

Governance in EU Social and Employment Policy: A Survey

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Abstract

This paper examines the social and employment policy governance in the European Union since the European Employment Strategy and the Open Method of Coordination were launched. It focuses on the role of this new mode of governance in obtaining the goals of social cohesion and competitiveness, as set in the Lisbon Agenda. For this purpose, this overview includes, first, a brief introduction to new modes of governance; second, an outline of the key characteristics, actors and processes of the OMC and EES; third, a review of the strong points and weaknesses of these modes of governance; and fourth an overall assessment of the impact of the OMC and EES, which reveals potential reform directions that the enlarged EU may follow in the face of future challenges.

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I. Introduction

The literature on new governance sprang out of the realisation that at least since the 1980s the way advanced industrial societies were governed has been gradually modified. For example, new public-private partnerships and networks of NGOs, associations and state agencies replaced or complemented central government institutions, such as ministries, in policy-making and implementation, while supra-national actors, such as the EU or the World Trade Organization, also assumed significant roles in various policy areas. However, the changes brought about by new governance may have been exaggerated. New governance structures may not be understood as a substitute for traditional government. Rather they constitute a mode of steering societies which is complementary to traditional government (Peters and Pierre 2006). Regardless of the extent to which central government in contemporary European states has been hollowed-out and the possibility to speak of governance without government (Rhodes 1996), certain functions are common to both traditional state and new governance structures. Such functions include setting priorities and selecting among them, resolving conflicts both at

the programmatic level and at the level of social interests and implementing policy decisions (Peters and Pierre 2006: 215-216).

The study of the manner in which traditional state structures have handed the execution of the aforementioned functions over to new governance structures has primarily focused on public policies other than social and employment policies which this paper is about. The same shift from traditional to new modes of governance has started from the level of the central, regional and local government and only later has it moved to the EU level. It should then be interesting to find out what we could learn about new governance through the study of social and employment policies, not only at the national, but also at the supranational (EU) level.

Social and employment policies are but two examples of a larger trend of shifting to new modes of governance in EU policy areas, which characterizes both policy-making and policy-implementation. The new modes of governance reflect a shift away from hierarchical policy-making, which privileged a 'top-down' fashion of decision-making and which is gradually being replaced by more consensual modes of decision-making; a preference for delegating some competences to relevant organizations and collective actors (e.g., state agencies, social partners); and an emphasis on including all relevant stakeholders (Risse 2004). In the context of new modes of governance policy-implementation is also meant to be consensual, delegated and inclusive. Behind these shifts there is a realization that old-style policy-making and traditional 'hard law' regulation may not work in a complex environment consisting of 25 (now 27) EU member-states each of which may additionally be domestically organized in multi-layered governing structures.

Keeping these considerations in mind, in the remaining of this paper we are going to briefly discuss social and employment issues in EU before and after the Lisbon agenda. We will emphasize the period after 2000 and we will present the key characteristics of the Open Method of Coordination (OMC) and the way it has evolved. We will list the main actors involved in this new mode of governance and we will assess the major strengths and weaknesses of the new process. We will touch upon the effects of OMC on EU enlargement and we will suggest how EU social policy is being overall transformed. In the prior to last section of the paper we will repeat the same exercise for the European Employment Policy (EES), assessing key characteristics, processes, key actors, strengths and weaknesses, in addition to challenges the EES faces today and the reform paths this policy may take in the future. In the last section of the paper, we will assess the advantages and disadvantages of the OMC and the EES. We will suggest three things. First, that these two new modes of governance have not altered traditional governance structures, but have somehow become complementary to them; second, that,

despite their mixed performance, both OMC and EES are part and parcel of today's EU policy repertoire; and, third, that there is ample room for improvement for both modes of governance.

II. Social and employment issues in EU before the Lisbon agenda

Although the need for some European treatment of social and employment issues has been recognized ever since the European Community was launched, the role attributed to the relevant policies at EU level, as well as the content and the limits of the European "social space", have varied across time. During the years that followed the Treaty of Rome, the main themes of European Social Policy were related to social and health services that had a market dimension and focused mainly on the protection of workers (O'Connor, 2005). At that time, the dominant trend among the six Bismarckian welfare states was to prevent market distortion (ibid.). In the 1980s, this corrective-to-the-market dimension was challenged by the idea that social policy should rather be viewed as a counterbalancing factor to the process of market building.

By 1981 the "golden age" of European social policy had passed, the first two enlargements had already taken place, adding to the picture three diverse welfare state models (Scandinavian, Anglo-saxon and Southern European), while the neo-liberal movement had introduced deregulation and privatization policies in a context of economic internationalization (Pochet, 2005 : 9-10). In 1986, the Single European Act formalized the European priority of the creation of the internal market by removing barriers and enhancing harmonization. At that point, Jacques Delors argued that the single market needed a social dimension (social dialogue and redistributive expenditure) if it were to be acceptable to those who would initially lose out (Bache and George, 2006: ch.24). Although the SEA was not finally complemented by a significant social programme, Delors' White Paper *Growth, Competitiveness and Employment* contributed in recognizing the interrelation between these three targets, placed employment policy within the context of European economic integration and acknowledged the existence of common roots across member states to unemployment problems that called for common action. Ultimately it indicated a shift "from harmonization to the definition of pertinent policies" paving the way for a soft-law Community approach (Régent, 2002: 3)

The way from the Maastricht Treaty to the Lisbon Strategy revealed the limits of EU competence and capacity vis à vis the European social dimension (Leibfried, 2005). In the early 1990s the existing strategies in several countries were dealing insufficiently with rising unemployment and low employment rates, population ageing started to put pressure on pension systems, whereas fiscal resources were limited. The British veto during the Maastricht negotiations blocked the introduction of a "Social Chapter" in the Treaty, leaving the remaining

11 member states with a Protocol on Social Policy (de la Porte et al, 2001). Soon, the diversity of economic growth and social standards among member states triggered the “historical clash” between the divergent interests of social partners –ETUC and UNICE. This doomed the newly institutionalized (Maastricht, 1992) European Social Dialogue to a plain intergovernmental compromise in the European Council (Garcia et al, 2004). Still, the Maastricht Treaty is said to have established *avant la lettre* a new governing mode, the Open Method of Coordination (Hodson and Maher in Scharpf, 2002). In fact, the monetary union project (via the Broad Economic Policy Guidelines) created a spillover of methodologies and aspirations and led to the adoption of multilateral surveillance to employment policy-making. However, the efforts of the Essen European Council (1994) to set the framework of an employment strategy at EU level received insufficient political consensus. As Régent (2002: 4) notes:

“..the search for the right model combining non-binding tools with an effective Community employment policy was still left open. In this period, soft-law was less a legal tool promoting convergence of different policies than an instrument to manage social policy pluralism”

By the late 1990s, a new sociopolitical context was crystallizing. The three new member states (Sweden, Austria, Finland), who defended a European solution, and the centre-left governments in the UK, Italy and France, all felt an increasing public pressure against the “link of economic integration and layoffs” (Mosher and Trubek, 2003), at a period of growing poverty and inequality rates, low employment and faltering economic growth. The approach of radically limiting social protection was virtually a non-option for many member states, while the possibility of Europeanization of the social and employment policies had to confront an already growing anti-Brussels backlash and the diversity of welfare state traditions and aspirations (ibid.).

Given the interaction between the above mentioned internal driving forces and the impact of growing global competition, EU member states reached an agreement to move from top-down uniform rules and minimum requirements, to “more flexible and participatory approaches and semi-voluntary forms of coordination” (ibid.: 63). In the Amsterdam Treaty (1997) the institutional framework set for the European Employment Strategy (EES) radically differed, in its techniques, from the conventional regulatory methods. By 1999 the centre of gravity had moved from labour market restrictions that protected the rights of workers (insiders) to opportunities for work and training for the unemployed (outsiders) (Bache and George, 2006: ch.24).

Since that time, discussions about an emerging EU social model have intensified. This model combines aspects of traditional compulsory state-funded social protection with voluntary, mainly private additional schemes of social security. The model is reflected in the Treaty of Amsterdam,

in the adoption of soft methods of making national policies converge, such as the OMC, and in a series of repeated concerns of the European Commission in the employment and social policy areas, such as the following six 'policy headlines' (Commission of the EC 2003: 12-22):

- The creation of more and better jobs
- A new balance between individual security and flexibility
- The fight against poverty and social exclusion
- The linking of economic performance with solidarity
- The promotion of gender equality, and, additionally,
- The strengthening of social policy aspects of East European enlargement

The above headlines reflect the Lisbon strategy, set out in 2000, to create out of current EU a competitive and dynamic, European - wide, knowledge economy.

The institutionalization of soft law, as an integral part of the EES, opened the way for the introduction of the OMC in social policy, a development which gained momentum in the Lisbon summit of 2000. The Lisbon strategy sought to reinforce the social pillar of European integration, and gradually (Nice, Stockholm Summits) initiated the introduction of the OMC in a number of "sensitive" social policy areas. Ever since the Amsterdam Treaty and the Lisbon Summit, employment and social policy strategies have tried to respond to the major challenges, defined on the European agendas, in the context of globalization and EU enlargement.

III. Social policy and economic competitiveness in the Lisbon agenda

The famously overambitious goal for 2010 set for Europe at the Lisbon Council was "to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion." The European Council agreed to devote serious efforts in "promoting the social dimension of economic growth" (European Commission, 2005; Collignon et al., 2005), in order to deal with a number of weaknesses in the European economy and respond to the challenges of a globalized world economy. Social policy was officially recognized as a "productive factor" (O'Connor, 2005). Competitiveness and social cohesion, placed at the kernel of the Lisbon Agenda,

affirmed the close interplay between economic, employment and social policies. The move “from employment-focused social policy to social policy that is still employment-anchored but has broader objectives and redistributive implications in the context of labour markets characterized by increasing levels of poor-quality atypical work that impact on poverty and social exclusion” (O’Connor, 2005: 354) searched to reconcile the priorities of social democratic solidarity and market flexibility (Rhodes, 2005).

The main issue at stake was the ability of the European Social Model to provide significant “added value” to the national policies. Two central concepts entered the political and academic discourse: the modernization of the European Social Model and the synchronization of employment, social and economic policy coordination processes. Two instruments were agreed upon for the implementation of the Lisbon strategy (Ferrera et al, 2002): (a) the orchestrating role of the European Council and (b) the OMC as “the methodological paradigm for European Social Policy” (Garcia et al., 2004). The soft coordination by objectives and the spreading of best practices in the social policy field aim at deepening economic integration and at grasping the opportunities and avoiding the threats by globalization and enlargement (Sapir, 2005).

Why was OMC introduced in Social Policy: key characteristics and process

In the social policy realm the logic of pure integration and the traditional Community Method are challenged by parameters such as the wide diversity (institutional features, aspirations, norms) of national welfare states, or the unwillingness of national governments to transfer competences to the EU level, in a field of major electoral significance (Leibfried, 2005) and political accountability (Scharpf, 2002). Moreover, the realm of social policy deals with sensitive questions (Régent, 2002) for national populations, who –after all- are rather critical to Brussels’ policies so far. Still, the development of social policy is not a purely national concern, due to the spillover of the EU market-building process, and it cannot be left to the member states alone, given the consequences of employment, social protection and cohesion policies for the economic, monetary and labour market policies of the EU (ibid.). After all, welfare states acted “independently but in parallel over a long period of time”, where parallel reads as common basic features (social and economic citizenship and employment rights) as well as common challenges shared by member states (Wickham, 2002: 20). Equally debatable is the effectiveness of pure co-operation in the face of common problems asking for common solutions by governments whose “traditional policy toolkit” is either ineffective –constrained as it is by EMU (the Stability and Growth Pact) and the impact of global economic and financial forces (O’Connor, 2005)—or rendered far too costly (Leibfried, 2005). In the context loomed the

economists' wide mistrust (since the 1980s) of the effectiveness of "active demand management". Under the influential Lucas critique, the "tool kit" available to governments was not as rich and effective as assumed in the 1960s and 1970s. This was also an additional argument against installing an "economic government" at the EU level.

In the Lisbon Summit the national left-of-centre governments and the EU authorities recognized the necessity of at least demonstrating some joint action on sensitive social cohesion policies. Scharpf (2002: 652) sharply describes the authorities' dilemma:

"To ensure effectiveness, they need to assert the constitutional equality of social-protection and economic-integration functions at the European level - which could be achieved either through European social programs or through the harmonization of national social-protection systems. At the same time, however, the present diversity of national social protection systems and the political salience of these differences makes it practically impossible for them to agree on common European solutions."

Hence the OMC emerged as an alternative solution, which can be viewed as a compromise between two logics, of pure integration and of simple cooperation (de la Porte et al., 2001). This "learning process for all" is thought to lead to a convergence in policy areas where a uniform European "top-down", hard-law solution is not feasible, and still "openly" coordinated national policies are more than desirable. In the absence of a firm commitment to a shared social policy vision and a leading model (as in the single currency process) (Wickham, 2002; de la Porte et al., 2001), OMC was launched in order to reinforce the social pillar of European integration. Yet, according to the Commission, OMC is not set to substitute but to complement Community action, especially in areas with limited scope for European legislation. As a form of supranational governance, this method attempts to organize at European level the exchange of best practices and experience, by means of soft regulation. In the new global context, OMC not only respects national diversity but seeks to profit from it using benchmarking and peer review processes (Régent, 2002). At the heart of this decentralized yet carefully coordinated iterative process lies an emphasis on transparency, accountability, inclusiveness and effectiveness, which are features relevant to the principles of good governance (de la Porte et al., 2001). The main characteristics of this policy-learning / policy-coordination process are (Bache and George, 2006; de la Porte et al., 2001; Metz, 2005):

1. Policy choices remain at national level. Legal responsibilities at supranational level (European welfare law, European Court of Justice) are explicitly excluded. Still, national policies are acknowledged as matters of common concern.

2. Co-ordination is decentralized and open to a wide range of actors in the private and public sector. It lacks a Treaty basis and it is voluntary and non-binding. There are no formal sanctions or constraints.
3. The European Council and the European Commission have an important role, while there is minimal role for the European Parliament.
4. There is no Brussels welfare bureaucracy, nor a “European social budget”, in the sense of direct taxes or contributions to back the initiatives taken through the OMC.

By 2002 the OMC covered many social (and other) policy areas, and in 2005 Metz used the term “OMCs” to denote the qualitative differences between these “open *methods* of coordination” (Metz, 2005). OMCs differ in their objectives, their procedural characteristics and their institutional setup (Metz, 2005: 7). Nevertheless, in its general form, the OMC process, “designed to help Member States to progressively develop their own policies, [this method] involves:

1. fixing guidelines for the Union combined with specific timetables for achieving the goals which they set in the short, medium and long terms;
2. establishing, where appropriate, quantitative and qualitative indicators and benchmarks against the best in the world and tailored to the needs of different Member States and sectors as a means of comparing best practices;
3. translating the guidelines into national and regional policies by setting specific targets and adopting measures, taking into account national and regional differences;
4. Periodic monitoring, evaluation and peer review organised as mutual learning processes.”
(Lisbon European Council, 2000: paragraph 37)

Clearly, benchmarking as a method was not originally invented by the Commission. Before being adopted by the EU, it was widely practiced in the corporate world as well as international organizations. Notably, the OECD from the 1980s used to examine structural adjustment policies much along the same lines as the Lisbon agenda and also produced considerable amount of work on a number of social policy issues and indicators. There was clear added value though in applying the benchmarking methodology within the EU: a framework allowing closer intergovernmental coordination; a better interface between the intergovernmental/supranational and the national level; the possibility for a more comprehensive examination of macro- and microeconomic policies; higher political visibility –or at least so it was assumed.

Chalmers and Lodge (2003) identify two sets of dynamics within the OMC process: a top-down “politics of strategization”, where the development of ideas takes place, and a bottom-up

“politics of reaction”, where the national actors decode the guidelines according to national differences, implement policies in line with the principle of subsidiarity, and provide feedback. In the absence of national or common recommendations, the introduction of Joint Reports and Community Action Programmes at the final stage of each cycle of this iterative process is indispensable in assessing progress and good practices. Still, the success or failure of the OMC depends crucially on the efforts of national governments throughout the OMC process, the extent and quality of public scrutiny, and the ability to identify best practices (de la Porte et al., 2001). Hence, benchmarking, along with the definition of indicators, plays a key role. A clear example of the importance that the Commission attributes to indicators is that, from 2003, member states have to adopt the commonly agreed indicators (reflected, for example, in the ESPROSS data), while national specificities would be reflected by a third level of optional ---non harmonized—indicators (O’Connor, 2005).

The main actors

The OMC provided “a new form of institutional ordering” (Chalmers and Lodge, 2003) in the Union’s policy-making by conferring a different (more / less central) role to traditional policy-making actors and by introducing new ones. The Council has the final say in evaluating the process and in confirming the guidelines, the Joint Reports and Community Action Programmes. It also took the initiative (June 2000) to give a formal status to the Social Protection Committee, which has given an advisory role. European Commission, the “orchestrator” of OMC, coordinates the actions throughout the process, identifies the relevant issues and “maps relevant actors” (Bache and George, 2006: ch.24). It also contributes in assessing the NAPs, in drafting the new guidelines, and in undertaking direct actions in areas such as social inclusion. Of equal significance is its role in organizing the load of information, experts’ and other stakeholders’ comments, as well as the peer review and mutual learning processes (de la Porte et al., 2001). Although the Commission’s role is formally advisory, it exerts significant influence since its decisions often coincide with the Council’s decisions (Smismans, 2004). The European Parliament retains only a certain advisory role mainly through its Committee on Employment and Social Affairs¹, while the ECJ is explicitly excluded from the process. Still, its decisions -along with those of the Ecofin Council- often have a strong impact on the definition of benchmarks and guidelines (Leibfried, 2005).

¹ Nice and Stockholm Summits acted closely in alliance with the Parliament to extend and deepen the OMC in several policy areas (Rhodes, 2005).

The considerable formal role of supranational actors in the OMC notwithstanding, the effectiveness of this method relies fundamentally on actions and initiatives taken at the national level. National actors play a critical role throughout the OMC cycle “as interpreters between sub-national actors and organizations on the one hand, and the array of good (and bad) practices across the other member states on the other hand” (de la Porte et al., 2001: 300). Other stakeholders at national level (social partners, NGOs, grassroots organizations and think tanks) are given the role not only to spread knowledge but also to modify appropriately relevant indicators (O’Connor, 2005).

The OMC as a new mode of governance: strong points and weaknesses

It has been argued that one of the main assets of the OMC is its open and decentralized nature, which presents new potential for bottom-up participatory governance. By “reaching out to citizens through regional and local democracy” the OMC is set to create a profoundly accountable and inclusive policy making process (Régent, 2002, citing the Commission). Equally important though is the added value that OMC may offer as a soft regulatory method. It is suggested that such “soft law” mechanism is superior to the rigid instruments of the traditional regulatory toolkit when dealing with diverse national political environments and priorities. It is more likely that member states will reach a consensus and make commitments in policy areas where they are traditionally unwilling to hand competencies over to the EU (Mosher and Trubek, 2003; Busby, 2005; Ferrera et al., 2002), as long as the convergence of policies is not “dictated by Brussels” but emerges through a trial and error process and mutual multi-level policy learning (Biagi, 2000, in de la Porte et al., 2001). As a result, OMC has a dynamic of initiating progress where the prospect of further legislation would undermine severely the already injured legitimacy of the European Union (Bache and George, 2006: ch.24). Besides, it might be argued that OMC not only rescues but also enhances European and national authorities’ political credibility, by revealing the positive effects of the European integration on domestic policy-making (de la Porte et al., 2001).

Another important advantage of OMC is its flexible and iterative character which allows for constant adjustment and learning in a complex global framework, and thus, for an “opening up of the policy standard setting process” (Chalmers and Lodge, 2003: 11). Yet, OMC has in-built follow up mechanisms that prevent it from becoming a “fully open means of intervention” (Régent, 2002: 23). OMC has some binding potential, assuming good functioning of naming and shaming mechanism, learning and peer review processes. “Soft law may be harder than you think” (Trubek and Trubek, 2005: 10), given that soft regulation at the EU “is not just a provision

but also a process which provides a soft frame to hard law interventions and has its own way of sanctioning” (Régent, 2002: 23). Consistent with the flexible and decentralized qualities of OMC is the focus on outcomes rather than means, which is after all a required characteristic in view of the much treasured subsidiarity. O’Connor (2005) notes that the OMC facilitates the maintenance of the subsidiarity principle while providing space for policy learning.

Policy learning is another positive feature of OMC tightly linked to the opportunities for decentralized and deliberative experimentation (Chalmers and Lodge, 2003). National authorities confront new policy-making paradigms and familiarize themselves with new aspirations and vocabularies (Trubek and Trubek, 2005). In other words, OMC has mechanisms that destabilize existing understandings and foster national discourse transformation (Mosher and Trubek, 2003). Through this knowledge-generating process, innovative solutions to existing problems are bound to occur.

Nevertheless, the mid-term review of the Lisbon strategy, the Kok report and a growing academic literature have highlighted a number of weaknesses in the OMC that question its legitimacy, effectiveness and practical value. The first line of criticism addresses the legitimacy/democratic deficit of OMC. The weak role of the European Parliament, the bureaucratic/“executive character” of OMC (Metz, 2005), and the limited, as compared to the anticipated, involvement of relevant stakeholders, reveal a top-down and mainly governmental process throughout the OMC cycle. Collignon et al. (2005: 12) speak of a “depoliticization of decision making” since decisions are made “within obscure networks” at the European level by national governments and executive committees. This threat is made even more explicit in the absence of clearly institutionalized “open access” to stakeholders, which hinders the participation of a wide range of new actors other than the established societal ones (Chalmers and Lodge, 2003). After all, the absence of some form of control is a major flaw for a method like OMC, which is based on decentralized implementation mechanisms (Collignon et al., 2005). Smismans (2004), paraphrasing the OMC initials, spoke of a Method of Centralization, which is Open “merely as being open-ended in its outcomes” and not in the sense of the assumed bottom-up participation and public scrutiny.

In terms of inter-institutional balance, it has been argued that the role of the Commission, being pivotal, is becoming even stronger. This is particularly more so in sight of Lisbon II, where a stronger steering and co-ordinating role among policy areas is needed (Borras, 2006). For some, the Commission has developed in practice an informal 'right of initiative' (Deganis, 2006). From this point of view, enlargement has reinforced the status of the Commission (de la Rosa, 2005).

Another major line of criticism scrutinizes the weaknesses of mechanisms upon which the effectiveness of OMC is based. Benchmarks and targets are often judged as too vague and too many or even naïve given the diverse welfare priorities, the different starting positions of member states (Chalmers and Lodge, 2003), and the institutional arrangements displayed in the varieties of capitalism (Hall and Soskice, 2001; Chalmers and Lodge, 2003). According to de la Porte et al. (2001), even if similar objectives are assumed, benchmarking risks ignoring crucial differences among member states, and therefore, any learning process based principally on benchmarking is hazardous (Lundvall and Tomlinson, 2001, in de la Porte et al., 2001). Smismans, taking one step further from the above mentioned argument on the "Open Method of Centralization", claims that in the absence of a decentralized participation, the benchmarking exercise at European level may be "rather a threat for rather than a radicalization of the principle of subsidiarity" (Smismans, 2004 : 14).

Another flaw is the weak and insufficient toolkit of the OMC. Although statistics is central in a "learning by doing" method where policies are shaped experimentally, the feedback mechanisms (Eurostat, national governments) provide vague and often contradictory data (Chalmers and Lodge, 2003). This "data deficit" (O'Connor, 2005) is crucial in developing accurate indicators, targets and benchmarks. Chalmers and Lodge (2003) also mention that even when indicators are defined, the OMC process is unlikely to relate performance to results due to the lack of appropriate knowledge systems, which would provide policy makers with an aggregate and coherent pool of information on good practices. Thus, the identification of measures deserving a "good practice status" becomes a thorny issue (Ferrera et al., 2002). Overall, there is "no convincing system of categories as a methodological tool to identify promising fields of application".

The peer review system is judged insufficient for both exogenous (differences in economic conditions, national traditions, inertia, externalities) and endogenous reasons (collusion of peers) (Collignon et al., 2005). Futility of peer group pressure occurs partly due to the little incentives of naming-and-shaming among peers. The uncomfortable finger pointing is not widespread in policy evaluation (de la Porte et al., 2001). After all, peer review is administered

passively, since what the member states mainly do -taking turns in exerting and undergoing control- is to self-assess the achievement of their own NAP goals (Metz, 2005). Moreover the whole process is rather symbolic since it is too truncated to create useful feedback (Mosher and Trubek, 2003). Equally important is the perverse effect that might arise from a peer review exercise that puts the emphasis mainly on quantitative (rather than qualitative) evaluation: the exercise might become “counterproductive as paradoxically it might encourage governments that fear a negative evaluation of their performance not to engage in long term reforms that tend to be politically costly” (Collignon et al., 2005: 15) or to overestimate their performance (“window dressing”) and to respect only in short term the targets set.

Overall Assessment

Two crucial questions need to be answered. Has OMC lived up to the expectations? And, at the end of the day, is OMC suitable for the European social policy? In the absence of sufficient proof of indisputable causal relationship between OMC processes / initiatives and social policy modifications, the successes and failures of the OMC are still debatable.

On the one hand, it is reported that OMC has generated noticeable change over the last few years. The main contributions of OMC is the increased awareness being given to enhancing social inclusion by national governments (Bache and George, 2006: ch.24), and the increased understanding about the main features and causes of poverty and social exclusion (<http://www.europa.eu.int>). Bache and George (2006) also underline that OMC has allowed progress in social policy areas where the traditional regulation methods confronted the lack of any consensus over priorities and an anti-Brussels reaction. Leibfried (2005) reports “several instances” of innovative adjustment and successful policy learning in countries that achieved high levels of competitiveness and employment without sacrificing their social-policy ideals. Ferrera et al., (2002) confirm that even “the patchy and unsatisfactory 2001 Naps/incl” have contributed in combating social exclusion by providing bottom up information, prompting the creation or consolidation of monitoring and projecting structures, testing the adequacy and identifying weaknesses of policies. On the other hand, there are statistics indicating that there has not been a uniform progress in all countries or across all policy areas (Collignon et al., 2005). The rate of transposition of the Lisbon directives since 1999 has been low, whereas a very limited number of the directives transposed were correctly implemented (ibid.). In fact the implementation of directives in social and employment policies has been particularly low. Chalmers and Lodge (2003) also report that the coordination process has not been fruitful,

partly due to the fact that OMC, put into practice, was not a coherent strategy, but a “tactical response with limited manoeuvre to the new political economy of the Eurozone” (ibid.:2).

Still, it is difficult to assess the effectiveness and suitability of OMC in social policy unless these concepts are redefined to include changes in policy outlook, altered ways of thinking, the emergence of new alliances and a new equilibrium of national social policy making (Mosher and Trubek, 2003; Rhodes, 2005)). OMC provides new room for innovative social policy in times of diminished authority at national level and weakness at European level (Leibfried, 2005). This room might be restricted to a lowest common denominator, but this still is an important change “when the premium for the Commission is to make a start on building an *acquis communautaire*” (Bache and George, 2006: ch.24). Ultimately it could lead to legally binding decisions by creating “a climate of conformity to a legal norm” (Busby, 2005: 34) and by providing an opening for synergies between soft regulation and framework directives (Scharpf, 2002).

However, hard-law proponents claim that opportunities for the necessary hard legislation may be crowded out (Trubek and Trubek, 2004). Soft coordination has occurred “at the expense of top down harmonisation of minimum legal standards”, a fact that jeopardizes the European social policy influence on national legal systems (Busby, 2005: 36). Moreover, OMC is judged insufficient in areas of social and employment policy characterized by strong negative externalities (Collignon et al., 2005). More radically, OMC is characterized as “an incoherent set of welfare targets and strong neo-liberal policy dynamic” which fails to take into consideration the far-reaching alternatives welfare states may suggest (Chalmers and Lodge, 2003). It is seen as a second best option, which allows only for supply side structural reforms (Collignon et al., 2005) and rewards the member states which are loyal to this neo-liberal agenda or those already meeting the objectives set (Chalmers and Lodge, 2003).

Enlargement

The Eastern enlargement has added a new –fourth- welfare model, which combines elements from Southern countries (state intervention) with English/Irish features (weak levels of unionization and firm representation) (Rhodes, 2005). The accession of this model affects significantly social policy-making at EU through OMC at least in the following ways. Enlargement has further complicated the issue of prioritizing social objectives (Metz, 2005), and has created doubts whether there is “sufficient commonality in social policy frameworks and outcomes to allow realistic policy learning and convergence in key social outcome indicators” (O’Connor, 2005). Some of these countries will need a period of 20 to 40 years to catch up with

average EU income levels, while at the same time they have to find ways to increase their productivity, combine these gains with job creation, and improve their performance in terms of “knowledge economy” (culture of life-long learning and training) (Barysch, 2005). Moreover, the Eastern enlargement has strengthened the bargaining power of employers, who increase their pressures for wage restraints, given the “availability of million cheap workers on their doorstep” (ibid.: 6). Overall, there is increased concern on how the new distribution of power among the 27 member states will work in practice, under the modified QMV.

Nevertheless, it is argued that the enlargement creates new roles for the Lisbon Strategy and the implementation of the OMC in social policy. Central and Eastern European countries share important social problems and reform challenges in sensitive social policy areas (ageing populations, low employment rates, high unemployment rates and regional gaps). Thus, although the accession countries have increased the heterogeneity of the European Union, which seems to be an obstacle in terms of policy coordination, enlargement has also stressed the need for and the positive role of policy learning through OMC. Ferrera et al. (2002: 232) note that the Agenda, placing the social inclusion process in the *acquis communautaire*, provided for actions to help the applicant countries to implement relevant policy objectives.

Reforming European social policy making

Several lines of social policy reform have been suggested, in the light of contemporary challenges of the enlarged European Union that visions itself as a competitive and knowledge-based economy with increased social cohesion. On the one hand, there are several proposals on how the OMC –per se- could become more effective in more social policy areas, other than employment and social inclusion where OMC has been applied. Streamlining and modernizing the OMC involves reconsidering both its objectives and its toolkit. The need for simplification and rationalization of objectives, already recognized in the Lisbon mid-term review, should also be satisfied when further extending or deepening the scope of OMC through QMV in areas such as poverty, social services, discrimination and health (European Commission, 2005). Thus, it is urgent that criteria for identifying potential fields of application be agreed upon (Metz, 2005; Scharpf, 2002). Furthermore, OMC processes should also have both an intergenerational approach, focusing on the intertemporal aspect of dynamic phenomena such as migration or pensions (European Commission, 2005), and an inter-national approach, not only among the EU member states but also with third countries. Moreover, public scrutiny and democratic debate should be openly held at least annually, and the role of social NGO networks should be

enhanced (Social Platform, 2005). Finally, a more active parliamentary involvement has been proposed as a response to the executive character of OMC (Metz, 2005).²

On the other hand, another approach suggests that European Social policy-making could only be effectively reformed, if hard and soft regulation mechanisms were combined. Trubek and Trubek (2005) support De Burca's view that OMC might be a powerful tool in creating real rights, especially when used in conjunction with the EU Charter of Fundamental Rights. In this vein, OMC in some cases (political and civil rights) would complement judicial action and in others (economic and social rights) would substitute for it. However, an important part of recent literature calls for a more definite institutionalization of open co-ordination in the Treaties, in order to make it more binding and transparent (Metz, 2005). Still, constitutionalization of OMC, in its present form, might not be a sufficient solution for what Scharpf (2002) calls "constitutional asymmetry of social and economic policies". Scharpf (2002) proposes instead a combination of *framework directives* addressed to subsets of member states with similar policy directions and *binding minimum floors* corresponding to national conditions.

IV. The European Employment Strategy: basic elements, processes, key actors

The European Employment Strategy is considered to have arisen out of a spill-over of or a need to counterbalance the EMU, and out of the need to deal with key issues of common concern among all member states irrespectively of their industrial relations system (Busby, 2005; O'Connor, 2005). Closely correlated with the overarching goal of improved economic performance and competitiveness, EES has been the forerunner of OMC, but has developed in parallel and often overlapped with social policy (Rhodes, 2005). Still, it possesses two qualities

² Some doubts have been expressed on whether the democratization of OMC can be dealt with in terms of an improved role for the EP (Collignon et al., 2005). Proposals have been made for a parliamentary dimension to the OMC, either national (Duina and Raunio, 2006), or combined national and European (Tsakatika, 2006).

that distinguish it from any other OMC process: it has a Treaty base and incorporates (national and common) recommendations issued by the Commission (Smismans, 2004). Goetschy (1999) identified three main objectives of the EES as set in the Amsterdam Treaty: to increase the legitimacy of European-level action; to enhance the efficiency of Social Europe vis à vis the opposition to the implementation of directives and the sluggish progress in social partners negotiations; and finally to accelerate national employment reforms.

The Amsterdam Treaty, borrowing key elements from the economic convergence methodology, set the framework for EES, which was put into practice in the Jobs Summit (Luxembourg 1997). EES, a multi-tiered, flexible, decentralized and iterative process, became the model of non-binding, sanctions-free management by objectives. During its first phase of implementation (1997-2003) EES was organized around four main objectives (employability, entrepreneurship, adaptability and equal opportunities) and was driven by some twenty guidelines (Régent, 2002). Since 2003, three main modifications have taken place (Rhodes, 2005): First, there has been a rationalization and simplification towards ten “results oriented” priorities, based upon three objectives (full employment; quality and productivity at work; social cohesion and social inclusion). Second, the peer review process focused more intensively on the implementation of the employment recommendations (King, 2003, in Rhodes, 2005). Third, the modified timetable allowed adequate time for the European Parliament to prepare its opinion for the annual June European Council. Recently (2005) EES was revised to improve coordination between member states and the European institutions, and to synchronize more effectively employment policies with macroeconomic and microeconomic policies of the EU (<http://www.europa.eu.int>). This new EES, which covers a three year period, has the same procedural characteristics as its forerunners: a stage of policy formulation, a stage of policy implementation and a stage of policy evaluation (Integrated Employment Guidelines, National Reform Programmes, Joint Employment Report, Recommendations, EU annual progress report).

The key actors of EES are the Ministers of Employment and Social Affairs who have the final veto point through QMV, and the European Commission (Rhodes, 2005). The Council of Ministers has the final word on the Employment Guidelines, Recommendations, Evaluation of member states submissions and the Joint Employment Report. The European Commission (coordinator) draws the proposals for all the above and co-decides, together with the Council, the Joint Employment Report. It has also been suggested that the European Commission acts as a “norm entrepreneur”, which not only sets the agenda but also has the ability to influence the preferences of member states (Schmidt, 2000, in de la Porte and Pochet, 2004). The European Council evaluates the situation of employment at EU level and endows with political guidance the Commission and the Council. The European Parliament has a mere consultative

(and until recently marginalized) role, as is also the case for the representatives of social partners. Other mandatory consultative participants are the national partners, the Economic and Social Council, the Labour and Social Affairs Council, the Employment Committee, and the Committee of Regions. National governments have the most important role in the proper implementation of the Guidelines. They formulate and adopt the NAPs for Employment and submit their implementation reports to the Commission. Finally, the involvement of stakeholders in the formulation of NAPs and the national evaluation process depends largely on the internal policy structure of the member states.³

The EES impact on member state policy

The five-year review of the EES process (2002) included “national impact evaluation studies” by the member states and “an aggregate assessment of labour market performance at EU level” by the Commission. The creation of 10 million new jobs and the reduction of 4 million unemployed were explained as consequences of more proactive approaches undertaken by a number of member states that focused on the needs of the unemployed and provided training, education and tax incentives (Busby, 2005). Moreover, EES is thought to have had the most significant influence at EU level on equal opportunities policies (Rubery, 2002, in de la Porte and Pochet, 2004). However, the five-year review revealed that in most cases there was no uniform impact across countries (Mosher and Trubek, 2003; Régent, 2002). For example, little change was reported in the Netherlands, which already had an advanced starting point, and in Italy, which accredited to EES some “reform stimulation” but insisted on a more neo-liberal approach and subsidiarity. France and Greece reported significant changes in policies (e.g. real employment gains) and in policy making (deepened social dialogue, focus on long-term reforms, (ibid.) and inter-ministerial cooperation (Régent, 2002).

Since the EES confers all responsibility for the elaboration and implementation of NAPs to national governments (Garcia et al., 2004), its varied impact across member states is mainly explained by the different responses of the national authorities to the EES objectives. The divergent national welfare systems, the varying estimations on the appropriate degrees and levels of regulation, and distinct industrial relations systems account for the inertia/ resistance or readiness of member states to take in EES recommendations when designing and implementing the NAPs. Busby (2005) notes that member states with least regulated labour markets are not expected to incorporate eagerly to their policy priorities EES objectives such as

³ The above data are taken from Garcia et al., 2004, graph 1, p.17.

the increased protection of vulnerable workers. Similarly, the resistance to adjust the balance between tax incentives and benefits in order to “make work a real option for all”, is defended on the grounds of safeguarding a generous welfare system, which lies at the heart of Social Europe and at the national *acquis* of Continental and Nordic countries (Sapir, 2005).

The impact of EES across member states is also dependent upon the participation of social partners, local authorities and civil society in the elaboration, implementation and evaluation process of NAPs. According to the Guidelines social partners have an important role under the heading of adaptability, whereas regional and local authorities have a particular role in the entrepreneurship pillar (Smismans, 2004). However, stakeholders had a rather symbolic and fragmented role, which could not “maximize the impact of the national plans” (Régent, 2002: 18). Their participation was also asymmetrical across countries, since the member states differ largely on their “degree of openness and the structure of political opportunity for participation and contestation within the EES” (Garcia et al., 2004). With the single exception of Luxemburg, NAPs were characterized by social partners as “governmental rather than jointly produced documents” (de la Porte and Pochet, 2004: 74).

The impact of EES on member state policy has also varied across the policy areas (Mosher and Trubek, 2003). Guidelines that require a shift to preventative unemployment policy and intensification of active unemployment policies have brought about more change than guidelines calling for more employment-friendly taxation systems (*ibid*). Mosher and Trubek (2003) explain this variation both on grounds of guidelines’ structure and of politics of policy change. Change occurs in areas where the guidelines are specific with quantitative indicators and do not confront sharp political opposition, and less in areas where the guidelines are more general and face fierce political resistance; in the latter cases it is easier to make it appear “as if” some change has occurred even if not motivated by the EES (*ibid.*)

Overall assessment of EES

The limited and largely differentiated participation of stakeholders has been broadly documented as one of the weakest points of EES (de la Porte and Pochet, 2004; Rhodes, 2005). In only 7 out of 15 countries did trade unions make a direct contribution to NAPs, and only six of them assess the participatory conditions as satisfactory (de la Porte and Pochet, 2004). In terms of local action, only in Sweden were the Local Action Plans coherent with NAPs and drawn up to reflect political objectives agreed under the EES (*ibid.*) These data mainly reflect the different opportunities for participation offered by different industrial relations

systems. Nonetheless, there have been some trends of widening of actors in the UK, which was lagging well behind, in Germany, which overall maintained its corporatist structure attributing labour organizations a key role, and in Sweden, which put a new emphasis on the local level (Garcia et al, 2004). Yet, in cases like Spain, not only did the EES fail to lead to widening the consultation dimension (as in the UK) or to legitimizing existing tendencies (as in Germany and Sweden), but it also failed loudly to reinforce the social dialogue that had broken apart since 1997 (ibid.)

Furthermore, although the learning potential has a central role in EES structure, there has been little evidence of an effective learning process yielding substantial outcomes –according to the evaluations of member states (de la Porte and Pochet, 2004). Only the Netherlands reports a modest level of learning (Mosher and Trubek, 2003). There has not been any overall change of goals or ranking of priorities as a result of learning promoting mechanisms (ibid). The adoption of EES is thought to be “driven by political bargaining rather than by learning” (de la Porte and Pochet, 2004: 74).

Still, national and European authorities have reached “an overwhelming agreement” (Scharpf 2002; de la Porte et al., 2001) on the employment guidelines, despite the much mentioned heterogeneity of political and social traditions and priorities across the EU, that vary from solidarity-oriented to individualistic (ibid.). In fact, in the five-year review, the Commission attributes the substantial advancement in labour market performance across the EU to the enhanced co-ordination in the areas covered by the guidelines (Busby, 2005). European authorities also see clear evidence of partial convergence and diversity accommodation, which are mainly accredited to the consensus on agency and policy domains that should be “cut across” (Mosher and Trubek, 2003).

Overall EES is unable to impinge on the balance of power in any member state, but it may bring about change in national laws, policies and budgetary allocations (ibid.). Its value is even more evident in cases where modest adjustment of social systems is an accepted reform by national governments and the public. EES provides to modest reformers arguments and examples and pinpoints good policies and efficient ways of benefiting from existing resources (ibid.). EES may have a “catalyzing influence” in supporting developments that are already taking or are bound to take place, a dimension that should not be neglected, although not always measurable or visible (Büchs, 2003).

Future Challenges

The mid term review of the EES has accurately defined a set of dynamics that create new challenges for the employment strategy. Globally, the economic prospects are increasingly uncertain due to a changing global framework where the Asiatic economies are gaining in power (Giddens, 2006; Bosco et al., 2004). Within the Union, the latest round of enlargement has increased significantly the diversity in performance, cohesion, and regional variations (Ferrera, 2006; Bosco et al., 2004). EES targets in the EU-25/27 now appear even more ambitious to achieve (Ingham et al., 2005).

Over the last few decades, international trade and labour competition from Asia have altered the challenges of globalization for the EU, having produced “ever-increasing income divergences between skill sectors, with Asia having a labour cost advantage” (ibid.). The range of production that may be outsourced in the EU is not limited in low-cost goods, but increasingly expands to IT goods and to financial, legal and medical services, given that China and India also “produce” four million graduates per year (Giddens, 2006). Those leaning to the neo-liberal side of the argument support the view that the commitment of EES targets so far to protect the weakest in society risks making European labour markets less flexible (or more inflexible) and therefore less competitive, yielding substantial costs in terms of jobs and growth (Diamond, 2006). Others however note that globalization and national welfare states may be mutually supportive, with the former providing financial resources to the latter, and the latter providing sustainable and positive role to the former through proper redistribution of gains (Vorbuna, 2003). Thus, the challenge of Social Europe in the global economy is to serve the twin priorities of social justice and economic competitiveness (Diamond, 2006). EES has to take into consideration the rising inequalities, partly due to the structural trends of the global economy (ibid.), but it also has to develop new areas of comparative advantage vis à vis the Asiatic countries and to redefine Europe’s foundations as a knowledge-based economy.

In fact, it has been argued that accession countries have a strong role to play in re-establishing Europe’s position in the global economy, since they have a significant advantage of low cost labour force and flexible labour markets (compared to older member states) (ibid). However, some note that even these countries “are struggling to stay competitive in the face of low-cost competition from fast-growing Asia, and look for ways to produce more high-tech goods and services” (Barysch, 2005: 2).

The major challenge for EES arising from the Eastern enlargement has not been the so much feared waves of immigrants towards old members or capital flows from the old members

eastwards, but the increase of regional variations^{4 i} and the amplified heterogeneity of priorities. The enlargement was not coupled with an increased budget contribution from the old member states, and limited structural funds were targeted to the poorest regions, which does not always facilitate the reduction of disparities (ibid). Under these conditions, EES might need to redefine the role given to localities and regions, since there are reservations that, in its present form, it may lead to a “territorialization of employment policy” in favour of the already successful regions whose governments, local authorities and interest groups are highly unlikely to support redistributive policies in favour of the poorer regions (Busby, 2005). Regional variations may also lead to fragmented initiatives with minor impact on the employment outcomes across the EU.

Modernising employment policy in the EU: potential reform directions

The Commission early enough recognized the need for a more focused - better targeted - cohesive strategy and streamlined approach (Busby, 2005). This partly refers to the need to link the EES with European economic policy by streamlining relevant timetables, delivering fewer guidelines with broader perspective, enhancing the involvement of stakeholders and shifting to results-oriented medium-term planning. (This tendency is demonstrated in the evolution of EES –Table I). These developments, integrated in the New Employment Package, point to a more coherent agenda setting, but such administrative arrangements are not enough to consolidate the policy-making approach, since they do not alter the hierarchy between the EES and BEPGs or touch the separate policy agendas (Begg, 2003; Busby, 2005). In all, there is a need for a more coherent approach between multiple economic and social issues, especially when the issue at stake is the combination of good economic performance, labour market flexibility and security (Ferrera, 2006; Bosco et al., 2004).

TABLE I
The evolving structure of the European Employment Strategy

1998	4 main lines of action 13 guidelines
1999	4 pillars 22 guidelines

⁴ Ferrera (2006) notes that some 92 percent of the population of the new member states lives in regions where GDP per capita is below 76 percent of the EU25 average.

Annex on the need to develop quantitative targets/indicators

2000	4 pillars 21 guidelines
2001	5 horizontal objectives 4 pillars 18 guidelines
2002	6 horizontal objectives 4 pillars 18 guidelines
2003	Integrated guidelines 3 overarching objectives 10 guidelines + good governance stipulation
2004	As in 2003
2005	3 clear priorities 8 guidelines

Source: Ingham et al. 2005.

The relaunched Lisbon strategy (Lisbon II) sought to address such weaknesses by better integrating employment and economic policies. The Integrated Guidelines for Growth and Employment (2005-08), proposed by the Commission and approved by the European Council in 2005, incorporated EES and BEPGs into one document.⁵ Arguably, the degree of integration achieved by the new Integrated Guidelines is probably not as high as it was meant to be. It may not be really feasible to consolidate the two dimensions, formulated by different DGs (Employment and ECFIN respectively), into a single policy document. Though the new IG/coordination process represents an undeniable improvement, it has been argued that contestation between economic and employment actors continues to exist (Zeitlin, 2006).

Moreover, in the road of “making Europe a more attractive place to invest and to work”, the EES still has to define new areas of potential comparative advantage across the EU, such as technologies, or social and environmental expertise (Bosco et al., 2004). Still, in order to consolidate the competitiveness of EU, when discussing “job creation” EES should put extra emphasis on drawing qualitative targets, along with quantitative, in order to include parameters such as service design, affordability and quality (Ferrera, 2006). As Busby (2005) notes “the

⁵ The eight employment guidelines in the IGs (2005-08) included, apart from the objective of full employment, improved quality and productivity at work, and social/territorial cohesion: the promotion of a new lifecycle approach to work; inclusive labour markets for job-seekers and disadvantaged people; improved matching of labour market needs; flexibility combined with employment security and reduction of labour market segmentation; employment friendly wage and other labour cost developments; expansion and improvement of investment in human capital; adaptation of education and training systems in response to new competence requirements.

danger of combining job creation with a shift away from social protection is that the resulting increases in employment are likely to take place at the expense of many of the policy priorities identified in the employment guidelines” (Busby, 2005 : 35).

V. Concluding remarks

On the basis of our discussion of the OMC and EES, we would like to agree with the opinion that new modes of governance may not be alternatives to traditional modes of government, but complementary ways of fulfilling governing functions. The OMC and EES are innovative ways of supplementing the efforts of national governments of EU member-states to attempt reform of their national social and employment policies. The new modes of governance also help national governments to follow parallel paths, if not to converge, towards social and employment policy reform.

In this paper we have argued that new modes of governance are already an integral part of EU social and employment policy. Less than a decade after their inception new modes of governance in social and employment policy (OMC, EES) are considered to be innovative policy tools. There is almost no talk of abandoning these tools, which is a sign that such new modes of governance have gained some legitimacy. Nevertheless, if the OMC and the EES are to develop and perhaps to be transplanted in other policy areas, it would be pertinent to assess their strengths and weaknesses so far. This is what we try to recap in the concluding section of this paper. In regard with social policy, we summarize the advantages and disadvantages of the OMC. Then we do the same in regard with employment policy, focusing on the EES.

The OMC has partly lived up to the expectations it had raised. This new mode of governance has helped make the governments of EU member-states more sensitive to social inclusion and has contributed to a comparative, cross-national understanding of the factors contributing to poverty and social inclusion. Some policy adjustment, policy learning, provision of information about and monitoring of poverty and social exclusion and specification of policy weaknesses may be attributed to the OMC. On the other hand, this method needs to become more coherent, simple and rational, may be extended and tested in more policy areas and should be more open to public scrutiny. It may be that such a soft law approach will yield more results if implemented in conjunction with the hard law approach.

As far as the EES is concerned, we observed that this new mode of governance has contributed to a growing consensus in the EU on employment guidelines as well as to increased

coordination and convergence among EU member-states in the area of employment. While the EES has not upset the domestic balance of power in the field of employment in individual EU member-states, it has been a source of arguments and examples in favour of modest policy reform and it has facilitated policy shifts in cases where national governments had already embarked on reforms. It seems that as in the case of the OMC the EES also needs streamlining, more cohesion, closer coordination with the EU's economic policies, enhanced involvement of relevant stakeholders, emphasis on results-oriented planning and qualitative target setting.

Both the OMC and the EES have contributed significantly in “bridging the gap between negative and positive integration” (Ferrera et al., 2002), and have had some promising impact on social and employment policies. It is true that EES, the precursor of OMC, has been more penetrative so far compared to the OMC in social policy, partly due to its entrenchment in the Amsterdam Treaty and its explicit connection to the economic policy and the BEPGs since 1997. Still, the impact of OMC on “infant” social policies is not at all negligible, and its added value in building an *acquis communautaire* in new policy areas is vital. Ultimately both OMC and EES have contributed in launching decentralized policy-view exchange by introducing new policy-making paradigms that challenged established ideas.

Nevertheless, there is always ample space for improving their performance and modernizing their objectives and processes. As already noted above, streamlining and specificity of targets, greater coherence, coordination and integration with other related policies at the macro- and micro- level are a constant challenge, magnified by the large disparities of an enlarged EU-27. External challenges, such as those created by globalization and enlargement, as well as others that have an important internal dimension, such as ageing population, income inequality and social exclusion, provide grounds for modifications that will move OMC and EES beyond the realm of symbolic politics (Metz, 2005). The modernization of social and employment policy targets may affirm the necessity to establish synergies between soft and hard regulation modes of governance. Above all, however, it is a process that will need, somehow down the road, to clarify the overall objective (ibid.) of OMC and EES, i.e. whether they seek to establish a process of policy learning or one of policy coordination. For at the core of the problem lies the inherent tension between decentralized governance and the need to deliver collective European policy effectiveness.

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