

Sandra Kröger

# Soft Governance in Hard Politics

European Coordination  
of Anti-Poverty Policies  
in France and Germany

BUNDESTAG GRUNDGESETZ POLITISCHES SYSTEM EUROPÄISCHE UNION  
WAHLEN VERFASSUNG INTERNATIONALE BEZIEHUNGEN POLITISCHE THEO  
RIE PARTEIEN INSTITUTIONEN POLITISCHE KULTUR POLITISCHE ELITEN  
PARLAMENTARISMUS DEMOKRATIE MACHT REGIERUNG VERWALTUNG FÖDER  
ALISMUS POLITISCHE SOZIOLOGIE GLOBALISIERUNG POLITISCHE KOMMU  
NIKATION PARTEIENSYSTEM RECHTSSTAAT GERECHTIGKEIT STAAT POLI  
TISCHE ÖKONOMIE POLITIK BUNDESTAG GRUNDGESETZ POLITISCHES  
SYSTEM EUROPÄISCHE UNION WAHLEN VERFASSUNG INTERNATIONALE  
BEZIEHUNGEN POLITISCHE THEORIE PARTEIEN INSTITUTIONEN POLI  
TISCHE KULTUR POLITISCHE ELITEN PARLAMENTARISMUS DEMOKRATIE  
MACHT REGIERUNG VERWALTUNG FÖDERALISMUS POLITISCHE SOZIOLOGIE  
GLOBALISIERUNG POLITISCHE KOMMUNIKATION PARTEIENSYSTEM RECHTS  
STAAT GERECHTIGKEIT STAAT POLITISCHE ÖKONOMIE POLITIK BUNDES  
TAG GRUNDGESETZ POLITISCHES SYSTEM EUROPÄISCHE UNION WAH  
LEN VERFASSUNG INTERNATIONALE BEZIEHUNGEN POLITISCHE THEORIE  
PARTEIEN INSTITUTIONEN POLITISCHE KULTUR POLITISCHE ELITEN



VS VERLAG FÜR SOZIALWISSENSCHAFTEN

Sandra Kröger

Soft Governance in Hard Politics

Sandra Kröger

# Soft Governance in Hard Politics

European Coordination  
of Anti-Poverty Policies  
in France and Germany



**VS VERLAG FÜR SOZIALWISSENSCHAFTEN**

Bibliographic information published by the Deutsche Nationalbibliothek  
The Deutsche Nationalbibliothek lists this publication in the Deutsche Nationalbibliografie;  
detailed bibliographic data are available in the Internet at <http://dnb.d-nb.de>.

1st Edition 2008

All rights reserved

© VS Verlag für Sozialwissenschaften | GWV Fachverlage GmbH, Wiesbaden 2008

Editorial Office: Katrin Emmerich / Tilmann Ziegenhain

VS Verlag für Sozialwissenschaften is part of the specialist publishing group

Springer Science+Business Media.

[www.vs-verlag.de](http://www.vs-verlag.de)



No part of this publication may be reproduced, stored in a retrieval system or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of the copyright holder.

Registered and/or industrial names, trade names, trade descriptions etc. cited in this publication are part of the law for trade-mark protection and may not be used free in any form or by any means even if this is not specifically marked.

Cover design: KünkelLopka Medienentwicklung, Heidelberg

Printing company: Krips b.v., Meppel

Printed on acid-free paper

Printed in the Netherlands

ISBN 978-3-531-16367-3

## Acknowledgements

I would like to thank all those who have commented on pieces of my work in the context of seminars, workshops, conferences or e-mail exchanges and shared their ideas about very detailed or more general aspects of this work or their own related work with me. Their feedback and inputs were of tremendous help and are enormously valued by me. In the hope of not forgetting anybody and of being forgiven for not differentiating between different kinds of feedback, I would like to thank Ilona Ostner as well as Jean-Claude Barbier, Susana Borrás, Antonio Brettschneider, Milena Büchs, Bernard Casey, Thomas Conzelmann, Robert Cox, Renaud Dehousse, Dawid Friedrich, Ana Horvath, Hakan Johansson, Beate Kohler-Koch, Wolfram Lamping, Michel Legros, Stephan Lessenich, Deborah Mabbett, Torsten Niechoj, Claus Offe, Theo Papadopoulos, Ramón Pena-Casas, Geny Piotty, Philippe Pochet, Claudio Radaelli, Insa Rega, Martin Rhodes, Graham Room, Stefano Sacchi, Sabine Saurugger, Steve Schwarzer, Rik van Berkel, Bart Vanhercke, Mark Vail, John Veit-Wilson, and Jonathan Zeitlin. The usual disclaimer applies.

I would also like to thank all the actors who agreed to be interviewed. Without them I would not have been able to write this work.

---

<sup>1</sup> German Research Community.

# Table of contents

<b>LIST OF ABBREVIATIONS .....</b>	<b>9</b>
<b>1 INTRODUCING THE LISBON STRATEGY AND THE OMC .....</b>	<b>11</b>
<b>2 STATE OF THE ART .....</b>	<b>27</b>
2.1 THE GOVERNANCE LITERATURE .....	35
2.2 THE OMC DEBATES .....	42
<b>3 RESEARCH FRAMEWORK .....</b>	<b>51</b>
3.1 EVALUATION CRITERIA FOR THE OMC INCLUSION .....	54
3.2 COMPARATIVE FRAMEWORK .....	62
3.3 SOURCES AND METHODS .....	79
<b>4 THE OMC INCLUSION AT NATIONAL LEVEL .....</b>	<b>83</b>
4.1 EFFECTIVENESS .....	83
4.2 LEGITIMACY .....	125
<b>5 THE OMC INCLUSION AT EU-LEVEL .....</b>	<b>137</b>
5.1 DEFINITION AND MEASUREMENT ISSUES .....	137
5.2 THE OMC INDICATORS .....	146
5.2.1 <i>Effectiveness</i> .....	154
5.2.2 <i>Legitimacy</i> .....	167
5.3 THE PEER REVIEWS .....	171
5.3.1 <i>Effectiveness</i> .....	171
5.3.2 <i>Legitimacy</i> .....	176

<b>6</b>	<b>EVALUATION OF THE OMC INCLUSION BY INVOLVED ACTORS .....</b>	<b>181</b>
6.1	THE NATIONAL LEVEL .....	181
6.1.1	<i>Effectiveness</i> .....	181
6.1.2	<i>Legitimacy</i> .....	192
6.2	EU-LEVEL .....	196
<b>7</b>	<b>CONCLUSION AND OUTLOOK .....</b>	<b>205</b>
7.1	CONCLUSION .....	205
7.2	EXPLANATION .....	213
7.3	OUTLOOK .....	218
	<b>REFERENCES .....</b>	<b>223</b>

## List of abbreviations

AAH	Allocation Supplémentaire Handicapés
ALG2	Arbeitslosengeld 2
ANPE	Agence National Pour l'Emploi
API	Allocation Parent Isolé
ASMK	Arbeits- und Sozialministerkonferenz
ASS	Allocation de Solidarité Spécifique
BAGFW	Bundesarbeitsgemeinschaft Freie Wohlfahrtspflege
BEPG	Broad Economic Policy Guidelines
BR	Bundesrat
BT	Bundestag
CAF	Caisses d'Allocations Familiales
CAI	Contrat d'Accueil et d'Intégration
CAP	Common Agricultural Policy
CEC	Commission of the European Communities
CEEP	European Centre of Enterprises with Public Participation
CES	Conseil Économique et Social
CMU	Caisse Maladie Universelle
CNIAE	National Committee for the insertion through economic activity
CNLE	Conseil National des politiques de Lutte contre la pauvreté et l'Exclusion sociale
CPE	Contrat Première Embauche
CSWP	Commission Staff Working Paper
DDP	Directly Deliberative Polyarchy
DG	Directorate General
DGAS	Direction Générale de l'Action Sociale
DPT	Document de Politique Transversale
DRESS	Direction de la Recherche, des Études, de l'Évaluation et des Statistiques
EAPN	European Anti-Poverty Network
EC	European Communities
ECHP	European Community Household Panel
ECJ	European Court of Justice
ECU	European Currency Unit
EMU	European Monetary Union
EPC	Economic Policy Committee
EES	European Employment Strategy
EMCO	Employment Committee
EP	European Parliament
EPCI	Établissements Publics de Coopération Intercommunale
ESF	European Social Fund
ESM	European Social Model
ETUC	European Trade Union Confederation
EU	European Union
EUSI	European System of Social Indicators
EU-SILC	European Statistics on Income and Living Conditions
FEANTSA	Fédération Européenne des Associations Nationales Travaillant avec les Sans-Abri
HALDE	Haute autorité de lutte contre les discrimination et pour l'égalité
HI	Historical Institutionalism
ILO	International Labour Organisation
IMA	Interministerieller Ausschuss

---

IMF	International Monetary Fund
INSEE	Institut National de la Statistique et des Études Économiques
ISCED	International Standard Classification of Education
ISG	Indicator Sub-Group
Job AQTIV	Aktivieren, Qualifizieren, Trainieren, Investieren, Vermitteln
JR	Joint Report
JRI	Joint Report Inclusion
JUMP	Jugend mit Perspektive
KEG	Kommission der Europäischen Gemeinschaften
LOLF	Loi Organique relative aux Lois de Finances
Nak	Nationale Armutskonferenz
NARB	Nationaler Armut- und Reichtumsbericht
NAP	National Action Plan
NGO	Non-Governmental Organisation
NUTS	Nomenclature of Territorial Units for Statistics
OECD	Organisation of Economic Co-operation and Development
OMC	Open Method of Coordination
ONPES	Observatoire national de la pauvreté et de l'exclusion sociale
PAM	Principal-Agent Model
PNAI	Plan National d'Action Inclusion
PSD	Prestation Spécifique Dépendance
PR	Peer Review
RCI	Rational Choice Institutionalism
RMA	Revenu Minimum d'Activité
RMI	Revenu Minimum d'Insertion
SEA	Single European Act
SGP	Stability and Growth Pact
SI	Sociological Institutionalism
SOEP	Socio-Economic Panel
SPC	Social Protection Committee
TRACE	Trajet d'Accès à l'Emploi
UK	United Kingdom
UNICE	Union of Industrial and Employer's Confederations of Europe
UNIOCSS	Union Nationale Interfédérale des Œuvres et Organismes privés Sanitaires et Sociaux
VAE	Validation des acquis de l'expérience

# 1 Introducing the Lisbon Strategy and the OMC

For several decades it was expected that the Western-type welfare state would do away with poverty, and indeed until the 1980s this was an observable tendency in the member states of the EU. Since, however, poverty figures have been on the rise again (Kowalsky 1999: 52), and many have been speaking of “new poverty”, addressing not only income poverty but also urban decline and violence, ethnic minorities, homelessness, young unemployed, rural poverty, handicapped, single parents or elderly people. In 1975 there were estimated 38 million poor in the EU (CEC 1980). Twenty years later the number had risen to 55 million, and in 2005 the EU counted 75 million poor<sup>2</sup>. Since the mid-1970s the EU addressed these “new” forms of poverty in the form of poverty programmes which, in the context of absent EU competences, attempted to promote analysis, network-building, exchange of information and mutual learning (Kröger 2007a; Rojas 1999). With such a programme approach, the Commission tried to influence national and European debates and policy development. The programmes consisted of small budgets, exchange of information, data collecting and improvement, enhancing mutual learning. They addressed a small policy community of academia, NGOs and politicians. These activities, however, came to a preliminary halt in 1996 when the United Kingdom and Germany went to the European Court of Justice to stop the implementation of a fourth programme. They were hostile to the poverty language of the EU, as they felt that their minimum income systems had eradicated (extreme) poverty (Nilssen 2006; Veit-Wilson 2000). Despite this preliminary stop, by way of the poverty programmes the Commission was successful in lifting the issue of poverty up the European agenda, in framing the term social exclusion, in setting up anti-poverty networks and in gathering expertise in programme development and implementation (Bauer 2002; de la Porte 2005; Halvorsen and Johansson 2005; Kröger 2007a; Leibfried and Pierson 1998). EU competences in the field, however, did not increase until 1997 when the fight against poverty and social exclusion was recognised to be of common concern in the Treaty of Amsterdam.

---

<sup>2</sup> According to the widely used 60% median income indicator, see CEC 2006b. Of course this goes hand in hand with successive enlargement rounds.

The difference between economic and social integration has been described as negative and positive integration (Scharpf 1999). While negative integration refers to market-making activities which remove trade barriers and which seek to establish the free movement of capital, services, individuals and goods, positive integration refers to market-correcting policies and “the reconstruction of a system of economic regulation at the level of the larger unit” (Scharpf 1999: 45), in this case the EU. Scharpf argues that negative integration has been the “main beneficiary of supranational European law” (ibid.: 50), making economic and financial integration institutionally privileged areas of policy-making (Chalmers and Lodge 2003; de la Porte and Pochet 2003; Radaelli 2003a; Scharpf 2002; Tucker 2003). The potential of actors to bring about measures of positive integration is restricted, since such measures generally require approval by the Council of Ministers and, increasingly, by the European Parliament and thus a high degree of consensus among the actors involved. Yet, opposition of national governments and other actors to such positive integration has been the rule thus far. The EU’s problem-solving capacity is therefore “limited by the need to achieve action consensus among a wide range of divergent national and group interests” (Scharpf 1999: 71). Conventional ways of integration thus seemed foreclosed for a European anti-poverty policy. At the same time, negative integration has real consequences for the member states’ ability to autonomously organise and secure welfare and thus for the living conditions of their citizens (Leibfried 2005; Leibfried and Pierson 1998).

The Community Method largely being perceived as being inappropriate for market-correcting policies by member states while still politically perceiving the need to commonly address the issues of poverty and social exclusion, it was decided in 2000 to introduce the Open Method of Coordination (OMC) and to apply it to the field of poverty and social exclusion. The OMC belongs to the wide array of so-called soft law which in contrast to the Community Method is not binding. It starts out from the assumption of structural diversity, strategic uncertainty and the need for permanent revisability of policies. It grounds on common political objectives, the implementation of which is completely left to the national governments. This implementation is somewhat monitored by the European Commission and the Council. The OMC was perceived by heads of state and government as an instrument which could contribute to increased effectiveness – through mutual learning processes and monitoring – and legitimacy – through the participation of all relevant actors – of the EU. To study whether the OMC inclusion has contributed to these declared goals is the object of the here presented work. Before evaluating this question, however, this introduction will be used to recall major recent steps in the development of a European social policy as well as the Lisbon process and the OMC in particular.

It was since the late 1980s, not least due to the efforts of then Commission President Jacques Delors and his environment, that the struggle for a European social policy unfolded real dynamics. This struggle soon became associated with the notion of the European Social Model (ESM) which since has been used in political, descriptive, analytical and normative ways (Aust et al. 2002; Demertzis 2007; Jepsen and Pascual 2005). The terminological construction aimed at describing the socio-political heritage of the EU as being different from those of the USA and growing “tigers” in far-East such as Japan – as well as from the market model defended by the Thatcher administration. And this heritage, so the conclusion, was worth being protected. Second, its aim was to add a social dimension to the European Community (EC) in which market integration by far outscored social integration. More recently, the term ESM has become even more politicised and usually been associated to the need of its modernisation. This modernisation is usually deemed necessary in the light of perceived common demographic, economic, social, cultural and international challenges.

The second major result of Delors’ efforts was the institutionalisation and legalisation of a European Social Dialogue. From 1991 onwards the legal framework was established by the Social Protocol (art. 138 and 139). In particular it obliged the Commission to consult the social partners prior to the adoption of a legislative proposal. The social partners could then either just comment on the proposal or decide to engage in negotiations which may end in collective agreements which are a) turned into Council directives and thereby become binding law or b) implemented by the social partners in autogestion (Falkner 2000; Pochet 2007; Smismans 2007).

However, there were also developments which decreased the chances for a European social policy. Most notably, from the early 1990s onwards member states insisted on the principle of subsidiarity as one of the structuring principles of the EU. The principle, stemming from Catholic social thought, refers to the relationship between the individual and the communities to which it belongs. It demands that everything the individual can do on his/her own should be done by her- or himself, next by the smallest community to which (s)he belongs. If, however, the individual is incapable to do so, the larger community will have a responsibility to assist (Kohl and Vahlpahl 2005). This tradition of thought resonated strongly in Southern and Western parts of Germany. After World War II and together with the Allies’ desire to not have a strong centre of power in Germany subsidiarity became one of the major organizing principles of the country. Later on and in the process of European integration, the German *Länder* were keen on defending their competences just as the British government defended the principle against the enlargement of EU competences and the loss

of national control. Resting on these influences, the Treaty of Maastricht states that

“The Community shall act within the limits of the powers conferred upon it by this Treaty and of the objectives assigned to it therein.”

“In areas which do not fall within its exclusive competence, the Community shall take action, in accordance with the principle of subsidiarity, only if and in so far as the objectives of the proposed action cannot be sufficiently achieved by the Member States and can therefore, by reason of the scale or effects of the proposed action, be better achieved by the Community.”

“Any action by the Community shall not go beyond what is necessary to achieve the objectives of this Treaty” (Treaty of Maastricht art. 3b, now art. 5).

Despite this structural and political barrier to further integration, the European Commission became very active in the early 1990s with regard to a European social, in particular an employment policy, as shown by different Communications and White papers (CEC 1993, 1994, 1998, 1999, 2000a, 2005d). In these and other contributions the Commission supported the idea of social policy being a productive factor, arguing that it might contribute to economic growth and job creation (Wendon 1998). It increasingly supported the idea of supply-sided activation strategies and centred its ambitions on the so-called modernisation of the social protection systems. Knowledge-based society, demographic changes, life-long learning, training, globalisation, growth, competitiveness and sustainability became the catch-all words mostly employed in order to defend the necessity of this so-called modernisation, described as being politically without alternative. To the difference of its anti-poverty programmes, the ideas mirrored in the mentioned documents gained prominent status in European social policy discourses, as they resonated better with national discourses than those of the previous programmes. The main effect of these documents was that an EU-wide debate around social protection was initiated and that this debate became ever more employment-centred. The central idea was to rebuild the welfare state around work, estimating that paid work is the safest way out of poverty. The goal is to be reached through a reduction of fraud, and the enforcement of work responsibilities through punitive sanctioning in the case of non-compliance<sup>3</sup>.

By 1997, when the European Employment Strategy (EES) was introduced, a majority of member states found that activation based on training and life long learning promoted by the state while at the same time being coupled with making work pay strategies was the best way to achieve (full) employment, while the primary goals of public policy were low inflation and a balanced budget. If

---

<sup>3</sup> For a critical review, see Levitas 1996 and 1998.

the concept of activation gained multiple supporters, this was due to its compatibility with both social democratic “third way” policies and more neo-liberal approaches to social policy. An “EU-wide interpretative framework for social policy” had evolved (Teague 2001: 9; Duina and Oliver 2004), rendering consensus around a common strategy possible.

The recognition by member states that there was a need to deal commonly with a common challenge – structural unemployment – materialised in the institutionalisation of an employment title in the Treaty of Amsterdam in 1997 (Begg and Berghman 2002). The employment title became the legal basis of the EES, allowing the EC to coordinate actions in the field. However, the principle of subsidiarity was also confirmed in the Treaty of Amsterdam in order to “re-assure uneasy Member States that their legal and political distinctiveness would not be threatened by the legal modernization of the EU” (Teague 2001: 13). The Treaty also integrated the Social Charter as well as the Social Protocol of 1991 into EC law. Since, articles 136 and 137 provide the legal basis for social policy *support and coordination* through the EC. Article 136 identifies the fight against social exclusion as one of the objectives of the EC. It states that the latter shall support and complement the activities of the member states. Article 137 empowers the Council to adopt measures designed to encourage cooperation between member states aiming at the improvement of knowledge, the development of exchanges of information and good practices, the promotion of innovative approaches and the evaluation of experiences. The Commission has a preparing and a coordinating function, whereas it cannot enact binding guidelines and decisions. Thus, anti-poverty policy by and large remains in the competences of member states. Still, articles 136 and 137, however weak they may be, provided the legal basis for the introduction of the OMC inclusion in 2000.

While the poverty programmes had a discursive influence on the OMC inclusion (Kröger 2007a), a procedural influence comes from the EES (Goetschy 1999) which was the EU’s first official experiment with soft governance. The EES organises the coordination of national employment policies, mutual learning processes and management by objectives (Trubek and Mosher 2003). Member states agree unanimously on political guidelines which they implement in accordance to national specificities. If they do not implement the agreed guidelines, soft peer pressure through naming and shaming strategies is theoretically foreseen. Progress is generally monitored through joint reports, indicators and peer reviews (Barbier 2004a). The member states shall “take the guidelines into account” in their employment policies (Art. 128, 3), but there are no sanctions if they do not follow the guidelines and recommendations. In 2003 the EES was evaluated and subsequently re-organised in a three-yearly cycle and became associated to the Broad Economic Policy Guidelines (BEPGs).

The EES follows previous experiences, with harder modes of governance in the field of fiscal (Growth and Stability Pact, GSP) and economic (BEPGs) policy coordination (Goetschy 2004; Salais 2004). Indeed, the European Monetary Union (EMU) had and has important consequences on labour market policy because the range of available policy options for members of the EMU is limited. The EMU constrains the national labour market policies in several ways, namely 1) It is no longer possible to foster employment by means of competitive devaluation because EMU entailed an increasingly centralized monetary policy for the EU; 2) EMU and the adoption of the GSP prohibit large public deficits and hence attempts to combat unemployment by means of public sector job creation; 3) Community competition law weighs upon employment by increasingly limiting certain types of state aid in specific sectors such as social services (Goetschy 2004). The GSP considerably reduces the *marge de manoeuvre* for national governments, particularly in terms of deficit spending. Specific rulings of the ECJ have furthermore decreased national autonomy over social protection schemes (Leibfried 2005; Scharpf 1999; Schulte 2001) and made coordinated action in the field necessary<sup>4</sup>.

In the period of the mid to late 1990s the average poverty rate across the then 15 member states was 17% in 1995 and 15% in 1999. On the whole, in 1997 18% of the population or more than 60 million people were living in households whose income was below 60% of the national equalised median income. Half of this population had been living below this relative poverty threshold for three successive years (de la Porte 2005). These are the central macro, meso and micro developments which forewent the introduction of the OMC inclusion.

1999 was a decisive year for the development of the OMC and its frame, the Lisbon Strategy. At the micro level a few Commission officials continued to be very active in promoting a European anti-poverty strategy. Particularly Maria Rodrigues, at the time advisor to Portuguese Prime Minister Guterres, was active across the EU convincing the capitals of the need of increased action in the field of social policy (de la Porte 2005). At the meso level both the Commission and the European Anti-Poverty Network (EAPN) held major conferences in the first half of 1999. In the second half of 1999 Finland held the presidency of the EU and made social affairs one of its top presidency priorities. At the Labour and Social Affairs Council in November 1999 it was decided to establish a high-level working group on social protection, made up of two national delegates per member state and two officials from the Commission, in view to operationalise common action in the field of social protection and social inclusion. More pre-

---

<sup>4</sup> For a detailed account of the pros and cons of a European social policy, see Büchs 2007; Offe 2003; Scharpf 1999; Schelkle and Mabbett 2007.

cisely, it should work on the four fields specified by a communication of the Commission in July 1999: to make work pay, to combat poverty and social exclusion, to render pension systems economically and socially sustainable, and to render quality health care accessible to all (CEC 1999). The informal group was officially endorsed by the Helsinki European Summit in December 1999, and the group took up its work one month later, meeting monthly.

In the first half of 2000 the Portuguese held the presidency of the EU. As its predecessor, Portugal at that time was led by a social-democratic majority and was keen on further developing the social dimension of the EU, pushing for its further legal institutionalisation. Portuguese Prime Minister Guterres, just as his advisor Rodrigues, engaged in activism across the EU in order to find consensus on a new European global strategy into which the social dimension should be integrated. The document that later on became the Lisbon strategy circulated and Guterres visited the capitals several times (de la Porte 2005; Sundholm 2001). While the substance of the strategy seems to have met relatively broad agreement, the method met more opposition, member states fearing the public exposure and competitive aspects of the OMC. Particularly strong opposition came from the German government. The Presidency, however, reached consensus by emphasizing the learning nature of the method and its openness to national adaptation (Sundholm 2001). The German resistance was broken by building EU-wide support for the second German candidate (Horst Köhler) for the Presidency of the International Monetary Fund that chancellor Schröder was very keen on<sup>5</sup>. The Commission at that point of time was politically weak, also due to its resignation in summer 1999, and not involved in the design of the Lisbon strategy and particularly the OMC: "Certain people in the Commission were involved in partly informal expert groups. But there also was a lot of surprise, in the Commission: Where does *that* come from?" (Commission official, June 2005).

It was at the Lisbon Council in March 2000 that the EU endorsed a new European global strategy, baptised the Lisbon Strategy (Rodrigues 2004). It can be seen as the peak of earlier efforts to coordinate and balance European economic and social policies. Politically, a vast majority of social-democratic led governments increasingly felt the need to compensate for economic and financial integration and pushed for social affairs to move up the European agenda. Additionally, member states perceived a need to agree on political strategies (and institutional developments) *before* Eastern enlargement. While not planned

---

<sup>5</sup> Coordinator of EU-macro-policies in the German Federal Ministry of Finance (1999-2000), March 2007. More concretely, Schröder told Guterres that he would accept the Lisbon strategy if Guterres would organise EU-wide support for Köhler so that the American resistance against a second German candidate could be broken.

in the context of an intergovernmental conference, all these developments, through the activities of the Portuguese Presidency, culminated in the Lisbon Strategy, the central message of which can be found in the fifth paragraph of the Lisbon Conclusions:

“The Union has today set itself a new strategic goal for the next decade: to become the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion. Achieving this goal requires an overall strategy aimed at:

- preparing the transition to a knowledge-based economy and society by better policies for the information society and R&D, as well as by stepping up the process of structural reform for competitiveness and innovation and by completing the internal market;
- modernising the European social model, investing in people and combating social exclusion;
- Sustaining the healthy economic outlook and favourable growth prospects by applying an appropriate macro-economic policy mix” (Lisbon Council Conclusions, para. 5).”

The Lisbon Strategy served and serves different goals. First, it defends a new economic paradigm which is based on innovation and technological progress, the goal of which is the accelerated realisation of the internal market (Goetschy 2004). It perceives shortcomings of the labour market – long-term unemployment, too low an employment rate particularly amongst women and older workers, and under-development of the service sector – as the main sources of insufficient competitiveness and growth and sets out to adapt the European labour market to more flexibility through structural reform (Ferrera et al. 2000). It suggests the encouragement of research, the development of information technologies and the establishment of a favourable climate for innovation, *inter alia* by removing obstacles to the realisation of the internal market and the liberalisation of transport and energy markets, while the limit to public debts imposed by the GSP and the demographic changes were used to justify a re-calibration of social protection schemes and labour markets.

Second, by lifting social policy up to the top of the European agenda, it seeks a re-calibration of economic and social policy (Ferrera et al. 2002; Goetschy 2004). It does so by “reconciling” economic and social policies which are seen as interdependent and mutually re-enforcing: a triangle of economic growth, employment and social cohesion (Begg and Berghman 2002). Social policy is perceived as a productive factor rather than a hindrance to economic growth (Berghman et al. 2003: 26), yet with an ever narrower focus on supply-sided employment policies.

Third, it affirms the existence of a particular European Social Model while at the same time calling for its “modernisation” through the flexibilisation of labour markets and the reform of social protection systems (Goetschy 2004).

The theoretical context of reference is the concept “of an active welfare state based on employment” (Berghman et al. 2003: 15; Trubek and Trubek 2003), the main policy objectives of which are an increase of employment rates, activation of people and “making work pay” as well as (lifelong) investment of employees into their human capital (Barbier 2004b). The concept rests on the idea that “increased growth with more and better jobs should reduce social exclusion” (Mayes 2002: 195).

In view to promote these different goals while at the same time respecting the principle of subsidiarity, it was decided to introduce the OMC<sup>6</sup>. This soft governance instrument, according to the Lisbon Conclusions, has three main goals: Contributing to the convergence of member states’ performances, to the modernisation of the ESM, and to greater social cohesion (European Council 2000a; Ferrera et al. 2002; Téo 2001; Vandenbroucke 2002). Of these three goals, it is the wing “social cohesion” that is of interest for the here presented work, previously often referred to as social exclusion or anti-poverty policy:

“The number of people living below the poverty line and in social exclusion in the Union is unacceptable. Steps must be taken to make a decisive impact on the eradication of poverty by setting adequate targets to be agreed by the Council by the end of the year. (...) The new knowledge-based society offers tremendous potential for reducing social exclusion, both by creating the economic conditions for greater prosperity through higher levels of growth and employment, and by opening up new ways of participating in society. At the same time, it brings a risk of an ever-widening gap between those who have access to the new knowledge, and those who are excluded. To avoid this risk and maximise this new potential, efforts must be made to improve skills, promote wider access to knowledge and opportunity and fight unemployment: the best safeguard against social exclusion is a job. Policies for combating social exclusion should be based on an open method of coordination combining national action plans and a Commission initiative for cooperation in this field” (European Council 2000a, para. 32).

The next paragraph calls for “continued dialogue and exchanges of information and best practice, on the basis of commonly agreed indicators”, for the mainstreaming of “inclusion” policies into other policies, for the development of “priority actions addressed to specific target groups” and a regular reporting mechanism (para. 33). Three months later, at the European Council in Feira, it was decided to apply the OMC to social exclusion and poverty. The Conclusions established that the high-level working group on social protection should incite “cooperation between member states through an open method of coordination combining national action plans with a community programme to

---

<sup>6</sup> “Open”, then, has been associated to the flexibility of the method which allows it to be adapted to national contexts and traditions by help of means that member states are free to choose, to openness to a variety of actors, to openness to revision at EU-level and to becoming hard law (Sundholm 2001; Téo 2001; Wincott 2001).

combat social exclusion” (European Council 2000b, para. 36), and the creation of indicators was officially encouraged.

The efforts to consolidate the process were then continued by France which held the EU Presidency in the second half of 2000, leading to the adoption of common objectives, of the reporting system and the decision to develop indicators at the Nice Council in December 2000 (European Council 2000c, para. 20; Pochet 2003). The high-level working group was baptised Social Protection Committee (SPC) and as such integrated into the Nice Treaty. The OMC inclusion was institutionalised, even though its treaty basis remained very weak – the Nice Treaty also stipulates that harmonisation of national laws in the field of social exclusion is not permitted. In March 2001 the Stockholm Council asked “the Council to improve monitoring of action in this field by agreeing on indicators for combating social exclusion by the end of the year” (European Council 2001a, para. 29). At the Laeken Council in December 2001, and under the Belgian Presidency, member states adopted 18 commonly agreed indicators, very much pushed for by the Belgian Presidency throughout 2001. The institutionalisation of the OMC inclusion at the EU had reached its preliminary peak.

Some researchers have argued that the “space which the OMC inclusion occupies is constrained by the European Employment Strategy”<sup>7</sup> (Armstrong 2003: 13) or, more broadly, found that in the context of the Lisbon Strategy social policy is subordinated to the economy and to the goal of competitiveness instead of being seen as a goal in its own right (Barbier 2002; Carmel 2003; Schäfer 2002), that social policy is used to manage “the economy, and in particular the labour market” (Carmel 2003: 14) even though they are not all as clear as Chalmers and Lodge who speak of the “colonisation of the welfare state by the economic policy-making process” (Chalmers and Lodge 2003: 13). Others interpret the Lisbon Strategy as an ideology aiming at legitimating political reform, providing roadmaps for action and legitimating certain actions while delegitimizing others, thus rendering the overall space for political action smaller (Tucker 2003: 10-12; Carmel 2003; Dehousse 2003; Ferrera et al. 2002; Maier et al. 2003). Radaelli goes towards the same direction when speaking of a “master discourse” of competitiveness embedding the social OMCs: “Today, the OMC is eminently a legitimising discourse. It provides a community of policy-makers with a common vocabulary and a legitimising project – to make Europe the most competitive knowledge society in the world” (Radaelli 2003a: 8).

---

<sup>7</sup> Member states have been asked, after the first round of NAPs, to adapt the “employment” part of the NAP inclusion to the employment strategies established by the NAPs of the EES in the second round.

The idea behind the OMC is that member states have to reflect and develop their respective policies, document them and coordinate them “towards the achievement of targets defined at a European level” (Berghman et al. 2003: 12). Specifically, the following steps were intended:

- “1. Implementation of the strategic goal will be facilitated by applying a new open method of coordination as the means of spreading best practices and achieving greater convergence towards the main EU goals. This method, which is designed to help Member States to progressively developing their own policies, 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 practices;
  - 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.
2. A fully decentralised approach will be applied in line with the principle of subsidiarity in which the Union, 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” (Lisbon Council Conclusions, para. 37).

These general instructions were later operationalised through concrete instruments. *Common objectives* are the starting point of an OMC inclusion cycle. At the Nice Council four common objectives (not guidelines as in the EES) were agreed upon for the social inclusion process in December 2000: 1) To facilitate participation in employment and access to resources, rights, goods, and services for all. This objective includes traces both of the British approach at social exclusion – full employment and activation – and the French but also Scandinavian rights-based approach; 2) To prevent the risks of exclusion; 3) To help the most vulnerable. This sort of targeting follows the tradition of affirmative action and stems from the Anglo-Saxon tradition while being opposite to the universal integration approach of France and the Nordic countries and 4) To mobilise all relevant bodies (Council 2001a). The vagueness of the objectives was probably the very reason for the support from member states, the Commission and NGOs (Armstrong 2003; Berghman et al. 2003: 91). The main tension that appears in these objectives is the rights-based approach of the French and Nordic tradition of social integration vs. the targeted approach of labour market integration of the Anglo-Saxon tradition, reflecting different ideological traditions (de la Porte 2007; Mabbett 2004).

The common objectives provide overall guidance for the *National Action Plans (NAPs)* which should provide the basis of intended processes of exchange