

Good Governance via the OMC? The cases of Employment and Social

Inclusion

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I. Introduction

Governance in social policy is critical in the context of a deeper, wider and increasingly diverse Union, but also a politically delicate Union. Via the Lisbon Strategy, there is increasing awareness of the legitimate existence of a role for the EU in the area of social policy, where 56% of EU citizens view the role of the EU positively.¹ It is thus crucial to understand exactly how the EU not only via directives, but also via the Open Method of Coordination (OMC), governs the employment and social inclusion policies of the Member States. A centre-piece in this debate is the White Paper on Governance that established five “Principles of Good Governance” - Openness, Accountability, Participation, Effectiveness, Coherence – to establish “more democratic governance”.² This has been followed by vivid academic commentary³ that influenced the debate and actions at European level.⁴ The White Paper on Governance is, now as much as ever, a vibrant and relevant basis for assessing the empirical governance of different instruments in various policy areas.

This article assesses the governance of the Open Method of Co-ordination (OMC) in social policy that is, *par excellence*, an interdisciplinary object of study. Since it was conceptualized in 2000, the academic community has been intrigued by the many issues in the Pandora’s Box of the “Open Method of Co-ordination”. Among legal analysts, part of the debate is normatively driven, where a more classical legal reference point, such as a directive, is the implicit point of comparison. Belonging to “soft law”, the OMC is perceived as

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¹ EUROPEAN COMMISSION, “European Employment and Social Policy”, Special Eurobarometer Report No 261, October 2006, at p. 8.

² EUROPEAN COMMISSION, *European Governance: A White Paper*, COM (2001) 428 final, 25.7.2001 at p. 10.

³ See notably *Jean Monnet Working Paper Series No 6/01 Symposium*, New York University School of Law, 2001.

⁴ http://ec.europa.eu/governance/index_en.htm

“weaker” than hard law along the dimensions of obligation, precision or delegation,⁵ and is criticised for its unknown effects and its non-judiciable character.⁶ However, legal analysts have also used concepts emanating from political science in approaching soft law to move away from the dichotomous hard law vs. soft law debate.⁷ Scott and Trubek institutionalised “new modes of governance” (NMG) among lawyers,⁸ defining NMG in a broad manner as “any major departure from the classical Community method”. Political scientists have emphasised the eminently political nature of the OMC,⁹ which is used for the reform of employment and social policies, a sensitive issue in all Member States.

In essence, the OMC as a NMG is an iterative non-judiciable instrument that sets policy objectives to be implemented by Member States in accordance with their national systems and practice. The rhetoric on the OMC underlines that it is to be implemented with respect to the principle of subsidiarity, which puts emphasis on who and at which level power should be exercised, in the framework of which the European Union can only take action if it brings in an element of added value.¹⁰ The OMC was introduced during the Lisbon Summit of the Portuguese Presidency “to better implement the long-term strategy for a competitive knowledge-based economy with more and better employment and social cohesion” by 2010,¹¹ alongside other EU instruments – from legislation to multi-annual programmes. In procedural terms, the OMC consists of European-level “guidelines”, or policy objectives, for the Union and its Member States, accompanied, where possible, by quantitative benchmarks that render the guidelines more specific. Then, at the national level, the guidelines, in view of the benchmarks, should be transposed into national and regional policies, quantitative targets, and legislation. In concrete terms, the actions of the Member States should be reflected in national reports regularly. Finally, the proposed policies and actions of Member States set out in the

⁵ K. ABBOTT and D. SNIDAL, “Hard and Soft Law in International Governance”, *International Organisation*, 2000, Vol. 54, No 3, pp. 421-456.

⁶ S. SMISMANS, “EU Employment Policy: Decentralisation or Centralisation through the Open Method of Co-ordination”, *Law Department Working Papers*, No. 2004/01, 2004, European University Institute, Florence.

⁷ D. TRUBEK, and L. TRUBEK, “The Open Method of Co-ordination and the Debate over “Hard” and “Soft” Law”, in J. ZEITLIN, P. POCHE, and L. MAGNUSSON, (eds.), *Opening the Open Method of Co-ordination: The European Employment and Social Inclusion Strategies*, P.I.E-Peter Lang, Brussels, 2006, pp. 83 – 106.

⁸ J. SCOTT and D. TRUBEK, “Mind the Gap: Law and New Approaches to Governance in the European Union”, *European Law Journal*, Vol. 8, No 1, March 2002, pp. 1-18.

⁹ C. DE LA PORTE and P. POCHE, “The OMC Intertwined with the Debates on Governance, Democracy and Social Europe”, Report prepared for the Belgian Ministry of Pensions and Social Affairs, Brussels, March 2003.

¹⁰ G. DE BURCA, “Reappraising Subsidiarity’s Significance After Amsterdam”, *Harvard Jean Monnet Working Paper 7*, in the framework of a seminar and workshop on Advanced Issues in Law and Policy of the European Union, NAFTA and the WTO, 1999.

¹¹ EUROPEAN COUNCIL, Lisbon European Council, *Presidency Conclusions*, 23-24 March 2000.

national reports are monitored, evaluated and peer-reviewed jointly by the Commission and the Council. In addition, the Spring Summit of the European Council, institutionalised at Lisbon and held in March every year, reviews progress and adapts the policy objectives in each policy area.¹²

This article assesses the OMC in two areas, employment and social inclusion, according to the principles of Participation, Coherence and Effectiveness, from which operational governance criteria are derived. While Openness and Accountability are also highly pertinent criteria, they will not be used for the analysis due to problems of operationalisation. The fundamental reference documents used for drawing up operational principles of governance are the White Paper on Governance,¹³ and where relevant, the Treaty establishing a Constitution for Europe (Constitutional Treaty).¹⁴ The OMC-specific documents are the Conclusions of the Lisbon European Council¹⁵ and the Note on the OMC by the Portuguese Presidency.¹⁶ The article then plunges into the heart of the analysis, comparing OMC Governance in employment and social inclusion, first along the dimension of participation, then coherence, and last but not least, effectiveness. Finally, the conclusion assesses how the OMC fares with regard to Good Governance and, in the light of the revision of the Lisbon Strategy in 2005, envisages future prospects for the method in the area of social policy.

II. The Principles of Good Governance and Operational Criteria

A. Openness

The definition of “Openness” in the White Paper is that “The Institutions should work in a more open manner... they should actively communicate about what the EU does and the decisions it takes. They should use language that is accessible and understandable for the general public”.¹⁷ It is a conception indicating that the EU should make rules and politics

¹² EUROPEAN COUNCIL, 2000, *supra* note 12.

¹³ EUROPEAN COMMISSION, 2001, *supra* note 2.

¹⁴ Even if the Constitutional Treaty may not be ratified by the Member States, it provides some indications of the governance principles that could be agreed upon in a future Treaty revision for the EU-27, and is in this respect pertinent.

¹⁵ EUROPEAN COUNCIL, 2000, *supra* note 12.

¹⁶ COUNCIL OF THE EUROPEAN UNION, “The On-going Experience of the Open Method of Co-ordination”, *Presidency Note, Doc. No 90088/00*, Lisbon, 13 June 2000.

¹⁷ EUROPEAN COMMISSION, 2001, *supra* note 2.

more accessible, in terms of language and availability of information, to EU citizens. The “openness” principle of the White Paper concerns public accessibility and by extension, public debate.¹⁸ In the template defining the open method of co-ordination, “open” has two slightly different dimensions. It first indicates that the EU level rules, tools and policies – guidelines, best practices, quantitative indicators, reports - can be “adapted” to the national level.¹⁹ This means that in the OMC, compared to hard law, there is explicitly a wider margin for compliance, with regard to the national systems, institutions and rules. This is crucial for both employment and social policy, which are areas of (quasi?) exclusive member state competency. It can also be interpreted as ex-ante respect of subsidiarity - where all aspects of the OMC should be “adapted” to national, regional and local contexts - that has been the object of extensive academic analysis.²⁰ It indicates, second, that the operating mechanism should be “open” to “various actors of civil society”.²¹ Regarding civil society participation, it is the focal issue of “Participation” and thus will not be an object of analysis here. Overall, the principle of “openness” is partially normative, and partially, covered by Participation. Hence, no operational criteria will be derived for this analysis on the OMC.

B. Accountability

In the White Paper on Governance, the issue of accountability makes reference to clearly defined roles and mandates: “Roles in the legislative and executive processes need to be clearer. Each of the EU institutions must explain and take responsibility for what it does in Europe. But there is also a need for greater clarity and responsibility from Member States and all those involved in developing and implementing EU policy at whatever level.”²² In the OMC, Member States have a double obligation in terms of accountability: first, vis-à-vis the European Commission, and second, with regard to their respective electorate for policy decisions in areas covered by the OMC. When the Member States have submitted their

¹⁸ C. MEYER, “Towards a Europeanisation of Socio-economic discourses? A Study of Quality Press Coverage of Economic Policy Co-ordination since Amsterdam”, Contribution to the EUROPUB Conference *Europeanisation of Public Spheres? Political Mobilisation, Public Communication, and the European Union*, 20-22 June 2003; DE LA PORTE and NANZ, «The OMC – A Deliberative-Democratic Mode of Governance ? The Cases of Employment and Pensions” *Journal of European Public Policy*, Vol. 11, No 2, April 2004, pp. 267 – 288.

¹⁹ COUNCIL OF THE EUROPEAN UNION, 2001, *supra* note 17, at p. 6.

²⁰ G. DE BURCA, “Reappraising Subsidiarity’s Significance After Amsterdam”, *Harvard Jean Monnet Working Paper 7*, in the framework of a seminar and workshop on Advanced Issues in Law and Policy of the European Union, NAFTA and the WTO, 1999.

²¹ COUNCIL OF THE EUROPEAN UNION, 2001, *supra* note 17, at p. 6.

²² EUROPEAN COMMISSION, 2001, *supra* note 2, at p. 10.

national reports to the European Commission, then Commission controls the content of the Member States reports. The European Commission has various instruments with which to ensure this upward accountability: Joint Reports and Recommendations. Joint Reports summarise the reports made by Member States of their respective national situations and implementation plans, and assess the implementation policy plans in light of the EU level objectives and benchmarks. Individual country recommendations are used only in some issue-areas, including the European Employment Strategy (EES). These mechanisms are set down in the Employment Title of the Amsterdam EC Treaty for the EES and are integrated into the procedural tasks of the Social Protection Committee for the Open Method in Inclusion. In this article, I will not comment on the quality of these mechanisms, as that would require in-depth national case-studies with process-tracing as the main methodological tool.²³ In her PhD, Buechs undertakes this onerous task with elegance for the cases of Germany and the United Kingdom.²⁴ Another dimension of accountability is related to the national level, where governments are accountable to their electorate for policy decisions in areas covered by the OMC. But, these domestically driven problems, debates and policy solutions have taken place parallel to, but independently of the OMC. This represents an exciting issue of analysis in its own right, but which is beyond the scope of this article.

C. Participation

The White Paper of Governance places considerable emphasis on participation in terms of its input legitimacy and also its expected output legitimacy: “the quality, relevance and effectiveness of EU policies depend on ensuring wide participation throughout the policy chain – from conception to implementation.” This is in line with the conception of subsidiarity in its widened form.²⁵ The OMC has been conceived in this normative spirit: it is qualified as “an important tool to improve transparency and democratic participation”.²⁶ In the White Paper, considerable emphasis is placed on the responsibility of “central governments” to ensure meeting this principle: “Participation crucially depends on central governments following an inclusive approach when developing and implementing EU

²³ **J. CHECKEL**, “It’s the Process, Stupid! Process Tracing in the Study of European and International Politics”, Arena Working Paper Series 26/2005 of 18.10.2005.

²⁴ **M. BUECHS**, “Dilemmas of post-regulatory European social policy coordination: the EES in Germany and the United Kingdom”, PhD thesis, Humboldt University, Berlin, 2005.

²⁵ Protocol on the application of the principles subsidiarity and proportionality, Maastricht EC Treaty.

²⁶ **COUNCIL OF THE EUROPEAN UNION**, 2001, *supra* note 17, at p. 7.

policies”.²⁷ The document defining the OMC sets out that governments are the main actors responsible for devising and implementing policies derived from the EU level. In addition to central governments, the White Paper highlights the value of civil society participation. The Constitutional Treaty lays down the principle of participatory democracy, according to which “...The institutions shall maintain an open, transparent and regular dialogue with representative associations and civil society...”.²⁸ The Lisbon Conclusions proclaim with regard to the OMC that: “A fully decentralised approach will be applied in line with the principle of subsidiarity in which the Union, the Member States, the regional and local levels, as well as the social partners and civil society, will be actively involved, using varied forms of partnership.”²⁹ According to the OMC template “...the development of this method in its different stages should be open to the participation of the various actors of civil society.”³⁰ This participatory approach to European governance has been re-confirmed in the revision of the Lisbon Strategy in 2005.³¹ In the area of social inclusion, the Constitutional Treaty recognises the OMC, although not by label. It confirms the role of the core governmental actors for “cooperation” on social protection policies and refers to the Social Protection Committee, comprised of member state and Commission civil servants. However, there is no reference to the need to involve NGOs or civil society organisations.³²

From these principles, I derive two criteria: the first is the creation of a core policy community, which is a closed group of insiders, with relatively stable membership and meeting on a regular basis to prepare work on their delegated thematic area.³³ I analyse the membership of the Committees that have been formed at the national level. The second is the creation of a more open, more permeable and broader policy network (of social partner and/or civil society organisations) that has a stake in the issue concerned, without having any core

²⁷ EUROPEAN COMMISSION, 2001, *supra* note 2, at p. 10.

²⁸ TREATY ESTABLISHING A CONSTITUTION FOR EUROPE, Article 1-47.

²⁹ EUROPEAN COUNCIL, 2000, *supra* note 12.

³⁰ COUNCIL OF THE EUROPEAN UNION, 2001, *supra* note 17, at p. 6

³¹ EUROPEAN COUNCIL, 2005, *supra* note 39.

³² TREATY ESTABLISHING A CONSTITUTION FOR EUROPE, Article III-217.

³³ For an analysis of the policy community and network at European level, see DE LA PORTE and Pochet, "Participation in the OMC – the cases of employment and social inclusion", in J. ZEITLIN, Pochet, P. and L. MAGNUSSON, (eds.), *The Open Method of Co-ordination in Action: The European Employment and Social Inclusion Strategies*, Brussels, P.I.E-Peter Lang, 2005pp. 353-390.

decision-making power in the process.³⁴ The source of legitimacy for the involvement of actors is either Treaty or policy-based.³⁵

D. Coherence

The White Paper stipulates that, “Policies and action must be coherent and easily understood.... Coherence requires political leadership and a strong responsibility on the part of Institutions to ensure a consistent approach within a complex system”.³⁶ In the Constitutional Treaty, considerable attention is devoted to consistency of policies: “The Union shall ensure consistency between the policies and activities... taking all of its objectives into account and in accordance with the principles of conferral of powers.”³⁷ Also, the OMC needs to be coherent within each policy field, and there needs to be an overarching coherence of the various policy fields. The application of the OMC to different policy fields is held together by the European Council, which plays an overall coordinating role. The Conclusions of the Lisbon Council set out this coordinating role for the Council, stating that it should take on a “...pre-eminent guiding and coordinating role to ensure overall coherence and the effective monitoring of progress towards a new strategic goal”.³⁸ The anchorage of the central coordination role for the Council has been re-enforced as of the revision of the Lisbon Strategy in 2005.³⁹ In this context, the link between employment and economic coordination has been strengthened, via the creation of a single set of “Integrated Guidelines” covering the co-ordination of employment and macro and micro-economic policies. This steps up the political salience of the EES with regard to the economic coordination process. In the national context, Member States commit to drawing up three-yearly “national reform programmes”, which should bring into a single document “all the existing national reports which are relevant to the Lisbon strategy”. Furthermore, this is also increasingly centralised at the national level, through the nomination of a high level national governmental representative specifically for the Lisbon Strategy - a “Mr” or “Ms” Lisbon, to enhance in the domestic context, the political coherence and ownership of the process.⁴⁰ Regarding the change with regard to the policy

³⁴ M. THATCHER, “The Development of Policy Network Analyses: From Modest Origins to Overarching Frameworks”, *Journal of Theoretical Politics*, Vol.10, No 4, 1998, pp. 389-416 at pp. 392 – 393.

³⁵ C. DE LA PORTE and P. POCHET, 2005, *supra* note 26.

³⁶ EUROPEAN COMMISSION, 2001, *supra* note 2, at p. 10.

³⁷ TREATY ESTABLISHING A CONSTITUTION FOR EUROPE, Article III-115.

³⁸ EUROPEAN COUNCIL, 2000, *supra* note 12, at § 36.

³⁹ EUROPEAN COUNCIL, Presidency Conclusions, European Council Brussels, 22 and 23 March 2005.

⁴⁰ EUROPEAN COMMISSION, Communication “*Working together for growth and jobs: a New Start for the Lisbon Strategy*”, COM (2005) 24 February 2004.

objectives of Lisbon, the conclusions re-confirm the main political pillar of the Lisbon Strategy: to increase employment rates, to extend working lives, to attract people to the labour market and to promote active ageing. The socially-oriented objectives, while still present, have lost some momentum in the context of the political centre of gravity that has shifted from the left in 2000 towards the right in 2005. The Conclusion stipulates that: “The Social Inclusion Process should be pursued by the Union and by Member States, with its multi-faceted approach, focusing on target groups, such as children in poverty.”⁴¹ The social inclusion objectives are no longer part of the key objectives of the Lisbon Strategy, but run parallel to the economic growth and employment policy objectives, and should feed into the National Report Programmes.⁴²

The criterion I derive from coherence is that for the policy areas under examination, the policies have to be internally coherent, and have to be coherent with the overarching goal of the Lisbon European Summit. To analyze this, I will examine the policy content of the Employment and Social Inclusion policies, focusing on their coherence throughout time, i.e. is Europe always sending the same message to Member States, and also in terms of internal politico-ideological thrust, how coherent are the objectives in terms of their underlying political aims.

E. Effectiveness

The White Paper states that: “Policies must be effective and timely, delivering what is needed on the basis of clear objectives, an evaluation of future impact and, where available, of past experience.” This aspect of the White Paper is thus devoted to issues of output legitimacy, and prescribes clarity of means and objectives to achieve these.

In the template of the Open Method, two issues pertain to effectiveness. The first is that of effectiveness through “learning”;⁴³ i.e. Member States are incrementally to change their policies, based on what they “learn” from the European objectives and guidelines, from the specific recommendations made by the Commission in its analyses (in Joint Reports or individual country recommendations), and from horizontal exchange of best practices. In this

⁴¹ EUROPEAN COUNCIL, 2005, *supra* note 40.

⁴² EUROPEAN COUNCIL, 2005, *supra* note 40..

⁴³ C. DE LA PORTE, and P. POCHE, “ The European Employment Strategy: Existing research and remaining questions ”, *Journal of European Social Policy*, Vol. 14, No 1, 2004, pp. 71-79.

light, the OMC template specifies that outcome in individual Member States should be assessed on the basis of contextualised achievements: via “progressions or relative achievements”.⁴⁴ There are several ambiguities with learning, notably that it is perceived in these documents both as a means and as an end. Also, much of the academic literature on the OMC highlights that one of its main achievements has been that of fostering “learning”.⁴⁵ Hence, this article will not focus in-depth on learning.

Secondly, the OMC “can foster convergence... on common priorities”.⁴⁶ These common priorities take the concrete form either of specific qualitative objectives or of Union-wide quantitative benchmarks to achieve. The criterion used in this analysis is the integration of core policies under each OMC into the context of Member States. This will be assessed via key quantitative indicators that have been created by Eurostat to reflect the objectives of each of the OMCs.

III. Empirical Analysis

For each governance principle - Participation, Coherence and Effectiveness - this article analyses the situation first in employment policy and thereafter in social inclusion policy. To facilitate the empirical analysis in the areas of employment and inclusion, the countries have been organised according to their level of expenditure. In employment, core expenditure is in Active Labour Market Policies (ALMP), representing the core supply-side “employability” objectives of the EES; in social inclusion, core expenditure is represented by social transfers, which represent the main instrument to prevent poverty.

A. Participation

Regarding participation, I analyse for employment and social inclusion, the key actors in the core policy community and then actors involved in the broader policy network.

⁴⁴ COUNCIL OF THE EUROPEAN UNION, 2000, *supra* note 17.

⁴⁵ J. ZEITLIN, “The Open Method of Co-ordination in Action. Theoretical Promise, Empirical Realities, Reform Strategy” in in ZEITLIN, J. POCHE, P. and MAGNUSSON, L. (eds.), *Opening the Open Method of Co-ordination: The European Employment and Social Inclusion Strategies*, P.I.E-Peter Lang, Brussels, 2005, pp. 447 - 504.

⁴⁶ COUNCIL OF THE EUROPEAN UNION, 2001, *o.c* (footnote 17).

1. Employment

a. Policy Community

The primary policy community formed as a result of the EES is at national level, and the secondary one involves the devolved levels of governance. The common features, but also distinctions, of the policy community created for the EES in the domestic contexts (of the EU-14)⁴⁷ is summarised in table 1 below (columns 2 – 6).

The core of the policy community at national level is located in the Labour Ministry (see column 3). The civil servants from the Labour Ministry represent their respective governments in the meetings of the European level policy community for employment policy (EMCO). EMCO consists of two delegates per Member State as well as two members from the Commission. Its composition and mandate are set out in article 130, EC Treaty. It has an advisory status in the co-ordination of employment and labour market policies among Member States. Its tasks include monitoring the employment situation and employment policies in the Member States and the Community; formulating opinions at the request of either the Council or the Commission or on its own initiative; and contributing to the preparation of the Council proceedings. The central role of the national actors from the Labour Ministries aside, the EES model stipulates that other governmental actors which have a policy stake in the EES should be involved in devising policies during the National Action Plan for employment (NAPempl). These actors include, most importantly, the Finance Ministry, since it must approve all decisions regarding budgets and funding for employment and labour market policies. In the countries of the EU-15, there is some degree of variation as regards the Labour-Finance Ministry tandem in the development of the EES reports and work (column 4), which is due to domestically defined patterns. Another governmental actor that has a stake in some objectives of the EES, particularly those pertaining to training and life-long learning, is the Education Ministry. In other countries, specific ministries or units regarding equal opportunities between men and women, have been involved in the EES process (column 5). A centrally-based policy community for employment policy issues has developed around the Labour Ministry as a result of, and specifically for, the EES, but also

⁴⁷ Luxembourg is excluded since data for the analysis of effectiveness was incomplete.

involves other Ministries. The role of that policy community “upwards” is to ensure reporting to the European Union via the NAPempl and “downwards” to ensure integration of the European policy objectives into the domestic policy process. The real test for the EES is to check whether this domestic policy community integrates the policies of the NAPempl into the process of setting domestic employment and labour market policy.⁴⁸ The means of participation in the EES, i.e. contribution to the NAP, among the members of this policy community at the national level covers a broad range of channels of communication, including meetings and formal and informal opinions and commentary on the reports destined for Europe.

The secondary aspect of the policy community consists of coordination to involve different levels of government. The main trends of the involvement of these levels of government is indicated in column 6 of table 1 below. While there is no legal mandate for regional and local level involvement in the EES, there has been political support for enhancing the involvement of these levels of governance, particularly since 2000 when the OMC and the concept of governance was in the spotlight of the Lisbon Summit. According to the template of the OMC⁴⁹ that was conceptualised and also various Commission communications on the topic,⁵⁰ the policy community should in theory include all public authorities at national, regional, and local levels, by developing appropriate vertical coordination procedures. Furthermore, there is increasingly a shift to devolution of some aspects of labour market policies in all countries, confirming the relevance to involve this level of governance in the EES, particularly if it is to enhance ex-post multi-level coordination as an information provision tool and more fundamentally, to act as a policy-making template. In the EU-15, regional and local level involvement depends on the division of competencies for labour market issues; where there is a higher degree of devolution, there are more chances of their involvement of the EES process. In some cases, the EES has acted as an incentive for their involvement and has contributed to the development of multi-level policy communities and coordination, e.g. Belgium,⁵¹ Italy⁵². In other cases, regions actively devised employment

⁴⁸ For national case studies (Sweden, Denmark, Italy, the Netherlands, France, Germany, UK, Ireland) see national chapters in **ZEITLIN, J. POCHET, P. and MAGNUSSON, L.** (eds.), *The Open Method of Coordination in Action: The European Employment and Social Inclusion Strategies*, P.I.E-Peter Lang, Brussels, 2005.

⁴⁹ **COUNCIL OF THE EUROPEAN UNION**, 2001, *o.c.* (footnote 17).

⁵⁰ **DE LA PORTE, C. and POCHET, P.** 2005, *o. c.* (footnote 30).

⁵¹ **BECKERS, M.**, “Capturing the impact of the European Employment Strategy in Belgium: The Europeanisation of employment policies as a catalyser of domestic change?”, Master Thesis, Katholieke Universiteit Leuven, Leuven, 2006.

policy at their level prior to the EES, and thus it allowed for a continuation or expansion of this practice, e.g. Spain.

b. Policy Network

In the context of the EES, the *policy network* refers to social partners and also informal interest organisations that have a stake in employment and labour market policy. National social partners' have a legal mandate for involvement. The main reference to national level social partner involvement is in article 126, paragraph 2, Amsterdam EC Treaty, which states that "Member States, having regard to national practices related to the responsibilities of management and labour, shall regard promoting employment as a matter of common concern". Article 128.3, Amsterdam EC Treaty which asks the Member States to provide the Council and the Commission with an annual report, does not make any reference to the role of social partners in drafting the NAPs. Despite this rather ambiguous legal clause, the involvement of social partners has been encouraged by political incentives from the European Council and also by the European Commission,⁵³ which requires Member States to integrate social partners according to their national practice. They are encouraged to participate from decision-making (in policy issues of their remit) through implementation of policies.

The social partners are in the process of the EES requested to contribute to the objectives of their concern, notably the objectives around work organisation. Column 7 of Table 1 indicates that in half of the countries, social partners make substantial contributions to their NAPempl and are thus quite highly integrated, although this is essentially at the central national level and with the general perception that the NAP is "owned" by ministerial departments. But, there have progressively been more direct contributions and/or a qualitative improvement in the contributions: the crucial point here is a (slight) shift by the social partners to take the EES more seriously as a political vehicle, although they still lack time and also financial resources that prevents them from making more adequate contributions. In addition, in *all* countries, the social partners participate in the implementation of the policies

⁵² FERRERA, M. and SACCHI, S, "The Open Method of Coordination and National Institutional Capabilities. The Italian Experience" in ZEITLIN, J. POCHET, P. and MAGNUSSON, L. (eds.), *The Open Method of Coordination in Action: The European Employment and Social Inclusion Strategies*, P.I.E-Peter Lang, Brussels,, 107-136.

⁵³ DE LA PORTE, C. and POCHET, P. 2005, *o. c.* (footnote 30).

under their remit in the NAP. This is logical as the NAP, at the very least, is a report that summarises all policies and measures undertaken throughout the year, including those involving the social partners.

Nevertheless, a crucial problem of social partner involvement in the EES remains that of a fundamental agenda mismatch. Wage negotiations, central to social partner activity, are not part of the EES guidelines, while employment policies are mainly considered a government prerogative. That said, the political agenda of the social partners is broadening to debate issues related to employment policy as well.⁵⁴ Indeed, social partners have revealed interest in guidelines that are primarily addressed to governments: active and preventive measures for the unemployed and inactive, job creation and entrepreneurship, making work pay, transforming undeclared work into regular employment.⁵⁵ In essence, trade unions prefer to influence the policy process in areas of their remit through means that pre-existed the EES, that are more rooted in the national institutional setting, and with which resources (either financial or power or a combination of both) would be associated.

Regarding informal interest organisations, there is no legal mandate for their involvement, and thus their involvement is likely only in the case that firstly, they are aware of the existence of the EES and secondly, that they perceive it as an instrument to strengthen their own position or power. Column 8 of Table 1 shows that mostly there is a low take-up of the EES by civil society organisations. It has been used by informal interest organisations in Denmark, Sweden and the United Kingdom to strengthen their power vis-à-vis more central governmental actors. In Ireland, civil society has been substantially involved, with regard to their national practice. The “usage” of or “participation” in the EES among the members of the policy network at the national level is second degree if compared to the policy community, that holds the responsibility vis-à-vis the European level. Their involvement covers a broad range of channels of communication, including meetings, formal and informal opinions and commentary on the reports, and independent contributions to the NAPempl destined for Europe.

⁵⁴ LEONARD, E., “Social Parts: The Employment Side”, unpublished paper, 2004.

⁵⁵ ETUC, UNICE/UEAPME and CEEP, Report on Social Partner Actions in Member States to Implement Employment Guidelines, March 2004, Brussels.

Table 1: Institutional configuration of policy community and policy networks for the EES⁵⁶

Expenditure on labour market policies	Country	Labour Ministry	Finance Ministry	Other Ministries and departments	Regional & local integration	Formal Interest organisations (social partners)	Informal interest organisations (NGOs)
HIGH	Sweden	5	5	3	4	4	3
	Denmark	5	1	3	3	4	2
MEDIUM	France	5	4	3	2	3	0
	Belgium	5	4	3	4	4	1
	Germany	5	5	4	3	2	0
	The Netherlands	5	2	2	2	2	0
	Finland	5	3	3	2	3	0
	Ireland	5	4	3	1	4	2
LOW	Italy	5	2	3	4	2	0
	Spain	5	3	3	4	2	0
	Portugal	5	3	3	1	3	0
	Greece	5	2	2	1	2	0
	Austria	5	3	2	0	2	0
	United Kingdom	5	3	3	1	2	1

For the institutional integration of the various actors (in columns 1 to 8), different degrees of involvement can be identified, where 0 is the lowest and 5 is the highest.

0. none or information ex-post;

1. information (meeting) ex-ante and throughout;

2. separate contribution or opinion to NAP, but minimal or no integration;

3. separate contribution or opinion to NAP, with high and substantial integration;

4. contribution in drafting of the report or separate “plan” or contribution of different levels of government or plans for different levels of government;

5. Finalisation of the report

⁵⁶ Table prepared from national cases in ZEITLIN, J. POCHET, P. and MAGNUSSON, L. (eds.), 2005, *Opening the Open Method of Co-ordination: The European Employment and Social Inclusion Strategies*, P.I.E-Peter Lang, Brussels); EUROPEAN COMMISSION, Joint Employment Reports, various years (http://ec.europa.eu/employment_social/employment_strategy/employ_en.htm); GOVECOR project, National reports (www.govecor.org); European Foundation of Living and Working Conditions, Surveys on national social partner participation, various years (www.eiro.eurofound.ie).

2. Social Inclusion

a. Policy Community

The core policy community set up as a result of the OMCincl. is constituted around Social Ministries. As for the EES, various ministries and departments that have a stake in poverty as a policy issue are involved in the OMCincl.. However, the Finance ministries are not as substantially involved as for the EES, as anti-poverty policies are further away from policies related to the promotion of economic growth. At European level, the representatives of the Social Ministries, which are responsible at national level for writing the National Action Plan for Social Inclusion (NAPincl), meet regularly in the Social Protection Committee (SPC). It was established in 2000 (officially endorsed in article 144, EC Treaty) where one of the four objectives of its mandate was to work in the field of poverty and social exclusion.⁵⁷ Like EMCO, 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. Its mandate has in actual fact been guided by the European Councils, where one of its two key tasks has become social inclusion and the other pensions, both using the OMC. The national members of the SPC have the responsibility to report upwards to the European level and downwards to the regional and local levels for setting policy. According to the political incentives contained in the objectives of the OMCincl. itself,⁵⁸ the policy community should include all public authorities at national, regional, and local levels in all aspects of the policy process, by developing appropriate *vertical co-ordination* procedures. As indicated in table 2 below, in the area of social inclusion and anti-poverty policies, substantial responsibilities are devolved to the regional and local levels: in five countries, these are core responsibilities, but even in the other countries, responsibility in this area is high, especially in administration and implementation of schemes pertaining to the fight against poverty. The OMCincl. should thus, due to political incentives in the OMCincl. itself and also due to the institutional structures of the domestic policy-making in anti-poverty policy (see table 2, columns 2 – 5 below), lead to the development of multi-level policy communities. At this stage, they have been developed in many countries, particularly where there were coordination problems and where the various

⁵⁷ 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.

⁵⁸ EUROPEAN COUNCIL, 2000, o.c. (footnote 12).

levels of governance have core responsibilities in policies that are directly related to poverty prevention, in particular social assistance policies.⁵⁹ In some countries, the OMCincl. has acted as an incentive for the lower levels of governance to assert their power versus central governments at the national level.⁶⁰

Table 2: Institutional Configuration of policy-making and participation in anti-poverty policy.⁶¹

Dimension/ Country	Domestic Institutional Model				Institutional Configuration of Participation in OMCincl.	
	Guidance, Rules, Financing	Administration, Implementation	Reporting, targeting, monitoring	NGO and PP Participation	Participation anti-poverty NGOs in OMCincl. (consultation)	Participation of people experiencing poverty in OMCincl.
Denmark	National, local	Local	II	III	3	2
Sweden	National,local	Local	III	III	3	2
The Netherlands	National	Local	II	II	1	0
France	National	Dept,local	II	II	1	0
Germany	Federal,Region al	Regional,local	I	Federal: III Regional: I	3	2
Finland	National	Local	III	III	3	2
Belgium	National, Regional	Regional/Local	II	National: III Regional: II	3	2

⁵⁹ For in-depth analysis of recent developments and coordination of anti-poverty policies in southern Europe, see **FERRERA, M.** (ed.) *Welfare State Reform in Southern Europe: Fighting poverty and social exclusion in Italy, Spain, Portugal and Greece*, Routledge/EUI studies in the political economy of welfare, Routledge, London, 2005.

⁶⁰ See for example the excellent analysis on the UK case: **ARMSTRONG, K.**, “How Open is the United Kingdom to the OMC Process on Social Inclusion?”, in **ZEITLIN, J. POCHET, P. and MAGNUSSON, L.** (eds.), *The Open Method of Co-ordination in Action: The European Employment and Social Inclusion Strategies*, P.I.E-Peter Lang, Brussels, 2005 pp. 287 – 310.

⁶¹ Data for domestic institutional model derived from **GOUGH, I. et al.** (1997), « Social Assistance in OECD Countries », *Journal of European Social Policy*, 7(1), pp. 17-43; the national analyses in **FERRERA, M.** (ed.) (2005) , *Welfare State Reform in Southern Europe: Fighting poverty and social exclusion in Italy, Spain, Portugal and Greece*, Routledge/EUI studies in the political economy of welfare, Routledge, London, 2005. Data for Institutional Configuration of Participation in OMCincl derived from the NATIONAL RESPONSES (2005) to the European Commission “Questionnaire for the Assessment of the Open Method of Coordination in order to prepare the streamlining in the field of social protection”; National case studies in **ZEITLIN, J. POCHET, P. and MAGNUSSON, L.** (eds.), *The Open Method of Co-ordination in Action: The European Employment and Social Inclusion Strategies*, P.I.E-Peter Lang, Brussels, 2005, **KROEGER, S.** (2006), “When learning hits politics or: social policy coordination left to the administrations and the NGOs?”, *European Integration Online Papers*, Vol. 10, No 3, <http://eiop.or.at/eiop/texte/2006-003a.htm>

Lux	National	Local	II	II	3	2
Austria	Länder	Local	I	I	0	0
UK	National, regional	National, regional	III	II	3	2
Italy	Regional, local	Regional, local	I	National: I Regional: I	0	0
Spain	Regional	Regional	I	National: II Regional: I	3	0
Portugal	National	National	I	National: I	0	2
Greece	National	National	I	National: I	3	2
Ireland	National	National	III	III	3	2

Domestic traditions in monitoring and reporting as well as domestic traditions of participation of NGOs in the conception of anti-poverty policy are indicated according to the scale below.

I: Low Development

II: Medium Development

III: High Development

For the institutional integration of the various actors (in columns 1 to 8), different degrees of involvement can be identified, where 0 is the lowest and 5 is the highest.

0: none or information ex-post;

1: indicates that there is information ex-ante by the government but no integration of their contributions.

2: indicates that there is genuine consultation by the government with non-governmental groups (EAPN network, other non-governmental groups, people experiencing poverty) and minimal integration of the work of the group

3: indicates that there is genuine consultation by the government with non-governmental groups (EAPN network, other non-governmental groups, people experiencing poverty) and substantial integration of the work of the group

b. Policy Network

Concerning the broader policy network created around the OMCincl., there is a legal mandate for the involvement of social partners and an issue-specific political mandate for the involvement of civil society organisations. Concerning social partners, article 144 EC Treaty states that the Committee should establish “appropriate” contacts with social partners, but the empirical evidence reveals that social partners have in most cases not played a role.⁶² At national level, there is evidence of genuine social partner participation in the social inclusion strategy in Finland, and to a lesser extent in Belgium.⁶³ Social partners are in general not interested in getting involved in the OMCincl., as it is even further away from the mainstream

⁶² EAPN, “National Action Plans on Inclusion 2003 – 2005 – Where is the Political Energy? EAPN’s response to the second round of plans, *Report*, October 2003.

⁶³ Interview ETUC, 14 January 2004.

of the social partner agenda than the EES. In general terms, it is not within the areas that are central to social partners.

While there is in article 144 EC Treaty no reference to civil society involvement in the process, the political mandate is quite strong. The OMCincl. objectives embody an ambitious participative aim, to mobilise all actors concerned in the development, implementation and monitoring of anti-poverty policies. According to these objectives, aside the core policy community, the OMC 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 of fostering the social responsibility of business. It also sets out to promote the participation and self-expression of excluded persons.⁶⁴ For NGOs involved broadly in fighting against social exclusion, the fight against poverty, which is the main objective of the OMCincl., is in line with the concerns of these organisations, although the work-based focus of the OMCincl. is not. Compared to social partners in the area of employment, NGOs in the domestic context have weaker legitimately recognised channels for putting forward their policy issues, although this has increased during the 1990s (Pochet, 2004a). Given their comparatively weak institutional means for setting issues on the national policy agenda, they would *a priori* be more likely to use the European level as a vehicle through which to put forward the policy issues on their agenda. The OMCincl. has overall acted as a tool which has empowered the non-state actors that have been seeking a legitimate institutional means for influencing policy. In countries where this already existed, notably Ireland, the OMCincl. has acted as one means among others to attempt to address poverty. But in many other countries, the OMCincl. has been about strengthening the position of the NGOs vis-à-vis their respective social ministries, and in establishing participation of persons in poverty, that in most cases did not pre-exist. Furthermore, the agenda of social inclusion is much closer to that of the NGOs, which explain why, despite a weaker legal mandate, they have in many cases been much more involved than social partners for the EES. The core of the NGOs and “people in poverty” (see column 7, table 2) that have mobilised in the context of the OMCincl. have strong direct or indirect links with one more European umbrella organisations working on these issues, in particular the European Anti-Poverty Network, ATD Fourth World, FEANTSA (focusing on the specific

⁶⁴ COUNCIL OF THE EUROPEAN UNION, 2001, *o.c* (footnote 17).

issue of homelessness), or the Social Platform on NGOs.⁶⁵ Most are thus familiar with the European level anti-poverty but also other processes, while the NGOs and civil societies at regional or local levels are more focused on concrete actions, and thus less interested in the European level objectives, which overall appear too vague or too abstract for them to be utilised.⁶⁶

3. Comparing OMC Participation in Employment and Social Inclusion

The participatory dynamics of the core policy communities in Employment and Social Inclusion are similar: governmental actors in the relevant ministries structure the process. They include various other governmental departments horizontally, and in some cases vertically. The vertical integration of lower levels of government is stronger where regional and/or local level actors are seeking to strengthen their own position and to determine a clear policy agenda, especially vis-à-vis their national ministries. Devolution to lower levels of government is relevant particularly where lower level actors have competencies in labour market and anti-poverty policies. While regional actors have in some cases found the policy agenda of the OMCs relevant for their own purposes, it is more difficult for local level actors to grasp, since they are more concerned with concrete actions and measures, rather than broad policy aims.

The participatory dynamics of the broader policy networks in the EES and OMCincl. is dissimilar in terms of the actors involved and the usage of OMC-derived employment and anti-poverty policy agendas. Involvement of interest organisations is determined above all by the actors' own pursuits, institutionalised power structures and political agendas. In the EES, the legal basis in the Treaty of Amsterdam, and the political incentives by the European Commission, supported by the Council (including the Kok reports⁶⁷ that influenced the revision of the Lisbon Strategy in 2005) call for substantial social partner involvement in the

⁶⁵ For analysis on the action of the European level NGOs, see **DE LA PORTE, C. and POCHEP, P.** 2005, *o. c.* (footnote 26), at pp.375 – 376.

⁶⁶ **PENA-CASAS, R., DEGRYSE, C. And POCHEP, P.**, “Stratégie Européenne en Matière de Pauvreté et d’Exclusion Sociale”, Report for local authorities in Belgium on OMCinclusion, 2002.

⁶⁷ **KOK, W. et al.** (2003), “Jobs, Jobs, Jobs – Creating More Employment in Europe”, Report of the Employment Task-force chaired by Wim Kok, Brussels, November 2003 (http://europa.eu.int/comm/employment_social/employment_strategy/pdf/etf_en.pdf) and **KOK, W. et al.** (2004), “Facing the Challenge. The Lisbon Strategy for Growth and Employment”, Report from the High Level Group chaired by Wim Kok, Office for Official Publications of the European Communities, Luxembourg, November 2004 (http://europa.eu.int/comm/lisbon_strategy/pdf/2004-1866-EN-complet.pdf).

EES. Despite this, and although participation of social partners in the EES has improved incrementally over time, usage of the EES as a genuine policy-setting instrument has been weak. The NAPempl is overall not considered a strategic document by social partners, and the issues tackled under the EES only overlap partially with the core bargaining agenda of the social partners. National level social partners have institutionalised roles in most Member States: they are consulted and/or informed formally about labour market and employment policies. Their exchange with public authorities is structured via bi- or tri-partite institutions and in certain areas, social partners have a co-regulatory role.⁶⁸ In the OMCincl., civil society actors have a weak legal basis for becoming more involved, but strong political and institutional incentives, from both the European and national levels. The position and role of anti-poverty civil society organisations in the institutional structures of the Member States has been enhanced since the beginning of the 1990s, but they are not nearly as deeply rooted in the national contexts as the social partners.⁶⁹ Their incentive to use the OMCincl. for their policy agenda and to strengthen their position in negotiations with public authorities has been quite strong, particularly as the agenda of the NGOs is close to the anti-poverty objectives of the OMCincl.. Some central NGOs, notably under the auspices of the EAPN, have sought to influence decision-makers at national and European levels. This has been supported by the fact that there is a direct financial incentive for NGO participation, through the resources of the Community Action Programme to Combat Social Exclusion (2002 – 2006), and PROGRESS (2007-2013). However, social exclusion is not a priority on most national agendas, and the resources for financing activities are scarce.⁷⁰

In essence, participation from the domestic perspective is determined by the actors' pre-existing institutional and political sources for influencing policy: where this is more institutionalised, then the genuine usage of the OMC is likely to be weaker. Conversely, where actors have a less institutionalised role, then the OMC can play a useful role in agenda setting, policy planning, and governance. This explains the quite low level of take up of the EES by social partners, and the relatively high level of take up of the OMCincl. by NGOs.

⁶⁸ See also **DE LA PORTE and POCHE**T, 2005, o.c. (footnote 33)

⁶⁹ **POCHET, P.**, "La MOC et la protection sociale: des développements ambigus", in DEHOUSSE, R. (ed.), *L'Europe sans Bruxelles ? Une analyse de la méthode ouverte de coordination*, L'Harmattan, Paris, pp.99-127.

⁷⁰ **EAPN**, 2003, o.c (footnote 42).

B. Coherence

1. Employment

The heart of the EES – that of increasing the employment rate of the European Union and its Member States – is inherently linked to the economic growth rate of Economic and Monetary Union.⁷¹ It is the issue that has been the most consistent from the beginning and has also increased in salience throughout the evolution of the EES. This is why it will be analysed in detail according to its temporal and political coherence. “Employability” is the term in the EEG which refers to the broad aim of increasing labour market participation and facilitating take-up of employment for individuals. This is broadly synonymous to “activation”, referring to policies to activate citizens in paid employment. It is set out as a policy solution in tackling problems of (un)employment through the development of a preventative (rather than curative) and active (rather than passive) approach. I first analyse what is meant by “employability” in the articles in the Amsterdam EC Treaty that are devoted to the Employment Title, which is the legal framework of the EES. Second, I analyse the (policy-oriented) development of the employability policy objectives throughout key moments of shifts in the lifetime of the EES (1997, 2000, 2003, 2005).

First, regarding its legal status, the overarching aim and mode of functioning of the EES is set out in the Employment Title of the Amsterdam Treaty (articles 125 EC – 130 EC). 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 (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 was to “contribute to a high level of employment by encouraging cooperation between Member States and by supporting, and if necessary, complementing their action.” This legal status was agreed at the Amsterdam Summit in June 1997. It shows that employment promotion, and not the fight against unemployment, was the main backbone to the policy content agreed by all Member States in the context of the EES. As it is a broad aim

⁷¹ The other objectives – reconciliation of work and family life, work organisation issues, striking a balance in the combination of flexibility and security, facilitating and promoting entrepreneurship – are equally relevant but will not be discussed in detail due to the limit in scope of this analysis.

set out in a legal document, it was set out in an apolitical way – i.e. neither leaning towards the socio-democratic conception, suggesting high levels of employment together with generous welfare provisions and high quality of employment, or the other extreme, the liberal workfare conception, where quality in employment, matching of qualifications or associated social benefits are not mentioned.

The precise policy-oriented foundation for the Strategy was set substantively on the basis of the legal framework provided by the Amsterdam EC Treaty. In November 1997, an Extraordinary Summit was organised to define Employment policy objectives – “EEG” - in order for the EU and its Member States to achieve a high level of employment. The policies aimed at increasing the employment rate for the active population (i.e those aged 18 to 65) were set under the term “improving employability”. Regarding macro-economic output, it seeks to maximise the participation of the active population in paid employment, which should in turn contribute to improving the economic growth rate.⁷² The specific target groups of the term “improving employability” have evolved over time.⁷³ In the EEG for 1998, seven (out of a total of nineteen) guidelines were 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, geared towards the needs of individuals. Here, the conception (of the socially-oriented actors involved in setting the EES) is rooted ideologically and politically in a socio-democratic conception of activation, which seeks to match the needs of individuals with their qualifications. Member States 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. This new start would concretely take the form of 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. Member States also agreed to increase the share of unemployed in active programmes to 20% (average of the three best

⁷² For an analysis of the diverse ideological origins of activation, see **BARBIER, J-C.**, “The European Employment Strategy, a Channel for Activating Social Protection?”, in **ZEITLIN, J. POCHET, P. and MAGNUSSON, L.** (eds.), *Opening the Open Method of Co-ordination: The European Employment and Social Inclusion Strategies*, P.I.E.-Peter Lang, Brussels, 2005, pp. 417 – 446.

⁷³ see also **DE LA PORTE, C. and POCHET, P.**, “Supple Co-ordination at EU level”, in **DE LA PORTE, C. and POCHET, P.**, (eds.), *Building Social Europe Through the Open Method of Co-ordination*, P.I.E.-Peter Lang, Brussels, 2002, pp.31-71 on conceptualization of economically vs. socially-oriented actors.

performers). Regarding who should organize and pay for the activation programmes, many actors were expected to organize measures and take up responsibility. In particular, social partners were encouraged to take up some responsibility for development for training, work experience, traineeships. They also should endeavour, together with governments, to shift towards “lifelong training” and to address the issue of the technological divide, providing training on information technology for early school leavers.⁷⁴ The employability conception of the EES has progressively become more detailed. In 2000, three elements were added. First, a more precise evaluation criterion was added: 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 explicitly included as a target group. Third, and importantly, a new policy objective was introduced, that of the modernization of the Public Employment System responsible for placing individuals in various types of employment schemes. In 2001, the inclusion of older people in the labour market was agreed in the context of the EES. After reconfiguration of the guidelines in 2003 and more substantially 2004⁷⁵, the policy objective of increasing labour market participation overall was enhanced, and new target groups were included: immigrants, women and other disadvantaged groups. The focus on enhancing labour market participation overall and for these specific groups was re-confirmed in a further revision of the objectives in 2004.⁷⁶ This conceptual evolution of employability has been accompanied by the development of statistical indicators for the core aims of the EES, notably those of activation and employment rate targets.

As has been well documented in the academic literature, the Lisbon European Council in 2000 confirmed its support for the EES and it represented a key moment in the development of the political commitment of Member States to Employment Policy objectives. While agreement had since 1997, at the political level of the Council, been on the “full employment” objective for the Union, this was not coupled with quantitative employment rate targets at the level of the European Council until Lisbon. At Lisbon, Member States agreed on quantitative employment rate objectives - 70% overall employment rate, and 60% female

⁷⁴ **COUNCIL**, “The 1998 Employment Guidelines”, Council Resolution of 15 December 1997, document no 13200/97.

⁷⁵ In 2003 it was agreed that from 2005 onwards, the guidelines were to cover a three-year rather than yearly cycle, and in principle to be closer attached to the process of revision of the broad economic policy guidelines (**EUROPEAN COMMISSION**, *The Future of the European Employment Strategy: A Strategy for Full Employment and Better Jobs for All*, **COM (2003) 6 final of 14 January 2003**).

⁷⁶ **DE LA PORTE, C. and POCHET, P.** 2005, o.c. (footnote 30).

employment rate –to be reached by 2010. Then in 2001, an additional quantitative objective – 50% - was agreed for older workers, also to be reached by 2010. At Lisbon, when 12 of 15 countries were governed by socio-democratic parties, the employment rate targets were conceived in parallel to equally important attention to quality in work. The issue of quality in work received even more political attention in 2001, when the EU Member States agreed to create a set of indicators on the specific issue of quality in work, in order not to sideline that issue in focusing only on key employment rate targets (where 1 hour of work is equivalent to being in work). As of the mid-term revision of the Lisbon Strategy in 2005, the focus on quality decreased somewhat, and the issue of flexible work contracts, together with appropriate social security, received a more prominent place on the stage. This in essence means that the employability objectives of the EES have been coloured politically from the beginning, first in the context of a socio-democratic conception, and then in the context of a more liberal conception. The decisive ideological direction is set at the level of the Council, while the process of negotiating the objectives is always the object of confrontation between the conception of the socially-oriented and economically-oriented actors.⁷⁷ And, importantly for the issue of coherence, the objectives agreed under the EES are organised around broad themes that can be adapted, both at the European and national levels, to objectives that concur with the underlying political ideologies almost anywhere on the continuum from left or the right.⁷⁸ Indeed, governments with a left-wing orientation as well as those with a right-wing orientation have used the employability conception of the EEG to justify reforms. For example and most notably, Tony Blair ex-post justified workfare policies,⁷⁹ Berlusconi justified policies seeking more flexibility in labour market arrangements.⁸⁰ Thus, the EES has been used by governments as a means for blame-shifting.

Nevertheless, and despite inherent ideological ambiguity relating to the EES, but also to the activation concept itself, there has been temporal consistency of the policy objectives of the EES. According to the EES agenda, “employability” is defined as an important means for

⁷⁷ DE LA PORTE, C. and POCHET, P. 2002, o.c (footnote 61).

⁷⁸ See also VISSER, J., “The OMC as Selective Amplifier for National Strategies of Reform. What the Netherlands Want to Learn from Europe”, in ZEITLIN, J. POCHET, P. and MAGNUSSON, L. (eds.), *The Open Method of Co-ordination in Action: The European Employment and Social Inclusion Strategies*, P.I.E-Peter Lang, Brussels, 2005, pp. 173 - 216.

⁷⁹ BUECHS, M., 2006, o.c. (footnote 25).

⁸⁰ FERRERA, M. and SACCHI, S., “The Open Method of Co-ordination and National Institutional Capabilities. The Italian Experience”, in ZEITLIN, J. POCHET, P. and MAGNUSSON, L. (eds.), *The Open Method of Co-ordination in Action: The European Employment and Social Inclusion Strategies*, P.I.E-Peter Lang, Brussels 2005, pp. 137 – 172.

supporting the development of a broader aim, to develop a full employment society. Furthermore, the full employment model has been re-enforced as of the revision of the Lisbon Strategy in 2005, supported by the amalgamation of the economic and employment coordination processes.⁸¹

2. Social Inclusion

The development of social inclusion policy objectives is nested in the conception of 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’.⁸² 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 manifest nature 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.⁸³

Regarding the conception of poverty in the legal texts of the European Union, a provision for the fight against poverty and social exclusion as an objective for the Union and its Member States was introduced in the Amsterdam EC Treaty (1997). Regarding the means, it stipulates that “co-operation” could be encouraged by the European level, which confirms, according to the principle of subsidiarity that competence is at the level of the Member States for this area.⁸⁴ There is no equivalent to the “Employment Chapter” for the EES, although article 137 in the Amsterdam EC Treaty has been the legal anchor for the development of the social inclusion strategy. The article stipulates that the Community “... shall support and complement the actions of Member States in... (j) the combating of social exclusion”. Still, the mandate to tackle poverty and social exclusion through *the OMC* is a political one. When the OMC was coined, it was decided that it should be applied in a full-fledged manner for social inclusion, to eradicate poverty by 2010.

⁸¹ EUROPEAN COUNCIL, 2005, *o.c.*(footnote 39).

⁸² ATKINSON, R. and DAVOUDI, S., ‘The concept of Social Exclusion in the European Union’, *Journal of Common Market Studies*, Vol. 38, no. 3, 2000 at p. 434.

⁸³ ATKINSON, R. and DAVOUDI, S, *Ibid*, p. 438

⁸⁴ ARMSTRONG, K. (2006), “The ‘Europeanisation’ of Social Exclusion: British Adaptation to EU Co-ordination”, in *The British Journal of Politics and International Relations*, Vol. 8, 79-100.

The objectives that make up the policy content on OMCincl., are as follows. For each objective I will indicate the main ideological conception(s) concerned.

1. Facilitate access to *employment* for all citizens as the most effective tool against social exclusion. This objective is clearly associated with a full employment society, which is overall coherent at the European level with the European economic and employment objectives. It can either be interpreted in the sense of workfare, to employ people independently of the social circumstances that these entail, or in a broader socio-democratic conception, where quality of employment and associated issues can be included.

2. Provide access for all citizens to *social rights* that contribute to the development of an approach to *prevent risks of exclusion*. This aim promotes the creation of a preventative rights-based approach to combat monetary and non-monetary poverty. It also seeks to implement policies that seek to provide access to education, housing, health and other services, such as culture, and justice. It is in line with the anti-poverty model that has traditionally and historically been implemented in continental Europe and the Nordic countries.

3. *Target* actions for groups at the risk of social exclusion, seeking *curatively* to provide a temporary financial support for the excluded, as well as to promote their broader societal integration. The groups targeted are the disabled, older persons, women (emphasis increased since 2003), immigrants, and other groups at the risk of exclusion. A benchmark, to eliminate child poverty by 2010, was agreed in 2005. This objective is in the opposite ideological conception than the previous objective, and seeks to target groups, in line with the Anglo-Saxon tradition in fighting poverty.

4. The last policy objective concerns the *policy community* and especially the *policy network* involved in the setting of anti-poverty strategy. This tradition has roots in the Nordic countries, but also more recently in Ireland. The participative concept of policy-making in the OMCincl. originated from Ireland.

The core of this ideologically merged European conception of poverty embodied in these four objectives for social inclusion has been extended subsequently. However, in terms of the underlying ideological notions that underlie this conception of poverty, it has not been altered. The extension in 2003 concerned more attention to the gendered dimension of poverty, and the integration of vulnerable groups, particularly immigrants.⁸⁵ The policy

⁸⁵ SOCIAL PROTECTION COMMITTEE, "Common Outline for the 2003/2005 NAPs/inclusion", Brussels, 2003.

objectives were accompanied by various quantitative indicators, first agreed in December 2001 and expanded since then. The main achievement in terms of indicators is to have agreed a European poverty threshold – at 60% of the median income – that allows for comparison of poverty across EU. The main tension in these objectives is between the rights-based versus the targeted conceptions of poverty, which are nested in two divergent ideological conceptions. The rights-based approach has been the tradition in the Nordic and Continental welfare state models, and the targeted approach in the Beveridgian Anglo-Saxon welfare state models. The ideological contradictions in the OMCincl. lie not so much in one core concept (as employability for the EES), as in the combination of objectives. Nevertheless, the objectives of the OMCincl. are overall coherent with the overarching Full Employment Model defined at Lisbon and re-enforced since then. They have, from the outset, been temporally consistent in promoting work as the main form of inclusion, and in the development of a multi-faceted approach to poverty.

3. Comparing OMC Coherence in Employment and Social Inclusion

The overall policy coherence of the OMC in Employment has been consistent over time, promoting “employability” and “activation”. These means have been assumed to lead to full employment, which has become increasingly explicit as an all-encompassing policy aim not only in the EES, but also in the Lisbon Strategy. But, many of the EES objectives are inherently ambiguous in that they can be conceptualised according to various ideological orientations. For example, since the revision of the Lisbon Strategy in 2005, the concept of flexicurity as a means to enhance the economic and employment growth of Europe has been in the political spotlight. In essence, it seeks to combine flexible labour market and contractual arrangements to facilitate employment creation, together with a decent level of security for the worker. While the means to achieve full employment are inherently ambiguous, the finality of the full employment model has crystallized since the Member States at the Lisbon Summit agreed that the Union should achieve a general employment rate of 70% by 2010 and a female employment rate of 60%. This was complemented at the Stockholm European Council by a 50% employment rate benchmark for older workers by 2010. This full employment model is tightly associated with the coordination of economic policies of the Union in the context of the EMU, which has been enhanced since the revision of the Lisbon Strategy in 2005. In essence, then, the EES has defined ambiguous policy

means to achieve a clear full employment outcome, that is at the core of the economic policy for the European Union.

The overall policy coherence of the OMC in Social Inclusion temporally has been consistent in seeking to include people in society through work, to develop a rights-based approach and to target actions towards vulnerable groups. The work-based approach, as well as the targetting of actions towards particular groups, overlaps with the EES agenda. Another aspect of the OMCincl., promoting social rights for all citizens, sets a comprehensive quality of life model to complement the economically driven full employment model promoted by the EES. Targetting people in or at the risk of poverty complements this approach, although from an ideological perspective it is in tension with the rights-based approach. Nevertheless, conceptualisation of poverty at the European level through the OMCincl. has been important for many Member States that are facing increasingly diversified forms of exclusion. While there are no over-arching quantitative benchmarks, the European Union has defined, through the OMCincl., a poverty threshold of 60% of the median income. It is becoming an increasingly important reference point in the context of the creation of a new European database on social conditions (EU-SILC). The Inclusion process is, however, at the margins of Union policy, and has since the revision of the Lisbon Strategy in 2005 been de-coupled from the core economic-employment growth aims of the Union.

Together, the OMC in Employment and in Social Inclusion support the economic growth and full employment model, by increasing the employment rate of the Union. Both, particularly from the perspective of the socially-oriented protagonists, also embrace social objectives of equity and decent standards of living. In a sense, the policy objectives of the Employment and Social Inclusion processes embody the hybridisation that increasingly characterises the outcome of the social policy reform processes in the different EU Member States. At the same time, the objectives of both processes can be interpreted in different ways across the political spectrum, rendering their consistency relatively fragile.

C. Effectiveness

1. Employment

The analysis of effectiveness in the area of employment will present two sets of data regarding core objectives of the EES. The first is the evolution of expenditure in labour market policies for the EU-14⁸⁶ (Table 3), organised from highest to lowest levels of expenditure on active labour market policies (ALMP)⁸⁷, at the situation in 1999, to allow for detecting how “employability” evolves in the years of implementation of the EES.⁸⁸ Three clusters have been identified: high, medium and low expenditure countries. There is also an indication (column 2) of the welfare state configuration that the country belongs to, which will be referred to in the discussion. The main data on ALMP (columns 2 – 6) represents the “employability” objectives of the EES.⁸⁹ Column 7 indicates whether there has mostly been an increase or rather a decrease in expenditure on ALMP for the different countries of the EU (14). This data is confronted with the expenditure on passive labour market policies (PLMP) (columns 8 – 11),⁹⁰ which the EES implicitly discourages. Column 9 indicates whether during the period under consideration, there has overall been an increase or decrease in expenditure on labour market policies. The second (Table 4) is the evolution of general and female employment rates for all EU countries between 1993 and 2005. This is a core objective in employment, as the EU agreed quantitative employment rate benchmarks for the Union and its Member States, to be reached by 2010: 70% general employment rate and 60% female employment rate.⁹¹ It is important to take into account that the changes in expenditure on

⁸⁶ Luxembourg is excluded since the relevant data on ALMP (from Eurostat) is not available.

⁸⁷ The categories that make up active labour market policies are: Training, job rotation/job sharing, employment incentives, integration of the disabled, direct job creation and start-up incentives. The data has been created explicitly by Eurostat to reflect the employability pillar of the European Employment Strategy (**EUROPEAN COMMISSION**, 2006, *European Social Statistics: Labour market policy expenditure and participants*, Luxembourg: 6).

⁸⁸ Expenditure on the reform of public employment services (PES), a key “employability” objective of the EES, has only been included in Eurostat recently (from 2004 onwards). Furthermore, that data is partial, hence the decision to exclude it from the analysis. But, qualitative analyses suggest that the EES has initiated or strengthened reform of the PES in countries where it was underdeveloped. This specific question of whether the EES has initiated reform of PES, in some cases supported by the European Social Fund, is a research topic in its own right.

⁸⁹ Politically, there is an assumption that activation and employability are important means to counter unemployment and to increase employment rates. Crossing the employability data with unemployment rates would allow for more precise conclusions to be drawn as to the development of ALMP as a response to unemployment. However, more complex analyses are beyond the scope of this article that merely seeks to create some yardsticks against which to assess effectiveness of the OMC.

⁹⁰ The categories that make up passive labour market policies are: “out-of-work income maintenance” (mostly unemployment benefits) and “early retirement” (**European Commission**, 2006, *ibid*, at p. 6)

⁹¹ **EUROPEAN COUNCIL**, 2000, o.c. (footnote 12)

labour market policies and changes in employment rates may be due to major macro-economic factors such as economic growth and demographic changes. The aim of the analysis is to point to how the core objectives of the EES have evolved in Member States, which provides an indication of the influence of the policy objectives of the EES. However, any congruence or incongruence between the EES objectives and the outcome (in terms of expenditure on ALMP and employment rates) needs to be treated with caution, as it is not a proved causal relationship.

Table 3: Evolution in Expenditure patterns for active (ALM) and passive labour market (PLM) policies 1999 – 2004 (EU-14)⁹²

Country	Welfare state	ALM 1999	ALM 2001	ALM 2003	ALM 2004	+/-	PLM 1999	PLM 2001	PLM 2003	PLM 2004	+/-
"High Expenditure" Countries											
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	-
"Medium Expenditure" Countries											
FR	Cons	1.046	.956	.824	.726	-	1.516	1.410	1.737	1.718	+
BE	Cons	1.025	0.996	0.993	0.920	-	2.369	2.247	2.468	2.406	+
DE	Cons	1.070	0.956	0.950	0.854	-	2.111	1.924	2.281	2.314	+
NL	Cons	.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	-
IRL	A-S	.878	.730	.588	.492	-	1.102	0.696	0.885	0.897	-
IT	South	.557 ⁹³	.623	.683	.547	-	0.682	0.623	0.663	0.760	+
"Low Expenditure" Countries											
SP	South	.649	.606	.562	.551	-	1.477	1.371	1.457	1.498	+
POR	South	.335	.492	.516	.552	+	.851	1.030	1.219	1.319	+
GR	South	.269	.278	.109	.166	-	0.446	0.397	0.410	0.448	+
AUT	Cons	.408	.428	.449	.431	+	1.313	1.183	1.365	1.394	+
UK	A-S	0.195	0.160	0.160	0.160	-	0.555	0.394	0.343	0.285	-

⁹² Data for table (columns 3 – 6 and 8 – 11) obtained from EUROPEAN COMMISSION: EUROSTAT: Labour Market Series, date of extraction from database <http://www.eurostat.eu> October 2006; welfare state configurations (Nordic, Conservative, Anglo-Saxon) from ESPING-ANDERSON, G., *The Three Worlds of Welfare Capitalism*, Polity Press, 1990 and southern welfare state configuration from FERRERA, M., "The 'Southern Model' of Welfare in Social Europe", *Journal of European Social Policy*, Vol.6, No.1, pp.17-37.

⁹³ Data for 2000, as data for 1999 not available.

The literature on the effect of the EES through “learning” (Effectiveness Type 1) highlights that over the last decade, there has been a shift to “activation” policies, that is at least partially due to the EES. But, while providing useful insights, this literature remains ambiguous regarding the precise means of influence of the EES on the politics and practice of labour market reforms.⁹⁴ One indicator to obtain some data on the evolution of employability policies in Member States is that of expenditure on ALMP, which has not been analysed systematically. Politically, there is an assumption that activation and employability are important means to counter unemployment and to increase employment rates. Crossing the employability data with unemployment rates would allow for more precise conclusions to be drawn as to the development of ALMP as a response to unemployment. However, more complex analyses are beyond the scope of this article that merely seeks to create some yardsticks against which to assess effectiveness of the OMC. Nevertheless, the trends in expenditure on ALMP and PLMP provide general indications of the overall direction of reform across the EU-15.

Table 3 above shows that expenditure on ALMP has decreased between 1999 and 2004 for all countries but the Netherlands, Portugal and Austria. This means that despite all the rhetoric on employability and activation, actual expenditure has generally been towards a reduction in investment on activation schemes. By contrast, there has been, for all countries but Sweden, Finland, Ireland and the United Kingdom, an increase in expenditure on PLMP. The significance of these trends in expenditure will be analysed below, in conjunction with the analysis on the evolution of employment rates.

Table 4: Evolution of Total Employment Rate (TER) and Female Employment Rate (FER) between 1993 and 2005 (indication as % GDP)⁹⁵

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	% △ TER	% △ FER
“High Expenditure” Countries																
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
SWE	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
“Medium Expenditure” Countries																
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

⁹⁴ DE LA PORTE, C. and POCHET, P. 2004, o.c footnote 35.

⁹⁵ Data for table obtained from EUROPEAN COMMISSION: EUROSTAT: Labour Market Series, date of extraction from database <http://www.eurostat.eu> October 2006.

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
IRL	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
“Low Expenditure” Countries																
IT	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
ES	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
POR	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
GR	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
AUT	-	-	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

% Δ : Change (in all cases increase) in % of employment rates between 1993 and 2005.

The trend in “high expenditure” countries, both from the Nordic Welfare State model, is of cost-cutting in ALMP. Interestingly, this trend has been much stronger in Sweden, with a social-democratic government (until the elections in 2006), than in Denmark, with a liberal government. In Sweden, there has also been cost-cutting in PLMP. By contrast, in Denmark, the expenditure on PLMP has shown a slight upward trend. If there is an evolution in the direction of labour market reforms, it is towards more targeting of specific groups. The data on employment rates for Sweden and Denmark suggests relative stability of the full employment model, with very incremental shifts in employment rates over time. In Denmark, the increase has been higher (% Δ : 3,8 for TER and 3,7 for FER) compared to a very slight increase in Sweden (% Δ : 1,2 TER and 0,7 FER) This finding suggests that the employability pillar of the EES has had no influence on the content or outcome of the social policy reform process.

In the “medium expenditure” countries, a distinction in outcome can be drawn between the core conservative countries (France, Belgium and Germany), where shifts have been incremental, and countries where particular circumstances (the Netherlands, Finland, Ireland) have led to a more dynamic reform outcome. In the core conservative countries, the trend has been towards a decrease in expenditure for ALMP, and a persistent increase in expenditure on PLMP. These countries also reveal relatively slow increases in overall employment rates (% Δ of TER: 0,3 in Germany, 3,8 in France and 5,3 in Belgium).

However, there have been proportionally much higher increases in the female employment rates (% Δ of TER: 4,5 in Germany, 6,3 in France and 9,3 in Belgium). This is a clear indication of a shift away from the classic male-breadwinner/female-carer model, which has characterised the welfare regimes in these countries.⁹⁶ The policy reforms in these countries have shifted to “activation” for particular groups, notably, but not only women and older workers. France, Belgium and Germany have many and strong veto players, thus slowing the reform process, even during periods of slow economic growth.

In the other countries of the medium expenditure group – the Netherlands, Finland and Ireland - public policy intervention in economic and labour market reform has been much stronger over the last two decades. In terms not only of public policy intervention, but also outcome (employment rates), there are more clear-cut lines of change. In the Netherlands,⁹⁷ expenditure on ALMP has increased, and there has been a substantial increase in the employment rates generally (% Δ TER: 9,6 and of women in particular (% Δ FER: 14,2), especially in part-time employment. This re-enforces the one-and-half breadwinner model.⁹⁸ Furthermore, the state remains relatively generous, revealed through the persistence of comparatively high levels of expenditure on PLMP. Finland implemented a substantial multi-annual reform programme to restore economic and employment growth at the beginning of the 1990s that included combating fraud and cost-cutting in both active and passive labour market policies. Rather than the development of a new model in Finland, the evolution of employment rates over the past decade suggests an incremental catch-up with the other Nordic countries, compared to which it has always been a late-comer:⁹⁹ indeed the evolution of employment rates only began to increase after 1995 (% Δ TER: 7,4 and % Δ FER: 6,0). In Ireland, economic and structural reform in the 1980s has led to a substantial expansion of the economic and employment growth rates (% Δ TER: 7,4 and % Δ FER: 6,0). These reforms, however, have a liberal flavour, where expenditure for both active and passive labour market policies has decreased. Thus, in Ireland, the evolution has been towards the development of a full employment model. In 1993, the overall employment rate was 51,7% and the female employment rate only 38,5%, similar to the employment rate configuration in

⁹⁶ ESPING-ANDERSON, G., *The Three Worlds of Welfare Capitalism*, Polity Press, 1990, Oxford.

⁹⁷ VISSER, J., “The OMC as a selective amplifier for national strategies of Reform. What the Netherlands wants to learn from Europe”, in Zeitlin et al. (eds) *The Open Method of Coordination in Action*, PIE-Peter Lang, Brussels.

⁹⁸ VISSER, J. and HEMERIJCK, A., “A Dutch Miracle: Job Growth, Welfare Reform and Corporatism in the Netherlands”, Amsterdam University Press, 1997, Amsterdam.

⁹⁹ KAUTTO, M. et al. (1999) “Introduction: the Nordic Welfare States in the 1990s”, in *Nordic Social Policy: Changing Welfare State*, KAUTTO, M. et al. (eds), Routledge, 1999.

the southern European countries. The total employment rate increased by 15,9% to reach 67.6% and the female employment rate increase by 19,8% to reach 58,3%. This evolution has taken place in the context of a residual implication of the state, particularly for issues related to incentivisation of female labour market participation, notably affordable public child-care structures, on which Ireland has yearly received recommendations from the European Commission. While the Social Ministry supports this aim, the Finance Ministry has its hand on the lever in as far as it has to agree financial support for the development of such services. Thus far, there are expensive private care structures and virtually no public regulation in this area.¹⁰⁰

The “low expenditure” countries are all the southern European countries, Austria and the UK. Among this group, Italy and Greece reveal comparable trends: decrease in expenditure on ALMP and persistence or increases in expenditure on PLMP. Furthermore, in Italy and Greece, there has been an upward evolution of the employment rates generally, especially among women (% Δ TER: 5,3 for Italy and 6,4 for Greece and % Δ FER: 9,5% for Italy and 9,5% for Greece). There is a tendency towards the development of a full employment model, with a residual state. In the Italian case, the introduction of the EES coincided with other domestic reforms affecting what was formerly a dominantly passive labour market. This includes the Treu Law on flexibility in 1997 and the Bassanini Law of 1997 that devolved public employment services (with an enhanced activation component) to regional and local authorities.¹⁰¹ The White on the Labour Market (2001) enhanced the dimension of flexibility, using the EES in a blame-shifting logic.¹⁰² The quantitative increases in employment are particularly due to flexible and precarious female employment, and the shift towards activation is at least partly due to the EES.¹⁰³ In Greece, the public employment system (PES) was being reformed from the mid-1990s onwards, instituting supervision of the PES with the Ministry. Another set of policies focused on rendering the labour market more flexible through tax incentives and the reduction of non-wage labour costs.¹⁰⁴ Thus, the EES was introduced in a relatively fluid context during which the system was being structured, with some supply-side employment promotion measures, as well as promotion of incentives

¹⁰⁰ O'DONNELL, R. and MOSS, B., “Ireland: The Very Idea of An Open Method of Co-ordination” in Zeitlin et al. (2005), *The Open Method of Co-ordination in Action: The European Employment and Social Inclusion Strategies*, P.I.E-Peter Lang, Brussels, 2005, 311 – 352.

¹⁰¹ FERRERA, M. and SACCHI, S., 2005, *o.c.*, (footnote 53), p. 143.

¹⁰² *Ibid.*, p. 149

¹⁰³ *Ibid.*, p. 151.

¹⁰⁴ OMAS, 2002, “Evaluation of the Employment Strategy in Greece”, Ministry of Labour, Athens. 63-63

for enterprise-creation. In Portugal, where the general and female employment rates were approximately 15% higher than in Italy and Greece in 1993, the change over the past decade has not been as striking (% Δ TER: 2,5 and % Δ FER: 6,7%). But, the labour market in Portugal is characterised by low wages, and high rates of working poor. The high full time female employment rate in Portugal, already manifest in 1993 (55% FER), is partly due to economic need, but also to stronger female emancipation, particularly pronounced in the post-1974 period.¹⁰⁵ Spain is the southern European country where the change has been the most substantial during the 1993 to 2005 period: % Δ TER: 16,7 and % Δ FER: 20,5%. As a response to the economic crisis where Spain was the worst hit of all EU-15 in the 1990s, public policy sought to promote structurally-oriented growth¹⁰⁶, including aims of decreasing unemployment and increasing employment (in practice there has been an increase in precarious work contracts).

In the other countries of the “low expenditure” countries, the welfare state structures and policy responses have been different. In the UK, the data reveals an overall decrease in expenditure on ALMP. But investment in the activation of public employment services is not taken into account in this data. In the UK, there is also a very clear decrease in expenditure on PLMP and an incremental increase in employment rates generally (% Δ TER: 4,3) and also among women (% Δ FER: 5,1), from a relatively high starting point. This suggests that the full employment model as implemented by New Labour is more liberal than the Third Way in its ideological foundations. Conversely, in Austria, the conservative foundations of the welfare state regime continue to persist, with relatively low (although having revealed a slight increase between 1999 and 2004) levels of expenditure on ALMP, and three times as high expenditure on PLMP. Furthermore, with regard to all the EU countries under analysis, Austria is the country with the most inertia in terms of the evolution of its employment rate targets (% Δ TER: 0,1% and % Δ FER: 3,0%).

In essence, the EES has not successfully promoted the development of socially and economically comprehensive employability schemes, nor has it led to a shift in terms of expenditure from passive to active labour market policies. Regarding PLMP, reforms have been made in most countries of the EU-15 to increase the employment rate of older workers,

¹⁰⁵ Sousa, S. to be completed

¹⁰⁶ GONZALEZ-CALVET, J., ”Employment Policies in Spain: From Flexibilisation to the European Employment Strategy” in DE LA PORTE, C. and POCHE, P., (eds.), *Building Social Europe Through the Open Method of Co-ordination*, P.I.E.-Peter Lang, Brussels, 2002.

also a Lisbon priority area, which should decrease the pre-retirement schemes. However, due to the path-dependent of pensions policy, and the demographic ageing of the population, the effect of reforms may not yet be reflected substantially in the statistics on PLMP.¹⁰⁷ Despite the decrease in ALMP expenditure as well as the increase in PLMP expenditure, the overall evolution for the EU-15 in terms of outcome is towards the development of a full employment model. The variations are due first, to diverging starting points in terms of institutional configurations, where more substantial changes are likely in countries with lower employment rates; second, to economic crises, that have acted as stimuli for reform (ES, NL, SF, IRL), and third, to public policy approaches by the governments. Overall, the EES undoubtedly reflects the development of an “activation” discourse, while it may not be the only policy instrument promoting that discourse. However, it is not capable of mobilizing governments to develop “employability” in line with a clear socially and economically viable model. Secondly, its policy objectives promote a full employment model, but without defining a clear role for the state. In terms of outcome, the EU-15 converge towards a full employment model, but whether it is the EES that has been the main stimulus for this development is less clear.

2. Social Inclusion

To analyse effectiveness in the area of social inclusion, data around the main objectives of the inclusion strategy will be presented. However, the analysis of effectiveness is complex, partially due to the fact that in all countries, the issue of poverty is part of various policy agendas, from changing family models and lone parents to flexible working contracts.

In Table 5 below, the countries are organised according to the level of generosity of their social transfers (from most to least generous), which is the first instrument against poverty (column 2). Four groups of countries are drawn from this classification: very high; high; medium; and low expenditure countries. The role of social transfers in combating poverty is apparent when taking a quick glance at the poverty rates before social transfers. Column 3 indicates that the poverty rates before social transfers in the EU-15 would be between 34 and 44% and column 4 shows the differential effect of pensions in combating poverty, particularly high in the continental and southern European countries. Columns 5 to 8

¹⁰⁷ NATALI, D. and DE LA PORTE, C. « OMC Pensions: What role for Europe in Co-ordinating the reform of different pension systems? The cases of France and the Netherlands » in Jorgensen, H. Baerentsen, M. and Monks, J. *European Trade Union Yearbook 2003/2004*, ETUI, Brussels pp. 255-282, 2005.

indicate the level of development (from low to high) of policies in the fight against poverty, drawn from the social inclusion objectives. Column 5 indicates the level of development of the multi-dimensional concept of social exclusion, as opposed to a more limited approach deriving from monetary poverty. Column 6 indicates the level of development of poverty policies with integrated employment conditionality. Column 7 indicates the level of development of a rights-based approach to poverty and column 8 indicates the level of development of a targeted approach to poverty problems. The effect of social transfers in preventing poverty is indicated in more detail in table 6.

Table 5: Social Transfers, Poverty Rates (PR) Before Social Transfers and Policy Content analysis for Social Inclusion (EU-15)¹⁰⁸

Dimension/ Country	Social Transfers & Poverty			Policy Content			
	Social transfers % GDP 2001*	PR** 2001	PR *** 2001	Social Exclusion	Employment-linked	Rights-based	Targetted
“Very High” Social Transfers							
Sweden	19,5	34	30	II	II	III	I
Denmark	18,8	36	29	II	II	III	I
The Netherlands	19,5	35	22	II	II	III	II
“High” Social Transfers							
Finland	16,8	40	30	II	II	III	II
France	16,3	44	27	III	II	III	II
Germany	15,8	39	24	II	II	III	I
“Medium” Social Transfers							
Belgium	12,5	38	25	III	II	III	II
Lux	13,6	40	23	III	II	III	I
Austria	14,6	38	25	I	I	II	III
UK	14,5	42	30	III	III	I	III

¹⁰⁸ Data for columns 2, 3, 4 of the table obtained from **EUROPEAN COMMISSION**: Eurostat, ESSPROS (social protection expenditure) series, date of extraction from database <http://www.eurostat.eu> November 2006; Data for columns 5-8 obtained from Joint Reports on Inclusion 2001-2003, European Commission and 2003-2005, European Commission (ADD final ref) **GOUGH, I. et al.**, 1997 o.c (footnote 61), national analyses in Ferrera (ed), 2005, o.c. (footnote 61), National case studies in **ZEITLIN, J. POCHE, P. and MAGNUSSON, L.** (eds.), *The Open Method of Co-ordination in Action: The European Employment and Social Inclusion Strategies*, P.I.E-Peter Lang, Brussels, 2005.

“Low” Social Transfers							
Italy	8,7	42	22	I	II	I	III
Spain	10,4	37	23	I	II	I	III
Portugal	10,7	37	24	I	II	I	III
Greece	11,9	36	23	I	II	I	III
Ireland	10,5	36	30	III	III	I	III

I – Low Development

II – Medium Development

III – High Development

* - Social Transfers, excluding pensions

** - Poverty Rate before social transfers

*** - Poverty Rate before social transfers, but including pensions

Several general observations are worth making: first, the rights-based approach prevails in the “very high”, “high” and to some extent “medium” expenditure countries. As an issue per se, poverty has entered the political debate in the preventive and universalistic welfare state (Sweden, Denmark and the Netherlands), at least partially due to the OMCincl.. The same is to some extent true for the southern European countries. This is due mostly to poverty becoming a concrete reality with more varied economic and social conditions, and to the more incremental “learning” effect from the European level. Also, the multi-dimensional conception of social exclusion as opposed to a more limited conception of poverty, has entered the debate in many countries, partially due to the OMCincl.. This is particularly true for countries where sociological transformations related, for example, to an increase of single-parent households, have become widespread more recently (notably the continental and southern European countries). Finally, in countries with a low development of the rights-based approach, i.e. the Anglo-Saxon and southern European countries, targeting is more prominent. In Ireland and the UK, poverty as well as very strong employment-conditionality is integrated into welfare state structure.¹⁰⁹ In both, it brings the rights-based approach onto the agenda, but there is resistance to the development of the approach for ideological reasons. In southern European countries, the resistance to the development of a rights-based approach is ideological (but related more to the role of the family), as much as it is also about economic resources. In sum, the ideologically contradictory OMCincl. has, at least at the level of the governmental agenda, brought conceptions related to approaching poverty, to the fore in the countries of the EU-15. There have been some incremental changes in the approach to

¹⁰⁹ GOUGH, I. et al. (1997), « Social Assistance in OECD Countries », *Journal of European Social Policy*, 7(1), pp. 17-43.

poverty, but a more radical transformation of these conceptions related to social inclusion into policy has been weaker, due to institutional inertia and to government reluctance to devote budgetary sources to fighting poverty. Table 6 below complements this analysis by focusing on outcome, i.e. the evolution of general and female poverty rates between 1997 and 2004.

Table 6: Evolution of General (G) and Female (F) poverty rates between 1997 and 2004¹¹⁰

	1997 G	1997 F	1999 G	1999 F	2001 G	2001 F	2003 G	2003 F	2004 G	2004 F	+/-
	“Very High” Social Transfers										
DK	10	n.a.	10	n.a.	10	n.a.	12	12	11	11	+
SWE	8	n.a.	8	n.a.	8	n.a.	n.a.	n.a.	11	12	+
NL	10	11	11	11	11	12	12	12	n.a.	n.a.	+
	“High” Social Transfers										
SF	8	9	11	12	11	12	11	12	11	11	+
FR	15	16	15	16	13	13	12	13	14	14	-
DE	12	13	11	12	n.a.	n.a.	15	17	16	18	+
	“Medium” Social Transfers										
BE	13	15	11	14	12	15	14	16	14	16	+
LUX	11	12	12	13	12	13	9	11	11	11	+
AUT	11	14	10	14	9	14	12	14	11	14	+/-
UK	16	19	18	21	17	19	17	19	n.a.	n.a.	+
	“Low” Social Transfers										
IT	20	19	18	18	20	19	n.a.	n.a.	20	18	-
ES	21	20	19	18	20	17	20	18	21	19	-
POR	22	23	21	22	20	20	19	n.a.	21	22	-
GR	22	21	21	20	22	19	22	20	21	19	-
IRL	20	18	20	17	23	20	22	20	23	19	+

G: General population (male and female)

F: Females

Several empirical findings on the evolution of poverty rates are worth highlighting. First, there is a general correlation between generosity of social transfers and level of poverty: i.e. the countries that are socially more generous in effect have lower poverty records and vice-versa. Second, looking at the evolution over time, there has overall been towards an

¹¹⁰ Data for columns for the table obtained from **EUROPEAN COMMISSION: EUROSTAT**, European Community Household Panel (ECHP) and EU-SILC, date of extraction from database <http://www.eurostat.eu>: November 2006.

upward trend among the EU-15. For 9 countries, the poverty rate has increased, it has remained stable in one (Austria), and has decreased in 5. Third, the poverty rate has increased in countries that traditionally have not had poverty as a policy problem (universalist and Bismarckian male-breadwinner welfare states) and in the Anglo-saxon countries, where poverty is integrated into the welfare structure. By contrast, the poverty rate has decreased in the southern European Countries and in the “low” social transfer countries, although the starting point was much higher, and still remains higher than for the other groups of countries. The OMCincl. as a policy area, focusing on the diverse dimensions of poverty and exclusion, is of relevance, to varying degrees, for all Member States. As to the effectiveness thus far as a policy tool that has successfully prevented or fought poverty, is at best limited, but this does not exclude a more incremental effect through comparative statistical information about poverty and an associated policy agenda that governmental actors can use to set policy.

3. Comparing OMC Effectiveness in Employment and Social Inclusion

If effectiveness is analysed from the perspective of the capacity of the European Employment Strategy to promote “employability” or “activation”, then the indicators on ALMP would suggest that the EES has not been effective, as the expenditure on ALMP has generally been decreasing. However, if we turn our attention to the core outcome indicator – employment rates - then the EES objectives are in conjunction with the increase in employment rates that appears from the last decade. This suggests, first, that employability measures are not the main cause of employment growth and that while “activation” has become a mainstream concept in labour market reform, the EES does not have the capacity to promote the development of a particular line of employability schemes. It suggests, second, that the EES does have a capacity to promote a societal model of full employment, reinforced by the Lisbon Strategy in 2000 and its revision in 2005. Especially an upward swing of female employment rates, particularly in conservative and southern European countries, has contributed to the empirical development of this model in the EU. However, it is ultimately difficult to establish the extent to which it is only or primarily the EES that has successfully mobilised member state governments to strengthen economic and employment growth in their public policy approach. Pressures that all Member States have had to respond to are, inter alia, demographic ageing, the requirements associated with EMU, and increasingly, the objectives of the Lisbon Strategy. The development of the full employment

model is due to a conjunction of factors, mostly domestically driven, but where the EES can support a reform agenda.

Conclusions on the effectiveness of the OMCincl. should first take account of the fact that the model it upholds is not as strong as that of the EES, as there are no quantitative benchmarks. Nevertheless, from the perspective of an anti-poverty policy, it does, first, provide comparative information, which has been less institutionalised in the EU-15 than information on labour market and employment policies. On the basis of the comparative data on the topography of poverty in the EU-15 between 1997 and 2004, it appears that poverty rates have been increasing in countries where they have traditionally low poverty rates, due to prevention in the welfare state configuration, but have been decreasing in countries where poverty has been higher. In the countries of the EU-15, there is a trend towards convergence of poverty rates in 2004, compared to 1997. The OMCincl., in addition to depicting poverty comparatively and for the EU as a whole, also proposes solutions for problems that are increasingly similar. In some countries, the OMCincl. has introduced social exclusion as a policy problem on the agenda. But, regarding its effectiveness in fighting exclusion, like the EES, it is difficult to determine which factors lead to the changes in poverty rates and exclusion. However, one important means, an indirect policy aim of the OMCincl. – high level of social transfers – confirms that globally higher levels of social expenditure successfully prevent poverty. Poverty rates have, however, also been increasing in countries with comparatively higher levels of social expenditure, which confirms that welfare state restructuring is affecting the quality of life in Nordic and Corporatist welfare states. In this context, hybridisation, i.e. cross-fertilization of the types of measures across various welfare state configurations, is developing in combating social exclusion among the EU-15. Targetting of actions towards vulnerable groups has been developed not only in the Anglo-Saxon countries, but also in the countries with more comprehensive welfare systems with inherent poverty prevention aims. The rights-based approach is introduced on the agenda in countries where it has previously been absent. Like for the EES, the factors that explain these policy developments are multiple and mostly domestic. Nevertheless, the OMCincl. supports the development of a policy agenda in fighting exclusion, an area that is generally underdeveloped and at the sidelines of the core social protection reform agendas. At Lisbon, the OMCincl. was part of the core reform strategy agreed for the EU. As of its revision in 2005, it was de-coupled from the core of the strategy, while its multi-faceted approach, targetting and a focus on child poverty, were agreed. The OMCincl. nevertheless continues, in

terms of information provision, and as a policy agenda, to develop incrementally and to different degrees, in the domestic context of various Member States of the EU-15.

IV. Conclusion

Governance through the OMC could be envisaged from a cynical perspective as a reflection of existing patterns of participation in governance, existing contradictions in ideological foundations of labour market or anti-poverty policies, and due to its soft nature, an inherent incapacity to bring about novel measures or policies. From an optimistic perspective, governance through the OMC could be envisaged as a motor for the development of new forms of participation, a completely new and coherent approach to old and new policy problems, with a high capacity to transform the politics and policies of labour market and inclusion policies. As this article has attempted to show, governance through the OMC lies somewhere between these two perspectives. In this article, I have sought to assess the empirical governance in the areas of employment and social inclusion policy via the Open Method of Co-ordination. Specifically, I have analysed participation, coherence and effectiveness, derived from the principles of Good Governance set out by the European Commission in its White Paper.¹¹¹

Regarding its participative dimension, the core actors of the key policy community are in the cases of employment and social inclusion within the main national-level ministries, respectively the Labour and Social Ministries. These are responsible for upstream reporting to the European level and horizontal integration across relevant ministries. The core actors at national level are also responsible for downstream integration of other levels of government, which is increasingly important in the context of devolution of employment and inclusion policies. Regarding the broader policy network that has been formed, social partner involvement in the EES is formal, but the EES agenda is a side-issue compared to the core of the social partner agenda: wage negotiation. Furthermore, social partners have other institutionalised channels through which to influence the policy and politics of employment and labour market policies, hence a limited scope for the EES as an instrument or policy agenda. By contrast, civil society organisations, which have less formal channels for influencing policy in domestic contexts, used the OMCincl. to strengthen their agendas and positions vis-à-vis governments. Furthermore, the anti-poverty objectives of the OMC entirely

¹¹¹ EUROPEAN COMMISSION, 2001, o.c. footnote 2.

fit the agenda of the civil society organisations. Thus, the OMCincl. provides a perfect laboratory for them to defend and develop their existing agendas and to develop stronger means to influence Social Ministries. The main determinant for development of a genuine policy network in the context of the OMC is thus determined by the institutional position of the various social actors, their agenda, and their former institutionalised means of influencing policy.

Regarding policy coherence, both the employability objectives of the EES and the anti-poverty aims of the OMCincl. are the result of a compromise between approaches that are rooted in different ideological traditions. The employability objectives of the EES can be used and interpreted in different ways across the political spectrum, from liberal workfare to inclusive and tailored activation. This renders it on the one hand a truly flexible policy approach, but also a problematic one regarding its usage in a blame-shifting logic by governments. The objectives of the OMCincl. are rooted in two different traditions: targeting in the Anglo-Saxon approach, and rights-based approaches in continental and Nordic European countries. But, the OMCincl. also brings an over-arching conception that is not confronted with deep ideological problems: that of social exclusion as a multi-dimensional phenomenon. While the OMCincl. objectives are also somewhat ambiguous, they are more innovative in that they touch upon an area that for many countries was not an empirical or a policy problem until the dawn of this millennium.

Regarding effectiveness of the EES, first, “employability” measures have mostly been decreasing in terms of expenditure. Second, despite persisting differences in expenditure on labour market policies, welfare state configuration and economic growth trends in the EU-15, there has been a paradigmatic shift towards a full employment model for Europe. The OMCincl., although through softer incentive mechanisms, supports this full employment model, as “jobs” are set as the first aim to get out of poverty. But, it has also more visibly led to some incremental changes in the approach to poverty, via a multi-dimensional approach to exclusion, taking due account of health, education and other factors. In the context of the increase of poverty in countries where it has traditionally been low and the persistence (albeit decreasing slightly) of poverty in the southern European countries, the policy agenda of the OMCincl. is highly relevant. The OMCincl. adds a more social flavor to the full employment model that underlies and continues to dominate the Lisbon Strategy and the re-enforced growth agenda that undergirds the Revised Lisbon Strategy.