March 2005; Interview ISG delegates 1 and 2). Contrary to the expectations of hypothesis 1, the Member States rather than the Commission managed and defined the process of identifying and defining statistical indicators. This empirical finding does suggest,

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<sup>59</sup> These are low income rate after transfers with low-income threshold set at 60% of median income, distribution of income (income quintile ratio), persistence of low income, median low income gap, dispersion around the 60% median low income threshold, low income anchored at a point in time, low income rate before transfers, distribution of income (gini coefficient), persistence of low income (based on 50% of median income).

<sup>60</sup> Long term unemployment rate, people living in jobless households, long term unemployment share, very long term unemployment rate.

<sup>61</sup> Early school leavers not in further education or training, persons with low educational attainment.

<sup>62</sup> Life expectancy at birth, self perceived health status.

<sup>63</sup> Regional cohesion.

that, despite the fact that poverty policy is a less salient issue than employment policy then part of an OMC contract could be (and has been) defined by Member States when it is a clear political aim of one or more governments. Here, it is not just a matter of the Member States main priorities coinciding with the Commission proposals, but a case where (some influential) Member States actually aim to set the OMC agenda.

The third action of this stage is the completion of the first full policy coordination cycle. Here we see the Commission attempting to assert authoritative policy direction, while the Member States curb that effort. After the Member States submitted their 'national action plans for inclusion' (NAP/fusion) in June 2001, the Commission, in line with its 'monitoring' mandate, assessed the reports in the draft of the Joint Inclusion Report (JIR), prepared in July 2001. In the draft JIR, the NAP/inclusion of all Member States were analysed and evaluated by the Commission, according to three criteria: the quality of the analysis and the capacity to assess the risks of exclusion; the extent to which Member States have, in the NAP/inclusion, transformed the general European objectives into detailed priorities; and the extent to which the NAP/inclusion have been integrated into domestic political reform aims, rather than an isolated policy initiative (or ex-post policy report). According to hypothesis 4B, I would have expected the Commission to be able to advise Member States in poverty policy, because it is not a highly salient policy area. But as will be explained below, this was not the case.

This assessment by the Commission resulted in a four-group categorisation, to which the Member States in the Council reacted defensively<sup>64</sup> (similar to that provoked by the first round of EES recommendations). Many Member States intervened in the assessment for their country, re-writing it substantially and this forced the Commission to propose a softer assessment of the Member State reports. The Commission influence can be considered to be low because it has not been successful in achieving its aim. The Commission had tried to stretch its monitoring

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<sup>64</sup> The 'best students' were Denmark, the Netherlands and France, whose strategies were identified as coherent as well as being integrated into national political processes. The second group consisted of Portugal, Finland, Sweden and the United Kingdom. These countries were considered to have accurately assessed the challenges to be met, and to have devised coherent policies to meet these challenges, albeit not fully integrated into national policy processes. Belgium, Germany, Spain, Italy and Ireland - the third group - were just beginning to develop a coherent strategy and to identify specific national policy objectives. The fourth group - Greece, Austria and Luxembourg - were the poorest performers and has simply 'described' the poverty situation in their countries (de la Porte, 2002). Most NAP/incl. barely mentioned indicators or quantified objectives, reflecting an overall difficulty in assessing the measures adopted. Moreover, the Member States hardly unveiled the financial means allocated for social inclusion measures (Peña-Casas, 2002).

role, but the Member States were on their guard and thus rejected the Commission-driven classification of 'performance' in poverty policies. The Member States heavily edited the report in favour of a much more neutral assessment, which was then endorsed during the Social Affairs Council of 3 December 2001. The approved report, instead of assessing performance according to a benchmarking system derived from the objectives, pointed to generic factors related to the risk of exclusion, and discussed normative ambitions about the need for Member States to explicitly develop or strengthen policy in this area. The concluding note of the report was relatively soft and diplomatic, arguing that '... Most 2001 NAPs are... an important starting point, but, in order to make a decisive impact on poverty and social exclusion, further policy efforts will be needed in the coming years' (Council of the European Union, 2001: 9). This episode reveals a principal-agent struggle in an area where the Commission had in the past sought to play an assertive role, notably in the implementation of Poverty Programme 4 (pre OMC/inclusion – stage 2) without approval by the Council, and also by issuing, in the EES, individual recommendations (emergence of the EES – stage 5) without an explicit legal mandate to that effect. But this is not a case of shirking, since the Commission did not overstep but accept the limits imposed to its authority by the Member States. This incident does suggest that the Member States are wary of Commission intervention in poverty policy, even if it is not as salient as the area of employment. In addition, Member States also refer to past experiences in the development of their strategies. Hence, there could be 'learning' within the P-A relationship in the broader area of social policy (including both employment and social inclusion). But these findings are contrary to the hypotheses about differential involvement of the Member States and the Commission according to saliency. Indeed, even if poverty policy is considered to be of low saliency, the Member States resisted strong Commission intervention, which goes against the prediction of hypothesis 3B.

In addition to the Commission's (unsuccessful) attempt to enhance its power in 'monitoring' Member State policies, the EAPN, without any political or legal mandate to do so, developed a third party expert monitoring role for civil society (represented by itself) within the process. Fintan Farrell, President of the EAPN, was an important individual actor pushing for the enhancement of its role (Interview, President EAPN, December 2004). Similar to the Commission initiative to interpret ambiguous contract clauses, the EAPN used the incomplete contract character of the OMC/inclusion – only defined politically – as a means to enter the policy process. Regarding the OMC/inclusion's own policy objectives, the EAPN referred to the aim that emphasizes the involvement of civil society actors in all stages of the OMC policy cycle as a means to develop a monitoring role within the process. The EAPN evaluated the NAP/inc

from the civil society perspective in two steps. The first step consisted of each national member of the EAPN network evaluating the NAP/inc of their respective governments and the second consisted of the head office EAPN office in Brussels issuing a global assessment of the first round of action plans. The latter focused on domestic poverty policy generally, and more specifically, on the degree of integration of EU inclusion policies with national level policies, as well as the participation of relevant stakeholders in the process of drawing up the NAP/inc. In the assessment, the EAPN also made a more policy-oriented critique to lobby for reinforcement of the European level objectives, insisting on the need to make the European objectives more specific, that is more oriented to results and on the other, to introduce more indicators (EAPN, 2001).

This action of the EAPN exemplifies the capacity of an actor to exert subtle (anti-poverty expert based) power through creative contract interpretation. Since the OMC stipulates that civil society and concerned actors should be involved in the development and assessment of policy, the EAPN used that as an informal political mandate to create a role for itself in monitoring the OMC/inclusion. Also the policy objectives of the OMC/inclusion included reference to broad involvement of civil society which was also exploited by the EAPN to enter the policy cycle of the OMC/inclusion in different ways. We thus see that the EAPN was not only active in the discourse framing during the very early stages of the OMC/inclusion, but also in 'monitoring' the reports by Member States. By 'monitoring' national reports, the EAPN seeks to influence Member States via its national assessments. But because the institutional weight of the EAPN is not as strong as that of the European Commission, the Member States did not feel the need to curb its power or to suppress the initiative. But the extent to which the national non-governmental actors influence their respective governments via the EAPN-initiated evaluation is determined by the relationship and channels of influence between non-governmental and governmental actors in the country concerned. The EAPN is also trying to enhance its 'expert' authority vis-à-vis the Commission, by highlighting which of the OMC/inclusion objectives it considers most important and also by calling for the further development of some of these objectives (European level inclusion interview, No.3; European level inclusion interview, No.10). The role of the EAPN, representing 'civil society monitoring', would become a permanent feature of the OMC/inclusion policy cycle. The OMC/inclusion is more open in that includes a broader base of actors in different parts of the policy cycle, particularly development of policy objectives and also monitoring of national reports. The EES is more closed, limited to Member

State-Commission interaction<sup>65</sup>. If we compare the reaction of Member States to monitoring of the Commission and of the EAPN, respectively, they reacted more defensively to the former, because the Commission was perceived as stronger than the EAPN (and because the Commission could attempt to develop even stronger instruments to monitor Member States as it had done in the emergence of the EES through individual country recommendations).

According to hypothesis 1, the Commission was expected to have more influence during the emergence of the OMC/inclusion, compared to Member States. But the empirical evidence of these stages of emergence is mixed. It shows on the one hand that the Commission and its sponsored lobby – the EAPN – have had a substantial role in the development of the policy discourse that would underlie the OMC/inclusion. The process of emergence of the OMC/inclusion has been more open to the influence of civil society actors (the EAPN). This could be, as suggested in hypotheses 3 and 4, because the OMC/inclusion is not salient domestically, but it could also be, as already discussed, because the EAPN is not considered as a strong (influential) actor. On the other hand, the agenda of the majority of Member States did have to coincide with that Commission-driven agenda in order for it to be successful in any action. This is comparable in the EES and the OMC/inclusion, which suggests that domestic salience may not be as important an explanatory factor in why, when and how the Commission and the Member States interact in the emergence of the OMC. This analysis has furthermore shown that when Member States have a vested interest in a particular aspect of an OMC, then they determine its development, rather than the Commission. In both policy areas, the Commission has more influence in developing a policy discourse during emergence, while the Member States act mainly in the view of their short-term rather than long-term political agendas (which can change between each six-monthly Presidency to the Council). Comparing the actions of the Commission and the Member States in the stages of emergence of the EES and the OMC/inclusion, they do not differ much with regard to the level of domestic saliency, as expected in hypotheses 3B and 4B. But in the OMC/inclusion, the EAPN has developed a role in various aspects of the policy cycle, from objective setting through monitoring, which is a particular feature in this area and which shows that the OMC structure in poverty policy is more open.

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<sup>65</sup> But social partners report on the objectives related to issues that they implement at national level. However, they have not set policy objectives in the EES, nor have they monitored National reports.

### 4.3 Institutional Evolution

How does the OMC/inclusion develop after its full definition as a contract? How does the Commission (with the EAPN) and Member State relationship evolve during the subsequent evolution of the OMC/inclusion? Do Member States intervene more assertively for the re-definition of the policy objectives than in the emergence of the OMC/inclusion (hypothesis 2)? Does the Commission progressively lose its influence in shaping the OMC/inclusion when it was defined as a contract, as was the case for the EES (particularly in stage 9, when Member States undermined the work of the Commission entirely)? Or does the Commission maintain a more pronounced role in the OMC/inclusion compared to the EES (in line with the predictions of hypothesis 4B)? If this is the case, then it would suggest that the issue of saliency is important for its further evolution (after full definition as a contract). Table 15 below summarises the main P-A dynamic in the subsequent institutional evolution of the OMC/inclusion

**Table 15: Stages in the evolution of the OMC/inclusion**

Empirical Outcome			
Stage	Stage 6	Stage 7	Stage 8
Time	01/2002 – 12/2003	01-12/ 2004	01-12/ 2005
Aspect	Institutional Model	Institutional Model	Institutional Model; policy objectives
Content	Alternation technical database and civil society network development	Legal adaptation of SPC, Institutional spin-off	Alteration political foundations OMC/inclusion; new financial basis; improvement technical dimension OMC/inclusion
Main Findings of Commission (Agent) and Member State(s) (Principal) roles in Evolution of the OMC/inclusion			
Main Driver	Agent	Agent	Principal (Agent)
Action	Agent lobbying, Lobby Sponsoring	Agent lobbying	setting policy direction and technical indicators (lobbying, lobbying by 'sponsor')

#### **4.3.1 Stage 6: improvement of technical data and lobby sponsoring**

##### ***a. Outcome***

This 6th stage of development sees two developments in the OMC/inclusion that were both supported financially by the programme of Community action for social exclusion for 2002–2006 (CASE). The first consists of the improvement of the technical data on poverty and social exclusion, by replacing the European Community Household Panel (ECHP) database<sup>66</sup> with Community Statistics on Income and Living Conditions (EU-SILC), a new database created to provide more timely and accurate data. It was developed according to the dimensions of social exclusion developed in the OMC/inclusion: income, social exclusion, housing, activity and work, demography, education and health (Eurostat, 2005: 1-2). The second was the financial support of existing and new non-governmental networks in the area of poverty and social exclusion.

##### ***b. Commission-Member State interaction***

During this stage, the European Commission, in line with its delegated mandate, uses the CASE to launch the development of a new statistical database. The Commission had since the Poverty Programmes been using Commission-generated data for developing policy discourses about poverty, conceptualized as consisting of multiple dimensions of exclusion. But since the ECHP (that emerged together with the Poverty Programmes) was considered to be a weak database and because its link with the OMC/inclusion was weak, then the possible expert authority of the Commission on the basis of its data was not so strong. Ultimately, better data in the area of poverty would serve to enhance the expert authority of the Commission. In other words, it could provide the Commission with more expert leverage to influence the process. The initiative to establish EU-SILC, the new database, was taken in 2002 (Eurostat, 2005: 1). The Commission wanted the database to be closely linked to the objectives of the OMC/inclusion<sup>67</sup>. The Member States, which had brought the issue of indicators for OMC/inclusion to the EU agenda by developing a report on poverty indicators, supported this decision fully. As we have

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<sup>66</sup> The European Community Household Panel (ECHP) was weak (lack of accuracy and timeliness) which is why policy-makers did not use ECHP data for assessing national living and working conditions, as national sources of data provided more up-to-date and relevant information (European level inclusion Interview, no. 11). It did not provide the Commission with strong traction for the development of EU policy solutions in the area of poverty policy.

<sup>67</sup> The European Statistical Office states that EU-SILC ‘...should be used to develop extensive micro-economic evaluation of EU and national policies in the field of social inclusion’ (Eurostat, 2005: 6).



seen repeatedly, when a Commission initiative coincides with the interests of the majority of Member States, then it is adopted easily. In this case, then, the Commission was not overstepping its own delegated power via the CASE. Without controversy the Member States in the Council formation approved the decision to establish EU-SILC<sup>68</sup>. The legal act for EU-SILC and the Framework Regulation of the European Parliament and of the Council was published in June 2003.

Second, the Commission has also used CASE to pursue ‘sponsoring’ of lobby organisations to secure financial support for existing European-level non-governmental networks, notably the EAPN, but also other non-governmental actors. As we have seen, the EAPN has been an influential actor in determining the policy objectives of the OMC/inclusion and its policy discourse has been used selectively by the European Commission (stages 2 and 3). Other networks, also supported by the CASE, derive their policy legitimacy for developing actions around one or more specific poverty objectives. This includes FEANTSA, which lobbies for the fight against homelessness<sup>69</sup> and Eurochild that focuses specifically on the issue of Child Poverty. The elimination of homelessness and child poverty are both policy aims within the OMC/inclusion. The CASE has also enabled the development of new networks, notably the European Public Social Platform and the Transnational European Network for Social Inclusion (RETIS). The latter was established in October 2002 by six regional and local-level actors (Brussels, Belgium; Tuscany, Italy; Roubaix, France; Hampshire, United Kingdom; Gijon, Spain; Ioannina, Greece). Its principal stated political objective is to eradicate poverty and exclusion by encouraging the development of actions at the regional and local levels, which is in line with the objectives of the OMC/inclusion (European level inclusion interview, No.13). Importantly, the

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<sup>68</sup> Another reason that Member States agreed on the database is because they could influence the process of definition of indicators via the indicators group (ISG) that is subordinate to the SPC (decided during stage 5). Various informal and formal means of collaboration have been developed between Eurostat (that manages the EU-SILC database) and the ISG, as reflected in a report by the ISG “our first intervention has been an electronic consultation in June this year on a Eurostat proposal for the 2005 module of EU-SILC on the intergenerational transmission of poverty.” (ISG, 2003: 9). The ISG (Member State statistical experts affiliated to social affairs ministries) seeks to increase its role in EU-SILC to further strengthen its role in shaping the statistical indicators that sustain the objectives of the OMC/inclusion.

<sup>69</sup> FEANTSA lobbies for the fight against homelessness, which is one of the OMC/inclusion objectives, and has used the OMC/inclusion as a policy incentive to develop its activities. A representative of the organisation states that “For years, FEANTSA had, prior to the OMC, lobbied the issue of homelessness at European level, with few substantive results. The OMC has genuinely been a window of opportunity for FEANTSA. But, if it were not for the Community Action Programme, there would be no impact/Influence of the OMC inclusion. It would be limited to reporting/NAPs.” (European level inclusion interview no. 10).

OMC/inclusion provides a channel for these transnational civil society actors to influence the Commission and Member States in the area of their concern via position papers and lobbying. The Commission ensured that the process of selecting the networks took place according to the established procedure. Member States approved, but have not intervened in this process of network development. This is because the work of the Commission is carried out on the basis of the regulations of the financial programme that had already been approved by the Member States, and the Commission did not attempt in any way to overstep its power (no attempted 'shirking'). Once the non-governmental networks have been established, the Commission ensures formal and informal contact with each of these networks: a meeting is held every three months with representatives of the networks to monitor their activities and one member of the Commission team is responsible for maintaining contact with one specific network (European level inclusion interview, No.6). Each network 'sponsored' by the Commission supports specific issues on the poverty agenda and in that way provides a stable pillar of support for DG Employment and Social Affairs' agenda and priorities which can then select the issues lobbied by the networks selectively, as was the case with the policy framing of the social exclusion discourse (that unfolded during stages 2, 3 and 4). These findings support hypothesis 4B, according to which the Commission will have more influence in an area of low domestic saliency. And in line with hypothesis 3B, Member States did not intervene in the action of the Commission. It seems, then, that Member States are supportive of actions in poverty policy when they are not a threat to their own sovereignty in poverty policy.

#### **4.3.2 Stage 7: Change of functions in SPC, and creation and implementation of the peer review programme**

##### ***a. Outcome***

The seventh stage of institutional development of the OMC/inclusion consists, first, of a formal change, to adapt the mandate of the SPC. The core structure remained the same – two civil servants per Member State and two Commission representatives – but the adapted structure included a greater role for external expertise within the Committee. It extends the actions of the SPC by rendering it possible to call on external experts for the development of evidence-based agenda setting (redefining the policy objectives of the OMC/inclusion). The document establishing the change in the SPC states that it “may call on external experts where its agenda so requires.” This broad scope would be to the benefit of both the Commission and the Member States as both actors could use expert data to support their policy claims. Not only the

Commission and Member States via the SPC, but also working groups under the SPC could, as autonomous institutional committees in their own right, call upon external expertise for assistance (Council of the European Union, 2004). This provided the possibility for the ISG to use external expertise on the subject of indicators. While this possibility of using external experts became a feature of the SPC, this feature does not exist in EMCO. It shows that the OMC/inclusion, even after full institutionalisation, was more open not only to the activity and role of civil society organisations, but also to other experts, attached neither to the Commission, Member States or non-governmental organisations. Where the EES was closed to Commission-Member State interaction, the OMC/inclusion was open to various types of actors that could intervene and contribute to the social exclusion strategy in different ways.

Second, the peer review programme on social exclusion was initiated by the Commission via the CASE and approved by Member States in June 2004 (European Council, 2004a), after which it was formally adopted in October 2004 (European Council, 2004b). The programme aims to contribute to a better understanding of the Member States' social exclusion policies, as laid down in the OMC/inclusion objectives, to facilitate policy-transfer and institutional arrangements and to improve the effectiveness of policies and strategies for social inclusion. The peer review programme can be qualified as an operational structure that provides ample possibilities for NGOs to develop actions according to their key concerns and the objectives of the OMC/inclusion. The Commission can then select to use some of those issues for lobbying further development of the poverty agenda via the OMC/inclusion. As a safeguard against Commission shirking, the Member States oversee the overall operation of the peer review programme (and the whole CASE) in the Programme Committee.

#### ***b. Commission-Member State interaction***

The Commission first proposed to change the status of the SPC via its legal right of initiative, which Member States in the Council formation approved with no further amendments. The actors in the Commission that had been active in the OMC/inclusion made the proposal in line with demands of Member State governments. Second, regarding the initiative to create (and to fund) the programme for peer review for social inclusion in 2003, the Commission used its *de-facto* right of initiative through the CASE<sup>70</sup>. After approval by the CASE Programme Committee, which allows the Member States to maintain the ultimate decision-making power in operation of

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<sup>70</sup> The proposal for the peer review in inclusion was inspired by the peer review programme of the European Employment Strategy (EES) (see chapter 3).

the CASE, the programme became operational in 2004. The Commission has established rules about linking the peer reviews to the policy objectives of the OMC and about Member State and NGO participation in the peer reviews per Member States. It has thereby provided the opportunity for the various NGOs funded by the CASE to develop concrete actions according to their own policy priorities. In this way, the peer review programme of the OMC/inclusion represents an institutionalised space through which civil society actors develop activities in their particular policy niche (European level inclusion interview, No.5). It is a way to legitimize the existence of these networks and for the Commission to oversee their actions. Both initiatives were implemented by lower level bureaucratic actors within the OMC process and not by political initiatives outside of the OMC/inclusion. Here hypotheses 4B and 3B are once again confirmed. The Commission was successful in both of its initiatives and the Member States did not intervene in the actions of the Commission. This shows that the Commission is successful in using the incentive structure of the OMC/inclusion. This is in line with findings by Liesbet Hooghe (2001), who demonstrates that the Commission may have the most influence in the OMC through administrative tasks.

#### **4.3.3 Stage 8: The alteration of the political and financial foundations of OMC/inclusion, and further development technical dimension OMC/inclusion**

##### ***a. Outcome***

The eighth stage of development sees first an alteration of the financial foundations of the OMC/inclusion by the creation of PROGRESS (to replace the CASE that was due to terminate in 2006). The programme included continued financial support for the key aspects of the OMC/inclusion – development of indicators to support the political objectives, funding of European civil society organisations (lobby sponsors), organisation of peer review sessions, and other small-scale initiatives. However, the funding was less than for the CASE that preceded it. It was agreed by the European Parliament and European Council on 24 October 2006.

Second, the political foundations of the OMC/inclusion were altered by the Council, outside the OMC policy cycle (European Council, 2005). The existing priorities of the OMC/inclusion were re-confirmed and new priorities were added (in line with the priorities of some influential Member States – in this case UK and Portugal that had lobbied aggressively for inclusion of the issue of child poverty in the OMC/inclusion). At the same time, the Council decided that the

OMC/inclusion would no longer be a core feature of the Lisbon Strategy (which it had been during the 2000 to 2005 period). This is comparable in the case of the EES, where Member States adapt an OMC in line with their own agenda defined at the level of the Council. It is not actors within the policy cycle that take this decision, but higher level political actors, on the basis of short term preferences. But the status of the EES on the EU agenda was boosted, whereas the status of the OMC/inclusion was downgraded. Third, the technical indicators have been improved and extended, to add more clout to the broad objectives agreed in the area of social inclusion, on the basis of expert-driven work (but mandated by the Member States)

#### ***a. Commission-Member State interaction***

During this stage, the leadership in the Commission and in the Council took decisions that were to affect the OMC/inclusion. These decisions were taken outside of the structure that had been set up for the OMC/inclusion. First, the change to the financial foundations of the OMC/inclusion was mainly driven forward in the context of the reformist programme driven by Barroso for the whole Commission. Indeed, when the Presidency of the European Commission was taken over by Jose Manuel Barroso (approved on 18 November 2004), he developed a strategy to enhance the effectiveness of the European Commission. This included the overall re-organisation of activities across policy areas in the European Commission, from small, administratively heavy and detailed, to just a few major programmes to cover a wide range of policy areas. In that context, the 'PROGRESS' programme was launched by the European Commission that was to cover five (and not only one) social policy issues: employment, social protection and inclusion, working conditions, the fight against discrimination and diversity, as well as gender equality. As confirmed in an interview with a key actor in the European Commission: "In essence, PROGRESS re-arranged 28 budget lines by creating a single programming framework." (European level inclusion interview, No.6). The Commission proposed to allocate a budget of a little over EUR 600 million over 7 years (2007-2013). The final negotiation about the details of the programme and also about the budget took place in the Council. The Council was also favourable to this policy line adopted by the Commission and accepted the programme with only a slight reduction of the funding that had been requested by the Commission. The Commission, under the leadership of Barroso, had thus successfully achieved its aim. But in the final Council decision on the programme, the financial commitment to social exclusion was lower than it had been in the CASE, but the objectives were the same (European Parliament and European Council, 2006). This decision, while launched by the Commission and accepted by Member States, had not involved the lower level actors involved

in the OMC/inclusion like in stage 7. But this finding concurs with hypothesis 4B, where the Commission is expected to have more influence in an area of low domestic saliency. But the reason that Member States agreed may not be so much because the OMC/inclusion is of low domestic saliency, but instead because the aim was to reduce funding (and administrative costs within various programmes).

Second, concerning the new political objectives of the OMC/inclusion, these were determined by Member States by an external political initiative (and not within the OMC/inclusion policy cycle). Jean-Claude Juncker, Prime Minister of Luxembourg, and representative of his country in the Presidency to the European Council during the first half of 2005, supported the re-direction of the Lisbon Strategy (strengthening of the economic and employment growth objectives, and rendering the Strategy more salient in the Member States). But, Luxembourg also sought to further development the social dimension, including anti-poverty policy. Juncker (member of the conservative and pro-European Christian Democratic party) had been an important actor in the early phases of the EES, and a supporter of the development of the social dimension of the Lisbon Strategy and the OMC/inclusion. In a speech to the European Parliament in January 2005, he stated that "... when we draw up the mid-term review of our strategy, we must keep its three dimensions together: economic, social and environmental.... I say yes to competitiveness; I say no to abandoning our social and ecological goals." But the work of the expert group chaired by Wim Kok to reconfigure the political orientations of the Strategy was more powerful. In addition to influencing the revision of the EES, the Kok group recommended that the social inclusion strategy should be extracted from the core Lisbon Strategy. In the Council, Member States, following the recommendations of the report, agreed that the OMC/inclusion would be removed from the core Lisbon strategy. But they also agreed that the OMC/inclusion could be pursued independently. The core political objectives would be the same – rights-based policies as well as a multi-dimensional approach to poverty and targeting actions – but a new target was added, the aim to focus on children in poverty (European Council, 2005). This issue of child poverty had been put on to the agenda through intergovernmental dynamics, notably Portugal and the UK. While the financial programmatic foundations of the OMC/inclusion had mainly been determined by the European Commission, this political re-orientation of the OMC/inclusion took place through inter-governmental dynamics in the context of the revision of the Lisbon Strategy. This is in line with hypothesis 2, where the Member States became more assertive in the development of the OMC/inclusion. But this is not because they were interested in poverty per se. Instead, the Member States wanted to redefine the economic and employment growth agenda, and this then involved an adaptation

to the OMC/inclusion, which would become less important. Like in the area of employment, these decisions took place outside of the policy cycle of the OMC/inclusion itself.

Under the Presidency of Luxembourg (represented by Juncker) to the European Council, Member States wanted to strengthen the technical dimension of the OMC/inclusion. While the Lisbon strategy was being restructured on the basis of the Kok report and new overall objectives were being defined in the area of Poverty Policy, Juncker commissioned an expert report (which was to determine the technical redefinition of the OMC/inclusion) to the same group of academics that had made an important input during the first phase of defining OMC/inclusion indicators. The expert group highlighted the need to improve the existing poverty indicators and to develop new poverty indicators, through EU-SILC. The decision was also taken to develop indicators for children in poverty, in line with the political focus on child poverty at the Spring European Council. This work of the expert group (Atkinson *et al.*, 2005), was then integrated into the work of the ISG (European level inclusion interview, No.11). In terms of the Member State-Commission interaction, this represents an initiative by the Member States to determine the technical dimension of the OMC/inclusion, thereby re-enforcing its political objectives. Throughout the development of the OMC/inclusion external experts have been more involved, both during its emergence and its evolution. For both cases, it was the Presidency to the Council that commissioned the expert work.

## **Conclusion**

The evidence presented in this chapter shows that ultimately, the OMC/inclusion has emerged due to the consistent engagement of the Commission in the development of an anti-poverty agenda. This action is rooted back in the mid-1970s, when it first started to develop a European discourse and policy agenda about anti-poverty strategies by creating the European poverty programmes. While discontinued in the early 1990s, the Poverty Programmes left an important legacy: a system of knowledge exchange and coordination with a specific facilitation and information production role for the EU level. In addition, the anti-poverty organisations had been established upon a Commission initiative produced work that the Commission could and did use to support its own ambitions to put social exclusion on the European agenda in the mid-1990s.

In the mid-1990s, the Commission started to engage more affirmatively in the development of a new discourse on challenges to social protection reform, an important political priority of the Council in the post-EMU period. Social exclusion was a minor element in the broader discourse

on social protection reform that was being developed in the Commission. But, as the Commission discourse in social protection evolved, social exclusion policy became a more prominent feature. The only way to understand and explain this is through the knowledge of the Commission's own legacy in this area, combined with an appreciation of the contribution made by the European anti-poverty network. The EAPN did not merely act as an additional source of political support for the Commission lobbying action, but more importantly, provided substantive input to the content of the social exclusion policy objectives. The Commission could and did exploit the work of the EAPN to develop a fully-fledged anti-poverty policy discourse that would be adopted by the Member States in favourable circumstances, when economic growth had started to pick up after the mid-1990s and the Council (with a majority of social-democratic governments) wanted more general political attention to social policy among the Union's priorities. The decisive factor that explains the initial emergence of the OMC/inclusion is the consistent temporally rooted Commission action in this area, using the work of the EAPN to develop a pan-European discourse about social exclusion (including elements from various different traditions in combating poverty). But the Member States were wary of the Commission's past 'shirking' actions in poverty policy and therefore ensured, in the implementation of the first round of the OMC/inclusion policy cycle, that Commission authority would remain low. The action of the Commission and the Member States is explained by the P-A analysis, where the Commission uses its informal agenda-setting initiatives and discourse framing (confirming hypothesis 1). The Member States do not define the political debate around social inclusion, but they decide, on the basis of core political priorities in the Council, how to respond to the Commission initiatives. The interaction between the Member States and the Commission in the emergence of the OMC/inclusion does not differ very much from their interaction in the emergence of the EES. This suggests that the domestic saliency of a policy area does not affect Commission action (that always attempts to find means of developing legal or expert derived actions in various areas of European policy). But it also suggests that domestic saliency does not affect Member State intervention in anti-poverty policy.

Would the competing explanation – advocacy approach – be able to account for these dynamics? The advocacy approach that emphasizes the decisive role of political ideas (preferences of actors determined principally by political party affiliation or allegiance) is not sufficiently robust for explaining how and when momentum for anti-poverty policy is developed and enacted at EU level. First, (government) positions on anti-poverty policy cannot clearly be tied with political party preferences: liberal parties generally support targeting as a core anti-poverty instrument, while parties that are social-democratic, socialist or christian-democratic



support a rights-based approach<sup>71</sup>. The European discourse on poverty that subsequently developed in the 1990s is rooted in various traditions (targeting from the UK, social exclusion as a multi-faceted problem from France, a rights-based approach from countries in continental Europe and in Scandinavia), containing elements that could be supported by all political parties. Furthermore, the European political party organisations (I have analysed only the PES) are weak and have not developed policies that have influenced the substantive political outcome. Instead, they represent a forum to test political ambitions of one or more Member State(s) and can represent a pillar of supportive consensus, but not more than that.

My evidence shows that the Commission invests resources in a policy area to develop European integration further and at the same time to enhance its power. The means to do this are multiple and include ideational actions, such as discourse framing when the momentum among powerful actors involved in decision-making on poverty in the Council is favourable. This could be a Treaty revision or an equally important political decision-making moment, such as the Lisbon Summit, where Member States endeavoured to develop poverty policies as part of a broader political ambition (the Lisbon agenda combining employment and social policy). It was only because the OMC/inclusion, which had been lobbied by the Commission and EAPN, coincided with the broader Lisbon agenda that it was adopted. The action of the Council (that agreed to the anti-poverty policy) was a short-term preference driven rationale, rather than a long-term incremental or carefully analysed strategy. The pattern in emergence of the OMC/inclusion is the same as in the EES, where Member States adopt the policy discourse developed by the Commission on the basis of short-term political preferences. In other words, for both cases, the Commission determines the OMC during emergence, which confirms hypothesis 1.

Once the OMC/inclusion was institutionalized, then the Commission acted to maintain and to extend its authority within the process, and the Member States changed it in line with broader political aims. Parallel to this, the anti-poverty organisations lobby their concerns via various mechanisms offered by the OMC/inclusion, which strengthens their power. But it also gives a boost to the position of the Commission that can and does use the issues lobbied by these NGOs to uphold policy objectives vis-à-vis the Member States. Commission actors here are

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<sup>71</sup> Positions on poverty policy are also strongly influenced by national traditions, where anti-poverty policy is rooted in the liberal welfare states (and even developed considerably during the Thatcherite period). Traditionally, poverty has been approached through a preventative and rights-based approach in the conservative and nordic welfare states.

mainly bureaucrats associated with social affairs (representatives of DG EMPL). It thus seems that the main difference between the OMC/inclusion and the EES is the relative openness of the former compared to the latter, where civil society actors use a political mandate to lobby poverty. This may be because the OMC/inclusion is less salient but also because grassroots civil society actors may have a more direct interest in the OMC/inclusion than social partners in the EES. This partially confirms hypothesis 4B, according to which the Commission is more likely to maintain a higher influence in the OMC in an area of low saliency.

But aside the internal development of the OMC/inclusion (within the policy cycle), the bigger changes that are made to the OMC/inclusion in the 2004/2005 period – development of a new financial programme and definition of new political objectives – are driven by impulses of powerful actors outside of the OMC/inclusion policy cycle itself. First, the Barroso Commission's general plan to change management procedures of Commission-administered programmes determines how the financial support to the OMC/inclusion is re-bottled. Second, the Council's political priorities define the lower priority of poverty policy within the Lisbon Strategy. As I have shown in this chapter, the Member States use the OMC/inclusion in line with their general priorities (which appears both in emergence and evolution of a policy process). Contrasting with the area of employment, where the EES was after 2004 boosted as a more salient policy process in the Council, the OMC in exclusion was deemed to be less important. The decisions taken by the Council – upgrading the EES and downgrading the OMC/inclusion – reflect this political perspective. When the EES was perceived as an instrument that could support economic and employment growth objectives in Member States, then it was used to that effect.

The OMC/inclusion on the other hand, addressed aims that were not of key concern, and therefore it was declared as being less important in the Council. But, albeit this decision and despite its soft character, the OMC/inclusion maintained a clearly defined institutional form, consisting of policy objectives, a European policy community, an enhanced knowledge-based information system and European level NGO actors that supported its implementation. In addition, and crucially, the Social Affairs formation of the Council recognised the OMC/inclusion as a legitimate policy instrument and took initiatives to strengthen its policy objectives (via the strengthening of the indicators to support the political objectives).

During the emergence and evolution of the OMC/inclusion, the interaction between the Commission and the Member States is played out at different levels and around different political stakes. But in essence, the Commission's actions matured from discourse framing

during the stages of emergence of the OMC/inclusion to ensuring its continuity in the subsequent stages of evolution. This was achieved through various diplomatic manoeuvres, which required responsiveness to the impulses from the Barroso Commission's management ambitions and the Member States' objectives in the reform of the Lisbon Strategy. Within the Council, social affairs ministers sought to develop the OMC/inclusion further, despite the decision of the Lisbon Council to focus less on social policy. This shows that an important distinction between the two areas is that lower level actors (in the Commission and the Member States) maintain an influence the OMC/inclusion during its evolution. In the EES, the work of the lower level actors (Commission and Member State bureaucrats) was undermined by higher level political actors. On the basis of my findings, I can conclude that when a policy area is salient, then it is determined exclusively by high level political actors, but when it is not salient, then lower level bureaucrats can still play a role during its evolution. This suggests that hypotheses 3B-4B regarding different patterns of Commission-Member State interaction in areas of high and low saliency are partially true. The Member States intervene more in the redefinition of the OMC in an area of high saliency than in an area of low saliency.

## **CHAPTER 5**

### **ACTOR DEVELOPMENT THROUGH THE OMC: COMPARING EMPLOYMENT AND SOCIAL INCLUSION**

#### **Introduction**

On the basis of the typology to understand how actors are involved in the OMC, this chapter seeks to get to the bottom of an important question about OMC influence: how is the OMC integrated among actors in the domestic context? This question is important because its degree of domestic integration is an important indicator of the extent to which the OMC policy objectives may have been influential. In this chapter, I endeavour to provide an answer to that question via the typology that I developed in chapter 2. It will allow me to examine actor involvement in policy coordination – vertical (levels of government), horizontal (across various governmental policy sectors) and participative (social partners and civil society organisations) – and to determine whether its main function is policy setting or policy reporting. On that basis I can conclude what kind of effect the OMC has had on core actors. I first analyse the dynamics of actor integration in the OMC in employment policy and afterwards in social inclusion policy. Table 16 below summarizes the main findings of actor involvement via the EES in 14 Member States<sup>72</sup>.

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<sup>72</sup> I exclude Luxembourg in my analysis due to incomplete data in the policy analysis that will be carried out in chapter 6.

**Table 16: Actor involvement in the EES**

Reference Number	Types of actor development (through OMC integration)	Horizontal co-ordination	Vertical co-ordination	Participation	Countries
PS – 4	Horizontally coordinated non-participative policy planning	+	-	-	Portugal
PS – 6	Uncoordinated (centralized) participative policy planning	-	-	-	Italy
PS – 5	Vertically coordinated participative policy planning	-	+	+	Belgium
PR – 1	Fully coordinated participative policy reporting	+	+	+	Germany
PR – 3	Fully coordinated non-participative policy reporting	+	+	-	Spain, United Kingdom
PR – 2	Horizontally coordinated participative policy reporting	+	-	+	Sweden, Denmark Finland, France, Ireland
PR – 4	Horizontally coordinated non-participative policy reporting	+	-	-	The Netherlands, Greece
PR – 8	Uncoordinated (centralized) non-participative policy reporting	-	-	-	Austria

There are only three countries where the EES has been used by core actors for setting policy, and all three (especially Italy and Portugal) previously had weak policy planning capacity at the level of the national ministry. In the remaining countries, the EES has only been used for policy reporting, but differ according to horizontal, vertical and non-governmental actor participation. My findings will be discussed below, beginning from the ‘policy setting’ countries and then working through the ‘policy reporting’ countries. Differences can be attributed to multiple factors, notably past institutional legacy in the area of labour market policy, which indicates the existing channels and sources of influence that Member States may have for developing or reporting policy, and main reform priorities defined by the more powerful governmental actors.

### **5.1 Horizontally co-ordinated non-participative policy planning (Portugal)**

In Portugal, the NAP process has engendered the development of an approach of target-setting regarding employment rates and performance at the central government level. It has, furthermore, been used to introduce a nation-wide reform on the public employment system.

Prior to the introduction of the EES, an important part of the political programme of the governing socialist party was to develop a preventative approach in labour market policy. The socialists used the EES to support their ambitions: the EES served to empower political actors in the area of employment policy, by providing a source of legitimacy for the development of a comprehensive reform of the employment services. And at the time that this reform was supported by the socialist government, the actors in the Ministry became involved in the development of the employment policy reform. But once the socialists left government, the actors in the Ministry did not maintain any policy setting power (Portugal EES Interview 1, 2007). Within the EES policy cycle itself (reporting to Europe), the main actor involved is the labour ministry but in addition to that, inter-ministerial coordination has been spurred around the issue of employment policy (not only activation) due to the EES in the areas of education and employment policy, and also to some extent in the areas of fiscal and economic policy. This was in a country where institutional capabilities were formerly weak and have been substantially improved due to the EES (Departamento de Estudos, Prospectiva e Planeamento, 2002: 5-6). A group of actors (civil servants and academics) used the EES to introduce nation-wide reforms in the public employment service (but not through 'blame-shifting'). But the use of the EES as a policy-setting instrument is limited to the national level (with some collaboration between various ministries) (Portugal EES Interview 1, 2007). Regarding the participative dimension, this process has not included active participation of social partners and civil society actors. Similar to the Italian case (that will be discussed below on the basis of the insightful research by Maurizio Ferrera and Stefano Sacchi (2005)), the EES has led to a process of policy planning and actor empowerment where it was virtually inexistent.

## **5.2 Uncoordinated (centralized) non-participative policy planning (Italy)**

In Italy, the outcome is similar to the Portuguese case, where the EES has led to structural adjustment and empowerment of (central national level) actors responsible for the development of labour market policies. These actors have a stronger position regarding employment policy development using the normative frame of reference promoted through the EES – activation and full employment. However, it was somewhat fragmented (Ferrera and Sacchi, 2005: 145) and shaped by domestic territorial re-organisation in the field of employment policy as well as political developments that strongly influence the actions within the ministries (Bindi and Cisci, 2005: 153-4). The territorial re-organisation, embodied in the Bassanini reform of 1997 (that coincided with the beginning of the EES), has consisted of devolution of employment policy which has limited the influence of the national level actors in this area and strengthened the

influence of regional actors<sup>73</sup> (Ferrera and Sacchi, 2005: 145). The constitutional reform (that included the 1997 Bassanini reform) resulted in the devolution of all (implementation) functions related to employment services and ALMP to the regions and the local authorities, although the overall normative framework was still to be established at the national level. If regions have been involved in the EES, the incentive is not to 'learn' from the EES policy framework (or to strengthen their position in setting labour market policy – this was done through the domestic reform process), but instead to obtain financial resources from the European Social Fund (that can support the implementation of domestic reform priorities) (Ferrera and Sacchi, 2005: 143; 151). The political climate has perturbed but not undermined the development of institutional capabilities. The first National Action Plan (NAP) of 1998/1999 was organised and coordinated with ad hoc external experts, but this system was discarded when the centre-right governmental coalition under Silvio Berlusconi came to power in 2001. That experience and the overall emphasis of the EES on the need to develop a coherent information system about labour market policies spurred a development that was to be institutionally significant. A 'Monitoring Unit' was established in 2000 in the Ministry's cabinet to centralize all existing databases on labour market and employment policies. The work undertaken by the group has not only centralized the information on labour market policies, but has become the main source of information used for policy planning (Ferrera and Sacchi, 2005: 146-147). The EES has also been used in the development of the 2001 White Paper on the Labour Market (that determines the priorities for labour market reform), although the aims of the EES have been re-interpreted in terms of priorities in the domestic Italian context. Maurizio Ferrera and Stefano Sacchi highlight that the EES is not merely a blame-shifting instrument, but instead, reflects that actors within the government have developed the skills to develop policy plans (Ferrera and Sacchi, 2005: 149). The number of actors involved remains restricted, and the main locus for drawing up the NAP is the Labour Ministry, but the bottom line is that the EES has had a positive impact on empowerment of actors (via centralisation of expertise) in development of labour market policies (Ferrera and Sacchi, 2005: 151). Regarding the policy network, in Italy, the involvement and position of trade unions regarding employment and labour market policy is reflected in the NAP. Their involvement has decreased during the term of the Berlusconi government, due to

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<sup>73</sup> The constitutional reform of 2001 established shared legislative responsibility between the state and the regions for employment policy. All regions have a directly elected assembly provided with legislative powers, as well as an executive body. A distinction can be drawn between the Regions that have a 'normal' status, where legislative and administrative powers are shared with the national level and Regions with a 'special' status, that have been endowed with exclusive legislative responsibilities. The constitution explicitly sets out the responsibilities for the national level, but the regions have the right to act in every area that has not explicitly been attributed to the national level (Bindi and Cisci, 2005: 148-149).

the authoritative managerial attitude of Berlusconi. The EES has not provided policy development or reporting resources to social partners<sup>74</sup>.

In both Portugal and Italy the EES has engendered a domestic process of actor empowerment, which has contributed to strengthening information development (and coordination of national sources of information) and to steering labour market and employment policy, formerly underdeveloped. This finding is in line with the theoretical conception of institutional capabilities (Ferrera and Sacchi).. . In both these cases, the actors in the Ministry themselves may have gained knowledge and policy planning skills, but they are only put to use where the government has decided to use them – in the Portuguese case it was for policy development and in the Italian case it was for blame-shifting.

### **5.3 Vertically coordinated participative policy planning (Belgium)**

In Belgium, the EES was used to centralize information and manage the process of reporting on policy developments. This has also spilled over to policy planning, where the results are similar to the Italian case. However, in Belgium the influence has predominantly been to develop a reporting mechanism and dialogue about what the main employment policy and labour market problems in Belgium are, while in Italy, the influence consisted of empowering a smaller group of actors for policy planning.

At the federal level of government the EES has led to centralization of data on labour market policies (formerly scattered) and to inter-ministerial coordination. But that is not where the main influence of the EES lies. The impact of the EES has been on the process of policy dialogue between various governmental actors (federal and regional levels). The NAP is prepared by the Federal Administration of Labour, Employment and Industrial Relations. Furthermore, the Belgian position in the European level employment committee is negotiated in advance, on the basis of preliminary meetings with Belgian representatives of the Economic and Social Ministries, as well as representatives of the regions and cabinet ministers (Becker, 2006: 20). This coordination among core actors involved in employment and labour market policies is attributable exclusively to the EES. Indeed, prior to the EES, the actors at the various levels of government did not have an institutionalised means through which to discuss the situation in labour market policy in their respective geographical location. The EES has *de facto* led to

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<sup>74</sup> I would like to thank Stefano Sacchi for discussing this point with me.



more, albeit still imperfect multi-level coordination for the federal and regional levels of governance in the area of labour market policy. This participation has been strongly influenced by the political priorities of the regions and whether they perceive the EES as a means to support or hinder the achievement of their respective political agendas.

The Region of Wallonia has devised a Regional action plan only once, in 1998, as it perceives the EES as a neo-liberal reform agenda from Brussels and resists interference (Belgium EES Interview 3; Regional action plan Wallonia, 1998). The Region of Brussels prepares an annual regional plan, but it is not very detailed, and is only lightly integrated into the NAP. The Region of Flanders is the most active, and has devised its own regional action plan on a yearly basis from the very beginning of the EES process. In Flanders, the EES is clearly used to develop policy in the line of the progressive approach to social policy. In 2000, the European Commission issued a country specific recommendation to Belgium on the apparent lack of integration of the various levels of government in devising the NAP. Responding positively to the recommendations, the regional action plan from Flanders has been more comprehensively integrated into the NAP since 2000, rather than merely attached as an annex, but this is not the case for the action plan from the Region of Brussels or the (one and only) action plan of Wallonia (Beckers, 2006: 33). While this may just be a 'reporting' exercise, it has acted as a means to create a dialogue among the national and regional levels and development of their capacity to coordinate policy development.

Regarding social partner participation, in Belgium, tripartite and multi-level structures were well developed before the EES. From the very beginning, social partners have been deeply involved in the EES process, via the preparation of separate and independent positions that were attached to the Belgian NAP. Belgium has a 'National Labour Council', comprising social partners and government actors that meets regularly as a forum to discuss the NAP (Becker, 2006: 20). A conference on employment was convened by the purple (liberal and socialist) government coalition that had taken office in 2002, involving all relevant governmental and social partners. This meeting was organised for the purpose of supporting the declared governmental ambition to create 200,000 new jobs by the end of its term in 2007, where EES benchmarks and guidelines provided the framework for discussion (Becker, 2006: 23). The EES was thus used to support the political agenda of the government. Regarding social partners at regional levels, in Flanders they are involved in negotiating the Flemish action plan which is then submitted to the federal level for integration into the NAP (Becker, 2006: 33-36). However, in the southern part of the country, there is resistance towards change by some of the trade

unions (Interview Belgium, No.3). Thus, like the Portuguese case, the EES has been used not only to strengthen information development (and coordination of national sources of information) but also (via actor empowerment and enhanced coordination) to steer labour market and employment policy, formerly underdeveloped. The domestic integration of EES has mainly led to the development of a multi-level dialogue around the issue of employment, while it has led to some policy planning in the region of Flanders, where the EES was used to support and further develop existing reform dynamics.

#### **5.4 Fully coordinated participative policy reporting (Germany)**

In Germany, the EES has led to fully coordinated participative policy reporting, and was integrated into existing national channels. Like in the Belgian case, in the process of vertical integration, some regions have used it as a political resource for policy planning.

In the German case, the core ministerial policy community responsible for compiling the NAP has changed over time, due to institutional re-arrangements. This is comparable to the influence of political developments and domestic restructuring in the Italian case. The NAPs from 1998 to 2001 were coordinated by the Finance Ministry and from 2002 the Ministries of Economics and Labour jointly drafted the German NAP/employment, mainly a Commission-oriented window-dressing exercise (Büchs and Friedrich, 2005: 252, 258). Prior to the EES, co-ordination and division of responsibilities among the various actors at different levels of government was well developed. It has thus been fully integrated into the domestic channels of policy reporting. Thus, the EES has not been used as a means to improve co-ordination among levels of government, but has instead become integrated as an additional task into the ordinary structures. But it has been used as a political opportunity structure by some regions that seek to pursue a more radical reform agenda. The Länder perceive the EES and use it in line with their political positions. Thus, the conservative Länder claim that it undermines subsidiarity, but the social-democratic Länder have a more positive perspective. Nevertheless, there is only fully-fledged support when there is another incentive – financial – to make use of the EES. The eastern Länder have been keen to align their labour market programmes with EES objectives in view of potentially increasing their access to ESF funding. In both the German and Italian cases, regional actors used the EES to set policy when there was a strong financial incentive.

Regarding the participative dimension, the social partners at the Federal level have full responsibility for the work organisation objectives of the EES and also comment on the

government's EES report. The social partners also contact their affiliates regarding salient issues in the EES. This reporting and participation is channelled through the ordinary decision-making procedures related to labour market issues, but social partner involvement differs in the Länder, according to pre-existing conflicts and traditions. In Mecklenburg-Western Pomerania, the social partners take part in decisions on regional labour market policy programmes due to their co-decision role in the committee of the structural funds. Other interest groups or NGOs have not been involved (Büchs and Friedrich, 2005: 256). Social partners use the EES where necessary as a vehicle to support their demands where trade unions are particularly supportive of those aspects related to gender equality and worker protection (especially for precarious contracts), whereas employers have a more liberal interpretation of the EES's flexibility objectives. Both unions and employers support activation, although they have a different interpretation of this objective. In essence, the social partners view the NAP EES as a government document, on which they comment, rather than as a vehicle for developing their own policies (Büchs and Friedrich, 2005: 258 – 259). This empirical evidence shows that in Germany the EES has mainly been a policy reporting instrument, it has also at the regional level been used as a political (with financial resources) opportunity structure for policy planning.

### **5.5 Fully coordinated non-participative policy reporting (Spain, UK)**

In Spain, where the Autonomous Communities have even more independent policy-making leverage than in Belgium and Germany, the EES has mainly strengthened the (formerly weak) national level ministry, but only in policy reporting. It has facilitated co-operation between different sectors of the administration in tackling employment issues, at least at the level of the central government. Cooperation procedures and information flow have been enhanced at this horizontal level. However, it seems not to extend far beyond the people involved in the NAP process, and is not in any way used to address core problems of labour market reform (Gonzalez-Calvet, 2002: 211-21, 216; López-Santana, 2006). Regarding the devolved aspect of employment policy, the 17 Autonomous Communities are all endowed with legislative (exclusive and concurrent) and administrative powers, with varying degrees of independence from the central government. The relationship between the state and the Autonomous Communities is less hierarchical than in Italy. The regions have to respect legislative norms only in areas where they do not have exclusive responsibilities. Josep Gonzalez-Calvet (2002: 196) reports that the involvement of regional actors in the EES NAP process has created conflict with central government actors, as the regions seek to use it to reinforce their position. But the central government, which does not have many other instruments for influencing policy development,

considers the EES as its own instrument. The regional actors are not highly involved since they have other means for developing and implementing employment and labour market policies. Thus, coordination between levels of government reproduces the existing situation where regions are strong and the national employment ministry is weak. Social partners have been virtually absent, since the EES is not perceived as a way to gain influence. For the Spanish case, lack of financial resources is highlighted by the unions: ‘..social actors have not been involved as much as they should be in the Employment Plans... the unions demand more resources for employment policies’ (Gonzalez-Calvet, 2002: 212-213).

In the UK, the drafting of the NAP is coordinated by the ‘Department for Work and Pensions’ of the Joint International Unit. It holds the responsibility for ensuring that all other relevant government departments (Trade and Industry; Education and Skills) and social partners contribute to the NAP. No new departments or bodies were set up for the NAP process, but it has enhanced horizontal policy dialogue. The central government actors also ensure downstream integration of the policy plans of the regional governance levels (Büchs, 2005: 158-159). In the UK, the central administration has devolved powers to the Scottish Executive and the Welsh Assembly regarding issues connected to the EES. The devolved administration contributes to the central NAP for issues under its remit and has sought to use it for developing some aspects of employment policy. At the local level, there has also been an initiative for the development of local action plans, financed by the European Commission (Büchs, 2005: 172 – 173), similar to the experiences in Sweden and Denmark. Social partner involvement in the NAP process in the UK has been strongly conditioned by the Blair government that sought to limit the influence of social partners. Traditionally, social partner involvement in policy-making is not so strong in the UK, and while they may have sought to use the EES as a tool to strengthen their institutional position vis-à-vis government, this attempt was over-ridden by the political priorities of the Blair administration<sup>75</sup> (Büchs, 2005: 159 – 161). Social partners in the UK have above all been involved as information providers (Hodson, 2002), on an ad-hoc basis (Büchs, 2005: 159).

Although Spain and the UK have a different institutional legacy in labour market policy in both countries horizontal coordination has been spurred.

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<sup>75</sup> While Büchs (2005) assesses that the EES has not led to any major changes in approach in the United Kingdom, Umbach (2004) concludes that the social partners became more integrated into the policy-making process as a result of the EES. I concur with the analysis of Büchs (2005).

## **5.6 Horizontally coordinated participative policy reporting (Sweden, Denmark, Finland, France, Ireland)**

In this group of countries, the EES has led to horizontal policy reporting, with active involvement of social partners (in line with the national tradition), but virtually no involvement among actors at regional level. In all these countries, institutionalisation of employment policy was comprehensive and strongly rooted prior to the EES and as a consequence, it was mainly integrated according to existing practices and structures. While the actors involved have strengthened their sense of ownership of the EES in the national context (and have undeniably 'learned' through this process) they have only a weak influence on the government and/or political actors that drive forward policy decisions and budgetary decisions. I will first discuss the three Nordic countries, where the policy and institutional legacy were similar (multi-level coordination for policy planning and implementation that pre-existed the EES), then the French case (very centralized planning component prior to the EES) and finally the Irish case (highly developed participation prior to the EES).

In Sweden, the NAP is shared between the Ministry of Industry, Employment and Communications and the Ministry of Finance, and the EES has incrementally been institutionalised into the policy-making structures, involving a wider range of government actors (Jacobsson and Schmid, 2002: 73; 75). This undoubtedly has led to a qualitative improvement of the NAP, but still, the government sees the NAP as its report to Brussels, and it does not steer policy development at all (Jacobsson, 2005: 112). For Denmark, the highly centralized Labour Ministry in charge of employment issues was responsible for the Danish NAP between 1998 and 2001. Like in other countries, when domestic development for labour market policy changed, then those responsible for the EES have accordingly been shuffled around. There was an institutional re-organisation of the Ministerial structure in 2001 when the Labour Ministry was replaced by a more open Employment Ministry, where civil servants were appointed mostly from the former Social Ministry (Jacobsson, 2005: 115-116). Also in the Danish case, the NAPs report on domestic policies but are not operational documents (Jacobsson, 2005: 113). In Finland, the EES has generally strengthened dialogue among different government departments at the national level, creating a more wide-ranging horizontal policy community around the issue of labour market policy. In Finland, the Ministry of Labour is the main actor, but there is broad range of inter-ministerial cooperation, notably including the Ministry of Trade and Industry, the Ministry of Education, the Ministry of Social Affairs and Health, the Ministry of Finance. It is only the Ministry of Labour that has integrated the NAP process into its policy

planning, but the EES contributes to that process ex-post and not ex-ante (de la Porte and Pakaslahti, 2002).

Regarding devolved involvement in the EES in Sweden, Denmark and Finland, responsibility for labour market policy is shared between the state that is in charge of policy-making and regional as well as local actors that hold the main responsibility for implementation. In Sweden, the Swedish Association of Local Authorities (SALA) and the Federation of Swedish County Councils expressed interest in contributing to the NAP. This has involved two rounds of development of local action plans (on the basis of the EES policy frame), but while acknowledging the way that local actors used the EES, the government, did not seek to involve the local actors more strategically, and was ultimately not keen on the development of multi-level coordination (Jacobsson, 2005: 114–115). Thus, despite this initiative the EES-derived policy community is a centralised structure, which exists parallel to existing structures. It reproduces existing conflicts between various levels of government when competencies are shared or not clearly defined (Jacobsson, 2005: 115). In Denmark, the responsibility of regional and local actors in the development of labour market policy is even greater than in Sweden, not only in policy implementation, but also in policy-making. This was enhanced through various reforms in the 1990s that introduced a new steering system in labour market policy through and reinforced the integration of the national, regional and local levels. The National Labour Market Authority comprises representatives from the Labour Ministry, social partners as well as other actors involved in setting labour market policy. Regional Labour Market Councils, gathering together social partners as well as representatives of the county and municipalities have been created to allow for differentiated labour market policies depending on regional circumstances. They prepare action plans for the national labour market authority referring to the normative frame established at national level and not at the European level. These corporatist territorial actors have also been set up at the municipal level, and like in Sweden, there has been a Commission-sponsored initiative where local actors (Danish Association of Local Authorities has, together with six municipalities) have developed local action plans for employment. But this reproduces existing work, already comprehensive through the domestic channels, rather than developing new work (Jacobsson, 2005: 115-116). In Finland, there is no evidence of the development of coordination among different levels of government due to the EES.

Concerning the formal policy network, in Sweden, Denmark and Finland, social partners have actively been involved in devising labour market policies via tripartite relationships for a long time. Against a background of strong traditions of social partner involvement in labour market

policy, employers and unions from both countries have from the outset been involved in the policy-making process of the EES, by making their own contributions to the plan and lobbying on behalf of their positions with government. But formal participation apart, actual use of the EES as a political opportunity structure has been more pronounced in Sweden than in Denmark or Finland, due to domestic factors. In Sweden, the social partners were weakened during the 1990s: in 1991 the employers decided unilaterally to withdraw from all tripartite bodies and in 1992 the government decided to dissolve interest representation on the boards of state agencies. The EES was then used by the trade unions in an attempt to renew dialogue with employers and successfully re-opened negotiation (Jacobsson, 2005: 116-117). In Denmark, by contrast, in the early 1990s, the role of social partners was strengthened via a rationalisation of multi-level policy-making for labour market policy. The social partners contribute to the EES process according to the rules of the game and with relatively high levels of formal integration. But, there has been no domestic incentive to use the EES to resolve conflicts or for agenda-setting as there was in the Swedish case. In Finland, the social partners express their opinion on the first draft of the NAP/employment, to which different Ministries have contributed. (de la Porte and Pakaslahti, 2002; interviews Finland, 2002). Social partner participation in the EES has been relatively comprehensive in these countries, due to domestic practices.

In France, the EES has led to inter-ministerial and inter-departmental co-operation and dialogue around employment policy issues generally (Erhel *et al.*, 2005: 236; Coron and Palier, 2002: 130-131; Barbier (with Symba Sylla), 2004), which did not exist before (the system was highly centralized). Furthermore, the EES has been used to support but not to develop the domestically-driven reform of public employment services (Erhel *et al.*, 2005: 224; 237). But ultimately, the EES has not led to policy planning, although it has empowered the actors (via the 'expertise' they derive from participation in the European level process) within the national administration. Nor has it in anyway reinforced the recent decentralization of labour market policy (Kroeger, 2006; Coron and Palier, 2002). But the involvement of social partners has become institutionalised from the outset of the process, via the creation of a National Committee for Social Dialogue on European and International Questions. The social partners have been mandated to contribute to the process, particularly regarding the issue of work organisation. However, in practice, their contribution has been limited both from a substantively and procedurally. The social partners in France have an even greater divergence of views than in other countries, making it almost impossible for them to make a relevant substantive contribution. However, in a completely new area, that of quality in work, a debate has developed among the social partners on the general issues of well-being at work (Barbier, 2004: 109,

quoted in Erhel *et al.*, 2005: 239). This development partly builds on past legacy and partly on the development of reform priorities by social partners (Barbier, 2004).

For Ireland, Rory O'Donnell and Brian Moss (2005: 329) show that overall the EES institutional model is secondary to both the nationally-driven social partnership process and to the processes generated by European cohesion policy through the structural funds. Thus, the various actors involved in the process identify the NAP as a report rather than a planning document. The NAP/empl is drawn up by the social ministry, but it had instigated more inter-departmental and cross-agency cooperation in various areas (2005: 327-328). The social ministry would like the document to have a stronger internal status in order to be able to secure funding for sensitive policy reforms (improving provision of child-care and skills enhancement for adults, categorically refused by the more powerful Finance Ministry). There is not leverage associated with the EES for the Social Ministry to strengthen its position vis-à-vis the Finance Ministry (Participant observation, June/July, 2004; O'Donnell and Moss, 2005: 328). Overall, Ireland's NAP is drawn up in isolation from the key policy processes that drive forward the political development of employment policy – the annual budget and triennial social partnership process (O'Donnell and Moss, 2005: 330; Murphy, 2002; Lynch, 2003). The EES has not spurred the development of devolved policy communities since local partnership (involving municipalities and also social partners at local level) developed due to the Structural Funds and domestic dynamics rather than the EES (O'Donnell and Moss, 2005: 324 – 325). In Ireland, the social partners have been involved in the process of economic and employment reforms through the Social Partnership process, which was launched in 1987. Thus, while in principle genuine use of the EES would be in line with existing practice, the social partners are not keen on in-depth involvement unless they gain something from the process. They have sought to use the EES to push forward their own priorities, but have progressively lessened their commitment since it is considered as a weak resource (O'Donnell and Moss, 2005: 328-329). Community and voluntary groups, that have made a contribution to national policy planning in Ireland since the mid-1980s, have been involved in the process of preparing the NAP on employment from the outset. But they regret that there has been little genuine take-up or even consideration of their policy input (O'Donnell and Moss, 2005: 328-329; participant observation Ireland, 2004). Although participation by informal interest organisation in Ireland is high, their influence is low. Thus the Irish case is highly participative, more than the other countries, but this is not transposed into political decisions.



In all these countries, the key function of the EES has been a policy report and despite national variations, horizontal coordination of actors has genuinely been enhanced due to the EES. This is because actors perceive participation in the EES as a way to develop (or to strengthen) a dialogue with other ministries. In this way, they attempt to influence decisions on policy priorities (although these may not materialize in the policy planning). However, the EES has in no way spurred multi-level integration of the EES, either because it pre-existed (Nordic countries and Ireland) or otherwise because the existing system remained extremely closed (France). But participation of social partners has been comprehensive, and this is mostly because of past legacies, where social partner participation was already strong.

### **5.7 Horizontally co-ordinated non-participative policy reporting (The Netherlands, Greece)**

The Netherlands and Greece have a different legacy in labour market policy, but in both countries the EES has not spurred substantial actor empowerment because the domestic institutional legacy and political priorities were unfavourable. The EES was too weak to be able to have any influence. However, it has led to coordination at the horizontal level, as a means for various actors to engage with each other in a preference-driven dynamic, similar to the empowerment outcome in many other countries. But social partners have not been involved, either because it was not part of the political tradition or else because the government limited social partner participation, not only in the EES, but above all in domestic processes of labour market reform.

In the Netherlands, the EES is coordinated by the Labour Ministry, together with horizontal collaboration of other Ministries (Visser, 2005). There is no evidence of the development of a more multi-level actor involvement, as decisions on employment and labour market policies remain relatively centralised. At the beginning of the 1990s (prior to the EES), an experiment was initiated among the government and the social partners to jointly manage the public employment service. It was unsuccessful and has led to a mutual distrust between the government and social partners that persevered throughout the 1990s (Visser, 2005: 197-198). The trade unions are frustrated about their general lack of influence in labour market policy and this is also mirrored in the EES, employers are stronger and are thus not disturbed by weak integration in the NAP/empl (Visser, 2005: 201). The social partners in the Netherlands see the NAP/empl as a weak governmental document (Visser, 2005: 201).

In Greece there is considerable awareness at the governmental level about the need to establish a planning capacity for employment policy (Feronas, 2004: 13). In Greece, like in Italy and Portugal, this capacity has been weak. But in Greece, this has not effectively led to any real decisions regarding actor empowerment. The preparation of the NAP is supervised by a group of experts in the Ministry of Employment and Social Protection, with input from other relevant ministries, as well as other agencies and organisations, at both central and regional levels. In 2003, a 'National Employment Commission' gathering various levels of government actors and social partners was set up for drawing up the NAP. But, this experience has not borne fruit as in practice, the Ministry of Employment and Social Protection still manages the NAP process (which is ex-post and superficial). There is thus some horizontal coordination in the EES process, but no vertical coordination and social partners have just been informed about the EES but have not participated or sought to use it to enhance their power as it is considered to be a weak instrument in Greece.

## **5.8 Un co-ordinated (centralized) non-participative policy reporting (Austria)**

In Austria, the government conceives of the EES as a mere report to Europe, and this has been reinforced when the conservative-far-right government took office. Despite being a federal country, the regional integration of the EES has been scarce, due to reluctance of the government to use it. Social partners have since Austria's membership to the EU been keen on participating in political issues emanating from the European level. But, since the 'concertation-adverse' conservative-far-right government has been in power since 2000, Austrian social partnership has decreased (Falkner and Laffan, 2005: 221). This is also reflected in the EES where participation of social partners in the drafting of the NAP for the EES has decreased since 2000 due to the attitude of the government (de la Porte and Nanz, 2004: 280). This example shows that the EES can be ignored totally when the government chooses to do so.

There have been some instances of using the EES as a policy setting instrument (either at national level or at regional level) where it was considered as a mechanism that could lead to political decision. What about the OMC in social inclusion, that is even softer than the EES? Is it considered as a weak instrument by domestic actors? Or has it been considered by some actors, notably civil society actors, as means to strengthen their power? Is it more of a policy planning or policy reporting instrument? My analysis will be pursued below and I endeavour to provide some answers to this thorny question via the ideal-types developed in chapter 2. Table 17 below summarises the findings. According to my data, the OMC/inclusion has not in

any case been used policy setting (although as will be explained below in some cases there has been partial policy setting). It has mainly been used for policy reporting (for which there are 6 different configurations), and in many cases civil society actors have been more active in the OMC/inclusion than social partners in the EES.

**Table 17: Actor involvement in the OMC/inclusion**

Reference number	Types of actor development (through OMC integration)	Horizontal co-ordination	Vertical co-ordination	Participation	Countries
PR-1	Fully coordinated participative policy reporting	+	+	+	Sweden, Denmark, Belgium, United Kingdom, Ireland
PR-2	Horizontally coordinated participative policy reporting	+	-	+	France, Netherlands, Finland,
PR-3	Vertically coordinated participative policy reporting	-	+	+	Germany
PR-4	Horizontally coordinated non-participative policy reporting	+	-	-	Portugal, Greece
PR-7	Vertically coordinated non-participative policy reporting	-	+	-	Spain
PR-8	Uncoordinated non-participative policy reporting	-	-	-	Austria, Italy

According to my analysis, five countries fall into the category ‘fully coordinated participative policy reporting’ which shows the OMC/inclusion has led to more comprehensive involvement of actors in reporting on anti-poverty policies than the case of the EES. However, this is only for policy reporting, and not for policy planning. In the remainder of the countries, policy reporting has involved some actors or virtually no actors (Portugal, Greece), dependent on domestic institutional legacy. More details on these developments are provided in the analysis that follows.

## **5.9 Fully coordinated participative policy reporting (Sweden, Denmark, Belgium, United Kingdom, Ireland)**

The national action plans for inclusion in this group of countries report on past policies rather than planning new policies. In the following, I first analyze Sweden and Denmark, where the institutional legacy is similar (i.e. many responsibilities are devolved to local level). This is followed by the analysis of the Belgian and UK cases, where multi-level coordination has genuinely been enhanced; Ireland where the national practice has been perhaps the most comprehensive but with at best a minimal effect on policy. All in all, these countries show that the soft influence of the OMC does matter for enhancing the capabilities of actors that were formerly weak in the national context. But regarding policy decisions, while these actors may have been strengthened, they ultimately have a small degree of leverage on policy decisions.

In Sweden and Denmark, the Social Ministry has a deeply rooted and central role in the development of social policies (including anti-poverty policy) while the administration and implementation of particular schemes is a local level responsibility. In both countries, the NAP/incl is also the responsibility of the key national ministries, but there is considerable interest among local actors to use the OMC/inclusion to strengthen their positions, with varying degrees of receptivity from national-level actors. In Sweden, the Ministry of Health and Social Affairs draws up the NAP/incl (Sweden, 2005: 5; Jacobsson, 2005: 127). It collaborates with the Ministry of Industry, Employment and Communication that has responsibility for writing the Swedish NAP/empl so as to clearly divide tasks. In the NAP/incl, the focus is on measures for those furthest away from the labour market, whereas the NAP/empl focuses on the rest of the active population. There are well established practices of cross-referencing in the two reports (Sweden, 2005: 7). In Denmark, this cross-referencing is not as highly developed but the Ministry of Social Affairs compiles the necessary material and collection of views from various ministries (interview, Danish Ministry of Social Affairs, May 2007).

Regarding the role of local level actors, in Sweden, the municipalities have considerable decision-making authority in the area of poverty and social exclusion, and it has recently been extended. In the second NAP/incl, the Swedish government made considerable effort to stimulate interest among local authorities, and the 2005 evaluation of the OMC/inclusion notes that the OMC/inclusion has stimulated knowledge of local level involvement in anti-poverty strategies, which has been relevant for the recent and on-going reform process (Sweden, 2005: 1). Supported by the European Funding Programme, Eurocities, various cities – Stockholm,

Göteborg and Malmö – contributed independent ‘local’ action plans that were attached to the core national action plan (Sweden, 2005: 4–5), which have not been integrated into core anti-poverty policies. Also, a ‘network to counter social exclusion’ was set up as a result of the OMC/inclusion process, gathering various civil society organisations. It has prepared policy aims with the use of the OMC/inclusion process, and its position has been added to the NAP/inclusion (Sweden, 2005: 4-5; Jacobsson, 2005). In Denmark, a reform that has just been enacted (2007) reduces the total number of regions and municipalities to achieve efficiency through economies of scale (Kvist, 2006: 234). The reform also delegated more power to the municipalities in social exclusion policy (Denmark, 2005: 7). The Danish Association of Local Authorities is pleased with the possibilities offered by the Ministry for involvement in the NAP process (Jacobsson, 2005: 128 – 129). The government is open to involvement of local level actors in drawing up the NAP/inclusion (Kvist, 2006). A Council for Socially Disadvantaged people was established in 2002 to monitor policy development independently of the OMC/inclusion process (Jacobsson, 2005: 129). Cooperation between government actors and civil society organisations has developed throughout the OMC/inclusion process, where working seminars and conferences were important tools used by government actors to inform and involve representative interest organisations. The formal contact committee for social voluntary work that pre-existed the OMC/inclusion has a tradition of collaborating with the Social Ministry as of its foundation in the early 1980s and has also become more closely involved with the NAP/incl. (Jacobsson, 2005: 128). Dialogue among the various civil society organisations involved in the OMC/inclusion and with government actors has been enhanced throughout the development of the OMC/inclusion (although this has not necessarily led to concrete changes in the plan or in the development of Danish anti-poverty policy). There has been some concern that the considerable amount of work put into the process is disproportionate to its impact (Kvist, 2006: 236). In Sweden and Denmark, it is clear that the OMC/inclusion has led to broader participation, not only at the central governmental level, but also among municipalities (although this is patchy and quite limited). Importantly, it has spurred active policy planning activities by civil society actors. But overall, because these actors do not have much influence on the government, these plans are most often not followed through due to lack of political commitment (and resources).

In Belgium, the OMC/inclusion has created a policy dialogue on anti-poverty policies at the central government level and has also led to consolidation of data about poverty. As expressed by an interviewee: “Prior to the debates instigated through the OMC, very few people in the Ministry were thinking about social protection in ‘policy’ terms; this was almost exclusively

limited to the personal aids of the Ministers (cabinets). Our job at the level of the Ministry was more technocratic, dealing with specific statistical reports and legal projects. Now this work is addressed in relation to issues of policy. Quite a lot of people in the Ministry have changed their means of working due to the infiltration of issues related to policies that were brought in due to the OMC. It is a very important change.” (European level inclusion interview, No.1). On the basis of this evidence, it is clear that the OMC/inclusion has led to policy development capacity among the core actors, although they have limited capacities to decide upon poverty policy. Prior to the OMC/inclusion, the informational legacy in anti-poverty policy was inconsistent: different statistical sources provided a scattered and sometimes contradictory analysis of poverty policy. As a consequence of contradictory analyses of what the poverty problems were, the policy responses lacked coherence (Vandenbussche, 2003). The OMC/inclusion rationalised the existing scattered practices by bringing the actors together around core statistical reference points (rather than various groups of actors using different sources). At least the assessment of the poverty situation and particular policy problems has become more consensual. Beyond rendering the assessment of the poverty situation more coherent, the OMC/inclusion has led to multi-level dialogue and coordination, in a context that was previously uncoordinated, fragmented and conflictual (Belgium, 2005: 12; European level inclusion interview, No.12; European level inclusion interview, No.9). The governmental actors (federal, community and regional) involved in anti-poverty and social assistance policy are brought together yearly in a working group that focuses on discussing poverty policies (Belgium, 2005: 4 – 5). In practice, the Federal level gathers the contributions of the federal, community and regional levels of government (involving 30 Ministers) and summarises their contribution in the NAP/incl (Vandenbussche, 2001: 589). The OMC/inclusion has thus led to substantial administrative coordination around poverty policies. But while multi-level coordination has developed due to the OMC/inclusion, it has not been possible to define a common strategy. In fact, the actors that support the normative framework created through the OMC/inclusion are a rather limited and closed group of actors, concentrated at the central (federal) level (Belgium, 2005: 13-14). Therefore, while the perception of poverty problems has been rendered more coherent among various actors, the capacity for the OMC/inclusion to define common policy solutions has not been so strong. The civil society actors and stakeholders have also been actively involved in the OMC/inclusion, via meetings organised prior to the submission of the NAPs. While the central associations that are more informed about European processes have been quite active, the local level actors that are involved through their daily activities in the fight against poverty, such as the social centres for public assistance, are not familiar with the process or the Belgian national action plan (Belgium, 2005: 14). The Belgian anti-poverty

network also sought more actively to involve the excluded themselves, building on a tradition that has been established in Belgium in the mid-1990s (Vandenbussche, 2001: 590). Thus, the OMC/inclusion has enhanced the policy planning capacity of the core actors involved (but they do not have the decision-making power) and has rendered information-based policy dialogue and coordination more coherent among actors at various levels of government. It has provided another instrument through which civil society actors could participate (they already had an active policy dialogue on poverty with governmental actors prior to the OMC/inclusion).

In the UK, the OMC has also spurred some multi-level coordination, where partial devolution of anti-poverty policies is a more recent development. In 1997, New Labour developed political guidelines for the anti-poverty strategy and in terms of institutional development, a 'social exclusion unit' was set up in the New Labour Cabinet at the end of 1997 (Armstrong, 2005: 289). The work of the Cabinet sets the framework for New Labour's anti-poverty, exclusion and workfare policies. The Department for Work and Pensions (DWP) is foremost responsible for the annual report on social exclusion and poverty adopted under the cornerstone programme of New Labour, 'Opportunities for All'. The DWP also draws up the NAP/incl – in collaboration with other departments – but does not use it to plan policy. The DWP has in some cases used the OMC/inclusion to develop a policy dialogue on specific issues (such as over-indebtedness) with other more powerful ministerial actors, notably the Department for Trade and Industry (Armstrong, 2006: 91). Poverty policy was devolved to regional level on the basis of a domestic reform in 2001-2002. In this new institutional framework, Scotland and Wales had developed new strategic frameworks for social inclusion but the OMC/inclusion did not dictate or inspire the development of anti-poverty policies in these regions. They merely used the OMC as a means to consolidate their work into a single policy framework and to make a contribution to the UK NAP/inclusion. But the OMC/inclusion has had a substantial influence on Northern Ireland that used the NAP/inclusion to develop a novel strategy. (Armstrong, 2006: 92). At local level (similar to the examples in other countries), the OMC/inclusion process has been used by a network of local governmental actors – Local Government Association – to report on local anti-poverty actions (Armstrong, 2006).

Prior to the OMC/inclusion, civil society participation in devising or implementing anti-poverty policy was weak and the OMC/inclusion acted as a novel means for civil society actors to develop a dialogue with the DWP (Armstrong, 2006: 92). A key interview with a UK civil servant supports this finding: 'Because of the OMC inclusion, the United Kingdom is now convinced that NGOs and civil society should be more involved, genuinely and not only for the purpose of

window-dressing' (European level inclusion interview, No.11). Also, the UK-EAPN was important as a mobilizer for the development of this dialogue (Armstrong, 2006: 93). Apart from the dialogue between the EAPN-UK and the DWP, the OMC/inclusion has led to another important institutional innovation, the creation of a 'Social Policy Taskforce' (SPTF) that brings together the NGOs at national and regional levels. The SPTF has organised seminars with the aim of spreading awareness of the NAP/incl among NGOs, and has made a voluntarily-instigated submission to the NAP/incl, that has been included as an annex to the action plan. NGOs themselves and representatives of 'people experiencing poverty' also reported that the OMC/inclusion represented an opportunity to influence the report for Europe. Perhaps more importantly, the integration of NGOs into the process of developing the European report had an important spin-off effect: NGOs, by a similar mechanism, now also contribute to the development of the domestic policy document, 'Opportunities for All'. Armstrong (2006: 94) insists that '... it is the presence of the NAP/incl that has been so significant in creating new opportunities for NGO advocacy and influence, rather than the overall architecture of the OMC'. This means that the OMC/inclusion has been used as a completely novel way of conceiving and developing anti-poverty policies in the national context, similar to the process of institutional capabilities brought about the EES in the Italian case. The OMC/inclusion has in the UK led to fully-fledged horizontal, vertical and non-governmental involvement in policy reporting. In addition, this fully developed coordinative and participative process is now filtering into the national process of development of anti-poverty policies. Thus, the UK case deviates away from the policy reporting ideal type in that it also includes elements of policy development. But this policy development is not within the OMC itself. It has instead taken place in the domestic policy process on the basis of actor empowerment that had taken place through the OMC/inclusion.

In Ireland, the NAP/incl is drawn up by the Governmental Department of Social and Family Affairs, in collaboration with the Department of Finance, the Department of Health and Children, and the Department of Enterprise, Trade and Employment. The first NAP/incl report did not integrate the National Anti-Poverty Strategy (NAP), which was established in 1997 (O'Donnell and Moss, 2005: 332). By contrast, the second NAP/incl did integrate the NAPS and also the National Partnership Agreement 'Sustaining Progress', which came into effect in February 2003. Like for the other countries in this cluster, in the process of compiling the NAP/incl, internal coordination across national government actors responsible for different national programmes was improved (Office for Social Inclusion, 2005: 82). After the second round of the NAP/incl, an 'Office for Social Inclusion' was established under the auspices of the Department of Social and Family Affairs to merge the domestically-driven NAPS and the NAP/incl (European Commission:



Irish response, 2005: 1; O'Donnell and Moss, 2005: 333-334). In Ireland, local level involvement was absent in the first NAP/incl, but from the second round of the NAP/incl onwards multi-level and cross sectoral participation was enhanced: the Local Government Anti-Poverty Learning Network, the pilot Social Inclusion Units in Local Authorities and social inclusion representatives of the City/County Development Board Strategies were involved. Due to the highly developed participative tradition in Ireland that had been developed in the mid-1980s, it provided an institutional basis upon which actors could easily be integrated into the NAP/incl process. Via the Office for Social Inclusion 81 submissions<sup>76</sup> were made on policy objectives, specific measures, statistical data (and its absence), proposals for representative institutional structures, funding requests and other issues deriving from the NAP/incl (Office for Social Inclusion, 2005: 6, 9). Through the OMC, civil society organisations seek to obtain more political, institutional and financial support for the specific target groups that they represent (Office for Social Inclusion, 2005: 82-92). But just like in the national policy-making patterns, while civil society participation is highly developed, their influence on policy decisions is very weak (Office for Social Inclusion, 2005: 11, 82, 86). In the Irish case, coordination at the national level has improved through the OMC and civil society participation is perhaps the most developed among all countries, but all this activity has not been transposed into policy decisions. In other words, there are lots of good ideas and projects, but without political support they cannot be implemented. Furthermore, while it is a fully participative model, the OMC only contributed in a minor way to that development (contrary to the cases of the UK and Belgium). It was the existing policy legacy upon which further OMC-derived participation was built.

#### **5.10 Horizontally coordinated participative policy reporting (France, Netherlands, Finland)**

In France, policy reporting related to the OMC/inclusion has remained at the central level where governance structures for poverty and social exclusion policies are located. The 'Direction Générale de l'Action Sociale' (DGAS) has the main responsibility for anti-poverty policy, which includes the OMC/inclusion report, that they try to use for influencing policy development in the national context (Kroeger, 2006: 5). The NAP/incl has become a reference document for anti-poverty policy, complementing the national approach and is used as a reporting mechanism (Erhel *et al.*, 2005: 235; France, 2005). The OMC/inclusion has in essence led to the

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<sup>76</sup> 31 submissions were from national level civil society organisations, 15 from local, community or regional level civil society organisations. 11 were from public bodies, 6 from local authorities, and 5 from other institutions. 9 were from individuals, 2 from religious bodies, and 2 from trade unions.

compilation of all policies relating to anti-poverty policy using the European frame of reference. In terms of actor dynamics, the OMC process has reinforced inter-ministerial collaboration. Actors involved in different OMC processes (notably employment and social inclusion) consult each other closely in producing their respective action plans (European Commission: French response, 2005: 5). Furthermore, the OMC/inclusion is often used by the Ministry of Social Affairs (DGAS) as a tool to bargain with the Ministry of Economics, to try to obtain (although mostly this is not successful) political and financial support for combating social exclusion (Erhel *et al.*, 2005: 239). Devolution in France in the 2000s has not yet led to use of the OMC/inclusion by actors at the level of the 'departments' to set policy or to strengthen positions vis-à-vis higher levels of governance (Kroeger, 2006: 6-7). But the OMC/inclusion is increasingly used as a political opportunity structure by stakeholders and civil society actors for voicing policy priorities, although there is weak take-up of their proposals in actual decision-making. More specifically, the 'Conseil National des politiques de lutte contre la pauvreté et l'exclusion sociale' (CNLE), a political body made up of various civil society organisations is consulted on the first draft of the NAP (Kroeger, 2006: 6). It has acted as a political incentive structure through which actors reframe their policy objectives and aims. It has allowed for the two main umbrella organisations, UNIOPPS and EAPN-France to find closer means of cooperation. They seek to use the OMC/inclusion in their interest, but have thus far not been very successful (Kroeger, 2006: 6).

In Finland, the reporting process associated with the OMC/inclusion policy cycle has not been synchronised with the political reform driven either by the government programme or incomes policy agreements (European Commission: Finnish response, 2005: 2). But the lead ministry responsible for the preparation of the NAP/inclusion – the Ministry of Social Affairs and Health – has actively used the OMC/inclusion to try to enhance its influence. It collaborates horizontally with the participation of the Ministry of Labour, the Ministry of Education, the Ministry of the Environment (regarding issues related to housing), and the Ministry of Finance. The Finnish NAP/inclusion mainly reports on existing policies rather than developing new ones. In Finland, the regional and local actors in Finland have participated in information dissemination seminars organised in the framework of the OMC/inclusion, but have not been involved in the OMC/inclusion policy cycle in any way, nor have they used it to set policy or even to try and increase their authority vis-à-vis higher levels of governance. Civil society actors have been actively involved in the OMC/inclusion, but as a feature of the national tradition and not due to the OMC/inclusion (European Commission: Finnish response, 2005: 7-8).

Core governmental actor dynamics are similar to the French and Finnish cases, where the main ministry uses the OMC/inclusion to gain leverage against other ministries. Contrary to the UK case where devolution of responsibilities led to more multi-level coordination, in the Netherlands, the decentralisation of social assistance and some anti-poverty policies did not empower actors at the local level (the OMC/inclusion was mostly not known or otherwise not conceived as a power-enhancing mechanism – it is conceived as being too ‘abstract’ where local level actors would like concrete means to carry out small-scale projects) (Hemerijck, A., and Slegers, P., 2006: 211). Regarding the participation of civil society actors, they have contributed to the process through provision of opinions, and also regular contact with various government actors (The Netherlands, 2005: 5),

### **5.11 Vertically coordinated participative policy reporting (Germany)**

In Germany, the poverty policy-making structures are shared between Federal and Länder levels. At the Federal level, there have been several administrative changes at Federal level throughout the 2000 to 2005 period, which has determined the fate of the NAP/inclusion. First, it was prepared by actors dealing with issues in European affairs (first NAP/inclusion) then this responsibility shifted to actors dealing with social affairs and then finally the writing of the NAP/inclusion was shifted back to the European affairs actors (Büchs and Friedrich, 2005: 269; Kroeger, 2005: 13-14). 2005: 14). The responsibility for the OMC/inclusion has been shifted around in line with domestically-prompted institutional reform where the report was conceived as an administrative task.

Germany is the only country that has appointed a delegate to represent the perspective of the Länder to the European social protection committee, otherwise only involving national representatives from social affairs ministries. This is because most decisions on anti-poverty policy are taken at the level of the Länder (informal discussion Länder representative to the social protection committee, June 2005). The sixteen Länder are involved in the NAP/inclusion process via representation in the ‘Conference of the Labour and Social Affairs Ministries’, which is a horizontal co-operative body for the Länder, where initially the responsibility and activity was carried out by European Units (Büchs and Friedrich, 2005: 270). But, the participation of the Länder for the most part does not extend much beyond involvement in the Länder level conference and indeed internal processes for using the OMC/inclusion are mostly absent at the level of the Länder. Mostly, the Länder have been suspicious of the OMC/inclusion, and have had a defensive attitude towards higher levels of governance (Federal and also European)

(Büchs and Friedrich, 2005: 274). However, there is one exception, the Land of Sachsen-Anhalt, where the OMC/inclusion was used to determine policy. Initially, the political support for the strategy from the then social-democratic government (of Sachsen-Anhalt) was crucial for setting the policy. Subsequently, the anti-poverty strategy has endured a change in government coalition from social-democratic to conservative-liberal (Büchs and Friedrich, 2005: 271). In Germany, local level actors have been mobilized (via organisations gathering several associations, similar to the Swedish and Danish cases), but they have not used the OMC/inclusion for policy development in the municipalities or for strengthening their position vis-à-vis higher levels of governance (Büchs and Friedrich, 2005: 270-271). On the other hand, civil society actors have at the Federal level actively been interested in the OMC/inclusion as a political opportunity structure, although participation has not been as broad as in other cases (notably Ireland and Belgium). At Länder level, there has been disinterest in the OMC among civil society actors, exemplified by the cancellation of a meeting planned for information to regional and local civil society actors due to the low level of expected participation (Kroeger, 2005: 16).

## **5.12 Horizontally coordinated non-participative policy reporting (Portugal, Greece)**

Following the Portuguese Presidency in 2000 that launched the Lisbon Strategy and the social inclusion process, Portugal engaged seriously in the first round of the OMC/inclusion. Capucha *et al.* (2005: 252) report that the first NAP/incl became an instrument to support the development of the welfare state and to pursue the development of active policies. The first NAP/incl. rationalised a process that had already been initiated: it set out a comprehensive framework and strategy to fight poverty, through existing instruments and programmes, and committed to reducing poverty and eradicating extreme and also child poverty. But a change in government from socialists to a right-wing coalition decreased the political and financial commitment to the OMC/inclusion. The policies of the right-wing government became oriented more towards activation and education for early school leavers (Capucha *et al.*, 2005: 253-254). Furthermore, the OMC/inclusion has boosted aspects of policy monitoring and surveillance, as well as data production. In particular, the conjunction of European and national data for obtaining a picture of the poverty and social exclusion patterns has been deemed as element of added value. Despite less political commitment to anti-poverty policies, co-ordination at central governmental level has been maintained (i.e institutional capabilities have been developed), and there is some more coordination with local level actors, although this is still limited (European Commission, Portuguese response, 2005: 8).

In Greece, there was initially resistance among government actors to the OMC, but then it gradually started to be accepted as a valid policy-making mechanism (Sakellariopoulos, 2006: 253). At central governmental level, a Network for Social Protection (that includes social exclusion) has been developed, to contribute to the coordination of various social OMC processes in Greece. This has progressively been institutionalised, between the 2000 and 2005 period (European Commission: Greek response, 2005). In terms of information development, the OMC/inclusion contributed to obtaining a coherent picture of the poverty situation in Greece, with the support of statistical data. However, while it has acted as an important information provision tool (European Commission: Greek response, 2005: 3-4), the OMC/inclusion has not been used as a core policy development tool. The NAP has been used (mostly) to reflect governmental policy objectives and not to develop them. The first NAP/incl reflected that policy development priorities were oriented towards the targeting and development of social services that are weakly developed in Greece (Matsaganis, 2005: 57-58). The second Greek NAP/incl reconfirms the commitment to a targeted approach (Ferrera, 2005: 11-13; Matsaganis, 2005: 37 – 38; Matsaganis, 2005: 70-71). But in addition to reflecting core political priorities of the government, other issues have been put on the agenda by the governmental actors due to the OMC/inclusion: the definition of a poverty line and the need to tackle social exclusion issues at local level. But there is no firm political commitment to these objectives. Current priorities are to raise the amount of some benefits and to create specific measures for marginal groups (Greece, 2005; Matsaganis, 2005). Both in Greece and Portugal, participation of civil society actors has been low (European Commission: Portuguese response, 2005; European Commission, Greek response, 2005; Sakellariopoulos, 2006: 243; Capucha *et al.*, 2005).

The OMC/inclusion has thus been used horizontally by actors at the national level to try to enhance their influence and policy leverage in an area that is not high on the domestic policy agenda. In these two countries where institutional capabilities prior to the OMC/inclusion were low, the NAP has been used by the governmental actors that draft the NAP to try to put new issues on the agenda, but were not very successful. The policy priorities in poverty policy are determined by higher level political actors.

### **5.13 Vertically coordinated non-participative policy reporting (Spain)**

In Spain, the national government plays a subsidiary role with respect to regions in social welfare issues that includes social exclusion. The OMC/inclusion has provided national

government with the possibility to rationalise the policy-making process and to strengthen its authority vis-à-vis the Autonomous Communities. The Spanish NAP/incl is compiled by an actor that is considered to be weak: the Secretariat at the General Sub-Directorate of Programmes of Social Services, in the Ministry of Social Affairs. An Inter-ministerial Commission has been established in the Secretariat to coordinate the actions of the different ministerial departments with regard to social exclusion (European Commission, Spanish response, 2005: 7). The Secretariat coordinated information collection and prepared the report, rather than providing an impetus to policy-making. In terms of data collection, it was difficult for the Secretariat to secure information provided horizontally by other ministerial bodies. In Spain, the NAP/incl are 'exhaustive recompilations' of the various programmes and policies implemented at various levels of government (Arriba and Moreno, 2005: 174). But at the same time, the NAP represents a comparative overview of the characteristics of poverty across the various regions. To make that comparison, the EU data on living and working conditions is used as one of the three main sources of reference for obtaining a picture about the situation regarding poverty and social exclusion in Spain at national level. As EU-SILC is a timely and more accurate database than the ECHP that preceded it, the influence of EU data in assessing poverty problems is likely to increase in the future (Spain, 2005: 5; Arriba and Moreno, 2005: 154). The Spanish case is the most advanced in terms of participation of sub-government actors: the Autonomous Communities are the key actors in devising and implementing social service and assistance policies for their respective Community. Furthermore, their responsibility has recently been increased (decentralisation has been enhanced). In this light, regional actors have been able to integrate social services and social assistance policies into common regionally based networks of provision. However, the lack of financing and the risk of exacerbating regional inequalities persist (Arriba and Moreno, 2005: 152 – 153). The 2001 and also the 2003 NAP/incl represented opportunities for enhancing multi-level coordination, and they provided the first general overview of the situation of poverty and policy measures against poverty in Spain. Similar to the Belgian case, the European policy process has provided a stimulus to defining a coordinated framework at national level (Ferrera, 2005: 19). The central Secretariat at the national Social Affairs Ministry that is responsible for compiling the NAP/incl actively involved actors at different levels of government, social partners, NGOs, experts, target groups and users. In light of the national tradition of division of responsibilities for compiling the NAP/incl, 13 of 17 Autonomous Communities have prepared territorial action plans for social inclusion, although not all are listed in the NAP/incl (and most were not developed because of the OMC/inclusion, but on the basis of legacies in the Autonomous Communities). Furthermore, many municipalities, that also have considerable responsibility in social exclusion policies,

prepared local plans for social inclusion, some using the OMC/inclusion to develop a strategy and others building on past legacy and practice (Arriba and Moreno, 2005; European Commission: Spanish response, 2005: 4). The national level uses the OMC to try to develop a general framework for articulating policy coordination, but the regions are not keen on embracing the policy framework being proposed by the national level. A Special Commission for the NAP/incl was established, involving all director generals of the Autonomous Communities and Cities, and of the Spanish Federation of Municipalities (European Commission, Spanish response, 2005: 7). Participation of civil society has improved somewhat throughout the NAP/incl but ultimately, it has not triggered the development of a genuinely integrated approach (Arriba and Moreno, 2005: 193-195). In Spain, the main effect has been vertical coordination.

#### **5.14 Uncoordinated non-participative policy reporting (Austria, Italy)**

In Austria, the government has strongly resisted the OMC/inclusion, considering it as a possible infiltration of the EU-level. The lead Ministry is the Federal ministry for social security, generations and consumer protection. Despite responsibility of the Länder in this area, the Federal Ministry excluded their contribution to the NAP/incl. (Austria, 2005). In Austria it has been ignored, mainly due to the conservative-far right coalition in power. The Länder have not contributed to the OMC/inclusion, despite their competency in anti-poverty and social assistance policies. The Austrian government expressed the opinion that it did not want social actors taking decisions in any aspect of the OMC/inclusion process, but at most, should be sought in the 'opinion-making' process (Austria, 2005). In this case the OMC/inclusion was totally ignored as it did not provide the government with resources or leverage in policy development (and anti-poverty policy was on the bottom of the agenda in Austria during the 2000 – 2006 period).

In Italy, the framework law of 2000 reformed the institutional setting of Italian social assistance, according to principles of decentralisation and subsidiarity. According to the law, the central level of government retained the power of policy steering and overall coordination, mainly through a series of overarching Action plans, in particular the triennial National Plan on Social Interventions and Services (Social Plan). The Social Plan was the main instrument for national policy planning, and set out to guide the actions of the regional and local levels of governance. To ensure coherence among levels of governance in setting anti-poverty policy, regions and groupings of municipalities – *zone* – had to issue social plans for their specific region or municipality (-ies). The first plan was issued in April 2001, and set out to cover the period 2001

– 2003. It identified five policy priorities: family support, children's rights, fighting poverty, service development for vulnerable (especially elderly), and promotion of inclusion of specific groups. Three policy principles guided the reform: first, universalism; second, provision in kind and services rather than cash transfers and third, ensuring a stable and reliable source of financing (National Fund for Social Policies). Furthermore, in process terms, the law included a 'participative' dimension, that is, integration of various levels of government and relevant social actors. This dynamic was launched and developed before the OMC/inclusion, and was in no way influenced by the European level process. A few months later, Italy submitted its first NAP/incl. (July), which was mostly derived from the first Social Plan (Sacchi and Bastagli, 2005: 89 – 90). It was drafted by the Department of Social Affairs and was not used to identify new challenges, to innovate, to set targets or to make new commitments (Ferrera and Sacchi, 2005: 156). Subsequently, new domestic reforms in 2001 and 2003 would work in the opposite direction of the OMC/inclusion policy objectives and multi-level policy making process. These reforms put a halt to the process of development of Social Plans by the central level of government (Sacchi and Bastagli, 2005: 91). And this fate of the initial steps in the development of anti-exclusion policy in Italy was also reflected in the NAP/inclusion. The NAP/inclusion was in the domestic context just a report to Brussels and had in no way been integrated into the domestic reform process. Nor has it inspired policy planning or actor empowerment (Ferrera and Sacchi, 2005: 161 – 163). There is no office or other form of institutional structure to oversee the NAP process, but only an identified bureaucratic officer whose ordinary functions in the Ministry do not include poverty and social inclusion. National monitoring of poverty started in 2004, but this has taken place parallel to and independently of the NAP/incl. The most institutionally relevant aspect of Italy's NAP/incl 2003-2005 is reflected in the Annexes, where the involvement of the regions in the regional institutional forum, is indicated. However, it is not highlighted in the body of the NAP/incl, and while their contribution is included, it is not integrated in the core NAP/incl as a policy planning component (Ferrera and Sacchi, 2005: 164). In addition, in both the Austrian and Italian cases, civil society actors have not been able to develop genuine participation in the process.

## **Conclusion**

In this chapter, I have shown that the OMC has been used in different ways by governmental and non-governmental actors in Member States. For both the EES and the OMC/inclusion, it has in most countries been used by the main ministry involved to develop a dialogue with other ministries around various issues deriving from the OMC or to enter a debate that was formerly



dominated only by one ministry. In this way, the national administrations have all (with different degrees of success) used the OMC to advance their own agenda. But regarding the function of the NAP itself at the national level, it has been somewhat weaker, mostly acting as an ex-post reporting mechanism, prepared for the European Commission. If there has been a policy setting effect, it was mainly to introduce new issues within an existing debate. The same effect can be found at regional level, where regional actors have occasionally used the OMC for policy development. At the local level, actors have not been fully engaged because it is distant from their main agenda, which is more concrete. Furthermore, they consider it as a document that is 'owned' by national governmental actors. The OMC has in most cases reproduced existing patterns of conflict or consensus among actors but it has in some cases created dialogue among actors concerned with similar issues. This finding is comparable for both OMCs.

The cases of the EES and the OMC/inclusion differ with regard to the degree of participation of non-governmental actors. In the EES, the social partners are involved formally, but have rarely used the EES to resolve conflict. Mostly, it has been ignored by social partners as it is mostly considered as an administrative task with a reporting requirement for the European level, rather than a means to develop policy. In the OMC/inclusion, NGOs and civil society organisations that had weak means to influence policy used it to lobby poverty issues. In some cases, a genuine dialogue with governmental actors was developed. However, even if dialogue between governmental and non-governmental actors has been developed, it has rarely led to decisions about commitment to poverty measures.

The conclusion is that – as can be expected from a soft governance tool with such a low level of obligation – it can be used in different ways by various actors. While mostly acting as a reporting instrument, there are cases where it has acted as a tool to support or to develop policy priorities. In the following chapter, I will analyse in more detail exactly how the OMC has affected policy outcomes in Member States.

## **CHAPTER 6**

### **THE INFLUENCE OF THE OMC ON MEMBER STATES' POLICIES: COMPARING EMPLOYMENT AND SOCIAL INCLUSION**

#### **Introduction**

Has the OMC influenced policy developments in Member States? Is it effective as a policy tool? These questions dominate the academic and policy oriented debate and there are still no cross national analyses about its policy development capacity. On the basis of the core policy objectives (and statistical indicators) that I identified for understanding OMC influence in Member States in chapter 2, I first analyse the EES and then the OMC/inclusion. The countries are organised according to clusters, representing their initial policy distance with European level employment and anti-poverty policies. For each cluster of countries, I analyse the policy legacy and recent reforms, as well as policy outcomes (on the basis of secondary data and statistics), to draw conclusions about how the OMC influences policies in Member States. I will also assess the extent to which the Commission's own statistical tools are useful to monitor development of the OMC, as the assessment of 'influence' of the OMC via the statistics will be compared to the main reform programmes.

#### **6.1 The EES in 'High' Expenditure countries**

##### **6.1.1 Policy Legacy**

The pioneer for active and preventative policies in the 1970s was Sweden (Interview Allan Larsson, December 2002; Barbier, 2004; Jacobsson and Vifell, 2005; Palme, 2002). In Denmark, there has been a tradition of active and passive labour market policies (Torfing, 1999). This institutionalised tradition of ALMP was combined with generous passive transfers in the conception and development of the universal welfare state (Barbier, 2005). Unsurprisingly, at the launch of the EES, these two countries had the highest level of expenditure for ALMP – almost 2 per cent of the GDP – among all EU countries (see Table 18 below). They also had high levels of passive labour market transfers (notably unemployment benefits), although this was much higher in Denmark (2.6 per cent GDP) than in Sweden (1.7 per cent GDP). In the 1980s, Sweden experienced a political shift to the centre-right leading to some cuts in expenditure on labour market policies, rendering them more stringent (Pierson, 2001; Palme,

2001), while in Denmark there were no radical reform measures on labour market policies at this time (Kvist, 2006). The welfare state model was built upon the expectation that all citizens of working age would be in employment, and if they were temporarily excluded from the labour market, then the public employment services would play an important role in reintegrating those citizens into the labour market.

### 6.1.2 Policy Reforms and evolution of employment rates in the 1990s and 2000s

Has the EES contributed to the on-going reform processes in these two countries? Both 'Activation' as a means to get people into employment as well as 'full employment' as an outcome were high prior to the introduction of the EES. That is why the EES could have only a marginal scope for influencing these high expenditure countries. In the following, I will discuss the main direction of the reform programmes during the 1990s and 2000s, and assess if the EES has been influential. I will then compare the reform record with the outcome (evolution of employment rates).

**Table 18: 'High Expenditure' countries: Evolution and configuration of expenditure on labour market policies 1999 – 2004 (indication as per cent GDP)**

Country	Welfare state	ALM 1999	ALM 2001	ALM 2003	ALM 2004	+/-		PLM 1999	PLM 2001	PLM 2003	PLM 2004	+/-
DK	Nordic	1.839	1.649	1.516	1.523	-		2.579	2.290	2.659	2.672	+
SWE	Nordic	1.997	1.452	1.033	1.002	-		1.680	1.072	1.209	1.316	-

ALMP: Expenditure on Active Labour Market Policies (% GDP)

PLMP: Expenditure on Passive Labour Market Policies (% GDP)

In the 1990s, radical cost-cutting that began in the late 1990s was pursued in Sweden, while in Denmark reforms were aimed at developing social integration strategies for various vulnerable groups, notably ethnic minorities. In Sweden, there were substantial reforms in taxation, pensions, child-care and sickness insurance. Small-scale programmes for the labour market integration of some specific groups (lone parents, immigrants and the disabled) were also developed. However, the problem of integration for immigrants and other marginalised groups remains acute (Jacobsson, 2005: 120). In general, the government has shifted expenditure from the more costly and individually-tailored programmes to less costly activation programmes. Statistical data (see Table 18) confirms that the trend has been one of cost-cutting, where expenditure on activation has decreased overall. Indeed, expenditure fell drastically (by around half) from 1.997 per cent GDP in 1999 to 1.002 per cent GDP in 2004. Furthermore, there has

also been a parallel downwards shift in expenditure on passive labour market policies (by around a quarter, from 1.680 per cent GDP in 1999 to 1.316 per cent GDP in 2004). It is clear that the aim of the EES to shift expenditure from passive to active labour market policies has not been the driving force for reform. It was driven by government aims to shift from higher to lower rates of expenditure on labour market policies. The domestic reform dynamic is clearly the most influential factor in the reform of labour market policy. But in Sweden the expenditure on ALMP has decreased, suggesting (if the Eurostat statistics are solid) that the EES does not even have the capacity to maintain an existing model of activation.

In Denmark government programmes in the 1990s were adopted to respond to structural unemployment (via activation) and to maintain a high level of equality for all citizens, a cornerstone of the Nordic welfare state model. Denmark has also had a problem of labour shortages in some areas, hence a focus on enhancing labour supply through more activation (Kvist, 2006: 232; Torfing, 1999; Jacobsson, 2005: 122-123). Reforms were intended at maintaining and promoting equality (especially between 1993 and 2001). But even after the current liberal-conservative coalition took office, its policy line has been to preserve welfare and to hinder tax increases, although targeted programmes have been developed further for the activation of ethnic minorities and people with disabilities (Kvist, 2006: 233-234). The data on shifts in trends in expenditure on labour market policies (Table 18) show that between 1999 and 2004 expenditure on ALMP has decreased in Denmark, by around a third, from 1.839 per cent GDP in 1999 to 1.523 per cent GDP in 2004. But it is also clear that the pledge of the conservative-liberal government to preserve the welfare state is being kept: expenditure on passive labour market policies increased slightly, from 2.579 per cent GDP in 1999 to 2.672 per cent GDP in 2004, which is against the main aims of the EES.

In terms of policy outcomes, the general and female employment rate in Sweden has remained relatively stable between 1993 and 2005 (Table 19). Following the economic difficulties in the mid-1990s, there was a slight dip in employment rates, but overall the employment rates remain stable during this period. The overall employment rate increased by 1,2 percentage points, from 71,3 per cent in 1993 to 72,5 per cent in 2005. This trend is mirrored in the female employment rates as well, increasing from 69,7 per cent in 1993 to 70,4 per cent in 2005. The overall employment rate in Denmark has also increased over the last decade, from 72,1 per cent in 1993 to 75,9 per cent in 2005. The female employment rate, very close to the total employment rate, has also increased, from 68,2 per cent in 1993 to 71,9 per cent in 2005. In terms of policy outcomes, the consistency between the national and EU employment model was perfect prior to

the development of the EES. Both countries have nevertheless continued to develop new policies to activate some groups of citizens that are not well integrated in the labour market and to increase the employment rate further and this has been successful. This suggests that the Eurostat statistics on ‘activation’ policies may not be entirely reliable.

**Table 19: ‘High Expenditure’ countries: Evolution of Total (Male and Female) and Female Employment Rates between 1993 and 2005 (indication as per cent GDP)**

Country	1993 TER	1993 FER	1995 TER	1995 FER	1997 TER	1997 FER	1999 TER	1999 FER	2001 TER	2001 FER	2003 TER	2003 FER	2005 TER	2005 FER	Per cent △ TER	per cent △ FER
DK	72,1	68,2	73,4	66,7	74,9	69,1	76,0	71,1	76,2	72,0	75,1	70,5	75,9	71,9	+3,8	+3,7
SW	71,3	69,7	70,9	68,8	69,5	67,2	71,7	69,4	74,0	72,3	72,9	71,5	72,5	70,4	+1,2	+0,7

TER: Total employment rate

FER: Female employment rate

per cent △: Change (in all cases increase) in per cent of employment rates between 1993 and 2005.

### 6.1.3 Assessing the effect of the EES policy objectives in high expenditure countries

The analysis for countries that are highly consistent with the European activation policies and the ‘full employment model’ shows differing results for the two countries. In Sweden, activation has been maintained, but in less costly forms. In Denmark, activation has decreased only slightly and there has been an increase in expenditure on passive labour market policies, which is the opposite of what the EES prescribes. What is similar in the reform of labour market policies in Denmark and Sweden is that there is more targeting of activation on specific groups, particularly immigrants and the disabled (an important aim of the EES activation objectives). The core reform dynamic that has been driven by government programmes – in Sweden aiming to cut costs and in Denmark aiming to preserve both the active and passive components of the welfare state – has been carried out successfully. These reform programmes were designed on the basis of electoral pledges and short-term preference driven action of powerful domestic actors, as well as a highly developed policy legacy (developed in the 1970s) of labour market policies in both countries. Domestic factors seem not only to mediate influence of European policy objectives, but to overstep them altogether. Furthermore, the increase in employment rates that is recorded over the last decade reinforces the full employment model as a dominant paradigm.

## 6.2 The EES in 'Medium' expenditure countries

### 6.2.1 The Policy Legacy

The countries with 'medium' levels of expenditure on ALMP at the end of the 1990s were mostly from the conservative welfare state family (France, Belgium, Germany and The Netherlands). The institutional legacy in most of these countries was similar, consisting of a Bismarckian social insurance system and a conservative male breadwinner/female carer model. Family policies and allowances created strong disincentives for women to take up employment. Despite national variations, there is in these conservative welfare state regimes an in-built component of passive transfers funding exit from the labour market (ranging between 1.5 per cent GDP in France and 2.1 per cent GDP in the Netherlands). This model has become increasingly dysfunctional given ageing and a growing imbalance between active workers and dependent beneficiaries. In France, Belgium and Germany, the systems have remained intact, with marginal activation schemes in the 1980s, focused on specific groups. During that period, there were no over-arching reforms intended to change the conservative legacy of the system (Barbier, (with the contribution of Samba Sylla), 2004; Coron and Palier, 2002; Erhel *et al.*, 2005; Pochet and Reman, 2005; Büchs, 2005).

In the Netherlands, by contrast, more substantial changes were made to the welfare state and labour market in the 1980s, following economic recession. These include wage moderation, cost cutting in public finances and social security (notably the disability pension scheme), and increased labour market participation, especially through an expansion of part-time work (Visser and Hemerijck, 1997; Visser, 2002; Auer 2000). Between 1977 and 1997, the main increase in employment was among women, from 30 per cent of women of working age in 1977 to 70 per cent by 1997. During that period, the number of jobs in the Netherlands increased at a rate of 1.8 per cent per year, to which part-time jobs have contributed strongly (Visser, 2002: 23, 24, 25). Public provision of child-care was scarce during this period, rendering part-time work the most pragmatic solution for families with children (Visser, 2002: 26). The outcome was the development of a particular model in the Netherlands, referred to as the '1.5 time working economy' (Hemerijck and Slegers, 2006: 209).

Finland and Ireland were also medium spenders on ALMP at the end of the 1990s. Finland, a member of the Nordic welfare state family, was a late implementer of many aspects of that model (Kautto *et al.*, 1999). It developed active policies along the lines of the Swedish model,

but only from the 1980s onwards. As in the Netherlands, in Finland and Ireland, important reforms were carried out in the 1980s. In Finland, labour market activation policies in the 1980s included the Employment Act of 1987 (revised in 1993) that was targeted specifically at the young and long-term unemployed. Finland also began to confront the problem of early retirement at that time. After it was badly hit by the economic crisis of the early 1990s, the government implemented a comprehensive reform package aimed at increasing economic and employment growth and combating unemployment. Ireland, with a Beveridge-inspired Anglo-Saxon welfare state model, implemented a comprehensive economic and employment growth strategy following economic recession in the 1980s. During that period, activation was targeted at specific categories of citizens. Trends in the evolution of expenditure on active and passive labour market policies for this group of countries are presented in Table 20 below. In Ireland, the comprehensive welfare and tax reforms, in particular ALMP, developed from the mid-1980s onwards are in line with the policy objectives of the EES (O'Donnell and Moss, 2005: 317) to respond to a serious problem of long-term unemployment. Other significant reforms included a reduction of non-wage labour costs, especially on low wages; a strengthening of social insurance coverage with atypical contracts or circumstances, i.e., the self-employed, part-time workers, vulnerable categories of workers; and an implementation of policies to enhance the equal treatment of men and women. The Netherlands, Finland and Ireland faced important employment issues prior to the introduction of the EES, and all three countries introduced comprehensive reform packages to respond to them.

### **6.2.2 Policy Reforms in the 1990s and 2000s**

Has the EES led to reforms in France, Germany and Belgium where active labour market policies were only marginal prior to the EES and where employment rates were lower than prescribed by the EES 'full employment model'? Since the distance from the model of 'activation' (as a means) and full employment (as an outcome) was considerable, then the EES should have some capacity to engender change in these Member States. Has the EES contributed to reform efforts in the Netherlands, Finland and Ireland, where the countries had already embarked upon or successfully implemented reforms? In the following, I will discuss the main direction of the reform programmes during the 1990s and 2000s, and assess if the EES has been influential. I will then compare the reform record with the outcome (evolution of employment rates). Table 20 below presents the data that reflects the evolution of expenditure on labour market policies, which will be referred to in my discussion here.

**Table 20: ‘Medium Expenditure’ countries: Evolution and configuration of expenditure on labour market policies 1999 – 2004 (indication as per cent GDP)**

Country	Welfare state	ALM 1999	ALM 2001	ALM 2003	ALM 2004	+/-		PLM 1999	PLM 2001	PLM 2003	PLM 2004	+/-
FR	Conservative	1.046	.956	.824	.726	-		1.516	1.410	1.737	1.718	+
BE	Conservative	1.025	0.996	0.993	0.920	-		2.369	2.247	2.468	2.406	+
DE	Conservative	1.070	0.956	0.950	0.854	-		2.111	1.924	2.281	2.314	+
NL	Conservative	.952	1.168	1.206	1.123	+		2.140	1.876	2.022	2.233	+
SF	Nordic	.945	.710	.746	.780	-		2.375	2.018	2.088	2.028	-
IRE	Anglos-Saxon	.878	.730	.588	.492	-		1.102	0.696	0.885	0.897	-

ALMP: Expenditure on Active Labour Market Policies (% GDP)

PLMP: Expenditure on Passive Labour Market Policies (% GDP)

In France, Belgium and Germany, activation became more pronounced throughout the 1990s, in response to the high rates of structural unemployment recorded at that time. However, the corresponding reform record for employment and labour market policies is mixed. For the French case, there were two main factors leading to the development of ALMP: lack of flexibility in the labour market, and the predominance of passive policies that discouraged take up of employment (for women and older workers). The EU, as well as the OECD, played a role in the diffusion of ideas about active employment policies. Reforms for increasing the flexibility of the labour market and creating incentives for increasing the employment rates began before the EES, and prior to the recommendations addressed to France on that issue (Erhel *et al.*, 2005: 223). The key reform packages that were adopted in labour market policies at launch of the EES are the ‘nouveau depart’ programme for young people in 1998, and in the 2000s, various reforms that aim to enhance financial incentives to work, especially through tightening eligibility (that is not prescribed by the EES), and providing subsidies for employers (Erhel *et al.*, 2005: 222-223). These (small-scale) programmes were partially in line with the reform aims of the EES, and were partially developed as a result of the EES (Barbier (with the contribution of Samba Sylla), 2004). By contrast, statistical data (Table 20 above) suggests that there has been a progressive decrease in expenditure on ALMP from 1999 to 2004 (from 1.046 per cent GDP in 1999 to .726 per cent GDP in 2004 – a 50 per cent decrease) and also a slight increase expenditure on passive labour market policies (from 1.516 per cent GDP in 1999 to 1.718 per cent GDP in 2004). Like for the cluster of high expenditure countries, this suggests that the statistics from Eurostat do not adequately trace and account for activation policies.



In Belgium, too, the policy discourse (notably developed by Frank Vandenbroucke, Minister for Social Affairs) has shifted more substantially towards activation in the second half of the 1990s, but the main features of the conservative system have changed only marginally (Reman and Pochet, 2005). For the minor reform initiatives (for example programme targeted at young people) that have been undertaken, the EES has not been an important driver. The statistical data reveal negligible changes in expenditure in Belgium on both active (1.025 per cent GDP to 0.920 per cent GDP) and passive (2.369 per cent GDP to 2.406 per cent GDP) policies between 1999 and 2004 (Table 20), suggesting institutional inertia.

The core changes to the German welfare state began in the mid-1990s in a Bismarckian welfare state that was deeply embedded and institutionalised, with clear and substantial roles for various actors in administering and deciding labour market policies. After Lafontaine stepped down from his post as Finance Minister, in 1999, space was opened up for the 'modernists' in the SPD to change policy direction. This coincided with the initial round of the EES. But, the EES did not have much capacity to change the discourse. Instead, the novel conception of labour market and employment in Germany was influenced by Third Way ideas and conceptions of the welfare state. One of the politically most salient manifestations of this shift in discourse occurred under Gerhard Schroeder who wrote a paper with Tony Blair that focused on supply-side policies, removing disincentives to take up employment from the social security system and rebalancing rights and obligations. The most important policy changes were enacted after 2001, in the form of the 'Hartz' acts and the Act for reforming the labour market. These introduced new obligations for jobseekers and hardened sanctions in cases of non-compliance, cut benefits (especially passive ones) and changed conditions of eligibility. The EES was used to back up these reforms by the 'Hartz commission' for employment and labour market reform, but was not the motor for reform (Büchs, 2005: 180, 181, 182; Büchs and Friedrich, 2005: 265). While the activation philosophy appears to have been embraced politically and there is evidence of some labour market report, this is not reflected in the expenditure patterns, which once again suggests that this data may be inadequate. The expenditure on ALMP (see Table 20) reveals a progressive yearly decrease (from 1.070 per cent GDP in 1999 to 0.854 per cent GDP in 2004), while spending on passive labour market policies increases during this period (from 2.111 per cent GDP in 1999 to 2.314 per cent GDP in 2004). It is striking that the EES was not able to filter into the domestic debate, despite the openness of the social-democratic party to embrace new ideas for developing a reform programme. This suggests that the EES is considered as a very weak instrument.

For all three conservative countries, the active labour market programmes were not very significant in budgetary terms, and the shift from passive to active labour market policies, if it has taken place, has not been as concrete as claimed in some of the (ideational) literature claiming a radical shift not only in policy conception but also in policy implementation (Goetschy, 1999). In all three countries, early labour market exit (early retirement) is pronounced, partly explaining persistence of passive labour market expenditure. And ultimately, the reform efforts, aside some small scale programmes, were not driven by the EES, despite scope for influence.

What about the countries that had already initiated reform programmes prior to the EES? Were the systems more open to its influence and was it used as a political resource to develop policy? In the Netherlands, the peculiar features of the 'one-and-half jobs' model persevered and activation was enhanced, for women and other categories of workers. In 1992, prior to the launch of the EES, the social-democratic coalition introduced a programme for activation aimed at young people, while also targeting the long-term unemployed (Hemerijck and Slegers 2006: 209). When the EES was introduced, its core reform aim (to increase the employment rate via activation, but also to increase expenditure in activation policies) was welcomed as an additional source of political support for the government's on-going reform process (Visser, 2005: 194). The focus on young people has since been maintained by the social-democratic governments of the 1990s, with a budget of 2 billion euros for ALMP targeting the young and long-term unemployed. Contrasting with the situation in France, Belgium and Germany, in the Netherlands, there is some consistency between political support for activation and the record of reform (in terms of expenditure on activation), with an increase in spending on ALMP from .952 per cent GDP in 1999 to 1.123 per cent GDP in 2004 (Table 20). The data also reveal that there was first a decrease in spending on passive labour market exit measures between 1999 and 2001, and then an increase, producing an overall shift from 2.140 per cent of GDP in 1999 to 2.233 per cent of GDP in 2004. In 2004, centre-right coalition of 2004 made long-term unemployment its main priority, making accepting a job obligatory regardless of qualifications and previous pay levels. Dutch policy on ALMP has been reinforced to enhance employment rates, but through cost-effective measures (Visser, 2005: 198-199). And interestingly, while the prominent political figure Wim Kok uploaded this policy to the European level, it was not re-injected into the domestic policy process. Like in Germany, Belgium and Finland, domestic reform priorities are driven by powerful actors with short-term preference oriented behaviour.

Of all the countries in the medium-expenditure cluster, Finland was the hardest hit by the economic recession of the beginning of the 1990s. After 1991, the employment rate decreased

from 70 to 62 per cent and the unemployment rate rose to 18 per cent. The main issue on the political agenda was to re-launch economic and employment growth. Due to the economic crisis, the scope for EES influence was considerable. Entering into office in 1995, the social-democratic government set a quantitative benchmark: to reduce unemployment by half during its term in office. It also sought to stimulate employment creation through a comprehensive economic and employment growth programme (1996-1999). The introduction of the EES thus coincided with the on-going implementation of this assertive employment policy that include reform of the public employment service in 1998, and reform of incentives for employment take-up in the mainstream labour market. With regard to activation, Finland has in fact decreased resources for supply-oriented activation measures since 1998 (Saari, 2002: 254, 255). This is consistent with the Eurostat data, according to which expenditure on active labour market policies decreased from .945 per cent GDP in 1999 to .780 per cent GDP in 2004. The Finnish government also successfully lowered expenditure on passive labour market policies from 2.375 per cent GDP in 1999 to 2.028 per cent GDP in 2004 (Table 20). The reform programme (that included employment policy measures) was developed as a result of a major domestic crisis (Saari, 2005; Finland employment interviews 1-5, 2002). Thus, even if the data in expenditure has evolved in line with the prescribed aims of the EES and the domestic reform priorities were in line with the EES aims, the EES is probably not the main instrument leading to that result.

In Ireland, the local employment service was reformed from 1994 onwards with the help of European Social Funding. Activation schemes were introduced for young people from 1988, and for all persons aged 25 -54 from 2000. The national training agency has been a key actor in this process. All people unemployed for more than 6 months are referred to the training office that finds new jobs for the unemployed or puts them into training schemes (O'Donnell and Moss, 2005: 323-324). Since 1997, there has been a focus on other groups – single parents and those on disability allowances. But, the development of activation has been through cost-efficient measures, and there is no evidence to suggest that it was the EES that led to this change (Ireland EES Participation observation 1, 2004). The statistical data (Table 20) reveals a very substantial decrease in expenditure on ALMP, from .878 per cent GDP in 1999 to .492 per cent GDP in 2004, and a parallel decrease in passive labour market measures, from 1.102 per cent in 1999 to .897 per cent GDP in 2004. Activation was enhanced through welfare to work policies that were defined by domestic reform priorities.

What about the evolution of employment rates in these countries? Has it been consistent with the main aims of the domestic reform programmes and/or changes in investment in active

labour market policies? The evolution of employment rates is reflected in Table 21 and the discussion will be pursued below.

**Table 21: 'Medium Expenditure' countries: Evolution of Total and Female Employment Rates between 1993 and 2005**

Country	1993 TER	1993 FER	1995 TER	1995 FER	1997 TER	1997 FER	1999 TER	1999 FER	2001 TER	2001 FER	2003 TER	2003 FER	2005 TER	2005 FER	△ per cent TER	△ per cent FER
FR	59,3	51,3	59,5	52,1	59,6	52,4	60,9	54,0	62,8	56,0	63,3	57,3	63,1	57,6	+3,8	+6,3
BE	55,8	44,5	56,1	45,0	56,8	46,5	59,3	50,4	59,9	51,0	59,6	51,8	61,1	53,8	+5,3	+9,3
DE	65,1	55,1	64,6	55,3	63,7	55,3	65,2	57,4	65,8	58,7	65,0	58,9	65,4	59,6	+0,3	+4,5
NL	63,6	52,2	64,7	53,8	68,5	58,0	71,7	62,3	74,1	65,2	73,6	66,0	73,2	66,4	+9,6	+14,2
SF	61,0	59,5	61,6	59,0	63,3	60,3	66,4	63,4	68,1	65,4	67,7	65,7	68,4	66,5	+7,4	+6,0
IRE	51,7	38,5	54,4	41,6	57,6	45,9	63,3	52,0	65,8	54,9	65,5	55,7	67,6	58,3	15,9	+19,8

TER: Total employment rate

FER: Female employment rate

per cent △: Change (in all cases increase) in per cent of employment rates between 1993 and 2005.

The evolution in employment rates reveals an upward trend in all countries from this cluster, but this is less pronounced in the core conservative countries and more pronounced in the countries that have undertaken important reforms. In France, there has been a more marked upward trend in the female employment rate, from 51,3 per cent in 1993 to 57,6 per cent in 2005 and the total employment rate has increased slightly, from 59,3 per cent in 1993 to 63,1 per cent in 2005. It is unlikely that the small-scale programmes implemented as a result of the EES led to this evolution of the employment rates. And as already mentioned the core government policies were not affected by the EES<sup>77</sup>. In Belgium, despite a rather poor reform record, the employment rate has evolved considerably, from 55,8 per cent in 1993 to 61,1 per cent in 2005, while female employment has increased from 44,5 per cent in 1993 to 53,8 per cent in 2005. It is worth noting that of all the conservative countries under consideration, the female employment rate was by far the lowest in Belgium in 1993. This suggests that disincentives for women to take up employment have successfully been removed. Germany is the country that reveals one of the lowest levels of employment rate increase, from 65,1 per cent in 1993 to 65,4 per cent in 2005. The female employment rate increases more strongly, from 55,1 per cent to 59,6 per cent in the same period. The data for these countries indicate that the low

<sup>77</sup> This is also exemplified by the case related to the 'contrat jeunes' in 2006 that was driven entirely by domestic reform priorities and was not at all driven by the EES policy objectives.

implementation of the EES activation policies (and no radical shifts from passive to active labour market policies) is not correlated with the outcome (evolution in employment rates). These findings suggest, once again, that the Eurostat data on activation may not be so reliable, and also that the outcome (employment rates) is reached independently of the EES, and most probably due to different factors.

In the Netherlands, that already had a higher proportion of the population in part-time employment than the EU average in the 1980s, the percentage of the active population in part-time employment increased from 30 to 40 over the 1990s, against an EU average rate of only 20 per cent. Moreover, 72 per cent of those working part-time in the Netherlands had deliberately chosen to do so, compared with 60 per cent in the EU as a whole. Half of all those working on fixed-term contracts also chose them voluntarily compared to a 10 per cent EU average (Zijl *et al.*, 2002: 12). This contributes to explain the overall increase in the Dutch employment rate from 63,6 per cent in 1993 to 73,2 per cent in 2005 and especially the increase in the female employment rate from 52,5 per cent to 66,4 per cent. Thus, the 'one-and-a-half earner' model in the Netherlands (Visser, 2002) has been reinforced over the past decade, as has the overall increase in employment rates. In Finland, the implementation of the reform programme designed in the mid-1990s did boost growth, and the employment rate increased from 61,0 per cent in 1993 to 68,4 per cent in 2005, while female employment increased from 59,5 per cent in 1993 to 66,5 per cent in 2005. In Ireland, there was a very significant increase in the employment rate: the general employment rate increased from 51,7 per cent in 1993 to 67,6 per cent in 2005 and the female rate increased from 38,5 per cent to 58,3 per cent. Contrasting with the Netherlands, most female employment is in full-time work. Compared to the incremental increase in employment rates in the core conservative countries, the employment rates in these reformist countries has increased more substantially, due to the peculiarities of their policy legacy and also due their domestic reform programmes. Thus far, this analysis shows that in countries where comprehensive domestic reforms in economic and employment policy (The Netherlands, Finland, Ireland) have been implemented, there has been a more significant evolution in the employment rate and in countries where there have not been such far-reaching reforms, then the evolution of the employment has been slower (Germany, Belgium, France).

### **6.2.3 Assessing the effect of the EES in medium expenditure countries**

In this group of medium expenditure countries where European level policies had a considerable scope for influence, the outcome (increases in employment rates) has changed substantially, more so in countries with significant reforms. But this does not seem to have anything to do with activation, at least not if Eurostat's own statistics (on expenditure in ALMP) are taken as the main yardstick. The differences in reform record and outcome can be explained more by past policy legacy and by the design and implementation of domestic reform programmes – of which employment policy was one part – designed to boost economic growth. In addition, the reform programmes were all introduced prior to the EES, and it did not influence the core labour market or employment policies. The EES is a soft policy instrument and on the basis of the findings discussed above, it would seem that the pressure it generates from the EU level on Member States is very low.

## **6.3 The EES in 'Low' expenditure countries**

### **6.3.1 The Policy Legacy**

The countries that had a 'low' level of expenditure on ALMP at the end of the 1990s were mostly from the southern welfare state regime (Greece, Portugal, Italy, Spain). The institutional legacy in these countries was similar, consisting of a Bismarckian social insurance system combined with a male breadwinner/female carer model. Compared to the countries of the conservative welfare state regime in continental Europe, in the southern European group of countries, the family generally plays an important role in the provision of care services. All these countries have highly fragmented and complex corporatist structures, creating considerable social stratification among various occupational groups. There is a very complex bureaucratic system regarding the administration of labour market policies. Traditionally, the policies have been dominantly passive rather than active, providing incentives to exit from the labour market (Ferrera, 1999). Some shifts in discourse as well as some experimentation in active labour market schemes began in the 1980s, but the spending remained dominantly passive, and ALMP is less well funded than elsewhere, due to these countries' institutional legacy, although receipt of the European Structural Funds in the 1980s spurred some institutional innovations. In Italy, prior to the introduction of the EES, the labour market policies were mainly passive and the 'distance' between the European policy objectives and national employment policy tradition was considerable (Ferrera and Sacchi, 2005). In Spain, the pillar for labour market policy is the

Basic Law on Employment of 1980, complemented by a series of social pacts at the local level (Gonzalez-Calvet, 2002: 179). Reforms implemented throughout the 1980s and the 1990s sought to reduce the rigidity of the labour markets and to reduce wage and non-wage labour costs. Various types of precarious were introduced. In Greece, prior to the EES, the main employment policy measures and institutions were established during the 1980s. This included the creation of an unemployment protection scheme and further institutionalisation of tripartite management of labour market conditions (OMAS, 2002: 61, 63). Part of the incentive structure for the employment policy system was provided through international organisations or conventions, in particular the ILO (OMAS, 2002: 68) and the OECD (Casey, 2004). In addition, structures for administering the European Social Fund, of which Greece was an important recipient, were set up. Parallel to this, some vocational training programmes were introduced throughout the 1980s as a consequence of the ESF (Sakellaropoulos, 2006: 249). But, the development of labour market policies was weak and produced mediocre results. In particular, high unemployment rates persisted, salaries continued to be low, and active labour market policies were poorly developed (Sakellaropoulos, 2006: 243). Contrasting with the other southern European countries, the Portuguese labour market has been characterized by high rates of full-time female labour market participation since the 1970s. Partly this is because wages are so low that it requires a dual-earner model and partly, it is because of higher female emancipation, especially in the post-1974 period (de la Porte, 2007: 35). This was even pronounced in 1993 (55 per cent), prior to the introduction of the EES. But the tradition in activation and active labour market policies was weak.

Austria and the United Kingdom are also part of this group. Austria belongs to the conservative welfare state regime, with high social insurance contributions, and highly gendered labour market policies. The active labour market schemes in Austria have been a marginal phenomenon, where coverage is low (Auer, 2000: 77) and that explains why it is among the low (rather than medium) expenditure countries for ALMP. In Austria the actors responsible for administration of the labour market schemes are centralized, and the system has not been subject to major revisions during the 1980s (Auer, 2000: 82 – 83). In the United Kingdom, the liberal welfare state is focused on providing access to health care and education, in order to create conditions for employment. Thus, 'activation' was built into the system, albeit with a less comprehensive system of public employment services and low levels of passive benefits. In the UK, the welfare-to-work strategy began to play a significant role in labour market policies in the 1980s during the Thatcher administration.

### 6.3.2 Policy Reforms in the 1990s and 2000s

For the southern European countries, the patchy legacy provides scope for the EES to have a substantial role in providing input for the development of active labour market policies and for inciting a shift towards the full employment model. In Austria, it had the potential to open up scope for reform and in the UK it could have supported reform towards more individually tailored activation policies. What reforms have been undertaken by these countries during the period that the EES was being implemented, and where were the impulses for these reforms coming from? Table 22 below summarises the trends in evolution of expenditure on active and passive labour market policies for this group of countries, according to the data from Eurostat.

**Table 22: ‘Low Expenditure’ countries: Evolution and configuration of expenditure on labour market policies 1999 – 2004 (as a per cent of GDP)**

Country	Welfare state	ALM 1999	ALM 2001	ALM 2003	ALM 2004	+/-		PLM 1999	PLM 2001	PLM 2003	PLM 2004	+/-
IT	Southern	.557 <sup>78</sup>	.623	.683	.547	-		0.682	0.623	0.663	0.760	+
SP	Southern	.649	.606	.562	.551	-		1.477	1.371	1.457	1.498	+
POR	Southern	.335	.492	.516	.552	+		.851	1.030	1.219	1.319	+
GR	Southern	.269	.278	.109	.166	-		0.446	0.397	0.410	0.448	+
AUT	Conservative	.408	.428	.449	.431	+		1.313	1.183	1.365	1.394	+
UK	Anglo-Saxon	0.195	0.160	0.160	0.160	-		0.555	0.394	0.343	0.285	-

ALMP: Expenditure on Active Labour Market Policies (% GDP)

PLMP: Expenditure on Passive Labour Market Policies (% GDP)

In the early 1990s, all southern European countries faced dramatic economic recession and population ageing. As part of the welfare state re-structuring, more comprehensive reforms for labour market policy started to be implemented. This was pursued in the 2000s. In Italy, the EES was introduced parallel to various domestic reforms affecting labour market reform towards decentralization (Bassanini Law of 1997) and labour market flexibility (Treu Law on flexibility of 1997). The White Paper on Labour Market Policy of 2001 set out a comprehensive reform of Italy’s labour market. It draws extensively on the EES as a justification for the government’s reform agenda, but interprets EES policy objectives to suit its own aims. The issue of ‘quality in employment’, a key issue in the EES in 2001, was interpreted in terms of a flexibilization and de-segmentation of the labour market and the fight against undeclared work, the two priorities of government’s employment policy at the time, and which were not in line with the more

<sup>78</sup> Data for 2000, as data for 1999 not available.



comprehensive employability concept of the EES (Ferrera and Sacchi, 2005: 143; Ferrera and Gualmini, 2004). In their comprehensive analysis of the influence of the EES, Maurizio Ferrera and Stefano Sacchi conclude that the EES was mainly used to justify unpopular reforms (2005: 148-149). According to the statistical data from Eurostat, expenditure on ALMP in Italy increased slightly between 1999 and 2003 (Table 21). Then, following the reforms enacted due to the White paper on the labour market, it decreased more substantially between 2003 and 2004 from .683 per cent GDP to .547 per cent GDP. During this period, there was a progressive increase in expenditure on passive labour market policies, from .682 per cent GDP to .760 per cent GDP, probably due to schemes of early labour market exit (pre-retirement). These reforms were developed and implemented independently of the EES, and the EES was used to justify these unpopular reforms ex-post.

In Spain, a second wave of reforms was initiated in the mid-1990s. In 1994, new forms of (precarious) employment contracts were introduced in conjunction with deregulation of the labour market (Gonzalez-Calvet, 2002: 183-185). Further reforms in 2001 and 2002 also sought to reduce rigidities in the labour market. Prior to the EES, several reforms had already been undertaken, where powerful actors, notably the Bank of Spain and the OECD, had been able to influence policy considerably. In addition, local and regional-level actors had been empowered by the institutionalisation of management and implementation bodies for the European Structural Fund (López-Santana, 2006: 290). In this context, it has been difficult for the EES (managed at the national level) to enter as a source of policy influence (Gonzalez-Calvet, 2002). The EU-generated data for Spain (Table 22) suggests that there has been a progressive decrease in expenditure on active labour market policies, from .649 per cent GDP in 1999 to .551 per cent GDP in 2004. The expenditure on passive labour market policies increased from 1.477 per cent GDP in 1999 to 1.498 per cent GDP in 2004. The institutional legacy in Spain and the stronger role of regional as well as local actors (rather than the actors at national level) in the development of employment policy implies that the EES did not have much genuine potential for pressure on Spain.

In Greece, after 1997, and in line with the general social modernisation programme implemented by the socialists, the main reforms consisted of establishing institutional structures for labour market regulation. In terms of policy, the domestically-driven reform process also sought to promote more activation. This includes (cost effective) targeting of policies at particular groups and development of programmes for training. In this period, locally-initiated employment pacts were set up (OMAS, 2002: 69-70). Feronas (2004: 12-13) argues that these

policy changes reflect some influence of the EES. However, the ESF arguably has a greater influence than the EES through funding of local training or activation schemes. The EES was used to introduce more flexibility in working hours, pay, employment contracts and dismissal procedures. Some of these reforms passed into law, but due to resistance from the social partners, they have not been applied (Sekallarpoulos, 2006: 249-250). Expenditure on ALMP did not change dramatically in this period, decreasing from .269 per cent of GDP in 1999 to .166 per cent of GDP in 2004 (Table 22). Passive labour market spending remained relatively stable. In Greece, as in Italy and Spain, the female employment rate has grown, mainly through the expansion of precarious contracts. The EES has at the best had a mild influence, but not so much in terms of activation, rather in terms of enhancing the employment rate.

In Portugal, the macro-economic policy effort in the 1990s was focused on the enhancement of incentives for investment and economic development (Hibou, 2005: 241). ALMP in Portugal are a recent development, and the EES has acted as a vehicle to support this nationally-initiated reform process, including training for vulnerable groups and skills updating. The issue of quality in work is sensitive in the national context (particularly regarding decent pay). Through the EES, a policy debate around the issue of quality in work has been developed in government and social partner circles, but it has not been transposed into policy. There is still a considerable deficit in child-care. But the main impact of the EES has been to modernise the public employment services at the local level (Departamento de Estudos, Prospectiva e Planeamento, 2002: 5-6). In Portugal, the expenditure on labour market policies (Table 22), both active and passive, increased significantly between 1999 and 2004. Expenditure on ALMP increased from a very low starting point of .335 per cent GDP in 1999 to .552 per cent GDP in 2004, where as spending on passive policies increased from .851 per cent GDP in 1999 to 1.319 per cent GDP in 2004. In Portugal, the EES has to some extent been influential, since domestic actors with links in the European policy arena have used it to enhance their power and to introduce labour market policies (Portugal EES Interview 1, 2007).

At the beginning of the EES, Austria had a relatively low rate of youth unemployment, and was not investing substantially in activation schemes for this category of workers (Auer, 2000: 85). The responsibility for policies aimed at young people and child-care policies is devolved to the level of the Länder (Obinger, 2005: 207-208). Since the right-wing freedom party and conservative party governmental coalition came to power in 2000, changes to the welfare state in Austria have consisted of benefit cuts, reducing entitlements and increasing social contributions. The structure of provision has not been challenged. In fact, the contribution-

benefit nexus has been strengthened, and the pressure for labour market participation has increased (Obinger, 2005: 215). The official national evaluation of the EES in Austria in 2002 has pointed to some influence of the EES to enhance flexibility (Synthesis forschung, 2002: 4-5).

In the UK, major shifts in the political discourse of New Labour after 1997 were domestically-driven process, adapting some conceptions of activation from the Danish and Swedish systems, but mostly from the US and Australia (Büchs, 2005: 195-196). The 'New Deal' programmes – consisting essentially of a supply-side welfare to work strategy – were enacted in 1997, and the EES was one mechanism among others used to justify it politically. The government used the EES and the Lisbon Strategy to strengthen its political focus on the permanent updating of skills in the 2003 Skills White Paper, but did not use the EES or elements of it in actual policy planning documents (Büchs, 2005: 219-220). Spending on ALMP (Table 21) has remained low, falling from .195 per cent GDP in 1999 to 0.160 per cent GDP in 2004. However, according to Eurostat, the UK has a relatively high level of investment in the public employment service (.356 per cent GDP) that administers the New Deal programmes. The Commission has repeatedly noted in its individual recommendations to the UK government that its workfare programmes have too tight obligations, and that there is not enough focus on the social dimension. But the UK administration does not take this criticism on board (Büchs, 2005). Thus, in this case, as in Italy, the EES is used politically to justify reforms in labour market policies in light of domestic political priorities. Expenditure on passive labour market policies has been cut substantially, from .555 per cent GDP in 1999 to 0.285 per cent GDP in 2004. But the EES has not been used to introduce new reforms, which were domestically driven under the leadership of Tony Blair.

Are these reform dynamics at all related to the evolution of employment rates and if so, how? Table 23 below shows the evolution in employment rates for this group of countries, discussed below.

**Table 23: ‘Low’ Expenditure Countries - Evolution of Total and Female Employment Rates between 1993 and 2005**

Country	1993 TER	1993 FER	1995 TER	1995 FER	1997 TER	1997 FER	1999 TER	1999 FER	2001 TER	2001 FER	2003 TER	2003 FER	2005 TER	2005 FER	△ per cent TER	△ per cent FER
Italy	52,3	35,8	51,0	35,4	51,3	36,4	52,7	38,3	54,8	41,1	56,1	42,7	57,6	45,3	+5,3	+9,5
Spain	46,6	30,7	46,9	31,7	49,5	34,6	53,8	38,5	57,8	43,1	59,8	46,3	63,3	51,2	+16,7	+20,5
Portugal	65,1	55,0	63,7	54,4	65,7	56,5	67,4	59,4	69,0	61,3	68,1	61,4	67,5	61,7	+2,5	+6,7
Greece	53,7	36,6	54,7	38,1	55,1	39,3	55,9	41,0	56,3	41,5	58,7	44,3	60,1	46,1	+6,4	+9,5
Austria	-	-	68,8	59,0	67,8	58,6	68,6	59,6	68,5	60,7	68,9	61,6	68,9	62,0	+0,1	+3,0
UK	67,4	60,8	68,5	61,7	69,9	63,1	71,0	64,2	71,4	65,0	71,5	65,3	71,7	65,9	+4,3	+5,1

TER: Total employment rate

FER: Female employment rate

per cent △: Change (in all cases increase) in per cent of employment rates between 1993 and 2005.

The general employment rate (see Table 23) in Italy has increased from 52.3 per cent in 1991 to 57.6 per cent in 2005 and the female employment rate from an extremely low rate of 35.8 per cent in 1993 to 45.3 per cent in 2005. This upward evolution of the employment rate is mostly due to an increase in the number precarious labour market contracts, mainly affecting the female population (Fargion, 2001). In Spain, the employment rate has evolved significantly over the last 12 years, increasing from 46.6 per cent in 1993 to 63.3 per cent in 2005. For women, the increase has been even greater – from 30.7 per cent to 51.2 per cent. Like in the Italian case, this is not due to the EES but is instead due to the reforms to enhance labour market flexibility (which included precarious contracts). But in Spain they were undertaken much earlier, from the 1980s onwards, and have become a part of the institutional legacy in labour market policies. In Greece, too, despite the very low level of investment in ALMP, the employment rate has increased from 53.7 per cent in 1991 to 60.1 per cent in 2004. In Greece, too, the female employment rate increased from 36.6 per cent to 46.1 per cent (also to do with precarious contracts for some). The employment rate in Portugal did not change as radically as in Italy and Spain in this period. The overall rate increased from 65.1 per cent in 1993 to 67.5 per cent in 2005, while the female employment rate increased from 55 per cent to 61.7 per cent. Between 1993 and 2005, the overall employment rate has remained at around 69 per cent, while female employment has increased from 59 per cent to 62 per cent. In Austria the overall employment rate remained stable, and the female employment rate increased from 59 to 62 per cent. In Austria, no major reform programme has been introduced nor has the EES been taken on board as a means to develop such a reform. Austria is the country where the past policy legacy is perhaps the most intact. In the UK, the employment rate in the UK (Table 23) increased, from

67,4 per cent in 1993 to 71,7 per cent in 2005, while the female employment increased from 60,8 per cent to 65,9 per cent.

### **6.3.3 Assessing the effect of the EES policy objectives in low expenditure countries**

The initial scope for influence in these countries was high in these countries because of the high distance from European level policies. Similar to the findings for the other clusters, the impulses for reform in most countries from this cluster (development of precarious contracts by the enhancement of the flexibility of the labour market in Italy, Spain and Greece; New Deal in the UK, institutional inertia in Austria) were driven by domestic reform priorities. It was these reforms that led to increases in employment rates, where activation played a minor, if any role. In Portugal, the only country where the EES was partially used to develop a reform programme, it is because actors with access to decision-making perceived it as an instrument for the development of a reform programme (domestic motivation).

If analysed in isolation, the evolution in employment rates – the key outcome indicator that shows if Member States have evolved towards the ‘full employment model’ embodied in the EES – could suggest implementation of the EES in these countries. But, as discussed throughout this chapter, my findings have revealed that past legacies and recent reforms, rather than the EES, have engendered changes in employment rates. The evolution of employment rates which shows an upward (although varying) evolution in employment rates in all Member States implies that the ‘full employment model’ is a central feature – and therefore a dominant policy paradigm – of the reforms undertaken by Member States. The evidence provided thus far suggests that policy legacies and major domestic reform programmes determined employment and labour market policies. Employment policies have been at the top of the reform agendas in Member States during the period when the EES was implemented, and the evidence suggests that activation as conceived in the EES was not influential, but that the final aim of the EES – to reach full employment, has been embraced (only in some cases marginally to do with the EES itself). The activation statistics have mostly been weak and sometimes appear to be in contradiction with reforms being implemented. These findings will now be confronted with the area of social inclusion.

## 6.4 The OMC/inclusion in 'very high' expenditure countries

### 6.4.1 Policy Legacy

In this group of countries the uniformity with European policy is, at first glance, very high, leading to the expectation of a low influence. The universalistic ambition of the welfare state in Sweden and Denmark aimed to prevent poverty (via very generous social transfers). The tradition is rights-based, providing relatively generous passive transfers on the basis of citizenship. In general, the social policy regulatory framework is set at the national level in these countries. Local authorities have a substantial role in the administration and implementation of social policy. Poverty was conceptualised as a public policy problem from the mid-1990s onwards (Esping-Andersen, 1990; European Commission: Swedish response, 2005; European Commission: Danish response, 2005). In Table 24 below, the temporal evolution of expenditure for social transfers (excluding pensions) between 1997 and 2003 is indicated in columns 4 to 7 and column 9 shows the expenditure for pensions in 2003.

**Table 24: 'Very High Expenditure' countries: evolution of social transfers 1997-2003 and pensions 2003 (per cent GDP, Eurostat)**

Country	Social assistance regime	Social protection regime	Social Transfers 1997	Social Transfers 1999	Social Transfers 2001	Social Transfers 2003	+/-	Pensions 2003
DK	Citizenship, residual	Nordic/ S-D	17,8	18,8	17,6	18,8	+	11,2
SWE	Citizenship, residual	Nordic/ S-D	19,6	19,5	18,3	19,3	-	10,6

In Sweden and Denmark, social transfers are the most generous among EU countries, as shown in Table 24 above. The domestic reform programmes have had distinct aims and indeed different results in the two countries. In Sweden, the reform efforts have been implemented in order to curb social protection expenditure. As a result, the quality as well as availability of services associated with the Swedish welfare state has deteriorated (Palme, 2002: 341). However, social transfers remain the most generous in the EU-15, falling from only 19,6 per cent GDP in 1997 to 19,3 per cent GDP in 2003. In Denmark, the reforms in the 1990s were made in the 1990s under the leadership of the Social-Democratic Prime Minister, Poul Nyrup Rasmussen in order to maintain the poverty prevention aim of the universal welfare state. Between 1993 and 2001, the responsibility for the development and implementation of social

services was further devolved to the level of municipalities and the conditionality to receive a social benefit was tightened. There has been an increase in expenditure on social transfers during the period under consideration, from 17,8 per cent GDP in 1997 to 18,8 per cent GDP in 2003 (Table 23). In both countries, policies to enhance the social integration of vulnerable groups started to develop from the mid-1990s onwards (Palme, 2002: 337-338; Kvist, 2006: 232 – 233; Jacobsson, 2005: 129).

#### 6.4.2 Policy Reforms in the 2000s

Has the OMC/inclusion, particularly the ‘multi-dimensional’ approach to poverty, as well as its policy objectives on targeting (highly relevant for Sweden and Denmark with the recent development of poverty among specific categories of citizens), in any way contributed to the reform agenda? And how has the poverty rate evolved? The evolution of poverty rates (that should reflect effectiveness of social transfers and various anti-poverty policies) is laid out in Table 25 below. If the OMC/inclusion has an effect, then it should be used to conceptualize poverty, to develop policies and as a result, the poverty rates should in theory decrease.

**Table 25: ‘Very High Expenditure’ countries: Evolution of General and Female poverty rates between 2001 and 2004, including role of social transfers in combating poverty**

Country- Category	2001 PR*	2001 PR**		1997 PR T	1997 PR F	1999PR T	1999 PR F	2001 PR T	2001 PR F	2003 PR T	2003 PR F	2004 PR T	2004 PR F	+/-
DK	36	29		10	n.a.	10	n.a.	10	n.a.	12	12	11	11	+
SW	34	30		8	n.a.	8	n.a.	8	n.a.	n.a.	n.a.	11	12	+

PR\* : Poverty Rate before Social Transfers (where Pensions are included in Social Transfers)

PR\*\* : Poverty Rate before Social Transfers (where Pensions are excluded from Social Transfers)

PR T: Total (Male and Female) Poverty Rate

PR F: Female Poverty Rate

In Sweden, the concept of social exclusion as a multi-dimensional phenomenon has been introduced by the OMC/inclusion (Jacobsson, 2005: 126). The Swedish government’s evaluation of the OMC/inclusion states that it does provide new ideas in the on-going reform process and combating new poverty problems that have increased since the 1990s, but this is at the level of the social affairs ministry and not the actors that decide on policy reform (European Commission: Swedish response, 2005: 2 – 3). The result of the cost-cutting reform in Sweden is that the overall poverty rate has increased from 8 per cent to 11 per cent between 1997 and 2004 (see Table 24 below). This is contrary to the main aim of the OMC/inclusion but

is most probably due to macro-economic problems as well as reform of the pensions system (and other aspects of social transfers). This suggests that the OMC/inclusion has had no leverage in relation to anti-poverty policy. And if there has been learning within the governmental structures, it has been insignificant compared to the radical and domestically-driven cost-cutting reform dynamic.

In Denmark, the OMC/inclusion has introduced the notion of poverty as a multi-faceted phenomenon. The liberal-conservative governmental coalition that came to office in 2001 and that was re-elected in 2005 developed a reform strategy to increase employment among vulnerable groups (especially non-EU immigrants) and to reduce welfare state dependency. This liberal-conservative government has made a pledge to preserve welfare and to put a halt to increases in taxation, but has differentiated itself from the social-democrats programme of the 1990s by enhancing the role of the private sector in social service provision with regard to elderly and child care, introducing specialised health services and creating activation schemes for ethnic minorities and persons with disabilities (Kvist, 2006: 233-234). These reform priorities are not recommended by the OMC/inclusion objectives at all. Regarding evolution in the poverty rate, it has increased from 10 per cent in 1997 to 12 per cent in 2003, but between 2003 and 2004 it decreased from 12 to 11 per cent (Table 24). This is probably due to the effect of domestic reforms (and economic growth), and as mentioned in the section on employment, the pledge of the government to maintain the welfare state intact. However, for both the Swedish (Palme, 2002) and Danish cases, privatization of social services is being enabled by government reforms.

#### **6.4.3 Assessing the effect of the OMC/inclusion objectives in very high expenditure countries**

Building on a rights-based tradition, poverty, and in particular the exclusion of particular groups, has become part of the policy debate in Sweden and Denmark since the 1990s, and the EU conception of 'exclusion' has supported this development among actors within the social ministries. But the OMC/inclusion has not had a real influence on the development of an anti-poverty policy agenda because the powerful decision-making actors did not consider it as a useful resource. In addition, poverty has increased in both countries, especially Sweden. Similar to the overall low salience of the EES in the area of employment for Sweden and Denmark, the OMC/inclusion is not highly integrated (or influential) in domestic reform processes. Reforms in Sweden are clearly reducing the generosity of the welfare state and in Denmark they are maintaining the core rights-based approach and generosity of social transfers (although the



conditionality for access to benefits is increasing). But in both countries, the privatization of services that has started to creep into the welfare state systems signals a fundamental change in the Nordic welfare state model. These reforms imply a slight shift away from the main anti-poverty aim of the OMC/inclusion.

## 6.5 The OMC/inclusion in 'high' expenditure countries

### 6.5.1 Policy Legacy

In France and Germany, assistance schemes are set out for specific groups, together with a rights-based safety net. In the Netherlands and Finland, assistance is citizenship-based, although it is residual, due to generous coverage under the core social protection programmes. There has been a shift to more means-testing and work-based conditionality for receiving social benefits. In France and Germany, social transfers remained quite stable between 1997 and 2003, with slight increases. In the Netherlands and Finland, they have decreased slightly (Table 26).

**Table 26: 'High Expenditure' countries: evolution of social transfers 1997-2003 and pensions 2003 (per cent GDP)**

Country/ Category	Social assistance regime	Social protection regime	Social Transfers 1997	Social Transfers 1999	Social Transfers 2001	Social Transfers 2003	+/-	Pensions 2003
FR	Dual social assistance	Corporatist	16,3	15,8	15,5	16,5	+	12,6
DE	Dual social assistance	Corporatist	16,2	16,3	16,2	16,6	+	12,5
NL	Citizenship, residual	Corporatist	18,2	19,0	16,1	17,5	-	13,0
SF	Citizenship, residual	Nordic/ S-D	18,6	16,8	15,6	16,5	-	9,0

France has been considered a pioneer in the development of anti-poverty policies among the countries of the conservative welfare states. It introduced a minimum income scheme in 1988 (Ferrera, 2005: 11) as an instrument to counter monetary poverty temporarily. The fundamental elements of the scheme are a right to a cash transfer but conditionality – the obligation to participate in a work or training scheme – has been enhanced in the scheme throughout the 1990s (Erhel *et al.*, 2005: 230-231). Secondly, France conceptualised the social exclusion

concept to capture the multi-dimensional nature of poverty and it became an issue in the public debate. After that, the term social exclusion was transferred to European level policy discourse from France during the 1980s via the EAPN and then advocated by the Commission as discussed in chapter 4. In Germany, by contrast, the issue of poverty and social exclusion was not been debated politically or publicly prior to or during the Kohl administrations in the 1980s (Kroeger, 2006: 6) Even during the Schroeder government, the issue of poverty was not publicly acknowledged or politicized. But some administrative work began was undertaken in the mid-1990s to assess poverty problems: three reports were produced, with no real influence on policy-making (Kroeger, 2005: 13). In both France and Germany, social transfers have remained relatively stable between 1997 and 2003 (Table 26).

As discussed earlier, the main reform efforts undertaken in the Netherlands in the 1990s pursued the development of policies promoting work and activation, to increase the labour supply. Parallel to this and after pressure from various civil society actors, NGOs, and churches, the Dutch government also started to monitor poverty and social exclusion, conceptualized as a multi-dimensional phenomenon. But it was not a salient issue in the broader reform efforts undertaken during that period (Visser, 2005: 201). Social transfers (from 18,2 per cent in 1997 to 17,5 per cent in 2003) are high and still comparable to the levels in Denmark and Sweden. In Finland, like in Denmark and Sweden, the tradition is rights-based, providing a series of social rights to all citizens. Poverty as a policy issue became a concern from the early 1990s when Finland entered deep economic recession (European Commission: Finnish response, 2005: 4). As part of the broader reform programme, social expenditure has been curbed. Indeed, social transfers have decreased between 1997 and 2003 from 18,6 to 16,5 per cent of GDP.

### **6.5.2 Policy Reforms in the 2000s**

How do the aims of the OMC/inclusion compare to the domestic reform efforts in the high expenditure countries? And how has the poverty rate evolved? Table 27 shows that it has increased for Germany, the Netherlands and Finland, suggesting that poverty policy is not effectively being developed to combat the problems and also that (like Sweden and Denmark) the distance between the European poverty prevention aim is widening.

**Table 27: ‘High Expenditure’ countries: Evolution of General and Female poverty rates between 2001 and 2004, including the role of social transfers in combating poverty**

Country/ Category	2001 PR*	2001 PR**		1997 PR T	1997 PR F	1999 PR T	1999 PR F	2001 PR T	2001 PR F	2003 PR T	2003 PR F	2004 PR T	2004 PR F	+/-
FR	44	27		15	16	15	16	13	13	12	13	14	14	-
DE	39	24		12	13	11	12	n.a.	n.a.	15	17	16	18	+
NL	35	22		10	11	11	11	11	12	12	12	n.a.	n.a.	+
SF	40	30		8	9	11	12	11	12	11	12	11	11	+

PR\* : Poverty Rate before Social Transfers (where Pensions are included in Social Transfers)

PR\*\* : Poverty Rate before Social Transfers (where Pensions are excluded from Social Transfers)

PR T: Total (Male and Female) Poverty Rate

PR F: Female Poverty Rate

In France, the policy of targeting particular groups developed more during the 2000s. The OMC/inclusion policy content has not introduced new conceptions into the French context. The development of more targeted policies for specific groups has been integrated into the core rights-based approach, but it was not via the European OMC/inclusion pressure that these policies were introduced. Overall, the poverty rate in France has decreased from 15 per cent in 1997 to 14 per cent in 2004 for the whole population and from 16 per cent for women in 1997 to 14 per cent in 2004. It is the only country of this cluster where poverty has decreased, and this is probably due to factors that are external to the OMC/inclusion, notably the policy legacy and anti-poverty policies developed prior to the OMC/inclusion.

In Germany, following the national reports on poverty reports that were drawn up in the 1990s, more reports of this type were produced in the 2000s. In April 2001, a National Report on Poverty and Wealth was produced by the German Federal Government, to put the issue poverty and social exclusion on the agenda (Büchs and Friedrich, 2005: 267). It is a concrete compilation of social data, around the life-course concept and provides a detailed overview of the situation in Germany. The reports represent the recognition of poverty as a specific policy problem and a first sign of some political momentum to combat poverty problems (Büchs and Friedrich, 2005: 267). Since the preparation of reports for the OMC/inclusion, at least among the government elite, the German conception on social inclusion now takes place in a European frame. However, officials highlight state that at the ministerial level the influence of the European instrument is negligible (Büchs and Friedrich, 2005: 267, 269, 276). Poverty is still not a major issue on the reform agenda. The poverty rate in Germany has increased substantially

between 1997 and 2004, from 12 per cent to 16 per cent and from 13 per cent to 18 per cent for women. Thus, this development has gone against the European aim of poverty prevention, and the core policy objectives of the OMC/inclusion have become intertwined in bureaucratic reporting processes, rather than influencing the process of policy development.

In the Netherlands, a policy programme was developed in 2003 by Minister Balkende on the basis of the activation tradition sought to confirm this policy line, but also included other aspects, notably income security for those unable to support themselves, and rights to services, housing, education and legal assistance. The main issues addressed through the reform programme are in line with the policy objectives of the OMC/inclusion. But if there has been effective European pressure on Dutch reform dynamics, it has been through the revised Lisbon agenda (that insists on economic and employment growth in a more narrow sense, excluding anti-poverty policy), used by Kok to legitimize and to reinforce the 'jobs' focus of the domestic reform agenda. The OMC/inclusion did not influence Balkende, nor did it influence Kok's domestic reform strategy. Once again, it is domestic reform programmes and priorities that drive forward policy. Due to poverty among some groups, particularly immigrants, the Dutch government has developed programmes to integrate them. But again (and like in the Danish and Swedish cases that have the same policy problem) the development of policies to integrate immigrants resulted from domestic reform dynamics (Hemerijck and Slegers 2006: 216). In the Netherlands, the poverty rate increased from 10 per cent in 1997 to 12 per cent in 2003. This suggests that the focus of the government to develop employment-based policies is not sufficient for combating poverty and that the OMC/inclusion has had no important substantive influence.

In Finland, cost-containing welfare reforms were carried out in the 2000s and the main aim of the core government reform programme was to enhance economic and employment growth (Saari, 2006: 187). Activation has been a core aspect of employment and social inclusion policies. Finnish elites have from the beginning been supportive of EU integration, including in the social field, although views on the OMC have been divided. Nevertheless, Finland has from the outset supported the Lisbon Strategy, including its revision in 2005, where social exclusion is no longer a part of the core reform priorities developed through Lisbon (Saari, 2006: 189 – 190). Like the Dutch case, the European threshold is not used in national assessments of poverty, as it would suggest higher poverty rates than in national assessments, where 50 per cent of the median income is used as threshold. According to the European data, the poverty

rate has increased from 8 per cent in 1997 to 11 per cent in 2004, and for women, the poverty rate has changed from 9 per cent in 1997 to 11 per cent in 2004.

### **6.5.3 Assessing the effect of the OMC/inclusion objectives in high expenditure countries**

In this cluster of countries, the receptiveness of the objectives deriving from the OMC/inclusion has been determined by government priorities and by degrees of openness towards the policies for this area proposed by Europe. Other specific policy concepts or objectives were used in these countries, notably targeting of policies towards vulnerable groups, for which policies were being developed as part of the domestic reform agendas prior to the OMC/inclusion. Reforms were developed and implemented through domestic policy agendas. According to the statistics derived from Eurostat, poverty has increased between 1997 and 2004 (except in France), which is contrary to the poverty prevention aim of the OMC/inclusion.

## **6.6 The OMC/inclusion in ‘medium’ expenditure countries**

### **6.6.1 Policy Legacy**

Belgium and Austria have similar welfare state traditions, structured according to the male breadwinner model, where core social insurance is organised according to professional categories. Like France, Germany and the Netherlands, passive support has been provided to those excluded from the core social insurance system. Categorical assistance schemes are provided for specific groups, and there is a general rights-based safety net, but in Belgium this competency is shared between levels of government, whereas in Austria it is decided and managed at local level. In Belgium, social assistance was available for relatively long periods of time in the case of need; in Austria, social assistance is decided at the level of the Lander, and in general take-up has been low, even among those eligible, due to social stigma. In the UK, there is an in-built tradition of poverty relief in the structure of the welfare systems for those unable to work due to contingent or structural incapacities. Mostly, it seeks to provide temporary assistance. This system co-exists parallel to, but is not integrated with, the social insurance system for the main (working) population. Below, Table 28 shows that social transfers have remained the same or increased during the 1997 to 2003 period.

**Table 28: Medium Expenditure countries: evolution of social transfers 1997-2003  
and pensions 2003 (per cent GDP)**

Country/ Category	Social assistance regime	Social protection regime	Social Transfers 1997	Social Transfers 1999	Social Transfers 2001	Social Transfers 2003	+/-	Pensions 2003
BE	Dual social assistance	Corporatist	14,8	14,5	14,3	15,7	+	12,6
AUT	Decentralised, discretionary	Corporatist	14,4	14,6	14,2	14,8	+	13,8
UK	WS with Integrated safety net	Liberal	14,3	13,6	14,2	14,3	+/-	11,6

In Belgium, responsibility is shared between the national and regional levels, whereas implementation is at the regional and/or local levels. A legal framework established the right from 1974 to a cash transfer as a vital minimum income, to be delivered by local centres for social assistance (Gilson and Glorieux, 2005: 234). There is a considerable degree of discretion among regional and/or local administrators in implementation of the schemes (Gough *et al.*, 1997). The onset of poverty has increased considerably in the 1980s and particularly 1990s, particularly with the onset of new family models that create new forms of exclusion among lone mothers, older people, immigrants and other groups. In terms of policy, there has been a shift to more means-testing and work-based conditionality. The level of social transfers reveals an upward trend, shifting in Belgium from 14,8 per cent GDP in 1997 to 15,7 per cent GDP in 2003 (Table 28).

In Austria, social assistance, together with policies targeted at young people and family policies, is managed and administered by the Länder (Gough *et al.*, 1997; Obinger, 2005: 206-207). Due to a progressive retrenchment of the core social insurance component of the welfare state, the significance of needs-based programmes such as those administered by the Länder have increased (Obinger, 2005: 219). Nevertheless, the level of social transfers has remained relatively stable, increasing slightly from 14,4 per cent GDP in 1997 to 14,8 per cent GDP in 2003 (Table 28).

In the UK, the centrally organised anti-poverty programmes are means-tested and categorical. A distinctive feature of these regimes is that 10 per cent of the population is covered by assistance and expenditure is equivalent to at least 3 per cent GDP (Gough *et al.*, 1997). The aim of the public sector-provided social safety nets serves as a last resort, providing residual

and low benefit levels (Adelman and Cebulla, 2003: 129). The role of charities and other religious or non charity organisations in poverty relief is also highly developed. While the general level of social transfers is lower than the EU average, it has remained stable between 1997 and 2004 at 14,3 per cent GDP (Table 28).

## 6.6.2 Policy Reforms in the 2000s

How has the OMC/inclusion influenced domestic reform efforts in the medium expenditure countries? Does it have the capacity not only to introduce new idea, but to transform these into policies and actions? And how has the poverty rate evolved? Table 29 shows that poverty has increased for Belgium and the United Kingdom, while it has remained the same in Austria. This suggests that poverty policy is either not being developed or otherwise that it is not effectively being implemented. In these countries, the initial distance with European policies is considerable, but apparently, if just the outcome indicator is analysed, the OMC/inclusion does not embody enough European 'pressure' to lead to change in domestic policies. The analysis that follows will provide more insight into the domestic reform efforts that have been undertaken in the 2000s.

**Table 29: Medium Expenditure countries: Evolution of General and Female poverty rates between 2001 and 2004, including role of social transfers in combating poverty**

Country Category	2001 PR*	2001 PR**	1997 PR T	1997 PR F	1999PR T	1999 PR F	2001 PRT	2001 PR F	2003 PR T	2003 PR F	2004 PR T	2004 PR F	+/-
BE	38	25	13	15	11	14	12	15	14	16	14	16	+
AUT	38	25	11	14	10	14	9	14	12	14	11	14	+/-
UK	42	30	16	19	18	21	17	19	17	19	n.a.	n.a.	+

PR\* : Poverty Rate before Social Transfers (where Pensions are included in Social Transfers)

PR\*\*: Poverty Rate before Social Transfers (where Pensions are excluded from Social Transfers)

PR T: Total (Male and Female) Poverty Rate

PR F: Female Poverty Rate

In Belgium, an ideological shift from passive to active labour market policies was developed by the then minister of social affairs, Frank Vandeboucke in 1999, in his political conception, the 'Active Social State' (Etat social actif). This meant that 'work' was identified as the main instrument against social exclusion (Reman and Pochet, 2005: 141). As discussed in chapter 4 on the development of the social inclusion process, he was one of the actors behind the development of quantitative indicators in the OMC/inclusion process. As Minister,

Vandenbroucke tried to use the OMC/inclusion to support his political ideas based on the 'Active Social State' and to develop information as well as policy solutions to combat poverty in Belgium. Within the Ministry of social affairs, the OMC/inclusion has led to a widening of the conception of exclusion in Belgium, with more focus on the specific problems of various groups: the elderly, lone parents, and early school leaver. It has according to one analysis, led to the integration of work incentives into the system of social assistance (Van Der Vorst, 2002). The development of the OMC/inclusion coincided with a reform of the Belgian system of public social assistance was taking place at the local level (to enhance work or training-based conditionality in order to receive social assistance) (Gilson and Glorieux, 2005: 244). While the OMC/inclusion did not influence this reform, child poverty has become a part of the Belgian anti-poverty agenda due to the OMC/inclusion (an OMC/inclusion objective since 2005) (Vanhercke, 2007). In Belgium, the overall poverty rate has increased from 13 per cent in 1997 to 14 per cent in 2003 and for women from 15 per cent in 1997 to 16 per cent in 2003 (Table 29). Thus, there has been a slight effect due to European pressure, because powerful domestic actors had succeeded in using it to support an on-going reform programme (mainly aimed to enhance activation and to reduce welfare state dependency).

In Austria, there is a particularly low level of integration of the OMC/inclusion and little overall interest. There is no mention of agenda setting, or ideational sources of influence (European Commission: Austria, 2005). Furthermore, since the right-wing-conservative governmental coalition has been in power (2000), poverty has not been acknowledged as a policy problem. By contrast, the government does acknowledge problems of social exclusion among particular groups, although it is not a policy priority as such (Heitzmann, 2003: 41). The poverty rate has remained relatively stable throughout the 1997 to 2004 period, at 11 per cent overall and 14 per cent for women (Table 29).

In the UK, the conception of social exclusion has been broadened due to the OMC/inclusion, covering more diverse categories of citizens. In addition, while the OMC/inclusion has introduced the rights-based approach into the debate in the Ministry, it has not yet materialised in the realm of policy decisions. When New Labour came to power in 1997, it developed a core programme 'Opportunities for all' and also aimed to strengthen measures against poverty and exclusion, in particular child poverty. The UK government attempted but failed to upload child poverty to the European agenda in 2000. Then, together with Portugal, it succeeded in uploading child poverty to the European agenda in 2005. It has been used to support and also to contribute to the understanding of a salient domestic policy problem, but not to develop policy



solutions. It was New Labour that opened up a political debate about 'poverty' and also enhanced the conception of social exclusion in the UK. But this was due to domestic dynamics determined by the New Labour government, where there were some instances of 'learning' (Armstrong, 2005: 290-291). In the UK, the total poverty rate remained stable between 1997 and 2004 at 16 per cent overall and 19 per cent among women (Table 27), which suggests relative success of the 'Opportunities for All' programme developed and implemented throughout Tony Blair's terms as Prime Minister (1997-2007).

### **6.6.3 Assessing the effect of the OMC/inclusion objectives in medium expenditure countries**

In Belgium the development of the OMC/inclusion coincided with domestic reforms to reduce welfare state dependency. The fact that a powerful political actor from Belgium had been involved in the European development of the OMC/inclusion strengthened it as a policy instrument in the domestic context, but was not powerful enough to have a substantial reform driven impact. In the UK, domestic reform programmes developed under the leadership of Tony Blair coincided with aims of the OMC/inclusion, but did not draw on the European instrument that was not considered as useful political resource for the development of the national reform agenda. Both countries were mostly implementing reforms according to particular political visions – the Active Welfare State for the Belgian case and New Labour for the UK – of which some aims coincided with the policy aims of the OMC/inclusion. In Austria, there was during this period no political vision about poverty problems hence it is not surprising that the OMC/inclusion did not play any role in the reform process. But in addition to the clear case of domestically driven reforms, the legacies in these countries were different, and thus the policy problems that they faced with regard to poverty were different. In Belgium and the UK, domestic responses to particular poverty problems, respectively welfare state dependency and child poverty were developed (in Belgium it was a result of the OMC/inclusion and in the UK the aim pre-existed). In Austria, poverty has not been a policy issue and the OMC/inclusion has not had the power to make it a policy issue.

## 6.7 The OMC/inclusion in 'low' expenditure countries

### 6.7.1 Policy Legacy

Most of the low expenditure countries are from the southern European welfare state regime, which have rudimentary social assistance. The southern European countries have a weak national regulatory framework for poverty and social exclusion. Conditions of accessibility to benefits are not uniform across regions or municipalities, and sometimes they are non-existent. The family is an important social institution that plays a strong assistance role (Saraceno, 2003; Ferrera, 1999). Until the 1980s, national guidance in assistance was non-existent, while local, discretionary relief was provided by municipalities, charities, or other local non-governmental organisations. During the 1980s, poverty timidly emerged as a policy issue in its own right on the agenda of the 'low expenditure' countries. The participation in the Structural Funds (and also the European poverty programmes) instigated interest in and knowledge of cross-regional differences in poverty and development. Also, the EU Council recommendation on providing a minimum guaranteed income influenced the elite debate in Italy and Portugal. The French law on social exclusion led to some interest in the development of a rights-based assistance scheme, more successfully implemented in Spain, and less successfully in Italy, Portugal. In Greece, political support has not been mobilized for the development of a rights-based assistance scheme. Ireland, with a residual Anglo-Saxon welfare state but (very rudimentary) integrated safety net (Gough *et al.*, 1997) and unusually active civil society (O'Donnell and Moss, 2005), is also part of the low expenditure countries. The aim of the public sector-provided social safety nets serves as a last resort, providing residual and low benefit levels (Adelman and Cebulla, 2003: 129).

This is the group of countries where the potential effect from the European level is highest. Table 30 below shows that social transfers have increased in all countries but Spain, suggesting that the welfare state may still be developing. Is there any link with the increase in social transfers and influence of the OMC/inclusion? The analysis below seeks to provide some answers.

**Table 30: Low Expenditure countries: evolution of social transfers 1997-2003  
and pensions 2003 (per cent GDP)**

Country	Social assistance regime	Social protection regime	Social Transfers 1997	Social Transfers 1999	Social Transfers 2001	Social Transfers 2003	+/-	Pensions 2003
IT	Rudimentary	Southern	8,9	8,7	9,2	9,7	+	15,3
ES	Rudimentary	Southern	11,3	10,7	10,3	10,8	-	8,4
GR	Rudimentary	Southern	10,7	11,9	12,7	12,5	+	13,5
POR	Rudimentary	Southern	10,1	10,5	10,8	12,2	+	9,2
IRE	Liberal	WS with Integrated safety net	11,7	10,4	10,8	12,1	+	3,5

In Italy, the responsibility for social assistance was devolved to the regional and local levels of government in 1977, but a policy framework was not established before 2000. That is why social assistance measures were developed in an autonomous and uncoordinated fashion, with high discretion for responsible officials (Sacchi and Bastagli, 2005: 86 – 87). There were also some instances of local development of minimum income schemes, although their implementation depended upon availability of financial resources in local budgets (Sacchi and Bastagli, 2005: 91). While social transfers overall are low (under 10 per cent GDP), the proportion on pensions (15,7 per cent GDP of 25,4 per cent GDP social transfers expenditure for pensions in 2003) is the greatest among the EU-15 (see Table 30). This has been highlighted as a peculiar feature of the southern European welfare state (Ferrera, 1999). It has a considerable poverty reduction effect for the older population: the poverty rate before social transfers is 42 per cent, which is reduced to 22 per cent when pensions are taken into consideration (see Table 31).

In Spain, the legacy of anti-poverty policies from the Francoist period is one of rudimentary social assistance, with scattered and meagre sources of public financing, a limited degree of social protection, and the important role of some private and non-profit making institutions (Arriba and Moreno, 2005: 145 – 146). The 1980s were an important turning point, first regarding the coordination of actors at various levels, and second with respect to various initiatives that encompass an anti-poverty strategy. In 1982–1983, the Autonomous Communities successfully launched an initiative that established a regional system of social services (Arriba and Moreno, 2005: 149). In 1988 a major reform for the development of the welfare state was launched (Arriba and Moreno, 2005: 150-151; Ferrera, 2005a). But, attempts by the socialist party to enact a National Law on Social Services failed due to regional

opposition. Social transfers overall have decreased, from 11,3 per cent GDP in 1997 to 10,8 per cent GDP in 2003, and the contribution to poverty reduction is 14 per cent (see Table 31). The total social expenditure on pensions is 8,4 per cent (Table 30). Thus, anti-poverty initiatives were more developed in Spain than in Italy, but in both countries variation between regions and between municipalities is considerable.

In Portugal, anti-poverty policies received some attention after its entry into the European Union. In 1995, Portugal established its first ever national Anti-poverty programme that identified poverty in Portugal as a developmental problem, for which community-based and local action is identified as the most appropriate tool to fight poverty. Two regional committees manage the National Programme against Poverty, one for the North and the other for the South of the country (Ferrera, 2005: 20). Two other initiatives, the Social Network Programme and the Social Employment Market, also provide input to the policies and measures undertaken in the struggle against poverty (Capucha *et al.*, 2005: 231-232). At a higher political level, the issue of poverty was at the centre of the political debate, brought onto the agenda via the EU Council recommendation 92/441 on sufficient resources. The incoming socialist government introduced the Guaranteed Minimum income scheme (implemented at local level) on an experimental basis in 1996, and then extended it to the full national territory in 1997 (Ferrera, 2005: 20-21). This approach combines rights (access to services and cash transfers) and conditionality with regard to activation (Capucha *et al.*, 2005: 229). From the outset, it was a flagship of the incoming socialist government that increased public debate and awareness around the issue of poverty (Capucha *et al.*, 2005: 237). In Portugal, the overall rate of social transfers has increased from 10.1 per cent GDP in 1997 to 12,2 per cent GDP in 2003. Out of total social expenditure, the contribution of pensions to fight poverty in 2003 was 10,4 per cent (see Table 30).

In Greece, welfare issues, as well as civil and social rights were policy issues in the 1980s, particularly supported by the incoming socialists in 1981 and also membership to the EU (Matsaganis, 2005: 34 – 35). Greece also received considerable support from the EU anti-poverty programmes and structural funds. It institutionalised local level actors in setting, delivering and evaluation EU funded social policy projects. Social transfers increased from 10,7 per cent GDP in 1997 to 12,5 per cent GDP in 2003. Greece is similar to Italy in the proportionally high expenditure on pensions, that represents 12,9 per cent of GDP in 2003 that is approximately of the total of social transfers during that period (Table 30). This influence of Europe in social policy could signify openness to other initiatives from the European level, particularly as the level of distance with European objectives promoted through the OMC was

so high. We shall see below whether this favourable situation has led to influence of the OMC/inclusion.

In Ireland, from the mid-1990s onwards, the welfare to workfare direction of social policies was strengthened (Adelman and Cebulla, 2003: 163; O'Donnell and Moss, 2005). A peculiar feature in Ireland that was developed in 1987 is participatory governance for economic and social policies, 'social partnership'. In addition, following Ireland's membership to the EU, the management of European Structural Funds (2.6 per cent of GDP yearly), determined institutional mechanisms for policy-making and planning, through 'National Development Plans'. In Ireland, the expenditure on social transfers has increased slightly, from 11,7 per cent GDP to 12,1 per cent GDP in 2003. However, contrary to the southern European countries, especially Italy and Greece, pensions are more rudimentary and the role of the family is not as important as in southern Europe. The impact of pensions on poverty reduction is only 6 per cent: the poverty rate before social transfers is 36 per cent and with pensions it is only reduced to 30 per cent (see Table 31).

#### **6.7.2 Policy Reforms in the 2000s**

The analysis of the policy legacy above has shown that because poverty has been higher in this group of countries for some time, various reform initiatives – from national or regional levels – have been taken in the 1980s and the 1990s. In addition, European instruments (mostly Structural Funds) have been more influential in developing the policy reform efforts. The Structural Funds provided resources – political, financial, informational, or any combination of these – that were previously absent in the national context. On the basis of this policy legacy, which includes openness to European initiatives, how does the OMC/inclusion compare to domestic reform efforts in the low expenditure countries? And how has the poverty rate evolved? Table 31 below presents the evolution of the general and female employment rates between 1997 and 2001, which will be referred to in the discussion that follows.

**Table 31: ‘Low Expenditure’ countries: Evolution of General and Female poverty rates between 2001 and 2004, including role of social transfers in combating poverty**

Country Category	2001 PR*	2001 PR**		1997 PR T	1997 PR F	1999 PR T	1999 PR F	2001 PR T	2001 PR F	2003 PR T	2003 PR F	2004 PR T	2004 PR F	+/-
IT	42	22		20	19	18	18	20	19	n.a.	n.a.	20	18	+/-
ES	37	23		21	20	19	18	20	17	20	18	21	19	+/-
POR	37	24		22	23	21	22	20	20	19	n.a.	21	22	-
GR	39	23		22	21	21	20	22	19	22	20	21	19	-
IRE	36	30		20	18	20	17	23	20	22	20	23	19	+

PR\* : Poverty Rate before Social Transfers (where Pensions are included in Social Transfers)

PR\*\* : Poverty Rate before Social Transfers (where Pensions are excluded from Social Transfers)

PR T: Total (Male and Female) Poverty Rate

PR F: Female Poverty Rate

In Italy, a high profile debate about social assistance policy started to take place during the 1990s. A national project was launched in 1998 for the development of a minimum income scheme, but was then dismantled by the Berlusconi government in 2001 and in 2003 (Ferrera, 2005: 14-16). The constitutional reform of 2001 re-arranged the responsibilities for various policy areas among the different levels of government, according to which social assistance became an area of exclusive regional competency (Sacchi and Bastagli, 2005: 89 – 90). In February 2003, the government issued a White Paper on Welfare, where the state clearly backed away from the social assistance sector. In essence, the Berlusconi government has re-oriented social assistance policies away from attempts to create a general strategy towards interventions aimed at elderly and ‘traditional’ families (Ferrera and Sacchi, 2005: 159-160). Implementation of social assistance and anti-poverty policies is decided and undertaken at the regional and local levels, with no guidance or control (Italy, 2005: 6). In 2004, a new Budget Law was introduced: it established the ‘Income of Last Resort’ that only includes a monetary component. It replaces the minimum income schemes which had various non-cash components (Sacchi and Bastagli, 2005: 126-127). The poverty rate has remained relatively stable at 20 per cent between 1997 and 2004, but has decreased slightly for women from 19 per cent in 1997 to 18 per cent in 2004 (see Table 31). In essence, the reforms have been driven by the government.

In Spain, after the victory of the Popular Party in 1996, policies were increasingly oriented towards activation. The OMC/inclusion, in particular the concept of social exclusion, has had no influence on the main domestic reforms, that were not focused on combating poverty or on developing a rights-based approach (Arriba and Moreno, 2005: 173-174). In Spain, the poverty

rate has remained relatively stable between 1997 and 2004, at 21 per cent. For women, it has decreased slightly from 20 per cent in 1997 to 19 per cent in 2004 (see Table 31). In this case, the OMC/inclusion was not strong because the national actors preparing the NAP/incl had not policy development responsibilities in Spain; all power for anti-poverty policies was at the level of the Autonomous Communities.

In Portugal, which due to domestic reform legacies has been the most favourable for influence of the OMC/inclusion, several reforms took place in the 2000 to 2005 period. In the year 2000, the responsibility for social assistance in Portugal was assigned to the national budget. With the change in government in 2002, a report written by experts with a liberal orientation was used by the Popular Party to revise the minimum guaranteed income scheme, where eligibility conditions were tightened and the rights-based aspect of the scheme reduced. The label was also changed to social insertion income, reflecting these alterations (Ferrera, 2005: 22; Capucha *et al.*, 2005: 249). However, the institutional set up remained intact (Capucha *et al.*, 2005: 249). In Portugal, the total poverty rate has decreased slightly, from 22 per cent in 1997 to 21 per cent in 2004 and the female poverty rate has decreased from 23 per cent in 1997 to 22 per cent in 2003 (see Table 31).

In Greece, the 1990s had not seen any political decisions on poverty-related issues, despite efforts by the elites and public attention to poverty in the media (Matsaganis, 2005: 38). Following through on this momentum, the attention to poverty problems was then enhanced after the Portuguese Presidency in 2000. This also timidly revived the debate around the guaranteed minimum income: concrete proposals for introducing a guaranteed minimum income scheme were presented to the Prime Minister in 2000, and again in 2001, but both were rejected. The NAP/incl has introduced and then maintained the issue of defining poverty in the policy debate, although this remains among elites in the ministries. There is no official definition of the poverty line, nor does the term 'poverty' figure in official documents. The NAP/incl are a rare exception and could bring the issue onto the agenda. In Greece, like in Italy, the impact of pensions on poverty reduction is huge. The poverty rate before social transfers is 39 per cent. Taking pensions into account, the poverty rate decreases by 16 per cent to 23 per cent. However, the poverty rate remains high. The overall poverty rate was 22 per cent in 1997, and decreased to 21 per cent in 2004. The female poverty rate was 21 per cent in 1997, and decreased to 19 per cent in 2004 (Table 31).

In Ireland, a comprehensive national anti-poverty strategy (NAPS), formulated in 1997, became an integral part of the national socio-economic reform process. Conceptually, it included aspects of fighting poverty (anti-poverty), and sought to integrate people into society, principally but not only, through work. The NAPS, to be updated and reviewed three-yearly, focused on five themes: unemployment, income adequacy, educational disadvantage, rural poverty and urban disadvantage. In the context of this strategy, a quantitative benchmark was adopted to fight against 'consistent poverty', defined as living under 50 per cent of the average disposable income, and being deprived of at least one of a number of issues reflecting the multi-dimensionality of poverty (O'Donnell and Moss, 2005: 314-315). The concept social exclusion was already part of the policy debate prior to the OMC/inclusion, but the development of policies to combat poverty was low. In fact, information about exclusion problems is more than abundant in Ireland, the civil society actors are extremely active (Social Inclusion Office, 2005), and the government is aware of their demands. But the OMC/inclusion did not provide them with the leverage that they sought for obtaining political support for their aims. But, like for the UK and Belgium, the recent focus on child poverty at European level has led to a focus in the national Irish context (European Commission: Irish response, 2005: 6). In Ireland, the poverty rate has increased overall since 1997, from 20 per cent to 23 per cent in 2004 and for women from 18 per cent in 1997 to 19 per cent in 2004 (Table 31). The OMC has not been an effective tool for the development of anti-poverty policies in Ireland, because as a policy instrument it is ultimately not strong enough.

### **6.7.3 Assessing the effect of the OMC/inclusion objectives in high expenditure countries**

The initial situation, where this cluster of countries had a lower level of social transfers compared to the other clusters and a much high poverty rate – around 20 per cent – suggested greater scope for the OMC/inclusion to have an influence. Furthermore, most countries in this cluster had in one form or another used European instruments – financial, political or informational – to develop a policy debate or to introduce reforms prior to the OMC. This would suggest that the terrain was even riper for input from the European level. However, the OMC/inclusion has not had an important impact on the development of an anti-poverty agenda. The domestic agenda drove forward reform, and as anti-poverty policy was not a priority, there was no reason to respond to the soft pressure exerted through the OMC/inclusion. However, the multi-dimensional conception of poverty and rights-based approach of the OMC/inclusion has, at least among the elites involved in the process, been embraced. And the notion of targeting for very many different categories of citizens (even children) has in some countries



developed or reinforced political focus on particular groups. Ultimately, domestic political reform priorities (building on past legacies) are what determine the policy decisions in anti-poverty policy, where policy learning may have had a marginal influence.

## **Conclusion**

Does the OMC – as a policy framework and political resource – matter for Member States and if so, what difference does it make? My analysis provides evidence to show that it has been used in some cases to extend key notions of employment or anti-poverty policy, but that it has not been used as a resource through which to develop comprehensive reform programmes. This finding was confirmed both for the area of employment and that of social inclusion. Employment policy (activation and the full employment model) had in most countries been part of central economic growth boosting reform agendas prior to the EES. Since employment policy was highly salient in Member States – for all governmental coalitions – then the EES could have been used as a resource for the development of reform agendas. But in most cases, this did not occur. One possible explanation is that the employment policy area was already highly saturated, with many powerful actors involved in the policy development process, leaving little scope for the EES to instigate any major reform decisions. If that is so, then one could expect the OMC/inclusion – for the anti-poverty area that is not as salient as employment policy – to be used as a resource for policy development. But even in the area of anti-poverty policy (that is not a new policy issue), this has not been the case. My evidence and analysis suggest that the EES and OMC/inclusion, due to their soft character, do not embody sufficient ‘European pressure’ to engender change, no matter what the domestic landscape looks like and no matter where the respective policies are located among governmental priorities.

So what ultimately drives forward the changes in these policy areas? Policy legacies are the basis on which the reform agendas are built. Reform agendas are more likely to have a substantial impact when they are designed to respond to major problems or crises. In the area of employment, the cases of the Netherlands, Finland, Ireland and Spain are striking. All countries were very badly hit by the economic recession in the early 1990s and all responded with an assertive reform agenda of which employment growth was one important cornerstone. It is therefore not surprising that the most significant evolution in employment rates has been recorded in these countries. In other countries, evolution of employment rates has been incremental. The normative full employment model (and shifts to ‘activation’) that the EES embodies has become a reference point in the domestic debates on employment policy, even if

the EES did not bring about that debate. In the area of social inclusion, the development of anti-poverty policies has not been a chief governmental priority, even if there is a general trend towards an increase in the poverty rate. In most countries, the OMC confirmed or strengthened policy targeted at particular groups and/or led to the conceptualization of poverty as a multi-dimensional phenomenon. But the OMC/inclusion did not lead to major reforms. If the OMC is to have an impact, then it must be transformed into a powerful instrument and resource in the domestic arena. In other words, it must be appropriated by powerful actors and its core policy agenda must be transformed into domestic policy preferences.

## GENERAL CONCLUSION

### 1. Explaining EU level development of the OMC through P-A analysis

This thesis first explains how the OMC emerges and develops at the European level, combining an inductive approach with a deductive Principal-Agent analysis. I use and adapt the P-A framework to take account of other rational but also ideational means of action that can be used by the Member States and the Commission during the emergence and evolution of the OMC. The thesis builds on the existing literature that is based on neo-functionalism, intergovernmentalism, policy learning and governance. The neo-functionalist explanations have rightly explained the role of the Commission through agenda-setting, while the intergovernmentalist explanations have highlighted the role of Member States in defining the OMC. The literature that applies policy learning to the OMC has characterised the OMC as an opportunity structure where an EU level policy discourse can be developed through policy deliberations among Member States and facilitated by the European Commission. The governance approach has emphasized that the OMC is a novel way for Member States to develop policy actions in areas where there is little or no Community legislation. But the existing literature has not hitherto adequately conceptualized Commission-Member State interaction in the development of the OMC, nor has it emphasized when and how policy learning plays a role in the development of OMC policy aims. In addition, it has not taken account of how the development of the OMC may vary across time.

Through the Principal-Agent analysis, I first conceptualize the OMC as a contract that is iteratively defined through the interaction between the Member States and the European Commission over time. The effect of their interaction is crystallized in inductively derived empirical stages, where a stage is defined as a significant moment in the sequential development of the OMC. In this relationship, the 'Principal' (the Member States) defines the contract (non-binding in the case of the OMC) and tasks that are delegated to the 'Agent' (the Commission). Conceptually, I take account of the fact that the Member States not only define the contract and tasks to be delegated to the agent (including mechanisms to undertake those tasks), but also that the Member States set political aims for the OMC on the basis of short-term political preferences. The literature on the OMC has shown that the Member States have played an important role in defining policy objectives of the OMC, but there has not been any identification of specific circumstances under which Member States could define (or redefine) OMC policy objectives and how their action may differ throughout time (Goetschy, 1999;

Mosher and Trubek, 2003). My adapted version of the P-A framework also takes account of the fact that the Commission would try to enhance its influence in the OMC through informal agenda-setting, discourse framing and the use of the work (policy discourses) undertaken by the Commission-sponsored lobby organisations. These conceptual adaptations to explain Commission behaviour differ from the existing P-A literature by emphasizing its softer informal mechanisms, related to incremental policy framing, not only its rational actions. The literature of the OMC has shown that the Commission has been powerful by facilitating or even creating policy discourses that would serve as a common template for all Member States (Jacobsson, 2005; Goetschy, 2003), but it has not shown when and how these actions matter in the development of the OMC. This literature emphasizes the development of 'Euro-discourse' in specific policy areas (Jacobsson, 2004), but does not clearly identify how the discourse was developed. The P-A framework that I develop takes account of the role of the Commission (emphasized in neo-functionalism) and the Member States (emphasized in intergovernmentalism). It takes account of the policy framing action of the Commission through incremental informal agenda-setting actions and the policy development action of the Member States.

Through an inductive approach, I first identified empirical stages of OMC formation (dependent variable). I then used the P-A framework to develop testable hypotheses about the influence of the action of the Commission and the Member States on the development of the OMC. My first hypothesis was that when the OMC had not yet emerged, then the Commission would be more influential than the Member States on its formation. My second hypothesis was that when the OMC had been created as an iterative policy coordination instrument, then the Member States would be more likely to control the action of the agent and to shape the political objectives of the OMC. I selected one case in an area of high salience (employment), where I expected more Member State intervention, and another in an area of low salience (social inclusion), where I expected less Member State intervention.

My empirical analysis reveals that the interaction of the Member States and the Commission in the European level development of the OMC in employment and social inclusion is comparable. In line with general predictions of the P-A model, the Commission persistently and continuously (throughout time) attempts to enhance its leverage, while the Member States seek to ensure control over the European Commission. But I have shown, deviating from the rationalist predictions of classical P-A analysis, that the Commission action is exercised mostly via soft techniques, such as informal agenda-setting and discourse framing. I have also shown that

Member State action (particularly during evolution) is focused on directing the political orientation of an OMC, and not so much at controlling the action of the Commission, which also deviates from the main thrust of P-A literature. Furthermore, patterns of emergence and evolution were similar between the two areas (employment and social inclusion), where the Commission was more successful during emergence of an OMC and less successful during evolution of an OMC. The hypotheses about Member State and Commission behaviour in the development of an OMC in areas of high saliency (where I expected high Member State intervention and low Commission penetration) and low saliency (where I expected lower Member State intervention and higher Commission penetration) were not confirmed during the stages of emergence. This means that the domestic saliency of a policy issue - where I selected and analysed employment as the area of high saliency and social inclusion as the area of low saliency - does not explain the degree to which Member States and the Commission are involved in the initial development of the OMC.

But if there is a fundamental difference in emergence of an OMC according to high and low saliency, it is with regard to the influence of actors outside the Commission-Member State nexus. In the area of high saliency – employment policy – no external actors (or organisations sponsored mainly by the Commission for issues of employment policy) played a role in its emergence. In the area of employment policy, no representative interest organisations (or lobbies) receive core funding from the Commission, which means that there are no Commission sponsored lobbies in this area. The European Trade Union Confederation (ETUC) and the UNICE (European level employers organisation) could have a stake in supporting the development of a European level commitment to employment policy. But, the core funding of the ETUC and UNICE comes from their respective members and not from the Commission, and both organisations have other means to develop policies at EU level, in particular through the European social dialogue. The ETUC supported the development of a coordination mechanism in employment policy, but did not play an important role in its initial emergence; the UNICE was initially reticent to the EES but supported it after 2000 when more focus was attributed to deregulation of the labour market and employment growth. By contrast, in the area of low saliency – social inclusion – an external player, the EAPN, played an important role in the emergence of the OMC/inclusion. The core funding of the EAPN comes from the Commission, which means that the EAPN has a stronger status as a Commission-sponsored lobby in the OMC/inclusion than the ETUC and UNICE in the EES. In addition, the EAPN (and its members) did not a priori have strong means or institutional mechanisms through which to influence anti-poverty policy, whether at the EU or national levels. Thus, the OMC/inclusion has from the

beginning provided a political opportunity structure through which the EAPN aimed to lobby for its core aims. In the period preceding the emergence of the OMC/inclusion the EAPN worked for greater EU commitment to the issue of poverty and the Commission mostly developed its own discourse on anti-poverty policy on the basis of the one developed by the EAPN. In this way, the work of the EAPN did, after being adopted by the Commission as its own policy line, strongly influence the policy objectives that were eventually adopted at the level of the Council.

The P-A framework has highlighted the central role of the Commission and the Member States in the development of an OMC, which casts doubt on other explanations, such as the advocacy coalition approach which claims that the OMC emerged exclusively due to ideas developed within a socialist advocacy coalition. According to the explanation, the socialist advocacy coalition that gathered socialists from various settings – European institutions, Member States, interest organisations – developed political influence on decision-making during the emergence of the OMC. For both the EES and the OMC/inclusion, this strand of literature highlights that socialist ideas about specific policies crystallized within different settings, in particular the PES, where the political consensus among socialist parties is articulated. But as I have shown in my analysis, the policy discourse developed in the PES (at the very beginning of the emergence of the EES and the OMC/inclusion) was much weaker than the political discourse of the Commission that was decisive during the initial stages of emergence. If there was an influence of socialists, it was only through socialist governments at the level of the Council that took decisions on the initial development of the EES and OMC. It was only when a majority of governments in the Council was socialist that socialist ideas were influential. As I have shown in chapter 3, the PES that established an employment policy working group did not reach its projected aim which was to influence or even define the European employment policy agenda. At the height of consensus within the working group, its political objectives on ‘European employment policy’ merely reiterated some aspects of the discourse by the European Commission, but were not influential in the emergence of the EES. This was mainly due to the fact that there was a minority of socialist and social-democratic governments in the Council at the time and partly because the PES had a weak link to the Council, where decisions on the OMC took place. Crucially, Delors himself did not mobilise the discourse for employment in the PES (although he participated in its meetings), but used the Commission to promote his own ideas, that then filtered to the socialists. The ideas and the policy objectives adopted for the EES in 1994 may have been inspired mostly by socialist and social-democratic ideas (as Delors himself was socialist). But it was neither the PES nor other transnational advocacy coalitions that enabled the early emergence of the EES. It was informal agenda-setting and discourse

framing of the European Commission (that drew on social democratic ideas but also ideas promoted by influential Christian democrats). Already at that time, the Commission entered a contractual relationship with Member States, within which the EES would subsequently be fully defined and then adapted. The adapted version of the P-A conceptual framework that I applied to my cases combines neo-functionalism, intergovernmentalism and policy learning and has the greatest explanatory power for the emergence of the OMC. Then, after the EES had formally been defined in the Amsterdam Treaty, more precise policy objectives were proposed in 1997, on the basis of ideas by socialists and Christian democrats in the European Commission. The comfortable majority of socialists in the European Council enabled a consensus on those objectives. Among Member States, socialists and social democrats, but also Christian democrats, in particular Jean-Claude Juncker played an important role in obtaining support for those objectives within the Council. The policy objectives agreed to by the Council were based exclusively and entirely on Commission work throughout the early to mid-1990s and were not the work of a broader social-democratic advocacy coalition. Overall, during emergence of the OMC, the Commission had used various instruments, in particular the development of a policy discourse about the problem of employment and how to resolve it (in Commission communications). When a significant majority of Member States (conceptualized as multiple principals with different interests) was favourable to the Commission proposals, they adopted decisions incrementally (in empirically defined stages), contributing to the full development of the OMC.

The advocacy coalition explanation also fails to explain the emergence of the OMC/inclusion. In the area of social inclusion policy, the PES never intended to give impetus to the development of a European anti-poverty strategy, nor did it establish a working group for discussing poverty issues. Instead, the PES was only used by the Principal (Portugal) as a forum for testing receptivity to a new political project that it would propose in the Council (the Lisbon strategy). Similar to the case of the EES, it was when the socialists were in power in the Council that they played a decisive role in the emergence of the OMC inclusion (outcome on the EU political agenda) and not in the PES or in other institutional settings. The OMC/inclusion was adopted in 2000 because it fit nicely with the new political strategy developed by the European Council. In that context, the discourse framing work of the Commission (drawing heavily on the work of the EAPN, a lobby sponsored financially by the Commission) became influential when it was adopted by the Council in the form of a fully-fledged social exclusion strategy. Like for the EES, the Member State-Commission relationship, within which the OMC/inclusion was initially crystallized, would be the nexus where its further development was decided. In both cases, the

OMC emerges first due to the action of the Commission that develops a policy discourse, and is adopted by Member States when it fits their political agenda. There is a slight difference between the two cases only regarding the initial attitude of Member States that were more suspicious to the development of employment policy objectives in 1994 than to social inclusion objectives in 2000.

Public policy literature highlights that external actors are less likely to influence a policy process once it is fully developed. Then, it is the routine action of the key actors that determines the outcome. Adapting this knowledge to the P-A conceptual framework, a political phenomenon is expected to evolve within the terms of the contract, involving key actors that have been delegated tasks within the process and excluding external influence. Routine actions do ensure continuity of the OMC, but as I have shown in my empirical analysis, major changes to the OMC during its evolution are due mainly to the high level political actions of the Commission and Member States (mostly the latter) outside of the OMC policy coordination process, whereas their actions in the regular policy cycle of the OMC contract have only a minor influence. For the EES, it was political personalities – led by Wim Kok (with power at the level of the Council) - rather than the bureaucrats involved in the implementation of the policy cycle that defined a new political strategy. The work by Kok *et al.* partially undermined the work that had been undertaken at the administrative level to redefine the policy, where bureaucrats (managed by the Commission, but guided by Member State priorities in the EES committee) had made changes to the EES. The Commission, by contrast, has attempted to define political objectives of the EES at the administrative level on the basis of expertise and tasks that it has been delegated in the EES policy cycle, but it has only been partially successful in this endeavour. This shows that during the evolution of the EES, Member States do not attempt to control the action of the Commission in the OMC policy cycle, since its modes of actions are defined in the OMC contract and do not represent a threat to Member States. Instead, the Member States reset the policy agenda and then integrate it with the EES policy cycle. Thus, the Member States, on the basis of short term political preferences, re-define the employment policy agenda at a higher political level, which then changes the EES. It is through an external impulse rather than action within the EES policy cycle that the EES is altered.

The influence of the political work of the Council has also determined the fate of the OMC/inclusion strategy. Foremost, the Member States decided, by an external political impulse, that the OMC/inclusion would no longer be included in the core Lisbon Strategy. This was decided by Kok *et al.* that had also re-defined the EES from the top-down. At the same time, the



Social Affairs Council continued to support the OMC political objectives (rights-based approach, targeting and employment as a core means of integration) that had been built up during the 2000 to 2004 period. It also pushed for further development of indicators for the OMC/inclusion, drawing on expert work (commissioned by Member States outside the OMC policy cycle) and identified new core objectives (in particular the elimination of child poverty). In this way, the OMC/inclusion had been redefined from the top-down, but also via external expert work determined by the Member States. The OMC/inclusion has been more open to external influence during its evolution (represented by the influence of the expert groups) and not only during its emergence. On this point, it is different from the EES that is exclusively redefined by the short-term preferences of the Council. But the OMC/inclusion also changed on the basis of the high level political strategy of the European Commission. Parallel to the changes that were being made to the OMC/inclusion by Member State impulses, the Commission took a decision to re-organise the various funding programmes that were managed within the Commission. This broad decision would determine the new form of the funding programme to accompany the OMC/inclusion. But once again, the initiative was from the top-down and not from within the OMC/inclusion policy cycle.

More generally, for both the EES and the OMC/inclusion, the evolution of the OMC is determined by Commission-Member State interaction at different levels: the 'political' level (decision-makers at the level of the European Council, Commission President and Commissioners) and the 'administrative' level (the actors involved in the daily policy-making process). This confirms the findings about the multiple levels of influence in Commission, where the sectoral DGs in the Commission have incremental influence through administrative tasks and 'expert advice' in a policy area (Hooghe, 2001). It also has an influence at the higher 'political' level (where the restructuring of funding programmes was decided). Compared to classical P-A analysis that insists only on the rational actions used by the Commission to enhance its power, I have shown that softer discourse framing actions are also used by the Commission to maintain or to enhance its authority vis-à-vis the Member States.

Regarding the hypothesis about Member State and Commission action on the basis of high (EES) and low (OMC/inclusion) saliency, the differences during evolution were not as strong as expected. In both cases, it is the broader EU agenda defined by the Member States at the level of the Council that determines the main changes in the OMC. But, the work of the bureaucrats (Member States and Commission) is over-stepped by political actors in the EES, while they ensure continuity in the OMC/inclusion. In addition, during evolution, the non-governmental

actors do not play any role in the EES, while they play a significant role in the OMC/inclusion (as they did during its emergence). This suggests that salience matters with regard to the action of high level political actors, where they are more active in an area of high than low saliency and with regard to involvement of non-governmental actors, where they cannot penetrate in an area of high saliency but can penetrate in an area of low saliency.

## **2. National level analysis: integration of the OMC among actors and policy outcome**

The second part of the thesis analyzes how the main outcome of the OMC (national report) is integrated among actors at national level – as a policy development tool or as a policy report. The third part of the thesis analyzes how the OMC has had an impact with regard to the main OMC policy objectives and how this compares to policy legacies and main reform dynamics in Member States. On the basis of the ideal-type based typology that I developed in chapter 2 and applied in chapter 5, I have shown that actors in the lead ministry (that also represent their country in the European level committee) are most often endowed with responsibilities with regard to the OMC. They are the ones responsible for the NAP reports to be prepared for the European Commission and through their control of knowledge and responsibility enjoy the most favourable conditions for using the OMC as a resource if and when deemed useful. My evidence shows that in cases of conflict and in cases of lower institutional capabilities, the OMC can act and has acted as a mechanism to strengthen these actors. This ranges from entering a policy dialogue with other ministerial actors to obtaining support for a policy or funding for a programme derived from OMC objectives. My evidence shows, furthermore, that this is the case in the areas of employment and social inclusion. Actors have been able to enhance their authority more in the area of social inclusion due to a lower initial degree of institutionalisation of anti-poverty policies in many member states.

It is also the lead ministry that manages and controls access to the OMC by other actors, i.e., other national ministries, levels of government or civil society actors. In countries where regions have responsibilities but few policy development or reporting resources in an OMC policy area, the OMC can also have an empowering effect at the regional level of governance. The impact has been greater in the area of social inclusion, where more countries have devolved responsibilities. But it is only if the OMC is considered as a useful resource that it could have an impact. The local-level actors mostly do not consider it to be a useful resource because it cannot lead to concrete decisions or outcomes.

Regarding the involvement of the broader policy network, social partners in the EES are involved formally, but have very rarely used the EES to resolve conflict (i.e., using the EES as a political opportunity structure) since they have other means of influencing policy development (with governmental actors or employers' organisations). By contrast, NGOs and civil society organisations have seized the OMC/inclusion to develop policy, since their resources for lobbying their anti-poverty concerns are generally weak. Overall, multi-level integrative participation is more developed for the OMC/inclusion than the EES. In both policy areas, there have been some cases where the OMC NAP has been used by actors to develop one or more specific policy objectives (either at national or regional level or via lobbying by interest organisation). But mainly, it is a policy report that states what has happened since the completion of the last OMC policy cycle and is in most cases completely detached from national policy cycles that involve policy and budgetary decisions.

Regarding the policy influence of the OMC (or rather concordance of national developments with aims of the OMC) my findings on the one hand confirm (in line with the main strand of the literature on learning) that it has contributed to extending key notions of employment or anti-poverty policy through soft policy learning, where new discourses and frames of reference have been adopted in many Member States. On the other hand, my findings suggest that the OMC has not been a strong resource through which to develop comprehensive reform programmes. Regarding the EES, employment policy (activation and the full employment model) has in most countries been part of central economic growth boosting reform agendas during the period that the EES was being implemented. Since employment policy was highly salient in Member States - for all governmental coalitions – then the EES could have been used as a resource for the development of reform agendas. But in most cases, this did not occur. One explanation for this could be that numerous influential actors had various instruments through which to define employment policy aims, leaving little scope for the EES to instigate any major reform decisions. If that were the case, one could expect the OMC/inclusion – for the anti-poverty area that is not as salient as employment policy and where domestic actors area weaker – to be a more powerful resource for policy development. My evidence – at least looking at policy outcomes – suggests that this has not been the case. Overall, then, my evidence and analysis suggest that the EES and OMC/inclusion, due to their soft character, do not embody sufficient 'European pressure' to engender change, no matter what the domestic landscape looks like and no matter where the respective policies are located among governmental priorities.

So what ultimately drives forward the changes in these policy areas? Policy legacies are the basis on which the reform agendas are built. Reform agendas are more likely to have a substantial impact when they are designed to respond to major problems or crises. In the area of employment, the cases of the Netherlands, Finland, Ireland and Spain are striking. All countries were very badly hit by the economic recession in the early 1990s and all responded with an assertive reform agenda of which employment growth was one important cornerstone. It is therefore not surprising that the most significant evolution in employment rates has been recorded in these countries. In other countries, reform in employment policies has been more incremental. In all countries, parallels can be observed between the employment policy agenda of the EES and the domestic policy agenda. The EES has served to reinforce an existing line of reform, which may or may not be in line with what the EES itself prescribes (in Italy it was used for blame-shifting). But the normative full employment model (and shifts to 'activation') that the EES embodies has been central in the domestic debates on employment policy. The concept of a 'full employment model' has been developed in different contexts over the past twenty years. In the EU debate, Delors already introduced the 70 per cent total employment rate and 60 per cent female employment rate as core benchmarks in the 1994 White Paper. Powerful political actors, notably Tony Blair and Wim Kok, have made full employment and 'jobs' core issues on their national agendas in the mid-1990s. These actors defined reform programmes in their countries, but their explicit or implicit influence also fuelled into the debate in other countries, perhaps more than the EES itself. In the area of social inclusion, the development of anti-poverty policies has not been a chief governmental priority, even if there is a general trend towards an increase in the poverty rate. In most clusters, the OMC led to a focus on particular groups and/or to the conceptualization of poverty as a multi-dimensional phenomenon. This means that the European pressure exerted on the Member States from the OMC as a political instrument is weak, while it is stronger as a soft instrument that could incrementally lead to the development of new policy discourses.

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<sup>79</sup> The European Commission has compiled this data, but it has been written by the written by the Member State administrations. In the body of the thesis, I refer to a national response as follows: European Commission: Austrian response, 2005.



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## **ANNEX 1**

### **First Hand Empirical Material European Employment Strategy (Interviews, Informal Meetings/Discussion and Participant Observation)**

#### **Methodological note**

A list of (open) questions was sent to the interviewee prior to the planned meeting. In order to encourage the interviewees to be as open as possible,

1. The interviewees were ensured that the interviews would remain confidential and anonymous, if they wished;
2. The interviews took place without a recording device.

The transcription process, in order to be able to use the interviews as empirical material for the thesis, took place in three phases.

1. The interviews were hand-written during the interview process itself;
2. They were then typed up on the basis of the written notes, if deemed essential as empirical material. If complementary material, then they were not transcribed;
3. They were sent to the interviewee for amendments and/or additions, which were subsequently integrated into the interview text. In the case that the interviewees did not respond, the assumption was made that the transcription was correct.

**Table 1: European Level Dynamics**

Type of Material	Reference in text	Role in EES	Date	Transcription
Interview	European level EES interview 1	Head Peer Review Programme EES	May 2002	
Interview	European level EES interview 2	Secretariat Employment Committee	July 2002	
Interview	European level EES interview 3 (Allan Larsson)	(Former) Director General DG Employment	December 2002	X
Interview	European level EES interview 4	(Former) secretary Party of European Socialists	June 2004	
Interview	European level EES interview 5	Secretariat Employment Committee	December 2004	
Interview	European level EES interview 6	Commission delegate Employment Committee	December 2004	X
Interview	European level EES interview 7	(Former) Vice Director General DG EMPL	December 2004	X
Interview	European level EES interview 8	(Former) Member Delors Cabinet	December 2004	X
Interview	European level EES interview 9	National delegate indicators working group of EMCO	January 2005	X
Interview	European level EES interview 10	National representative EMCO	December 2004	X
Interview	European level EES interview 11	Secretariat EMCO	December 2004	
Interview	European level EES interview 12	Expert Delors Cabinet	March 2005	
Interview	European level EES interview 13	Commission delegate EMCO	March 2005	X
Informal Discussion	European level EES discussion 1	(Former) Chair of the Indicators Working Group	December 2004	
Participant Observation	European level Participant Observation EES 1		September 2004	

**Table 2: National Level Dynamics**

Type of Material	Reference in text	Role in Employment Policy/EES	Date
<b>FINLAND</b>			
Interview	Finland EES Interview 1	COREPER Brussels	December 1999
Interview	Finland EES Interview 2	Desk Officer EES	April 2002
Interview	Finland EES Interview 3	Finance Ministry	August 2002
Interview	Finland EES Interview 4	Social Ministry	August 2002
Interview	Finland EES Interview 5	Labour Ministry	August 2002
Interview	Finland EES Interview 6	Trade Unions Finland	August 2002
Interview	Finland EES Interview 7	Employers Finland	August 2002
Interview	Finland EES Interview 8	Ombudsman equal opportunities Finland	August 2002
Interview	Finland EES Interview 9	Parliament Finland	August 2002
<b>IRELAND</b>			
Participant observation : social partners and civil society actors in EES	Ireland EES Participation observation 1	Documentation of Social partner and civil society actor in EES 1	July 2004 & August 2004
<b>BELGIUM</b>			
Interview	Belgium EES Interview 1	National delegate indicators group EMCO	January 2005
Interview	Belgium EES Interview 2	Andre Simon, national delegate EMCO	January 2005
Interview	Belgium EES Interview 3	Bernard Conter, Regional Employment Policy	December 2004
<b>PORTUGAL</b>			
Interview	Portugal EES Interview 1	Expert	February 2007

## ANNEX 2

### First Hand Empirical Material

Open Method of Co-ordination in Social Inclusion  
(Interviews, Informal Meetings/Discussion and Participant Observation)

**Table 1: European level dynamics**

Type of Material	Reference in text	Role in OMC inclusion	Date	Transcription
Interview	European level inclusion interview 1	Representative 1 Indicators Sub Group incl.	January 2005	X
Interview	European level inclusion interview 2	National Delegate 1 Social Protection Committee	January 2005	
Interview	European level inclusion interview 3	President EAPN	December 2004	X
Interview	European level inclusion interview 4	Commission secretariat Social Protection Committee	January 2005	X
Interview	European level inclusion interview 5	Commission delegate 1	January 2005	X
Interview	European level inclusion interview 6	Commission delegate 2	January 2005	X
Interview	European level inclusion interview 7	Representative European Platform NGOs	January 2005	X
Interview	European level inclusion interview 8	Commission delegate Indicators Sub-Group and EUROSTAT	March 2005	X
Interview	European level inclusion interview 9	(Former) member Cabinet Vandenbroucke	March 2005	X
Interview	European level inclusion interview 10	Representative FEANTSA	July 2005	X
Interview	European level inclusion interview 11	Representative 2 Indicators Sub-Group	July 2005	
Interview	European level inclusion interview 12	Director Regional level social inclusion network (RETIS)	July 2005	
Interview	European level inclusion interview 13	Expert 2	October 2005	Hand-written notes

Informal Discussion	European level inclusion discussion 1	Expert 1	December 2004	Hand-Written notes
Informal Discussion	European level inclusion discussion 2	President Eurochild	June 2005	Hand-Written notes
Informal discussion	European level Inclusion discussion 3	RETIS member (Gijon, Spain)	July 2005	
Participant Observation	European level Participant Observation EES 1	Training, peer reviews in relation to OMC/inclusion, organised by RETIS Cecina, Tuscany, Italy	July 2005	Contribution as social protection expert
Participant Observation	Conference 'Taking Forward the EU Social Inclusion Process'	Presentation and discussion expert report (Atkinson <i>et al.</i> , 2005) indicators OMC/inclusion	13-14 June 2005	Hand-Written notes