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Against the odds. The Open Method of Coordination as a selective amplifier for reforming Belgian pension policies*

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Abstract: Tackling pensions' problems means engaging with what Pierson (2001) has called ‘immovable objects’. Additionally, the EU competence for drafting specific legislation in this area remains unfulfilled potential, while EU legislation in other policy areas creates indirect pressures on national pension policies. Under such circumstances it seems that the room for an effective European intervention in the domain is limited, especially for “soft” modes of governance such as the Open Method of Coordination on Social Protection and Social Inclusion (SPSI). The pension's strand of the SPSI OMC is often referred to in academic writings as a bureaucratic nightmare which only involves experts and technocrats, even if some cognitive effects have been acknowledged. I take issue against the view of the OMC as mere window dressing. This chapter argues that OMC is “effective” in that it provides opportunities to create policy windows of opportunity which EU and national policymakers use in their efforts to discuss, manage and reform pension systems. Building on John Kingdon's (1995) theoretical framework and applying it to both the EU level and the (most likely) case of Belgium, I conclude that the pension OMC influences, against the odds, three core streams of the policy formation process. First, OMC influences the acceptance of compelling problems so that decision makers pay serious attention to them; secondly, OMC brings about changes in the political stream; and thirdly OMC makes certain ideas ‘take hold and grow’, so that they matter (more) in the policy soup. The core mechanisms through which OMC operates are puzzling, through deliberate learning and de facto socialization, and powering, through usage of the OMC architecture and peer pressure as a result of comparisons with others.

Keywords: open coordination; social policy; soft law; European social model; trade unions; participation; agenda-setting; governance; ideas; Europeanization; policy learning; benchmarking; Belgium; political science

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1. Soft law versus sticky entities

It may seem odd to devote a whole chapter to the Europeanization of pension policies through soft law. After all, the mature arrangements of European pension systems create huge electoral incentives as well as lock-in effects which make certain courses of action hard to reverse once they have been initiated (Natali 2007a).

So how could the European Union (EU) have any influence *at all* on such sticky entities, knowing that both Member States and EU institutions are heavily restricted not only in terms of their willingness, but also their ability to draw up European legislation in this area? To be more precise: Since the entry into force of Article 137 of the Treaty establishing the European Community (EC), the high hurdle of unanimity which was introduced for EU social security law (including, *e.g.*, with regard to minimum rules in statutory pension schemes) has never been surpassed, and so the competence for drafting legislation on this legal basis remains "unfulfilled potential" (Reyniers et al. 2010).

And yet, the absence of "pure" social security (pension) legislation did not prevent the EU from becoming an active player in the area of pensions through a variety of instruments.

Firstly, EU legislation in several policy areas affects pension policies. This occurs, amongst others, through the coordination of social security schemes and gender equality directives, with which national statutory social security rules must comply. The dynamics of market integration have also created indirect pressures on national welfare states: *de jure*, through the imposition by the European Court of Justice (ECJ) of market compatibility requirements (applicable to private insurance services, including complementary pensions); and *de facto* due to the forces of economic competition in an integrated market (Leibfried and Pierson 2000). In other words, the pensions' field provides another illustration of Leibfried and Pierson's key insight that the process of European integration has eroded both the sovereignty (legal authority) and autonomy (*de facto* regulatory capacity) of Member States in the realm of social policy (ibid.: 268).

Secondly, the indirect pressures on national welfare states have spurred "soft" modes of EU governance which have specifically addressed pension policies. This chapter examines whether one such instrument, namely the Open Method of Coordination (OMC), has influenced European debates and played a significant role in the domestic pensions' policymaking process.

But let us begin (section 2) with the historical development of Europe's best-kept secret, the Social Protection and Social Inclusion OMC (SPSI OMC), which incorporates a pensions' 'strand'. Section 3 discusses the contrasting views in the literature on the pension OMC's effectiveness. Section 4 conceptualizes the 'black box' of OMC influence on the EU and domestic policymaking process, thereby providing the necessary theoretical perspective, while explaining the case study and research methodology. Section 5 examines the pension OMC 'in action' at the EU level, assessing its effectiveness in Belgium. The final section presents conclusions.

2. The soft governance of pensions in Europe: where it all began

Even though the label "open coordination" came to light almost a decade ago, the actual *practice* of co-ordinating pension policies at EU level was by no means introduced by the OMC. Conceptually the OMC finds its roots in the Broad Economic Policy Guidelines (BEPG) introduced by the Treaty of Maastricht (1992), which involved non-binding recommendations from the Council on Member States to monitor the consistency of national economic policies with those of the European Monetary Union. In the context of the BEPG, in

1999 the Member States were invited to “review pension and health care spending in order to be able to cope with the financial burden on welfare spending of the ageing population” (Council of the EU 1999).

The “market” discourse on pensions in Europe was further strengthened by the High Level Group on Complementary Pensions, which started work at the beginning of the 1990s (CEC 1991), thereby spurring the Council of Ministers of Labour and Social Affairs to reach a political agreement, in November 1999, on a “Concerted Strategy on Social Protection” (Interview CEC3), as well as to organize work around 4 key concerns of the Member States, the 2nd of which was “to make pensions safe and pensions systems sustainable” (Council of the EU 2000)(1).

In the meanwhile, the “economic” players continued to assess pensions from the “financial sustainability” perspective: In November 2001 the Economic and Financial Affairs (ECOFIN) Council discussed a report prepared by the Economic Policy Committee (EPC) on the “Budgetary Challenges posed by Ageing Populations” (EPC 2001), in which it addressed the expected increase in public pensions spending by 2050, and confirmed itself as a regular player to be reckoned with on the pensions’ scene.

In response, the “social affairs” players speeded up their work: Sooner than requested, a “Joint Report” of the Social Protection Committee (SPC) and the EPC on “Objectives and Working Methods in the Area of Pensions” was adopted (SPC and EPC 2001), and politically rubberstamped by the Social Affairs and ECOFIN formations of the Council of the EU (December 2001). The Joint Report on Objectives and Working Methods established a set of 11 broad common objectives that Member States should pursue in their pension policies, relating to the adequacy, the financial sustainability and the modernization of pension systems.

After the Barcelona Spring European Council (March 2002), Member States started to prepare their first National Strategic Reports, which were followed by the first Joint Commission/Council Report on Pensions (CEC and Council of the EU 2003). The European Council in March 2003 welcomed the Joint Report and confirmed that the OMC was there to stay and not a one-shot exercise (European Council 2003: §49). In 2006 the pensions OMC became one strand of the overarching (“streamlined” in the EU jargon) SPSI OMC, which also covered social inclusion, as well as health care and care for the elderly (Council of the EU 2006).

The issue of whether this impacts on policy outcomes, is addressed in the next section.

3. Accounts of the pension OMC in action

Existing reviews of the ‘state of affairs’ in academic writing on the OMC provide contrasting findings about the value-added of this soft mode of European governance (Heidenreich and Zeitlin 2009; see also Kröger this issue). But does this confusion about its effectiveness also apply to the pension strand of the SPSI OMC? The answer, in short, is yes it does.

The dominant view of the pensions strand of the SPSI OMC in academic literature is that of a bureaucratic nightmare merely involving experts and technocrats, ineffective as a learning instrument. According to Lodge (2007: 358) the basic operational infrastructure for the pensions OMC “has been found wanting: standards had no directing capacity, information-gathering offered only very little truly comparative information to encourage ‘benchmarking’ or ‘learning with others’ and voluntary adjustment pressures seemed hardly present”. Eckardt (2005: 262) finds that the “OMC on pensions contributes only to one aspect of policy learning (i.e. on information gathering and dissemination), while its influence on actual pension reforms by actively pushing policy transfer seems to be very small”. Others raise serious questions about the democratic quality of this OMC strand which “fares even worse” than the European Employment Strategy (EES) when assessed according to the criteria of transparency, public debate, learning and participation (de la Porte and Nanz 2004: 278). Natali and de la Porte

(2004: 15) equally question the effectiveness of the pensions OMC, among others because the process is not at all visible in the national arena and peer review sessions only allow for a superficial exchange of ideas (ibid.: 14).

Radulova (2007: 13) assesses the structural features of this OMC and classifies it as a “lighter” OMC (as compared to ‘heavier’ variants such as the EES) in terms of the Member State compliance requirements. It should be stressed in this context that there are still a number of methodological problems(2) with the pension OMC indicators, which only cover some of the dimensions dealt with in the OMC context. This is in striking contrast to the statistical tools available for the social inclusion OMC and the assessment of the financial sustainability of pension systems in the context of the BEPG (SPC 2006). When studying the process of pension reform in Greece in the context of the ‘soft’ policy constraint emanating from the EU, Featherstone equally finds that the OMC process lacks the strength to provide a stimulus to domestic reform (Featherstone 2005: 746), especially since it is faced with near ‘immovable objects’ (ibid.: 747). More generally, Featherstone finds that the impact of EU pressures has not been central to Greek pension reforms. Finally, a UK SPC member testifies that “this strand of the OMC has been a bureaucratic exercise aimed at reporting, of no particular value to the UK” (Interview SPC5).

As with general OMC assessments, other accounts – or different facets of the same account – provide a rather different perspective on the pension OMC’s ‘effectiveness’. Thus, Featherstone (2005: 746) argues that “the OMC coverage of pensions affects Greece’s interest in reform (credibility, reputation), while serving to impact on domestic ideas (policy learning, mimicry, benchmarking)”. Different interviewees point to the role of the OMC in the recognition of policy problems in France (Interview SPC1, Interview CEC1) and Germany. The latter played a key role during its last EU Presidency in attempting to strengthen the learning dimension of the SPSI OMC (Interview CEC1), which would have stimulated auto-evaluation in pensions (Letzner and Schmitt 2007). According to Fuchs “drafting the National Strategy Report was not at all ‘business as usual’” in Germany as it led to enhanced cooperation between the social and finance ministries (Fuchs 2003: 6), while introducing the new experience of handling “governance by objectives” in German social policymaking (ibid.: 8).

According to Eckardt “the various OMCs, including that on pensions, make an important contribution. They provide a forum for the Commission and the various subcommittees involved to develop a commonly accepted European social-policy paradigm” (Eckardt 2005: 263). Perhaps this is why the pension strand of the SPSI OMC is actively supported by organizations such as AGE, the European Older People’s Platform which continues to inform its members about OMC procedures and ways to increase their involvement in the different stages of the OMC process (AGE 2008).

4. Theoretical perspectives and research methodology

The opposed interpretations of the pension OMC's impact at national level described in the previous section can to a large degree be attributed to the absence of an agreed analytical framework for such an assessment. This section therefore raises the key question: How should we understand the OMC’s influence on EU and domestic policymaking processes?

In a nutshell, this chapter will argue that OMC is effective if, in the words of John Kingdon (1995), it provides opportunities to create a policy “window of opportunity” – an opportunity for policymakers to push forward their pet solution or problem. In operational terms, I will assess whether the SPSI OMC influences three important streams of the policy formation process, at EU level and in Belgium: the recognition of policy problems, the political playing field and the generation of policy alternatives.

The first stream, *problem recognition,* raises the question as to why, at any given time, certain problems capture the attention of policymakers while others do not. Put differently: *How* do problems come to be recognized, and how do *conditions* come to be defined as *problems*. Following Kingdon, I will investigate whether the pension OMC plays a role in bringing problems to the attention of policymakers through:

- the use of *indicators* (to assess the magnitude and changing dimension of a problem);
- the *repackaging* of problems into new categories (since people perceive problems quite differently when put into one category rather than another);
- *comparisons* with other countries (taking domestic experience to create an international perspective);
- *focusing events* (e.g. a "crisis", or labelling a situation as such) and;
- *feedback* on the operation of existing programmes (systematic monitoring and evaluation, studies on particular topics, informal feedback).

The policy agenda is also determined by the *political stream* of the policymaking process. Even if I do not contend that the pension OMC has any effect on components of this stream such as the public mood, pressure group campaigns, election results or changes in government (ibid.: 145), one could postulate that the OMC influences other aspects of this stream:

- changes in *interest group support* (e.g. trade unions);
- *empowerment* of new actors in seizing a place at the negotiation table (e.g. non-governmental organizations);
- *setting precedents* in terms of political practice (*ways of doing things*) which creates spillovers into adjacent policy arenas.

Still according to Kingdon the generation of *policy alternatives* by political entrepreneurs (the third stream of the policy process) resembles a process of biological natural selection: "Many ideas are possible in principle, and float around in a "policy primeval soup" in which specialists try out their ideas in a variety of ways" (ibid.: 19). More important than understanding *where* these ideas come from (they come from a plethora of different sources, and so tracing the ultimate origin of an idea "turns out to be futile", ibid.: 73), the more relevant question is: *Why* do certain ideas survive, while others do not? I will postulate that the OMC influences whether or not certain ideas or policy alternatives take hold and grow through:

- the *gradual accumulation of knowledge and ideas*;
- the *recombination* of already familiar elements by *credible actors*;
- *softening up activities* (policy speeches, floating trial balloons, seminars etc.) culminating in a "tipping" phenomenon: An idea gradually catches on through persuasion and diffusion.

These mechanisms make it clear why Kingdon considers that policy entrepreneurs, who broker people and ideas, are more important than inventors: "Because recombination is more important than invention, there may be 'no new thing under the sun' at the same time that there may be dramatic change and innovation" (ibid.: 201). Concretely: "new" policy alternatives may in fact be "familiar" ideas that had never made it to the decision-agenda, but which for some reason become seriously considered by decision makers.

It is important for our study that the streams of problems, politics and policies in Kingdon's model "are largely independent of one another, and each develops according to its own dynamics and rules. But at some critical junctures the three streams are joined, and the greatest policy changes grow out of that coupling […]" (ibid.: 19). I will postulate that in some cases the OMC contributes to creating the conditions for such a *coupling* of the problems, politics and policy streams by political entrepreneurs which

- (a) play a key role in the decision-making process and
- (b) are familiar with OMC instruments and practices.

Even if Kingdon's model is helpful in showing us *where to look*, it does not really explain how the OMC's influence *actually works*. It is necessary therefore to complement the model with different governance mechanisms. The most important mechanism is strategic "usage" of the OMC by domestic actors (Jacquot and Woll 2003). *Usage* refers to the transformation of EU resources into political practice with the intention of pursuing a specific goal: influencing a particular policy decision, increasing one's capacity for action, one's access to the political process or the number of tools available (Jacquot and Woll 2003:6). One could indeed expect boundedly rational actors to use the OMC to legitimize their own preferences, advance their agendas, criticize official positions, demand increased participation in governance, underpin bargaining arguments during budgetary negotiations etc. (see Weishaupt this issue).

A second mechanism is *socialization and discursive diffusion*, i.e. the incorporation of European categories and concepts into the domestic debate through OMC involvement. As using the OMC may alter the ideas, norms and beliefs of the actors involved through learning, they sometimes – for example when persuaded by the arguments and evidence – incorporate such concepts into their domestic sphere. When referring to the notion of learning, I mean changes in the cognitive and normative orientations of policy actors as a result of past experience and new information(3). In the area of pensions, for example, normative considerations concern the question of fairness and solidarity when changing early exit schemes.

Mutual learning is a similar mechanism that can explain procedural changes and substantive shifts, through "a combination of enhanced awareness of different approaches and performance standards elsewhere on the one hand, and reflexive self-assessment, including improvements in institutional capacity for information gathering and monitoring on the other" (Zeitlin 2005: 479). An important difference between mutual learning and discursive diffusion is that the former is a *deliberate act* on the part of the person learning, while the latter simply "happens" by participating in the process (for a more in-depth discussion of learning accounts, see Hartlapp this issue, Pfister this issue).

Finally, *external or peer pressures* and associated practices, such as recommendations and 'rankings', can help to explain how the OMC could theoretically impact on the policy process.

Figure 1 summarizes the theoretical perspectives I use to examine the operation of the pensions OMC. The OMC's toolbox (reports, indicators, targets, peer reviews etc.) is adopted by EU and domestic actors with a view to selecting particular problems and choosing favoured solutions (*powering*): This occurs through different kinds of *usage* and *peer pressure*. But "[P] olitics finds its sources not only in power but also in uncertainty – men collectively wondering what to do. […] Governments not only 'power' (…); they also puzzle" (Heclo 1974: 305); actors thereby identify problems through socialization and learning (*puzzling*). In doing so, they affect three streams of the policy formation process: the recognition of policy problems, the political playing field and the generation of policy alternatives. In some instances, actors will be able to join these streams and create a policy window of opportunity, so that they can push forward their agenda or proposal.

Figure 1

One last element needs to be added to the conceptual framework: Actors' experiences with the OMC will *feed back* into the EU-level process. Indeed, if actors experience policy misfits between the EU and domestic levels, they will try to push their preferences up to the European level (for a discussion of the factors explaining Member States' ability to intervene in SPC discussions, see Horvath this issue). This way they reduce – at least in theory – compliance problems, and the associated adaptation costs (Caporaso et al. 2001: 7). And yet I will postulate that the OMC's domestic influence does *not* depend on the actual *success* of Member States' uploading efforts, but is in fact related to the degree to which domestic actors have been *actively engaged* in the EU decision-making process and therefore have subjective *ownership* of (or: are committed to) the process. This casts further doubt on the usefulness of the fit/misfit paradigm (Börzel 2003: 3) to explain domestic adaptation pressures as a result of EU soft law initiatives.

The conceptual framework developed above will be applied to one particular country which I consider to be a most likely case in terms of OMC impact, i.e. Belgium. The main reason for this is that in terms of its temporal dynamic "the self-transformation of the Belgian social insurance system, due to the particular institutional make up of the Belgian polity, proceeded gradually, cumulatively and effectively by stealth" (Hemerijck and Marx 2009: 10). I will postulate that soft instruments such as the OMC fit well with such a gradual reform process, and with the Belgian informal decision-making culture. Additionally, there is a positive general attitude towards the EU in this small Member State, which played a key role in 'shaping' the basic architecture of the pensions OMC at the EU level in 2001 (arguably creating a certain 'commitment' to the process). These features, together with the fact that in the years following the launch of the pensions OMC several important debates were launched and decisions were taken in the pensions arena, and (especially) pre-retirement, make Belgium a particularly interesting case study.

The empirical evidence of the case study is drawn from (national and European) official documentation, secondary literature as well as in-depth interviews with more than 30 decision makers in Belgium and at EU level. These elite interviews took place in a flexible 'semi-structured' setting. Almost all interviewees accepted that the interview would be recorded and transcribed, under condition of confidentiality, hence the anonymous reference to the respondents' institutional affiliation (see Annex).

5. Assessing the effectiveness of the OMC in action

5.1. The pensions strand of the SPSI OMC: operation at EU level

This section discusses whether the SPSI OMC impacted on the *European* initiatives in the field of pensions. I trace OMC influence on the three policy streams described in section 4: the recognition of policy *problems*, the *political* playing field in the field of pensions, and the generation of *policy alternatives*. In order to understand *how* the OMC matters, I highlight the actual mechanisms which bring about these changes: usage, peer pressure, socialization and learning (see Figure 1 above).

As suggested in the literature review above, there is widespread agreement among actors that the pensions OMC had at least one 'effect' at EU level, namely that it enabled the *recognition* of the "social sustainability" of pension systems as a legitimate *policy problem* (Interview TU/SOC; Interview SPC3; Interview CNT3; Interview MINCAB3). As one of the founding fathers of this OMC put it: The recognition that "the pensions challenge is not a financial challenge with some social constraints, but a social challenge with financial constraints" (Vandenbroucke 2001) allowed for a more balanced EU discourse in which the social dimension acquired a legitimate place. This can be seen, for example, in the EU Common Objectives on pensions as well as the SPSI OMC *indicators* (including calculations of pension replacement rates and risk-of-poverty rates among pensioners).

Note that a knowledgeable EPC-member underlines that "The Economic Policy Committee saw the OMC as a means to transfer the recognition of the sustainability issue to those responsible for reforms. That was the main interest for our Committee to engage in this process" (Interview PLAN1). A Belgian SPC member confirms: the "OMC gave a legitimate basis to these 'economic' messages, now that they are backed up by the 'social' wing of the process (Interview SPC4). The fact that regular reports are drawn up *jointly* by the SPC and the EPC (see section 2) was key to this: The feedback that was provided on the (poor) performance of Member States' pensions systems was considered to be far more legitimate (since the SPC and DG Social Affairs of the European Commission were involved) than previous reports that emanated from the EPC alone. Or from the Organization for Economic Cooperation and Development (OECD) for that matter: Neither institutions were really *trusted* (and as a consequence rarely used) by social actors (Interview PLAN2, interview EMPL/FEB).

This recognition of 'social sustainability' as a policy problem did not just 'happen' through the OMC: It was engineered by a number of policy entrepreneurs. Thus, at the beginning of the EU process, the European debate on pensions was presented (in terms of discourse) by the European Commission as an "ageing of population" problem, which reduced the political sensitivity of addressing this issue at the EU level. This can be seen as an illustration of *repackaging* (by political entrepreneurs) of problems into new categories.

Also note that from 1999 until 2002 the activities of the European Round Table of Industrialists chaired by Carlo De Benedetti(4) acted as *focusing events* in that, through conferences, reports and recommendations for action which received considerable public attention – they portrayed European pension systems as a "time bomb" that needed to be "defused" in view of the increasing burden on taxpayers and the competitiveness of European industry. As a reaction, policy entrepreneurs involved in the pensions OMC organized several informal Council meetings(5) and high-level international conferences (for example Leuven(6) and Berlin(7)) with keynote speeches by policy entrepreneurs which produced trial balloons that were underpinned by scientific reports (e.g. Esping-Andersen et al. 2002; for other examples, see Kröger this issue). All of this was done in an effort to pave the way for the newly-acquired issue of "social sustainability" in the area of pensions.

The EU *political playing field* in the field of pensions was arguably changed through the OMC as well. The joint approach to pensions brought a *new set of actors* to the debate, namely the Social Affairs Council formation and the SPC. As illustrated in section 2, the active stance of the ECOFIN Council provided a real 'push' for social affairs ministers to claim their role, speedily(8). In political terms it was important that the European Council demanded – at the request of the Social Affairs Council – that "the results of the Open Method of Coordination be integrated into the Broad Economic Policy Guidelines" (European Council 2001), which some saw as the confirmation, at the highest political level, of the 'say' of social ministers in the EU pensions debate. According to the former president of the EPC's Working Group on Ageing (WGA), the BEPG were indeed altered by the involvement of economic actors in the OMC (Interview PLAN1). Others claim that this event marked the ultimate subordination of the social OMCs to the EU economic and financial coordination processes. This is perhaps why the European Federation of Pensioners and Elderly People (FERPA), which is closely associated with the European Trade Union Confederation (ETUC) does not see this OMC as a strategic tool at all, but rather an "attempt to increase flexibility while scrapping or reducing social benefits" (FERPA 2005). Note that ETUC is prudently taking on a more positive attitude towards the OMC, which in its view could contribute to bolstering social cohesion (ETUC 2006).

In the slipstream of the social affairs ministers, other actors seized the opportunity to claim a place at the EU table, the most important one being the European Commission. Several interviewees indeed point to the important role of this institution in the process, which skilfully uses the OMC to expand its influence. An SPC member even refers to the "dominance of the Commission, which pushes through its own agenda" (Interview SPC4).

Another newcomer is AGE (which is co-financed by the European Commission) which draws legitimacy from (or to put it bluntly: it owes its existence to) the OMC to take an active part in the EU debate. Note, however, that no AGE representatives (nor those of any other social partner or civil society organization) participate (even as observers) in SPC or EPC meetings (Natali 2007b: 19).

Finally, it would seem that the political support for soft governance in the field of pensions has *spilled over* into adjacent policy instruments: Directive 2003/41 on the activities and supervision of institutions for occupational retirement provision, for example, uses OMC-types of mechanisms (exchanges of experience, benchmarking) to implement this EU legislation (Amitsis 2004).

Let us now examine the generation of specific *policy alternatives*. The overall framework promoted by the OMC is the 'three-pronged strategy': sustain sound budgetary positions, reform pension systems, and raise employment rates. As regards pension reforms, the pensions OMC has further strengthened certain policy alternatives:

- the issue of financial sustainability
- a new division of pension pillars (increasing occupational and private insurance),
- a hybrid model of pension, including a focus on minimum guarantees (Ervik 2006).

These ideas are being passed through multiple 'softening up' activities such as the production of studies and seminars. For example, the pensions section of the 2007 Joint Report highlights the recent work carried out on indicators (replacement rates) as well as on the results of "in-depth analyses" carried out on two topics: the design of minimum income provisions for older people and the link between flexibility in the retirement age and longer working lives (SPC and CEC 2007). As was the case in the policy recognition stream, interviewees underscore the crucial importance of the fact that policy alternatives are now being formulated *jointly* by social affairs *and* economic players. This joint decision-making gives new legitimacy to familiar ideas that have not yet made it to the decision agenda (including with regard to raising minimum pensions and the partial privatization of pensions), and increases their chances of being seriously considered as conceivable policy.

5.2. Domestic use of the pensions OMC: report from Belgium

The most significant impact of the SPSI OMC in Belgium can be found in *the recognition of policy problems* stream. In almost all interviews I conducted the basic fact was raised that the OMC facilitates the comparison of performance with other countries, which has become regular practice. A key figure in the Belgian National Labour Council explains:

> "In the Group of 10 [consisting of leading trade unions and employers' representatives, BV] European statistics and studies are always kept an eye on. After all they make it possible to see how Belgium is doing with regard to other countries. Without saying it, without even realizing it, we 'do' Europe" (Interview CNT2).

Note that these comparisons are not always 'out in the open', as one academic involved in drafting the 2003 reform of the 2nd pillar explains: "Even if the inspiration from abroad is evident, it happened entirely under the radar. In one meeting the minister explicitly asked us not to refer to what we had learned from these foreign comparisons" (Interview AC1).

But is there a link between these EU comparisons and the OMC? At first sight, Belgium did not need the OMC to raise the issue of the financial sustainability of its pension system: The BEPG and the OECD had already done a fine job in this regard. And yet, key actors confirm that *feedback* on the operation of existing pension policies through *systematic monitoring*, evaluation and studies on particular topics raised awareness of budgetary constraints among a new elite of actors, i.e. those involved in pension policies (and not merely the economic actors, who were already convinced). To give one illustration: OMC indicators, in combination with pressure from the European Employment Strategy, have made the magnitude of the early-retirement problem crystal clear to Belgian social policy makers and contributed to an important mind-shift among trade unions. As two members of the Employment Committee (EMCO) explain: "The European reference framework led actors to accept early retirement as "the Belgian problem" and no longer as "the Belgian model" (Interview EMCO4, Interview EMCO3).

One illustration of the penetration of pension OMC indicators in the domestic setting is the fact that the low (and decreasing) replacement rate of Belgian pensions has become an issue that is being studied, for the first time, by the influential Study Committee on Ageing (Interview PLAN2). Although the finding that replacement rates did not follow the evolution of prices was not new, OMC indicators and debates made it possible to *repackage* it under a new category (social sustainability), with a comparative perspective. A key negotiator confirms how important such *usage* of OMC sub-instruments can be to raise an issue to the decision agenda: "If the trade unions can highlight that the 'older' pensions are 10 per cent behind with regard to other pensions, and that the latter are relatively low in comparison to other countries, then they have a very strong point. Without the OMC that would have been much more difficult" (Interview CNT3).

Again, it is clear that pressure emanating from the OMC does not automatically "fall" in the domestic arena: Thus a former Head of Cabinet(9) reports that in 2003 the minister for pensions gave specific instructions

> "not to entirely evacuate some of the wordings proposed by the Commission about abandoning pre-retirement, since they would be useful in the near future. After all the minister felt that not enough people were ringing the alarm bell as far as the future of our social security system is concerned" (Interview MINCAB5).

The fact that the Commission suggested that part of Belgium's pension strategy was in crisis can be seen as a *focusing event* which was very much welcomed, and partly engineered, by some of the domestic decision makers.

Surprisingly enough, the SPSI OMC also seems to have ended up in the *political* stream of pensions policymaking in Belgium. At a very general level, the EU focus on the need to reform is very strong, which in itself becomes an argument in political negotiations: Comparisons with other countries through joint econometric hypotheses reinforce the legitimacy of reform, as they often show that the Belgian pensions system is "immobile" (e.g. in comparison with Sweden or The Netherlands). As a member of the Planning Bureau puts it: "Member States can no longer hide behind incomparable numbers, they are very quickly faced with their responsibilities […] these systems have become rather transparent" (Interview PLAN1). The EU's role in legitimizing reform amongst *interest groups* cannot be overestimated. According to this key trade unionist: "When there is a European debate about a certain issue, this allows for the creation of a context in which one can convince others that that there is no other option than to talk about it and to find an agreement" (Interview TU/SOC). As a result of this EU pressure on pension reform, "everyone, including the trade unions, now realizes that we need a second reform, and after that a third reform" (Interview PLAN1).

But what happens *concretely* to the OMC in the political stream? An example may illustrate this point: The increase of the minimum income for elderly people ('GRAPA' in French(10)), in December 2006. A former Belgian Minister for Pensions explains that:

> "Sometimes the OMC can be usefully applied in the national debate. For example, we legitimized the increase of the GRAPA by pointing out that the benefit levels were below the European risk-of-poverty line. Probably no one would dare to turn back that decision, since it would give the message that older people are pushed below the poverty line once again" (Interview MINCAB1).

The European risk-of-poverty norm, which was developed in the context of the Social Inclusion strand of the SPSI OMC, acquired a broader mobilizing character (Hamel and Vanhercke 2009), as can be seen in the fact that in the summer of 2007 a legislative proposal was laid down in the Belgian Senate with a view to raising the minimum pension for independent workers to the GRAPA level, the main argument being that it would be intolerable for retired independent workers to be left to live below the European poverty line. The director of the study service of the Christian Trade Unions adds: "At our congress in 2002 we demanded that all the minima in social security be raised to 60 per cent of the median income" (Interview TU/CHR). In other words: The political practice of using the EU poverty norm as a reference has *spilled over* from the SPSI OMC into a number of adjacent policy areas. A different kind of spillover from the OMC "ways of doing things" can be seen in the National Labour Council: "By being formally consulted about the OMC in 2001, we became aware that all of this is not so soft after all, that it could have serious consequences. Before we were consulted about the OMC, Europe did not exist in this institution" (Interview CNT1). So, surprising as it may seem, "soft law" raised awareness about the EU as an important policy arena in this central domestic institution.

Interviewees also point to another effect of this OMC in the political stream, namely its incremental contribution to changes in *interest group support* (namely from trade unions) for pre-retirement measures (see above), something that remains a politically salient issue in Belgium. The careful reader will have noticed that I have not talked about the *empowerment* of new actors in this section: It would seem that the pensions OMC only provides leverage to those policymakers and stakeholders who are already in the "inner circle" of decision-making. As national ministries have acted as gatekeepers of the process (see López-Santana this issue) it has not yet brought new actors to the table (see Dawson this issue). A top civil servant explained that when she proposed to "open up" the writing of the National Strategic Report, the cabinet answered "we are not going to interview all pensioners, are we?" (Interview MIN/SS). And when asked which stakeholders could be interested at the national level, a senior Commission official answered "well in pensions the clear actors are the social partners and possibly *all sorts of pressure groups*" (Interview CEC2). In other words: "Opening up" this strand of the OMC does not seem to be high on the priority list of domestic or EU-level actors.

As far as the generation of *policy alternatives* by policy entrepreneurs is concerned, there seems to be wide agreement among key Belgian players that the pensions OMC promotes a focus on a minimum pension, a 3-pillar pension model (in Belgium as in other Member States this means: increasing the 2nd and especially the 3rd – private – pension pillar), and the actuarial neutrality of pension systems (Interview MIN/SS; Interview SPC4; Interview PLAN2). Note that these are market-correcting as well as market-enhancing reforms. According to one Belgian SPC member "it is the Commission that distils these key messages from the melting pot of very diverse policy initiatives and orientations of the Member States; namely those messages which resonate with the Commission's concerns" (Interview SPC4). According to the same Belgian SPC member "it has become increasingly difficult to change one word in the discourse of the European Commission" (ibid.).

Crucially, actors explain that the generation of policy preferences through participation in the OMC does not happen overnight, but gradually. One key actor explains:

> "Those who think that the agenda of the inter-professional agreements has been adapted to the European agenda are definitely wrong. But one can imagine Europe's influence as a trickle-down effect: Europe diffuses slowly and calmly, which allows certain issues to be brought to the table, some of which suit us, others do not" (Interview TU/SOC).

Or, as one (OMC-critical) representative of the Belgian employers' puts it: "The OMC has produced a number of fancy studies about pension systems in the Member States, and that's it. […] But then again if a message is repeated often enough, it frames our minds anyway" (Interview EMPL/FEB). Thus, the EU seems to form 'softening up' activities, a gradual accumulation of ideas which in some cases culminate in a cognitive tipping phenomenon.

This can been seen in the Generation Pact, as one of its key negotiators from the trade union side explained: "Since the European objectives already determined the priorities, actors within the National Labour Council probably felt less compelled to 'occupy the territory'" (Interview CNT2). Another negotiator confirms: "It is EU pressure that led to the Generation Pact. So you could say that soft law has legal consequences, since one is obliged to take measures" (Interview TU/LIB). It seems that trade union attitudes towards soft law are rather mixed: Some use the term "terror of benchmarks", while confirming that "they are also a very important authoritative argument, and we have learned to use them when it suits us" (Interview TU/CHR). Concretely, then, how did OMC interfere with the generation of policy alternatives in the Generation Pact?

The Pact increased the age criterion for early retirement benefits: Involved actors from the trade unions' and employers' sides confirm that European discourse, studies, arguments and statistics played a key role in this. Crucially, the compromise that was struck also included the introduction of an "age bonus" (for those who remain active after the age of 62): This is a largely symbolic measure, but one that prudently introduces an entirely new element in the Belgian pensions system, i.e. that of actuarial neutrality. Other measures in the pact point in the same direction, for example the calculation of differentiated ceilings for "assimilated days", again a rather symbolic measure but one which, according to a high-ranking civil servant in the Planning Bureau, "opens the door for a reduction of solidarity in the Belgian pension system" (Interview SPC4). The Generation Pact seems to be a case where the OMC enabled political entrepreneurs to join the problem recognition, political and policy alternative stream, pushing an idea whose time has come to be on the decision-making table.

6. Conclusions

While setting the scene of this paper, I wondered if, in the absence of EU legislation specifically aimed at pensions, a soft and relatively novel process such as the OMC had any effect at all on EU and national pension politics and policies. At first sight, this seems rather unlikely: Not only is Belgium an archetypal example of the "frozen continental welfare state landscape" (Esping-Andersen, 1996); section 2 also illustrates that academic literature has weighed up the pensions' strand of the Social Protection and Social inclusion OMC, and came to rather mixed conclusions. While some cognitive effects have been acknowledged, as well as this OMC's role in counterbalancing the EU pensions discourse developed by the Finance Ministers, the basic infrastructure of the process is usually judged as too weak to have any significant effect at the domestic level.

This paper rejects the mainstream view of the pensions OMC as mere window dressing. This in no way implies that I claim that domestic pension policies are *determined* by EU influences. And yet, a large part of the Belgian decision-making elite considers the OMC's impact in the area of pensions to be undeniable. In this Member State – which I consider to be a most likely case – the soft form of policy coordination provides opportunities to create policy "windows of opportunity", which policy makers use, together with other tools available, in their efforts to discuss, manage and reform pension systems. This happens, first because the OMC influences the acceptance of compelling problems so that decision makers pay serious attention to them; secondly because the OMC brings about changes in the political stream; and thirdly because the OMC makes certain ideas 'take hold and grow', so that they matter (more) in the policy soup.

There is also strong confirmation of the core mechanisms through which the OMC operates: The empirical section provided examples of puzzling, through deliberate *learning* and de facto *socialization*, and of powering, through *usage* of the OMC architecture and *peer pressure* as a result of comparisons with others.

The empirical assessment also made it clear that the OMC's influence (including its learning dimension), is not necessarily seen as *positive* by the actors involved: Doubts are raised about the fact that few efforts are undertaken to "open up" the pensions OMC, about the direction of the reforms promoted through OMC (e.g. focus on competitiveness rather than solidarity), about the dominant role played by the Commission and the economic actors, and finally about the effectiveness of the method. In spite of theses doubts and criticism, none of the key actors rejected OMC outright: Even the more sceptical policymakers prefer to engage in a problematic OMC rather than leaving the floor entirely to the economic players. The fact that actors commit themselves to this OMC, and believe it has a certain impact on policies, does not necessarily imply that they are fond of it. This also illustrates that the preference for "hard" or "soft" law in this issue area is not a binary one: some accepted the OMC "since nothing else is available", others described the OMC as a step-up to legislation.

Obviously, further research is needed. For example, one can postulate that these mechanisms play out rather differently between Member States and that a soft instrument such as the OMC fits well with the Belgian informal decision-making culture, in which there is a positive general attitude towards the EU; several of our interviewees point to a (long-lasting) 'Presidency effect': The fact that Belgian actors (notably social democratic ministers) played a key role in 'shaping' the basic architecture of this OMC at the EU level in 2001, may well provide a credible explanation as to why these actors are motivated in 'taking' it to the domestic level. And yet the evidence – how thin it may be – of the operation of the pensions OMC in Greece, Germany and France (section 3) calls for further research as regards the usage and effects of this OMC in other Member States.

One could also postulate that the effectiveness of the social OMC varies between its strands, some having grown more 'teeth' (e.g. as a consequence of differences in institutional architecture) and thus being more effective than others. It seems that the impact of the OMC is also related to the degree to which domestic actors have been involved in the EU decision-making process (or not) in the first place. Arguably the effectiveness of any OMC can only be assessed by taking the 'uploading' dimension into account (Hamel and Vanhercke 2009), since it co-determines the degree of "ownership" of (and thus commitment to) this soft process.

To sum up, the OMC is certainly not an irresistible force shaking the immovable edifice of Belgian pensions policies, but there is empirical evidence that this EU process is being used (explicitly or, more likely, by stealth) by key actors as an increasingly important leverage. The OMC sometimes opens policy windows of opportunity in the domestic policy-making arena. Critically, this does not primarily happen as a result of command-and-control mechanisms, peer review (peer pressure) or naming and shaming. More often, usage by actors at the national level and socialization lead to the kind of impact I have tried to illustrate. As such, the pensions OMC can be seen as a selective amplifier of domestic pensions polices.

Appendix / List of interviews

AC1 Professor, Law Faculty, University of Leuven, March 2007

CEC1 Head of Unit, European Commission, Brussels, July 2007

CEC2 Deputy Head of Unit, European Commission, Brussels, July 2007

CEC3 Former Director, European Commission, Brussels, October 2007

CNT1 Chairman, National Labour Council (NLC), Brussels, December 2007

CNT2 Secretary-General, NLC, Brussels, April 2007

CNT3 Chairman and legal advisor, NLC, Brussels, June 2007

EMCO1 EMCO Chair, Brussels, June 2007

EMCO2 Director General, Federal Public Service (FPS) for Employment, Brussels, December 2007

EMCO3 Former Chairman, Board of the FPS for Employment, Brussels, December 2007

EMCO4 General Advisor, FPS for Employment, Brussels, April 2007

EMPL/FEB Senior Advisor, Federation of Belgian Enterprises, Brussels, December 2007

MINCAB1 Former Minister for Pensions and his Head of Cabinet, Leuven, April 2007

MINCAB2 European advisor, Minister for Pensions, Brussels, June 2007

MINCAB3 Deputy Head of Cabinet, Minister for Social Affairs, Brussels, June 2007

MINCAB4 Deputy Head of Cabinet, Minister for Social Integration, Brussels, April 2007

MINCAB5 Former Head of Cabinet, Minister for Social Affairs and Pensions, Brussels, June 2009

MIN/SS Coordinator of International Affairs, FPS for Social Security, Brussels, June 2007

PLAN1 Senior Civil Servant, Federal Planning Bureau, Brussels, October 2007

PLAN2 Advisor, Federal Planning Bureau, Brussels, June 2007

SPC1 Former SPC Chair, Brussels, October 2007

SPC2 Former SPC Secretary, European Commission, Brussels, October 2007

SPC3 Former SPC Secretary, European Commission, Brussels, September 2007

SPC4 Belgian SPC Member, Brussels, June 2007

SPC5 UK SPC Member, Brussels, September 2007

TU/CHR Director and legal advisor, Studies Department, Confederation of Christian Trade Unions, Brussels, October 2007

TU/LIB Director and Head, Studies Department, Liberal trade Union Organisation, Brussels, October 2007

TU/SOC Director and advisor, Studies Department, Belgian General Federation of Labour, Brussels, June 2007

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Endnotes

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(1) The other objectives are "to make work pay and provide secure income", "to promote social inclusion" and "to ensure high quality and sustainable health care" (Council of the EU, 2000).

(2) The new "Portfolio of streamlined Social Inclusion, Pensions and Health indicators" contains a significant amount of commonly agreed national pension indicators, which do not allow for direct cross-country comparison (SPC, 2006).

(3) Cognitive orientations are understood as causal propositions about what is effective and feasible in order to solve a problem. Normative orientations refer to what is desirable and legitimate.

(4) Online available: http://www.ert.be (accessed 18 September 2009).

(5) de la Porte and Adão e Silva (2007: 155) found that in the period (1997 – 2007) 'social protection' (mainly pensions) appears as the third issue debated in informal Employment and Social Affairs Council meetings: five times as 'main issue' and twice as 'secondary issue'.

(6) Leuven, Conference "Towards a new architecture for social protection?", 19-20 October 2001.

(7) Berlin, International Conference on Open Co-ordination and Retirement Provision, 9-10 November 2001.

(8) This increasingly active stance of the EPC with regard to the pensions issue was the key reason why this OMC was launched under the Belgian Presidency in 2001, even if this was not the intention at the beginning of the Presidency.

(9) In Belgium a minister is entitled to a 'ministerial cabinet' consisting of a staff of personal advisers whom the minister appoints personally when she takes office and who are not part of the administrative hierarchy.

(10) GRAPA, Garantie de revenus aux personnes âgées.

Figure 1: Conceptualizing OMC in action: Mechanisms and effects