Inside the Social Open Method of Coordination: The hard politics of ‘soft’ governance

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EXECUTIVE SUMMARY

Introduction

The process of European integration has gradually but irreversibly altered the configuration of national welfare states. In spite of formidable institutional and political hurdles, over the last decades incremental European social regulation indeed led to the development of a genuine EU social policy. The latter involves a complex institutional arrangement for shared governance and joint policy-making, which has gradually affected the workings of welfare states’ institutional structures and policy making processes.

This PhD is mainly concerned with one particular ‘soft’ EU social policy instrument: the Open Method of Coordination on Social Protection and Social Inclusion (hereafter ‘Social OMC’). The ambition is to understand whether and how the Social OMC has become a significant element in the shaping of national and EU policies over the last decade, alongside and in interaction with other policy instruments such as EU law, structural funds and European social dialogue. This PhD is situated in and contributes to three ongoing academic debates: these are concerned with social Europe, Europeanisation and new modes of governance, respectively.

The main thesis put forward is that the Social OMC – in spite of overwhelmingly skeptical academic accounts and repeated attempts to weaken the process – 15 years after its formal launch continues to appeal to EU and domestic actors because it is seen as a tool with an added value in at least two respects:

- The OMC’s so called ‘soft’ tools – reporting, indicators, targets, peer reviews etc. – are being used by policymakers and stakeholders alike to shape key phases of the ‘hard’ policy development process;
- Under certain conditions, the OMC operates as a catalyst or selective amplifier for reform strategies, and as a consequence has both substantive and procedural effects on domestic and EU policymaking.

1. Methods and case studies

Understanding whether the Social OMC is an adequate policy tool that has a tangible impact on policymaking, demands a research design that envisages the OMC as a two-way interaction between the EU and its Member States. Indeed, Member States play a key role in shaping the content, procedures and operation of the OMC toolbox, which can therefore not be considered as one-way street (or causal impact).

I selected the social inclusion, pensions and health care strands of the Social OMC as my primary case studies to understand the mechanisms and effects of the reciprocal influence between domestic and EU social policymaking. These three strands indeed provide the variation – including in terms of their temporal development, institutional embeddedness, the presence of competing networks and policy instruments – that is needed in order to be able to trace
similarities and differences in the use and impact of the OMC. For each strand, I assessed the different stages of its institutional development: initial emergence; further institutionalisation; and consequent operation, both in terms of adequacy as a policy tool and substantive as well as procedural impact. The impact was studied both at the EU level and in one particular Member State: Belgium. The latter is considered as a most likely case that nevertheless allows to draw more general conclusions that are relevant for other Member States.

In view of the challenges of causal inference in the context of the Social OMC (which cannot be considered as an ‘independent variable’, as outlined above), I conducted contextualised process tracing for each of the case studies. This involved combining different methods of data collection in order to check the results: first, systematic document analysis and literature review; and second, several waves of semi-structured expert interviews with more than 100 respondents. In addition, a limited quantitative online survey and press content analysis supported the process tracing. Taken together these qualitative sources allowed for a careful triangulation of results.

2. Inside the Social OMC: Key findings

2.1 Why did they do it? Of windows and opportunities

The first research question that is raised is this: why did a variety of actors decide to launch EU co-operation through the OMC in 2000, after almost a decade of futile efforts to do so? With a view to structuring the many observations that could be relevant to answer this question, I considered some of the most promising approaches in European integration theory. Four theoretical lenses – liberal intergovernmentalism, neo-functionalism, the new institutionalisms, and policy network analysis – proved useful to shed different lights on the same issue.

The short answer to the ‘why did they do it’ question is that at least two sets of actors – socially and economically oriented – had a variety of conflicting reasons to launch EU-wide co-operation on social protection and social inclusion. I refer to four explanations for understanding this initial phase of the OMC: first, the European Commission as norm entrepreneur; second, Member States’ self-interest; third, historical embeddedness; and fourth, an advocacy coalition to offset economic pressure. It would seem that a constructivist interpretation of neofunctionalism has the potential to contribute to a multi-faceted and nuanced picture of this particular case of European integration, since this framework allows to synthesize rationalism with constructivism, and therefore reconciles at least some of the four theoretical lenses presented above.

2.2 From Paris (1972) to Lisbon (2000): ten steps towards the Social OMC

Ten milestones, or important turning points, can retrospectively be identified on the road to the Social OMC in 2000. Taken together, these milestones provide the answer to the second part of the first research question ‘how did a variety of actors manage to get the Open Method of Coordination started’? In sum, the answer to the ‘how did they do it’ question is that – over a time span of more than a decade – a range of actors created turning points that ultimately allowed the Employment and Social Affairs Council to the launch of the Social OMC in 2000.
I identified the ten following milestones: (1) the EU's Poverty Programme in the period 1975-1994; (2) two largely symbolic Council Recommendations, on social protection and social assistance adopted in 1992; (3) Commission activism during the 1990s; (4) 'technical' cooperation in the context of the Administrative Commission on Social Security for Migrant Workers and the European Community Household Panel; (5) the Court of Justice applying competition law to social protection and ruling on the proposed 'Poverty IV' programme; (6) enhanced legitimacy through the Treaty of Amsterdam; (7) a proposal for a concerted strategy on social protection from a resigning European Commission in 1999; (8) creating a sense of urgency in a new social-democratic landscape; (9) the Lisbon European Council's political rubberstamp; and (10) the speedy development of the OMC's basic architecture (2001-2002).

The story of the emergence of the Social OMC illustrates the importance of selling ideas in a convincing way and using the political window of opportunity at hand.

2.3 Variations of institutionalisation of the Social OMC: revisiting the legalisation framework

The second research question of this PhD was formulated as follows: How did the OMC strands in the fields of social inclusion, pensions and health care develop institutionally between their emergence and their streamlining into one overarching process in 2006? The overall conclusion from the detailed process tracing of the institutional development of the three Social OMC strands between 2000 and 2006, is that they followed their own distinctive institutionalisation processes. Thus, the analysis shows that these social protection OMCs differ significantly from each other, first in terms of the (subjective) obligations they create for Member States; second, with regard to the precision of the conduct they require; third as to the degree of delegation of the management of the procedural routine as well as of the power to propose ‘soft’ recommendations.

The same variation is present for the two dimensions which I added to the ‘legalisation’ framework which I used in order to make sense of the similarities and differences between the three policy coordination processes: the three strands indeed differ in important respects in terms of expected (formal and informal) participation of state and non-state actors, both at national and EU-level; and, as regards the degrees of freedom for actors to revise the institutional arrangements along the road.

2.4 Adequacy and impact: does the OMC deliver the goods?

The third research question to which this PhD tried to find a plausible answer is this: To what extent can the Social OMC be considered as an ‘adequate’ policy tool, i.e. does its operational framework at the EU level have the potential to contribute to reaching the goals set at EU and national level? This PhD presents a rather gloomy picture of the theoretical capacity of the OMC toolbox to produce results. While the Social OMC’s institutional setup should allow it to produce at least some results, many important flaws are apparent from the analysis. The question then is whether these flaws imply that the Social OMC has by and large failed to deliver the goods (i.e. has no tangible impact). This PhD clearly concludes that to say so would be jumping to conclusions too fast.
The empirical chapters of this PhD are concerned with answering research question 4: *Has the Social OMC had any impact – i.e. actual, empirically established effects – on policies and policy-making processes, both at EU and national level?* In a nutshell the key finding of these empirical chapters is this: even though none of the (80 or so) domestic actors I interviewed claimed that the OMC was revolutionising domestic social policymaking, those who are working in the areas of social inclusion and pensions in Belgium see the OMC as a useful governance template in federal, regional and local policymaking, notably with a view to coordinating complex horizontal coordination issues in cross-cutting policy areas.

Experts working in the field of health care do not share this view, as for them this strand of the OMC is largely invisible in the domestic setting. At the same time, the use of OMC tools such as indicators, targets and peer reviews has spilled over to adjacent policy areas, such as equal opportunities (see section 2.6 below). Some important nuances need to be added to this general appraisal of the Social OMC’s impact, since the OMC’s operation and impact is not only difficult to establish (there is never a smoking gun or Holy Grail that provides the ultimate proof of OMC impact). It also varies a great deal both across countries, issue-areas and time.

### 2.5 Explaining discrepancies in OMC research: adequacy versus impact

The detailed analysis of the actual impact of the Social OMC allows to answer research question 6 of this PhD: *How can one account for the variation in existing academic accounts of the impact of the Social OMC?* A first, quite evident element in the explanation is that many studies limit themselves to the OMC’s potential effect (adequacy) and simply fail to look at the actual impact of the OMC on the outcome of policies or politics. A second, and arguably the most important explanation is the fact that the Social OMC is being creatively (and selectively) used by EU and domestic actors. This PhD clearly shows that this is a strong mechanism of OMC influence on national social policies.

A third explanation for the discrepancy between the adequacy and the impact of the Social OMC is that most studies ignore the capillary effects of the Social OMC: through the involvement of a wide range of stakeholders, OMC benchmarking tools are increasingly being promoted outside the formal OMC inner circle of government and Commission officials. The fourth explanation is that most research disregards the cumulative effects of the OMC instruments – including peer reviews, EU independent expert networks, indicators, targets, country-specific messages, funding of EU studies and conferences – which in some cases produce a virtuous circle that creates considerable pressure on Member States. The fifth and final explanation is more methodological and refers to the OMC’s own dynamic: few of the studies dealing with the adequacy of the Social OMC take into account the many changes in the OMC process, including completion of the portfolio of indicators, the increased use of target setting, the enhancement of mutual learning activities, and most recently the partial integration of the Social OMC into the Europe 2020 Strategy.

### 2.6 Mechanisms of change: leverage, learning, socialization and peer pressure

The finding that the Social OMGs had a real impact on domestic social policies, at least in Belgium, raises the fifth research question that structures this PhD: *through which mechanisms*
can a ‘soft’ tool such as the OMC have any (substantive or procedural) effects on ‘hard’ domestic and EU politics? In this PhD I explain how the OMCs plausibly influences domestic policies through four related but empirically distinguishable mechanisms: creative appropriation (leverage), learning, socialization, and peer pressure.

Leverage is the most powerful mechanism through which the OMC works: national, regional and local policy entrepreneurs creatively appropriate the different instruments of the OMC toolbox and use them – alongside various other instruments at their disposal – to legitimize their own preferences. An important nuance is that creative appropriation does not simply reinforce actors’ fixed preferences: in some cases appropriation leads to a transformation of those preferences, for example by giving more attention to a previously ignored policy challenges.

A second mechanism that helps to explain how the OMC can effectively influence domestic policies, is learning. Thin learning occurs when actors ‘learn’ how to use the OMC: they readjust their discourses and funding strategies, which enables them to pursue the same objectives in a new EU context. As indicated in the previous section, such thin learning attempts is not a completely innocent choice: in several cases elites ultimately practice what they previously preached. A more systematic comparison with other countries is cited by most of the actors as one of the most important facilitator of thick learning within the Social OMC: the OMC has institutionalised awareness of policies, practices, and performances in other countries, by non-state as well as by governmental actors. The empirical chapters of this PhD equally provide examples of thick learning through ‘mirror effects’ in the context of the Social OMC. In some case these mirror effects entail a confirmation of pre-established ideas, in other cases policy makers learned that their policies looked much better on paper than in practice and that some problems had been overlooked. Most unexpectedly perhaps, learning is taking place between Regions in Belgium, as a consequence of the regular European reporting obligations. Importantly, I found that real-world social learning does necessarily follow the order of Peter Hall’s widely used model: involvement in EU-level cooperation seems to have contributed to a paradigm shift/third order change in pension policy but this has not been accompanied by significant changes in the instruments and their precise settings (first and second-order learning). A second key finding as regards learning is that in some cases tutor and learner roles change (e.g. during the course of a peer review), which suggests that at least in some of them genuine reflexive learning is taking place. In other words, homines dum docent, discunt: even when they teach, people learn.

A third mechanism of change is preference change through socialization and discursive diffusion: in this case changes do not result from systematic evaluation or actors purposefully looking for ideas or solutions to problems, but simply ‘happen’ (hence actors may not be aware of it) as a result of day-to-day events, failures or pressures on policymakers. One particular mechanism of diffusion through which the OMC has more recently strengthened its domestic impact in Belgium is the extension of the OMC toolbox itself – indicators, targets, peer reviews – to different levels of government (federal, regional and local). Perhaps even more significantly, the OMC instruments are also being used in policy areas that are outside the immediate scope of the Social OMC, as in the area of equal opportunities: not only was an OMC launched on this topic, but its use as a governance tool in this area has been codified, in 2008 in regional legislation.
Fourthly, external or peer pressure and associated practices such as recommendations and rankings, can also help to explain domestic policy changes. The empirical chapters of this PhD indeed illustrate that pressure is in general not felt as ‘soft’ at all. Actors perceived, for example, strong EU pressure to take child poverty on board as a priority issue, to prudently start monitoring and evaluation of social exclusion policies, to involve a wide variety of actors in policymaking, to start using European indicators in social policies, and finally to set quantified targets. In pensions, the OMC provides strong pressure on the need to reform, which is not necessarily felt as a good thing by all actors.

In addition to these four mechanisms, *aid conditionality* through the European Social Fund can act as a powerful mechanism for OMC domestic impact. This happen more particularly through the principles of targeting, sound financial management and (especially) additionality. Importantly, I also found that the OMC's impact is related to the degree to which domestic actors were able to influence the EU decision-making process in the first place, which again points to the importance of viewing OMC effectiveness as *reciprocal influence*, rather than as a one-way street (or cause-effect).

3. **Theoretical implications and wider relevance**

3.1 **Social Europe, Europeanisation and new governance**

As highlighted in the introduction, this PhD contributes to three sets of literatures. First, with regard to the debate about 'Social Europe', I show that the OMC is constantly being reinvented, while being constrained by past choices; the process has been firmly institutionalized, both at national and EU level and thereby became increasingly relevant as an EU policy instrument; and it has played an important part in the emergence of 'hybrid' EU governance tools that combine elements from 'hard' and 'soft' forms of governance.

This PhD also makes a twofold contribution to the academic debate about the Europeanisation of social policies, adding to the body of literature that deals with the reciprocal relationship between the EU and its Member States: a firm conclusion is that Europeanisation studies should do more than pay lip service to the uploading dimension, and bring domestic politics back into the equation of the debate. I concluded that 'misfit' is neither a necessary nor a sufficient condition for Europeanisation: actors at times actively create these misfits, if this suits them, to try and enact domestic changes.

Finally, this PhD, also adds to the debate about new modes of governance, demonstrating that the OMC also functions in the absence of a shadow of hierarchy, but is helped by the perceived existence of a 'penalty default' (i.e. something worse will happen if the OMC fails). OMC research should (1) assess the actual impact of the OMC on the ground, (2) acknowledge the possibility that the Social OMC is being used by a range of EU and domestic actors, (3) understand both the capillary and cumulative effects OMC instruments, and (4) take into account the many changes in the OMC process.
3.2 Wider relevance and next steps

This PhD deals with one form of ‘soft’ governance, which I define as (a) an assemblage of processes that aim at giving further effect to Community norms, objectives and policies which (b) do not operate primarily through formal mechanisms of command-and-control (even if governance is increasingly interwoven with other policy instruments), but rather through reporting, reviewing and monitoring and which (c) may can have effects on EU and Member States’ policies through leverage, learning, socialization and peer pressure.

While the finding that the Social OMC has a considerable impact in Belgium is likely to come as a surprise to policymakers, academics and stakeholders alike, it is plausible if one considers that Belgium can be seen as a most likely case in terms of OMC usage and impact. ‘Soft’ instruments such as the OMC indeed fit well with the (still) on-going gradual reform process of the country’s institutions and its social policies. The OMC also fits well with the Belgian informal decision-making culture and is in tune with the positive attitude towards the EU in general (e.g. trust of the population in the EU) and repeated calls for stronger EU involvement in social policies more particularly.

The question then is: how relevant are these findings in a comparative perspective? While this PhD was largely focused on the Belgian case, chapter 6 provided a systematic comparison of the operation of the Social Inclusion OMC in Belgium and France. Target setting was found to be a new feature of social inclusion policy making which has been introduced through the OMC in both countries (even if this happened at a slower pace, and largely covertly, in France). Participation in the OMC raised the profile of the poverty issue on the political agenda in both countries, and it increased the focus on activation in French social inclusion policies. Perhaps most importantly, I found compelling evidence that the social inclusion OMC pushed child poverty as a new issue onto the policy agendas in Belgium and France alike, despite rather strong initial resistance in both countries. Finally, the social inclusion OMC also served as inspiration for the French national administration to redefine its new coordinating role in the context of decentralisation.

There is therefore no reason to assume that Belgium is an odd case, and that the impact of the OMC would be very different in other Member States. This is confirmed by a recent comparative assessment led by the Public Policy and Management Institute, which involved in-depth country studies on five countries, while providing additional evidence from five additional cases (PPMI 2011). The comparative chapter of the study finds that the Social Inclusion OMC, as the oldest and most institutionalised of the three social OMCs, affects all of the ten EU Member States reviewed in the study. Crucially, both the abovementioned OMC assessment and the review of the existing literature have made it quite clear that the impact of the OMC varies substantially between Member States and may merely represent a bureaucratic exercise in some countries, notably when it is not being picked up by domestic actors to (selectively) amplify national reform strategies. As explained in the previous sections, OMC was never a panacea: whether it works will always depend on who engages.
Conclusion

This thesis illustrated the premise that the Open Method of Coordination has shown a great deal of elasticity (some would say instability) since it was formally launched in 2000: through the different stages of its life so far - experimentation, streamlining, maturity, reinvigoration and integration – the actors driving the process creatively adapted at times reinvented the procedural routines to changing political circumstances. Rather than abandoning legislative responses, EU institutions pursue these more classic modes of implementation and enforcement alongside the array of governance mechanisms available to them. One of the most recent and innovative developments in mutual learning in the EU’s Europe 2020 Strategy indicates that the actors involved in the Social OMC continue to reinvent the process so that it remains relevant for them. This innovation consists of the so-called ‘ex ante reviews’ of prospective social reforms that are now being conducted by several EU Committees.

It seems that the OMC is here to stay because it serves the different purposes of many actors, even if it changes its appearance and toolkit, and even its name: the term OMC became rather rare in European documents after 2005, but has made a gradual comeback since 2011. Currently the Social OMC continues to play its parts both as an integral part of the Europe 2020 strategy and as a parallel process to it. Its future seems equally guaranteed in Belgium, in view of the sixth reform of the Belgian State, better known as the Butterfly Agreement of 11 October 2011. This reform, which is currently being implemented, will significantly extend regional competences in Belgium in social policies. In other words the need for policy coordination – both internally and vis-à-vis the EU – will further increase. If extensive regional capabilities in Belgium continue to coincide with a high level of cooperative behaviour, the new reform that is currently being implemented may even raise the prospect of an OMC for all policies – going beyond social policymaking – in Belgium.

Whether this happens will ultimately depend on how attractive the tool remains for policymakers. Indeed, in contrast to earlier accounts of the OMC as a largely bureaucratic (administrative) exercise, this PhD highlighted the highly political nature of the Social OMC, which at every step of its emergence, institutionalisation and operation leads to fierce opposition, debate and bargaining. This PhD has shown that OMC in different policy areas is felt and perceived as being much ‘harder’ than could be expected. Non-binding measures are far from being perceived as irrelevant by the Member States and the decision-making process leading to their adoption involves ‘hard politics of soft governance’. At the same time, this makes OMC highly vulnerable to political preferences in the Council as well as at Member State level. In view of the importance of creative appropriation in the operation of the OMC, its continued relevance will only be materialised if investments are made, by the European Commission and national decision makers alike, in the real involvement of stakeholders, who find themselves increasingly a at the margin of the process. This is indeed what will determine whether and if so, how, actors consider that the OMC it can be used for agenda-setting, conflict resolution, maintaining focus on a policy issue and developing a policy dialogue.
Bart Vanhercke, Master of Science in Sociology, is Director at the Brussels-based European Social Observatory and therefore in charge of the broad research strategy, the internal organization of the team, managing the budget, and overseeing the OSE communication strategy. He was appointed as Policy Fellow at the Institute for the Study of Labour (IZA Berlin) in November 2015. His current research focuses on the social dimension of the new European economic governance, a topic on which he also works as associate academic staff at the Centre for Sociological Research (CESO), the University of Leuven. Earlier research experience dealt with the Europeanization of domestic social inclusion, health care and pensions policies through different EU policy instruments (law, governance and financial instruments) and the social challenges of EMU and EU enlargement. Bart Vanhercke was appointed, for the academic year 2013-2014, Associate Professor at the Institute for European Studies of the Saint-Louis University (FUSL). During the past decade, he has been writing a PhD at the University of Amsterdam (Amsterdam Institute for Social Science Research - AISSR) on “Inside the Social Open Method of Coordination: the Hard Politics of ‘Soft’ Governance”.