

The Open Method of Co-ordination: A Pathway to National Reforms in Europe?

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Cultures of Democracy?

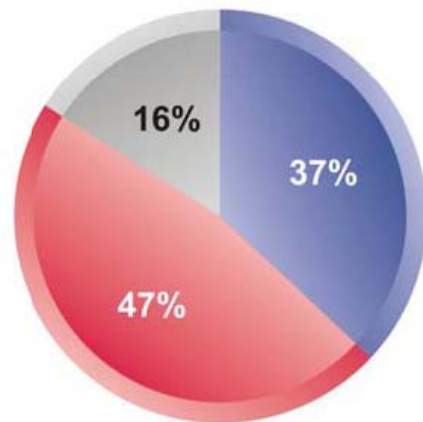
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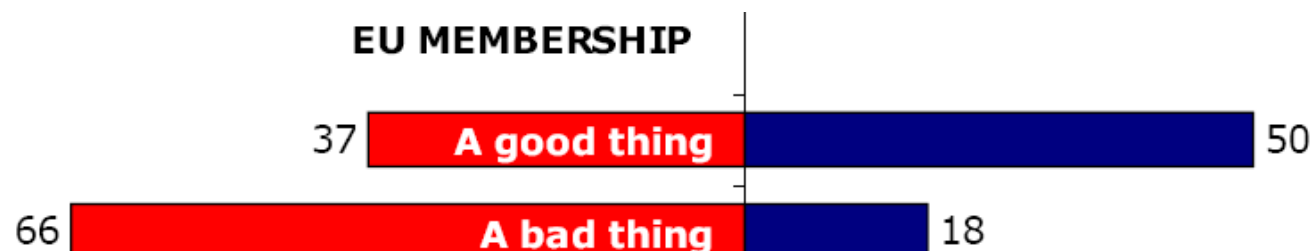
1. The current crisis of the EU
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1. The current crisis of the EU – in its 50th year: The fear of open markets and the demand for social protection



-  Globalisation represents a good opportunity for (NATIONALITY) companies thanks to the opening-up of markets
-  Globalisation represents a threat to employment and companies in (OUR COUNTRY)
-  DK

47% of interviewees consider first and foremost that globalisation is a threat to employment and companies in their country. Attitudes towards the EU and globalisation are closely linked (EB 251/2006)



A critical judgment with regard to the fight against unemployment and the protection of social rights

Using a scale from 1 to 10, how would you judge the performance of the EU in each of the following areas? (EU 25 Average) (EB251/2006)

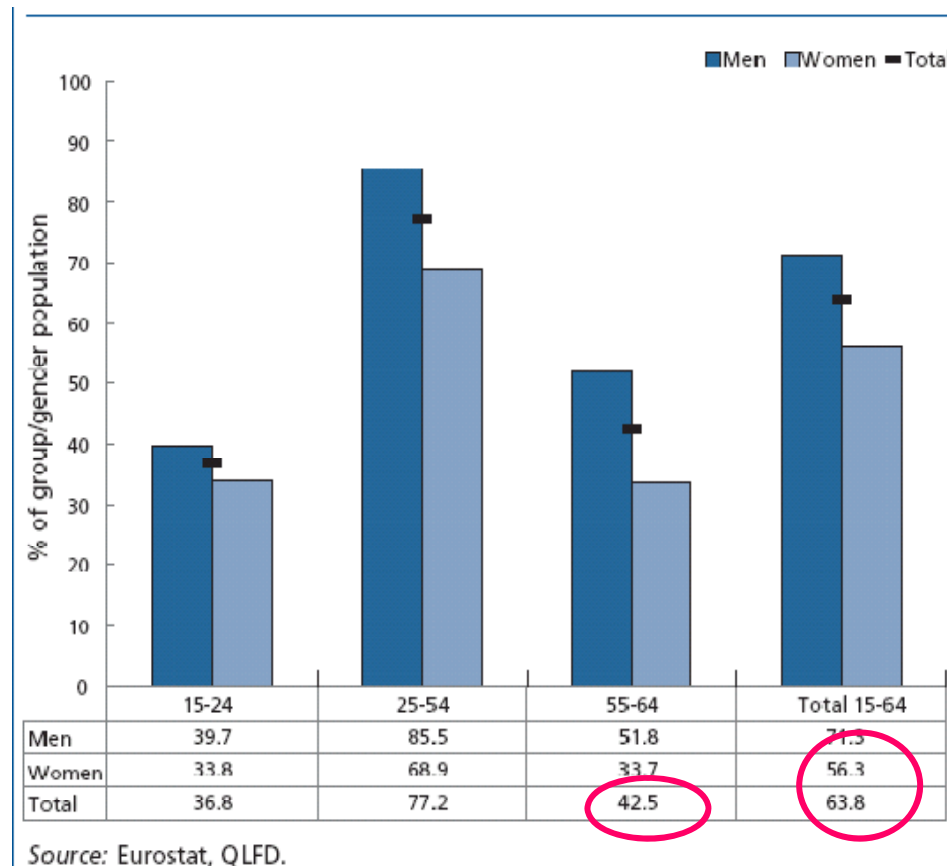


The following groups are more likely to be critical of the performance of the EU in these areas: women, the elderly, those who left school early, people with a low socio-professional status

Three dimensions of the current crisis of the EU

1. Skepticism against further liberalization of (service and equity) markets
 2. Limited acceptance of further enlargements (Turkey ...)
 3. Opposition against further integration steps (constitutional treaty)
- ⇒ The discrepancy between “liberalizing” European decisions and their limited acceptance in the population could endanger the European integration process
- ⇒ “Employment and Growth” as crucial targets also for the popular support of the European integration project
- ⇒ (revised) Lisbon agenda)

2. The answer to this challenge: The European Employment Strategy => Higher employment rates



EU: *Employment in Europe 2006*,
Brussels 2006, Chap. 1

« Lisbon » goals for 2010: Total employment rate: **70%**; employment rate for women: **60%**; employment rate for elderly: **50%**

The OMC: The crucial instrument of the EES

The new open method of coordination was designed as a means for spreading best practice and achieving greater convergence towards the main EU goals.

This method involves:

- fixing **guidelines** for the Union combined with specific timetables for achieving the goals which they set in the short, medium and long terms;
- 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 practice;
- translating these European guidelines into **national and regional policies** by setting specific targets and adopting measures, taking into account national and regional differences;
- **periodic monitoring, evaluation and peer review organised as mutual learning processes**

A fully decentralised approach will be applied in line with the principle of subsidiarity in which the Union, the *Member States*, the *regional and local levels*, as well as the *social partners* and *civil society*, will be actively involved, using variable forms of partnership. A method of benchmarking best practices on managing change will be devised by the *European Commission* networking with different providers and users, namely the social partners, *companies and NGOs*.

The OMC: Six characteristics of the method

- 1) New, and more limited, role of law
- 2) New approach to problem-solving: Mutual cooperation, learning (top-down- bottom-up)
- 3) Participation (regional and local actors; social partners; civil society ...)
- 4) Diversity and subsidiary
- 5) New ways for *transnational* policy diffusion (benchmarking, peer review, multi-lateral surveillance, scoreboards, trend-charts ...)
- 6) Potential for policy learning

Source: Radaelli, C. (2003a) *The Open Method of Coordination*. Rapport no. 1; Sieps

3. The Achilles Heel of the OMC: Its Influence on the Domestic Level

Can national employment and social regimes be influenced at all by transnational organisations?

The influence of the OMC on domestic reform policies.

Empirical results

1. Learning with the OMC (cognitive dimension)
 - “a learning process for a limited community of labour market technicians and experts.” (Casey/Gold)
 - „limited evidence of direct policy transfer” (Zeitlin)
 - But: **reframing of national discourses**
 2. Financial incentives and participation (strategic dimension)
 - European Social Fund, PROGRESS etc.: Impact not clear
 - **Strengthening of hitherto marginal perspectives** and actors by involvement of regions, communes, social partners, NGOs integrate multiple perspectives: Mainly in the field of social inclusion
 3. The OMC as a challenge for existing administrative procedures and rules (normative dimension)
 - New policies require **new forms of administration** and policy making
 - The OMC „have stimulated improvements in horizontal or cross-sectoral integration across formally separated but practically interdependent policy fields.” (Zeitlin 2005: 457)
 - Better interministerial coordination
- => The OMC have initiated processes of domestic institutional change in the cognitive, strategic and normative dimension

4. An Example for the Possibilities and Limits of Learning within the EES: The German Hartz Reforms

Hartz I (effective 1 January 2003)

- | | |
|--------------------------|---------------------------------------------------------------------------------|
| Cluster 1
(Placement) | - <i>Personal-Service-Agentur</i> (temporary work agency)
- Training voucher |
| Cluster 2
(Benefits) | - Tighter definitions of suitable work
- More flexible sanction regime |
-

Hartz II (effective 1 January 2003)

- | | |
|---------------------------|-------------------------------------------------------------------------------------------------|
| Cluster 3
(Activation) | - Tax/Benefit incentives through <i>Mini-Jobs</i>
- Self-employment <i>Ich-AG</i> ('Me plc') |
|---------------------------|-------------------------------------------------------------------------------------------------|
-

Hartz III (effective 1 January 2004)

- | | |
|--------------------------|----------------------------------------------------|
| Cluster 1
(Placement) | - Internal organisational reform of the German PES |
|--------------------------|----------------------------------------------------|
-

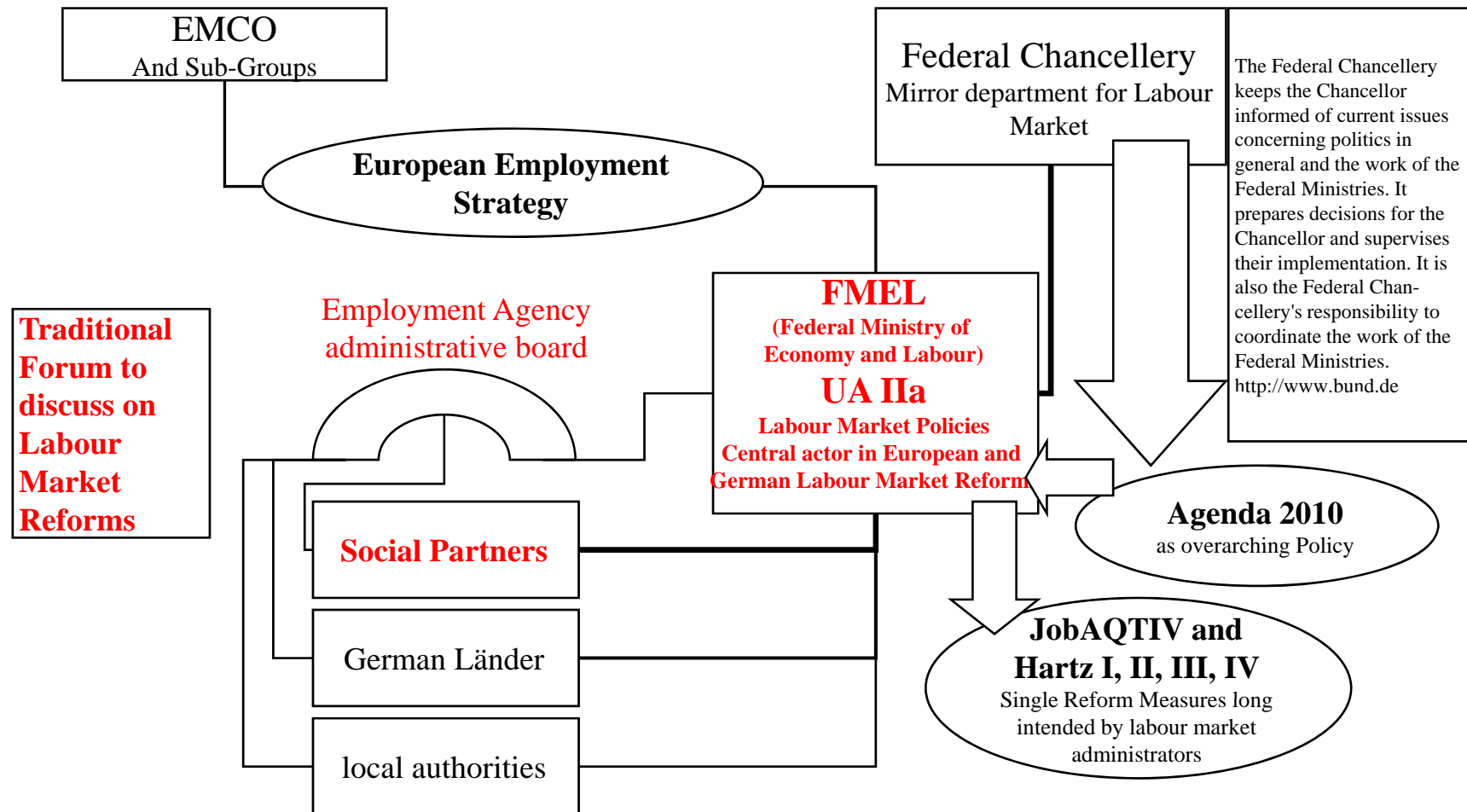
Hartz IV (effective 1 January 2005)

- | | |
|-------------------------|---------------------------------------------------------------|
| Cluster 2
(Benefits) | - Reform of unemployment benefit and social assistance system |
|-------------------------|---------------------------------------------------------------|
-

Normative dimension: The co-ordination of the German National Action Plan/employment until 2004

- Employment policy is still **coordinated within the confines of the domestically evolved field of labour-market policy**
 - Labour-market instead of employment policy (education, family ...)
 - Stability of former patterns of communication (Federal Ministry of Economics and Labour, Federal Employment Agency, social partners, Länder ...)
 - Coordination within the epistemic community of labour market experts
 - Consultation with actors from outside the field remains an exception.
 - Three core associations of municipalities unable to provide the organizational capacities for a stronger participation
 - Reduction of veto positions (with the exception of social partners); no involvement of a wider circle of actors in a broader employment strategy; lower involvement of municipalities and regions
- 2005 NRP: Domestic **coordination only at the governmental level**, no involvement of NGOs and social partners (better again in 2006. But: NRP as a governmental document)

Strategic dimension: Monopolization of national decision making (until 2004)



Cognitive Dimension: New Frame of Reference for Domestic Discourse

- Mainly cognitive changes as the result of the EES: **Reorientation from passive to active labour market policies**
- But: The EES was not able to affect independently domestic institutions
- The labour-market department of the FMEL as the dominant actor
 - Responsibility for the coordination of the NAP and the contact to social partners and other actors
 - Represented in the relevant European committees
 - Involvement in all labour-market reforms: Guidelines also a means for strengthening its own position within the domestic discourse
- EES was used to influence the course of ongoing reform debates mostly in the **cognitive dimension**: EES relies on a responsive domestic arena where it can be taken up by “agents of change” and actively used as a supportive argument. It is used as an argument for legitimising and supporting the intended reforms

5. Conclusion: The impact of the EES on German labour market reforms

- Greatest success
 - **Rethinking from “passive” to “active” labour-market policy**
 - Fundamental reform of the benefit system: “From Bismarck (contributions) to Beveridge (taxes)”
- Limitations
 - No coherent, inclusive employment policy.
 - The EES has been incorporated predominantly within the established field of labour market policy. Educational, family and fiscal policies were not included.
 - Complementary, supportive policies are becoming more important (e.g. childcare, family income tax, later retirement)
 - **Policy learning by the OMC did not take complementary institutions into account**

Contribution of the OMC to the transformation of national welfare and employment regimes

1. Strengthening of new policies within national discourse arenas: flexicurity, active ageing, employability, active labour market policies and gender mainstreaming
 2. Strengthening of „new“ interests, actors and organizations: Mainly in the field of social inclusion
 3. Transformation of organizational rules: New patterns of administration and policy-making
 4. More analytical reflection and evaluation of national policies
- ⇒ Contribution to the modernisation of the institutionally strongly embedded European market economies