

**EUSA Eighth Biennial International Conference,
Nashville, Tennessee.
March 27-29 2003.**

Panel 4B - The Dynamics of EU Institutions

**Redefining Positive Integration: A Critical Application of Historical
Institutionalism to the 'Open Method' of Co-Ordination**

Dr. Caitriona A. Carter

Europa Institute,
University of Edinburgh,
Old College, South Bridge,
Edinburgh EH8 9YL.

Tel: 00 44 131 650 2052/2038

Fax.:00 44 131 650 9094

E-Mail: C.A.Carter@ed.ac.uk

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Draft: Not To Be Cited Without Author's Permission

Redefining Positive Integration: A Critical Application of Historical Institutionalism to the 'Open Method' of Co-Ordination¹

Caitríona A. Carter
University of Edinburgh

Abstract

This paper critically examines core claims made within Historical Institutionalism (HI) (Thelen and Steinmo 1992; Hall and Taylor 1996; Bulmer et al. 2002) by applying a multi-dimensional model of institutional change to a case study. In so doing, the notion of 'positive' European integration is redefined. The case study chosen is the recently inaugurated 'open method' of European Union (EU) social policy co-ordination, which arguably gives rise to a distinctive effect of positive integration. First, the application of an HI model enables us to measure the degree of institutional change occurring and, in particular, to evaluate 'critical junctures' of significant institutional transformation at EU level. Second, I illustrate how the HI model posits a relationship between the dynamism of multi-dimensional institutional change, and the related degree of EU social policy convergence. Third, I argue that by refining claims made within HI on the relation of the ideational order to processes of institutional change, we can develop a conceptual framework for evaluating the impact of 'policy paradigm' shifts on institutional change over time. In conclusion, I suggest that by re-examining processes of change using this framework, we can advance alternative ways of investigating positive integration and, in so doing, redefine its character.

Introduction

Recent scholarly work within 'new institutionalism' has been highly instrumental to explaining processes of institutional transformation and policy change (Peters 1999; Hall and Taylor 1996). One strand of Historical Institutionalism (HI) adopts a multi-dimensional model to gauge degrees of institutional adaptation by distinguishing different dimensions of an institution (Bulmer et al. 2002; Bulmer and Burch 1998). Five dimensions are isolated - the systemic, the organisational, the process-related (or procedural), the regulative and the cultural. The application of the model throws light on how we measure change by differentiating incremental change from 'critical junctures' in institutional adaptation.

The first aim of the article is to consider claims made within HI through an application of the model to a changing policy process. The process used is the development of EU social policy, which for many years is seen as a failing policy - both in terms of institutions and policy delivery. The recent move to co-ordinate the modernisation of national social protection systems by the European Union (EU) provides a useful case study to examine the claims inherent to the model. The Nice European Council meeting in December 2000 agreed a new European Social Agenda, which applies the process of 'open method of co-ordination' to social policy convergence (OMC social). By setting

¹ This article evolves from research being conducted in an ESRC-funded project on 'Asymmetric Devolution and European Policy-Making in the UK', Ref. L219 25 2003. In addition to the author, the research team consists of Simon Bulmer, Martin Burch, Ricardo Gomez, Patricia Hogwood and Andrew Scott. Part of the approach adopted in this article draws on Bulmer and Burch (1998, 2000, 2001) and the development of this in Bulmer et al. (2002). More details of the team's work and publications can be found on the project web-site at <http://les1.man.ac.uk/devolution/>

policy targets and bench-marking, a form of mixed policy transfer is institutionalised. Although the process entails no explicit pooling of sovereignty, nonetheless it does give rise to a distinctive Europeanisation effect, with the 'European social model' providing a frame for convergence at national level. The first aim of the article is to assess the extent of change versus institutional resilience occurring and establish whether the co-ordination process is 'new' or transformative.

The application of the model to 'OMC social' crystallizes thought on two key themes. The first concerns the relationship between a transforming process of governance on the one hand, and the degree of policy convergence brought into effect as a result, on the other. Does change in the institutional framework affect policy change - in this case policy *convergence* - and can this be measured empirically? The second aim of the article is to suggest an addition to the present formulation of the model. To do this, the article draws on other claims made within HI which highlight the importance of the "interaction of institutional and ideational variables in policy formation and change" (Steinmo and Thelen 1992: 2) - an interaction conceptualised as an essentially dynamic and cyclical process (Weir 1989). One approach is to interpret the agency of change as being located in the 'critical moment'. In its current application, the 'critical moment' is predominantly located either in the external systemic dimension or within the institution itself (Bulmer and Burch 1998: 605; Bulmer et. al. 2002). A key argument in the paper is that the 'critical moment' is not in this instance located in the systemic dimension, but rather in the ideational dimension of the policy process. Specifically, it is a policy paradigm shift (Hall 1993: 284-5) which gives rise to the 'critical moment'. The article finishes by highlighting the complex interaction of institutions, policy ideas and policy change. I suggest that, in the area of EU social policy convergence, whether policy innovation affects institutional structures is highly dependent both on the receptiveness of the political discourse at a given time and on the dominance of a particular frame or vision which "receives" the newly configured policy paradigm.

Finally, with regard to methodology, HI is a theory of the middle range and is methodologically *inductive*. Research methods used here are ones of documentary analysis (both primary and secondary documents) and the conducting of semi-structured elite interviews².

I. Three Claims of Historical Institutionalism

The exploration of this article is to evaluate two inter-related processes of policy and institutional change, and significantly, to explore the relationship between them. This section sets out three key claims made within HI as an approach for the analysis of the public policy framework. A first claim of HI is that the relationship between 'institutions' or the 'institutional framework' and policy outcomes is one worthy of research, with the 'institution' analysed as a mediating variable in explanations of policy outcomes. Second, HI claims to have developed analytical tools which are able to evaluate processes of institutional change and, in particular, which are able to distinguish between 'critical moments' for change and 'critical junctures' of change. Third, a key strand of HI argues that institutional change can bring about policy change, and that the character of the institutional setting has an important role to play in either facilitating or hindering policy change. The aim of the article is to critically examine these claims through an application of an 'HI model' of institutional change to a transforming policy process at EU level.

² July 2002: Brussels.

Claim No 1: Institutions, Actor Behaviour and Policy Outcomes

HI's core theoretical project is the study of institutions and how the institutional setting mediates political struggles over time (Thelen and Steinmo 1992: 2).

A key precept of HI, to be explored in this article, is that there *is* a relationship between institutions and policy change, with institutions viewed as playing a significant role in the shaping of policy outcomes (Thelen and Steinmo 1992). Rather than being analysed as (benign) arenas in which actors strategically pursue interests and define strategy, institutions are understood to act as 'filters' (Armstrong and Bulmer 1998) for the channelling of external pressures:

Institutions constrain and refract politics but they are never the only cause of outcomes. Rather ... the institutionalist claim is that institutions structure political interactions and in this way affect political outcomes (Thelen and Steinmo 1992: 13).

HI seeks to analyse the relationship between institutions and actors to explain this process. This relationship is viewed as a complex one and a key research objective of HI is to develop '*historically-based analyses*' (emphasis added) to explain how institutions shape actor preference formation (Thelen and Steinmo 1992: 9). Subsidiary claims follow from this central premise: institutions can affect actor behaviour; institutions can shape how actors define their interests; institutions can shape both actor preferences and their goals; and can also create/or limit opportunities for actor strategy (Hall and Talyor 1996; Thelen and Steinmo 1992; Hall 1986; March and Olsen 1984). A key focus of HI study illustrates how political interactions in society can themselves be shaped by particular institutional configurations (Hall 1986; Thelen and Steinmo 1992: 6):

[i.e.] the ways institutions structure relations of power among contending groups in society, and especially the focus on the *process* of politics and policy-making within given institutional parameters (Thelen and Steinmo 1992: 7).

This 'relational character' of institutions (Hall 1986) has been used both to explain why some actors or societal groups can at times be more engaged in the policy process than at others and to examine the role of institutions in the (uneven) distribution of power across actors and groups (Immergut 1992; Katzenstein 1978). In summary, as Thelen and Steinmo argue, the HI claim is not simply that institutions matter: critically, it is that 'institutions ... leave their imprint on political outcomes' (Thelen and Steinmo 1992:9). This then is our starting point.

Claim No 2: Evaluating Institutional Change

Against this backdrop, a key element of the HI theoretical project has been to develop analytical tools which enable processes of institutional transformation and change to be evaluated. HIs recognise that these processes of political development must be studied as they unfold over time and emphasise the 'temporal aspects of politics' (Pierson 1998: 29):

Attempts to cut into ongoing social processes at a single point in time produce a 'snap-shot' view that is distorted in crucial respects (Pierson 1998: 30).

Through an historically-based analysis of institutional change, most HIs hold that institutions tend to change in an *incremental* and *path-dependent* fashion (Bulmer et al 2002: 5). The historical legacy of the institution shapes future adaptation:

HI holds that institutions usually change at the margins and in keeping with existing formats and ways of operating. Thus institutional change typically tends to involve a high degree of continuity, and, as it also tends to be resisted, it is usually tardy and slow (Bulmer et al 2002: 5).

The emphasis on continuity or slow institutional adaptation poses a dilemma for institutionalists in moments of significant institutional transformation. If institutions tend to change along path-dependent trajectories, how do we account for significant change – or the creation of new institutions/institutional frameworks? Given the original premise of the HI approach - namely that institutions, when responding to external pressures, tend to act as filters of politics - a high degree of continuity in institutional evolution is to be expected. And, a key challenge for HI has been to explain moments of radical change in institutions when there is fundamental break with the past. For:

at the moment of institutional breakdown, the logic of the argument is reversed from 'Institutions shape politics' to 'Politics shape institutions' (Thelen and Steinmo 1992: 15).

One approach has been to develop analytical tools to evaluate processes of significant institutional change (Bulmer and Burch 1998: 2000). To do this, recent HI work distinguishes between 'critical moments' for change and 'critical junctures' of change in institutional development (Bulmer and Burch 1998: Collier and Collier 1991). A 'critical moment' is when 'an objective opportunity arises for significant change' (Bulmer and Burch 1998). If such an opportunity is exploited, it can give rise to a distinct level of institutional change which can be measured empirically (Bulmer et al 2002). Moreover, and as argued elsewhere, if a 'critical moment' is exploited to the degree that there is a clear departure from previously established patterns so that a 'branching point' is created, which establishes a new 'historical legacy' and moves future institutional development onto a new trajectory or pathway, this creates a 'critical juncture' (Bulmer et al 2002). According to this approach, the overall pattern of institutional change consists of 'critical moments' which can be exploited to the extent that a 'critical juncture' is created, and this puts in motion new patterns or processes for subsequent institutional development. These are then followed incrementally in a *path-dependent* manner until new 'critical moments' for change emerge. Institutional frameworks can also be subject to both 'critical moments' and 'critical junctures' of change (Bulmer et al 2002). Significantly, the second HI claim is that the degree to which a 'critical moment' is realised can be tested empirically.

Claim No 3: The Impact of Institutional Change on Policy Change

A whole strand of the HI project has explored the relationship between institutional change and policy change, examining *how* institutions mediate and filter politics. A key contribution made in the 1990s was to examine more closely the relationship between institutions and the broader political socio-economic environment. A number of comparative studies conducted specified how institutions affect policy change (e.g. Hall 1992, King 1992, Weir 1992). A key focus of such studies was to examine the extent to which new ideas – such as New Right ideas/Keynesian ideas/welfare ideas – influence the shaping of public policy. A common finding was that the distinctive character of the (national) institutional setting is a key mediating variable in explaining different policy outcomes between countries, when institutions are responding to a common set of ideas. In other words, when faced with an external pressure for a change of policy through the emergence of new ideas, the character of the institutional setting has a significant role to play in either facilitating or hindering innovative policymaking (albeit that the impact of a policy outcome might itself be mediated by the broader political context). These studies are particularly pertinent to this article as they reveal an important process of policy change which brings the *ideational* order into institutional and policy dynamics:

'Rather than bracketing the realm of ideas, or treating ideas and material interests as separate and unrelated variables (or as competing explanatory factors), they explore how the two interact within specific institutional contexts to produce policy change' (Thelen and Steinmo 1992: 23).

This approach thus offers a refinement of Claim No 1, and posits that policy change is a function of complex interaction of ideas, institutions and actors.

A temporal process isolated in this approach is one which starts with the emergence of new policy ideas, introduces the role of the institutional setting and explains the nature of the policy outcome as a result of this complex interaction of ideas, 'institutions' and actors (which is assessed across different studies). This strand of HI work is extremely relevant to our study of the 'open method' of social policy co-ordination, as it introduces the ideational order into the relationship of institutions and policy outcomes. Significantly, although labelled by the literature as a dynamic process, the interaction of the 'ideational order', the institution and the policy outcome has been analysed in linear terms – ideas -> institutions -> policy outcome - and with a focus on *policy* rather than institutional change. However, as we shall argue in this article, this process can itself bring about change in the institutional framework as it 'acts back' on the institution. Rather than focus on policy change as the dependent variable, the final approach taken in this paper is to consider the existence of a different set of relationships between ideas, policy outcomes and political discourse on *institutional* change. In other words, in 'critical moments' of policy paradigm shifts, the institution itself changes as a result of the process of bringing about a policy change. I return in this in last section of the article.

II. The Open Method of Co-Ordination: An HI Critique

In this section we consider the validity of the HI approach as a framework for analysing a public policy process in transition - namely the 'open method' of social policy co-ordination (OMC social). The 'open method' of co-ordination (OMC) is an EU level method of governance which was officially launched at the Lisbon European Council meeting in March 2000. It currently has a number of fields of application in the areas of economic, employment and social policy (Report by Working Group 4a). In its most complete form, the OMC is defined by the European Council as having the following features:

'a means of spreading best practice and achieving greater convergence towards the main EU goals. This method, which is designed to help Member States progressively develop their own policies, involves: fixing guidelines for the Union combined with specific timetables for achieving the goals which they set...; establishing, where appropriate, quantitative and qualitative indicators and benchmarks [for national policy convergence] ... as a means of comparing good 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' (Presidency Conclusions, Lisbon European Council, 23/24 March 2000: item 37).

The OMC thus stands by contrast to the well-developed Community method of legislation to develop common policy (e.g. the parliamentary consultation, coordination, assent and co-decision procedures). Rather it places its emphasis on the development of policy in the form of non-legally binding 'soft law' measures to encourage the convergence of national social policies within the frame of the European social model.

For both economic and employment policy, the new OMC develops out of previously established processes for co-ordination of policy in those areas. Indeed, key features of the OMC – such as the setting of policy indicators and targets for policy co-ordination – are reminiscent of earlier processes of policy co-ordination in existence prior to Lisbon – e.g. for economic policy, the Essen process of monetary convergence and multi-lateral surveillance programs (Atkinson 2002); for employment policy, the European Employment Strategy (EES) and the Luxembourg process (COM (2002) 416 final: Employment Chapter of the Treaty and Article 128 TEC). This is not the case for social policy, however, where no such systematised processes existed. The innovation of the Portuguese Presidency - and Lisbon – was to conceptualise all these existent processes as a ‘family of methods’, broadly described as the OMC (WG 4a: 11; Document from the Presidency to the Council of the EU; Brussels 12 January 2000; 5256/00), - and then to utilise the OMC as the method of governance for the delivery of an overall EU strategy aimed at an *integrated* development of economic, employment and social policy:

Recognising the role played by quantitative indicators and target in the implementation of monetary union, it was argued that there was a case for setting targets in terms of poverty and social exclusion (Atkinson 2002: 5)

The decision to apply the OMC to social policy was taken for the first time at the Lisbon European Council. This decision was subsequently consolidated throughout 2000, and the Nice European Council meeting clarified the areas for application of OMC in the ‘European Social Agenda’, adopted in December 2000 (Annex I). As far as social policy is concerned, the Lisbon European Council’s decision amounted to a *new* application of a process in the area of social policy. Indeed, for many scholars writing on social policy integration, this decision is considered a turning point in the history of EU social policy, in particular in the area of social inclusion (Scheikle 2002: Ferrera, Hemmerijck and Rhodes 2000). In institutionalist terms, we can see institutional adaptation at EU level to give effect to this process with an EU level institutional framework and an EU level policy frame for its delivery (in addition to the national level). There are new actors at EU level. The application of OMC social thus appears in HI terms as a ‘critical moment’ in the trajectory of social policy governance, opening a window of opportunity for the creation of new institutional relationships. A question is raised, therefore, whether these changes mark a ‘critical juncture’ for social policy delivery, giving rise to the emergence of new patterns of path-dependency?

To measure the degree of institutional change occurring, and critically consider the HI claims as set out above, this section will examine the OMC social through the application of an HI model of institutional change developed elsewhere (Bulmer and Burch 1998: Bulmer et al 2002). According to the Bulmer et al model, change in the institutional process is not uni-dimensional “rather it takes place to different degrees across the various parts of an institution” (Bulmer et al 2002: 5). Five different dimensions to the public policy framework are accordingly distinguished, along which change can be assessed: (the descriptions of the dimensions below are drawn from Bulmer et al 2002: 5-6):

- *Systemic* - constitutional rules and the framework of the state/European Union; this includes changes to the Treaties of integration and changes in the assignment of policy, such as the transferral of policy to the EU level
- *Organisational* - formal structure of offices/committees; key positions,; formal distribution of authority and resources of money and staff

- *Process-Related* (or *Procedural*) - processes whereby policy is handled, information distributed and policy decisions determined; networks established to fulfil these tasks
- *Regulative* - rules, guidelines and operating codes; capacity for strategic guidance.
- *Cultural* - institutional norms and values affecting activities across all of the other four dimensions; accepted values, working principles pertaining to systemic, organisational, process and regulative; unwritten understandings; beliefs.

Arguably, the application of the model enables two types of evaluation of change to be conducted. First, by mapping change in the different dimensions, this empirical approach enables an assessment to be made on the *degree* of change occurring. According to Bulmer et al, a finding of change across all five dimensions would indicate that a 'critical juncture' of change has occurred. Second, an examination of the institutional framework along the five dimensions is expected to reveal the multi-dimensional *dynamics* of change - or the *quality* of change taking place. For example, change may occur in one or two dimensions of the institutional framework; continuity in one dimension may constrain innovation in another dimension; or significant change in one (or two) dimension(s) may drive and shape change in the other dimensions (Bulmer et al 2002: 6, 72, 103). OMC social will be examined along each of the five dimensions of the model to assess both the degree and dynamics of change from previous activity³.

OMC Social: The Systemic Dimension

A significant systemic characteristic of the history of the development of EU social policy is that the original constitutional settlement (enshrined in the Treaty of Rome) clearly distinguished between two 'types' of social policy in the assignment of policy to different levels of delivery - national or EU (Carter 2000: 107-110). Social policy for "market-building" purposes was assigned to the supranational level and social policy for "market correcting" or re-distributive purposes (e.g. health, pensions and re-distributive elements of social security) to the national level (Streeck 1996: 72). Over the years, and Treaty revisions notwithstanding, this original constitutional settlement has remained unaltered in its fundamentals, with national social welfare systems remaining matters of competence for the Member States. A key question, therefore, in our examination of the systemic dimension of the OMC Social is to ask whether its application to social policy - and in particular to the re-distributive elements of social policy e.g. social exclusion, the modernisation of social protection and pensions - has in fact entailed a transfer of policy competences in these areas to the EU level.

Critically, the inauguration of OMC social has *not* entailed a transfer of policy competence to the EU level. Indeed, prior to the entering into effect of the Treaty of Nice in February 2003, OMC social did not have a clear Treaty base, but was based primarily on political agreements of the European Council (Lisbon, Nice 2000). The new Treaty provisions are explicit on the question of competence. The provisions state that Community competence is granted to *support* and *complement* Member States' activities in a number of listed areas, including social security and social protection. Importantly, no license is given to any harmonisation of social security systems at EU level. The Council

³ Although one might conceptualise a 'family' of OMCs, the application of the OMC remains sector-specific: 'our analysis shows that because each coordination/cooperation process has its own underlying sectoral dynamic and logic, no one method can be singled out above all others' (WG 4a: 2). In our examination of OMC social, we will draw out key points of comparison with OMC employment by way of emphasising two different degrees of application of OMC.

may adopt measures to encourage cooperation between Member States in the above areas “*excluding* any harmonisation of the laws and regulations of the Member States” (new Article 137 (2) (a) TEC: emphasis added) The development of a common ‘policy’ at the EU level (in terms of both policy objectives and instruments) refers to exchanges of information and best practice, promotion of innovative approaches and adoption of directives which set minimum requirements for gradual implementation and “shall not affect the right of the Member States to define the fundamental principles of their social security systems and must not significantly affect the financial equilibrium thereof” (new Article 137 (4) TEC).

That there is expressly no change in the systemic dimension is upheld by other statements on OMC social. However, we note that in the UK concerns have been raised over what is presented as a ‘grey area’ of the systemic dimension. During the process of parliamentary scrutiny of EU affairs in both the House of Commons and the House of Lords, the issue of competence was tackled head on. For example, the House of Lords’ Select Committee on the European Union (SCEU) Report states clearly that, even if ‘learning from one another’s experiences’ does not justify Community action in social matters, nonetheless in the committee’s view, ‘the issue of subsidiarity remains unresolved’ (HL 2000a: 11). This concern is echoed in a later report by the same committee which isolates what they refer to as a ‘competence creep’ (HL 2000b: 40) in social policy. The notion that the adoption of OMC social might in time lead to subtle changes in the systemic dimension is worthy of further consideration, but can only be addressed in full once we have conducted a review of the other dimensions of change and completed our final analysis. Overall, we conclude that there has been NO change in the systemic dimension⁴.

OMC Social: The Organisational Dimension

Organisational change for the delivery of OMC social has been considerable and the effect of OMC social has been to create a whole new set of actors and positions at EU level. The European Council has re-organised its business and now convenes in the Spring as an economic/employment/social Council with specific tasks to be undertaken with regard to OMCs - e.g. it sets mandates for National Action Plans; it reviews Annual Reports; it recommends employment guidelines.

Key organisational change has however taken place within the Council of Ministers. To discharge OMC social the Council of Ministers has created an entirely new kind of committee – the Social Protection Committee (SPC). The SPC was established by a Council Decision of 29 June 2000 and, prior to Nice provisions taking effect, was based on Article 202 TEC – an usual situation. Under the Nice provisions, the SPC’s legal base is Article 144 TEC, bringing this committee firmly within the social chapter of the TEC. The SPC is an advisory committee within the Council of Ministers, but it is not a comitology committee. Nor can it be compared to the Council working groups which prepare legislation. Rather, it has a unique status within the Council of Ministers’ internal organisational structure, similar only to its economic and employment equivalents, also

⁴ Comparison with OMC Employment

First, as with OMC social, there is NO change in the systemic dimension to OMC employment. Second, unlike OMC social as it is currently operating, OMC employment does have a Treaty legal base in the form of Article 128 TEC and the employment chapter. Third, there is a marked difference in the content of the Employment versus the Social Chapters of the Nice Treaty. The Employment Chapter is prescriptive with regard to the annual cyclical process of OMC employment.

created for the purposes of implementing the OMC economic/employment respectively (the Economic Policy Committee – EPC; the Employment Committee – EMCO – see below). The SPC has also created a sub-committee with a specific remit to set indicators.

The overall business of the SPC is to be the body which manages OMC social. The formal remit of the committee is ‘to monitor the development of social protection policies in the Member States and the Community; to promote exchanges of information, experience, and good practice between Member States and with the Commission; to prepare an Annual Report on social protection to be submitted to the Council, reporting on policy developments in respect of the achievement of objectives pointed out by the Council’ (Council Decision 29-06-00: 2000 436/EC; point2). The SPC has also set out its own work programme which is to modernise social protection, particularly in the three main areas – the fight against poverty, the promotion of social inclusion and pensions (it has just started work on pensions). The membership of SPC consists of national officials from the Member States. There are two representatives appointed by each Member State. The current membership consists of very senior officials from their respective ministries of social affairs and the overall expertise is in the area of social security and social affairs. There are also two representatives from the Commission – DG Employment and Social Affairs. The Commission supply the support for the SPC of both an analytical and organisational level. The Commission support team thus acts in part as a secretariat, but also as a technical body through the conducting of research studies and so forth.

There has also been some organisational change within the European Parliament (EP). The Economic and Social Affairs committee has created an informal contact group to keep in touch with SPC. Its role can best be described as a ‘latent’ one to date as it is not reported as being very active⁵.

OMC Social: The Process-Related (or Procedural) Dimension

Change in the process-related or procedural dimension is extensive. With the one exception of the policy tool of the ‘Annual Report’ (initiated under the Commission’s Concerted Strategy) all the processes for the delivery of OMC social are new. And, the procedure surrounding the writing of the Annual Report itself has been considerably altered. All in all, we identify a proliferation of new procedures and processes to give effect to OMC social. Given the organisational dimension, it is to be expected that these are mainly procedures which operate either within the Council of Ministers, or between the Council of Ministers and the European Council. Informal processes for communication and information flow with other EU level institutions are unfolding – all be they in their infancy – and we briefly map these.

Within the Council of Ministers, two general procedures have been put in place. The SPC meets once every month, except August. It reports to the Council of Ministers, via COREPER.. In addition to these general procedures, specific procedures have evolved relating to two of the key functions of SPC – the setting of indicators and the cyclical

⁵ Comparison with OMC Employment

OMC Employment has entailed similar re-organisation within the Council of Ministers with the creation of the Employment Committee (EMCO) which inter alia sets employment indicators. Its other functions relate to the drawing up of employment guidelines. [We note that there is also an Economic Policy Committee within the Council – the third organisation feature of the social, employment, economic triangle of OMCs].

process of drafting National Action Plans (NAPs), the peer review process and the drawing up of a Joint Report. With regard to the former, indicators are set within the sub-committee of SPC and then sent to SPC for adoption, to be finally approved in the Council. The process for the setting of indicators is thus a very closed one, involving national experts and the Commission – in the first round of setting indicators, the Commission did hold a series of seminars to encourage ‘stakeholders’ input (Atkinson 2002: 8), but there are no formal processes of this nature.

The procedures for the drawing up of NAPs and the Joint Report are more extensive, and involve the European Council, the Council of Ministers and the Commission at EU level – and national actors at national level. We are not concerned here with the national level procedures: but we note that it has been left up to national governments (and parliaments) to determine input at the national level. The role which sub-state institutions, the social partners and NGOs play in this process at that level will thus vary from Member State to Member State⁶.

At EU level, the process is as follows: The European Council issues the mandate for the drawing up of NAPs (e.g. on social inclusion). These are then sent to the SPC. At this point, a peer review process is triggered. This has only happened once for the social inclusion NAPs, but draws on the experience of peer review processes conducted by the EMCO for the employment NAPs. Each MS presents their plan, which is then subject to a cross-examination by two other MSs. This is considered a good process, in that cross-examination is conducted by expert national officials, who are able to ask probing questions and read between the lines. The process is thus a highly technical and focused one. The disadvantage (and this is true for the employment peer review as well) is that it is an extremely lengthy, lasting over two days and with ‘overly wordy’ MS presentations. This whole procedure will be refined in the future.

After the peer review process, and discussion between national experts, the Commission is given the task of drawing conclusions and drafting the Joint Report, to be based both on the NAPs and also on points raised during peer review. Once drafted, this Report is taken to the SPC for discussion and amendment/adoption. Here too, procedures were adapted from OMC employment. One experience of OMC employment was that the Employment Committee (EMCO - the employment equivalent of SPC) wasted time discussing the MSs’ sections of the Report. The Joint Reports now have different sections – one common EU section and one section setting out the situation in each of the MSs. Discussions on the MSs situation are now conducted bi-laterally, prior to the Report being sent to SPC. Once agreed, the Joint Report is sent to COREPER and the Council of Ministers – where it is formally and jointly adopted by the Council and the Commission (who are of course present). It is then sent to the European Council for discussion and possibly for future action to be taken. This whole process – unlike the employment OMC process – is not done on an annual basis, although it is cyclical, with the next set of NAPs for social inclusion due in 2003, the first Joint Report on Social Inclusion having been published in December 2001. In addition, there are no indicators as such published in the Report. The setting of indicators is being kept as a separate process.

We note that there is a significant difference between OMC social and OMC employment in this area of procedures. In OMC employment there is a ‘final’ level of

⁶ See the Scottish Parliament’s European Committee’s inquiry into UK’s procedures for the drafting of NAPs in Employment.

procedure in the NAPs/Joint Report process which does not exist in the social counterpart: EMCO does not simply report the employment situation in the form of a Joint Report: Article 128 specifies that the Council, acting by QMV, shall draw up guidelines and recommendations for the next round of NAPs, and which the MSs 'shall take into account'. This is therefore a semi-binding element to the OMC employment process, in that NAPs (on an annual basis) are being re-orientated towards an EU level of convergence via the guidelines.

What about other processes for communication and information flow within the Council? Given the similar tasks being performed by SPC and its sister committees EMCO/EPC, one might expect emergent processes to facilitate communication to deliver the 'integrated' strategy. In fact, there has been minimal liaison between these three committees, and where it has occurred it is done on an informal basis. EPC and SPC have reportedly met, not in plenary, but in the form of the presidiae of the 2 committees, consisting of the committee Chairs and Vice-Chairs. As of July 2002, EMCO and SPC had only met once. In a similar vein, links with the sub grouping of the EP have also been limited. By July 2002, there had been two meetings between the SPC and the EP contact group for OMC social. One should add that this is not a situation where EP invitations for further meetings are being refused. The EP are simply not being active. Similarly, there are very loose links between SPC and the Social Partners, with informal contact once every 6 months at the level of the bureau⁷.

OMC Social: The Regulative Dimension

The key change in the regulative dimension is the setting of indicators by the SPC. So far, indicators have been set in for social inclusion and are currently being set for pensions. Arguably this is a significant development. One of the roles of SPC is to harmonise the statistical basis little by little in order to make cross-country comparisons: "you can't compare unlike with unlike and draw rational conclusions and that is a big problem" (Interview July 2002). Definitions of statistics is a regulatory act. The political dimension to this problem was all apparent during the course of setting the social inclusion indicators where a common EU definition of poverty was required. Discussion on relative versus absolute concepts of poverty ensued, with a decision to define a 'risk of poverty' - 'people who live in households whose income is less than 60% of the median income in that country are at a 'risk of poverty''. This decision has already sparked much criticism (see Atkinson 2002: 11). Although a seemingly small development, change in this dimension holds potentially far-reaching ramifications⁸.

⁷ Comparison with OMC Employment

EMCO is procedurally more advanced than OMC Social. Apart from the difference with respect to the need to draw up guidelines, a second difference is the annual cyclical nature of the OMC employment process as set down in the Treaty (128(1), 128(5)), which has caused a number of process-related problems already in 'seeing the wood from the trees' when reporting back and the drawing up of guidelines is occurring in a very tight time-frame. A third difference in procedures is the co-decision element of the OMC employment, although only 1 meeting between EMCO and EP has been reported thus far. Fourth, the level of contact between the EMCO and Social Partners is higher, but has had a number of difficulties concerning the development of an appropriate role for the Social Partners (see Mid-Term Review).

⁸ Comparison with OMC Employment

A stark contrast with OMC employment is the absence of EU level guidelines to be taken into account in the drawing up of NAPs. In OMC employment, recommendations have been issued for the future development of national policy in the form of the employment guidelines. These recommendations are legal acts - even if they are not legally binding - and there is strong peer pressure to take them into account (the so-called 'name and shame' strategy - see Szyzszak 2000). At the moment, there are no guidelines or recommendations made by the Council (or European Council) for OMC social.

OMC Social: The Cultural Dimension

The cultural dimension is not a 'free standing' dimension in the same way as the other four dimensions, in that it only exists because of the other four and is fundamentally integrated into each one. Nevertheless, it is possible separate the cultural aspects of the other four dimensions as a separate category of analysis.

There are a number of important cultural features of the new OMC social. A first important working principle is that of subsidiarity. That policy issues being coordinated are matters of competence for MS, is an important quality underpinning the overall OMC system. Indeed, some of the rather elaborate procedures are devised as such to ensure a constant communication between MSs and the EU level institutions and this is a guiding rule in any changes made in the organisation, procedural or regulative dimensions. Within the framework of subsidiarity, two other cultural features of OMC social are apparent. The first is the meaning of the word 'open' in the 'open method'. Although labelled in English as an 'open' method (in French the word 'souple' is used which has quite a different meaning), the 'openness' of OMC social refers to a commitment to be open to diversity and flexibility in national implementation and in respect for national practice. It does not refer to an openness of procedure or regulation *at EU level*. The reasoning given for this on interview is precisely that the policy areas to which OMC is applied are national areas of competence - and, as such, are to remain in the hands of national representatives when operating within an EU framework.

This interpretation of subsidiarity in this context is particularly evident through an examination of the culture of SPC. Here, the 'closed' culture of 'eminences grises' is predicated precisely on the fact that there has been no change in the systemic dimension and no transfer of policy competence. A central working convention which has emerged is that the SPC holds an 'independent' status within the Council of Ministers hierarchy. The level of national expertise on SPC (and the fact that senior officials officially represent Ministries and Ministerial policy positions) has meant that national Ministers, when acting in the Council, tend to consider decisions taken by SPC as final. SPC decisions - for example, on the setting of indicators - tend not to be re-negotiated either in COREPER or within the Council of Ministers. This is not to imply that the Council would not act - indeed some minor revisions of texts have been undertaken. But, the convention is to accept that the texts appearing before the Council have already been subject to extensive negotiation in the peer review/bilateral processes.

The nature of the discussions within SPC itself are both technical and political, but more with an emphasis on the procedural rather than the political side of policy. This is a bureaucrats committee. The culture of the committee discussions is one of 'mutual education' - learning from one another's experience; exchange of expertise and the sharing of problems. One official described SPC as at times holding 'fantastically good debates' and indeed, it would seem that a key commitment of all officials is to make OMC work. This is hard to qualify - clearly the reason for the co-ordination in this area is premised on solving a number of difficult social challenges facing the MSs - such as high levels of unemployment and poverty - and SPC has held serious discussions on how to manage macroeconomic problems and the limitations of finding solutions through transfer of practice across diverse national social systems. Mutual education does appear

to be a cultural hallmark of the SPC⁹ but this is kept at the level of officials, rather than Ministers.

Finally, OMC social is widely regarded as being the 'lightest' of all the OMCs, something which is already apparent by a brief comparison with OMC employment¹⁰.

OMC Social: A 'Critical Juncture' of Change?

The application of the model to OMC social does not reveal a 'critical juncture' of institutional change. There is no change in the systemic dimension, precluding this conclusion. Even though OMC social encourages convergence in social inclusion, modernisation of social protection and pensions, there is no formal transfer of policy competence to the EU level. However, we can find extensive change in all three organisational, procedural and regulative dimensions with transformative patterns of organisation, new procedures and significant developments in the regulative sphere. In addition, OMC social has a strong cultural dimension - a new culture of administrative 'closed' governance is emerging as a characteristic of this non-legislative process. OMC social adds a new quality to EU level social policy coordination, creating new opportunities for shaping actor preferences and goals. As a result, even though this is not a 'critical juncture' of change, nonetheless OMC social gives rise to transformative institutional change.

Certain trends can be isolated. To begin with, there is a consistency across the three dimensions where change is taking place. It is clear that OMC social is a 'governmental' method operating at senior official level, and is one which encourages an 'intergovernmental drift' (WG4a: 26). Overall, the method lacks parliamentary control. The EP is not engaged in the process. At national level, the degree of national parliamentary scrutiny will vary from MS to MS. However, EU level protocols which have been developed to encourage national governments to allow time for national parliamentary scrutiny - such as the 6 week rule - do not apply here as this is not a legislative process. A second consistency in change across three dimension is the emphasis on the sectoral aspect of the OMC. Despite the European Council's aim to develop an integrated strategy, this remains a sectoral method - it is organised and regulated in a sectoral fashion - and a review of the procedural dimension reveals minimal in-house communication across the family of OMCs. The only forum where the three OMCs come together is the Spring European Council.

Arguably though the key element of this process which is revealed through the application of the HI model is the dynamism of institutional change across the different dimensions analysed. As can be seen above, the application of the framework takes us further than a discussion on institutional change and opens a discussion on policy change. In policy terms, the OMC claims to be about encouraging convergence - a 'stress de convergence'. But, in policy terms what is being converged and how far? Policy

⁹ This is not to suggest that the closed culture is non controversial - see below.

¹⁰ Comparison with OMC employment

In general, the culture of OMC employment is very similar to OMC social. E.g., EMCO is regarded as holding an independent status in the Council hierarchy and there is a similar respect given to the decisions taken by EMCO so that discussions are not as a rule re-opened within either COREPER or the Council once decisions are taken. In keeping with the general trend observed across the other dimensions, which is the emergence of a deeper OMC, OMC employment arguably has a stronger EU element to its cultural dimension. Whereas we have a culture of learning in the OMC social, in OMC employment this is arguably a stronger culture of 'Europeanisation' of instruments.

change in the OMC is measured partly by a convergence of national practices. We can isolate two different types of convergence of policy which are anticipated by an application of OMC - the first is a convergence of policy objectives: the second is a convergence of policy instruments (the means for meeting those objectives). The second is a strong form of convergence, which puts in motion a dynamic of positive integration. Given that HI posits a relationship between institutional and policy change, does the application of the model throw light on assessing the degree and nature of policy convergence which is occurring? Is this a convergence of policy objectives or a convergence of policy instruments?¹¹

We argue here that through an examination of the procedural and regulative dimensions of the model, it is possible to assess the degree of policy convergence. Change in the regulative dimension arguably gives rise to a convergence of policy objectives through the setting of social indicators. Where common EU level indicators are fixed, a shared set of EU level objectives are created. This we have in OMC social. And, we can argue that this gives rise to a convergence of objectives in the areas where this is applied. (This is also true for OMC employment). With regard to convergence of instruments we note that change in the procedural dimension through the establishment of procedures for reflecting the conclusions of the Joint Report back on the NAPs - through guidelines or recommendations - arguably would give rise to a convergence of instruments. This would also involve change in the regulative dimension. Where common EU level guidelines are set to encourage NAPs to adjust future policy in the light of such recommendations, a shift has been made from a convergence of objectives to a convergence of instruments. We do not have this in OMC social. But, we do have this in OMC employment. Indeed, the first Mid-Term Review of OMC employment conducted by the Commission (published 17th July 2002) states this explicitly:

There have been significant changes in national employment policies, with a clear convergence towards the common EU objectives set out in the EES policy guidelines (COM(2002)416 final :2).

A strengthening of the procedural and consequently the regulative dimensions of OMC social would thus entail an important shift in the degree of policy convergence from a convergence of objectives to a convergence of instruments.

As such, the model helps us to understand the dynamic nature of institutional change and in particular how pressures for change in one dimension can spillover into the others to encourage a deepening of convergence. OMC social is not as far advanced as OMC employment. However, the dynamism of institutions suggests that there are clear path-dependent trajectories to be isolated along which further change may occur, and which would alter the form of positive integration in this area. And it is this dynamic which is the concern for those who worry about the 'competence' creep:

It is .. more than simple cooperation, since it contains the seeds of a truly European dimension, the intervention of Community authorities and the methods of *soft regulation* and periodic review (WG 4a: 30).

III. Analysis: The Relation Between Institutional and Policy Change Revisited

¹¹ See Dolowitz and Marsh (2000) for typology of policy transfer, and in particular for the question of 'what' is being transferred.

In this final section, we raise a number of questions about the application of the model to the case study and consider once again the claims made within HI. In particular, we ask what underlying assumptions does our case study reveal about the relationship between institutional change, on the one hand, and policy change, on the other, within the broad theoretical project of HI? Are there important processes of change in both which are not accounted for by the model? In conclusion, I highlight the shortcomings of the approach which I argue centre on the isolation of the 'critical moment' and the need to (re)consider the ideational order in the processes of change.

It is apparent from our study that there is a strong relationship between institutional structures and policy which can be evaluated. First, the cultural dimension is critical in fostering a 'bureaucratic' approach to policy coordination (reflected all three organisational, procedural and regulative dimensions) and that this has already had an effect on the type of policy approach being adopted in social inclusion (Atkinson 2002). Second, the model is effective in mapping change across the various dimensions, and can discern between incremental versus fundamental change. Third, the model reveals a link between institutional change and policy change, indicating the importance (in terms of policy convergence) of institutional change which is not uni-dimensional.

The application of the model thus ultimately draws us into a discussion of the policy element. However, it does so in a linear way. What the application of the model does is to alert us to a process of policy change as *stemming from* institutional change. Arguably, we can account for this through a consideration of how the theory locates the 'critical moment'. In its current application, the model isolates the 'critical moment' of change as being an 'institutional' moment. Based on other claims made within HI, this raises a number of concerns. One of the key contributions made by the third claim of HI (as set out above) is to give prominence to role of the ideational order and the role of ideas in processes of (policy) change. At present, the ideational order is missing from our analysis. Furthermore, through an historical analysis based both on documentation and interviews, a competing narrative emerges which rather than explaining policy change as stemming from institutional change, reverses this process (For example, one can trace a policy trajectory in the evolution of EU social policy as stemming from a need to resolve policy conundrum and which has stages of evolution starting with pressures for social convergence in the 1990s; the Framework 4 debate; the Modernising and improving of social policy and so forth¹²). This narrative isolates an important process of change whereby the institutional transformation documented above stems from a key shift in the policy paradigm. According to this narrative, the turning point for social policy at Lisbon was not so much the decision to apply the OMC to social policy, but the decision to conceive of an *integrated* approach to the development of economic, employment and social policy, and then to apply a new framework for the delivery of the newly configured policy objectives - primary documents are scattered with references to the emergence of a 'new policy paradigm' (Document 5256/00 from the Portuguese Presidency) or sea-change (Blair, reported in SCEU 20th Report); a new 'triangularism' - namely that economic and employment and social policies are all pulling in the same direction (Commission (COM (2000) 379 final: 6); "indissoluble link between economic performance and social progress" (European Social Agenda: 13): "It is precisely [the] link with economic integration that makes so important the recent developments of the social agenda" (Atkinson 2002: 16); the key to Lisbon was the presentation of social inclusion as a key element of the new European model (Interviews).

¹² See Commission (1995);(1997); (1999); (2000a).

According to this line of interpretation, a key policy paradigm shift has occurred which the model has failed to capture. Moreover, it would seem from even a cursory review of material it is this shift at the level of ideas which is the 'critical moment' of change. The model's way of looking at things does not account for this shift prior to the application of the OMC to social. We must at least be able to account for this policy change, which does NOT occur as a result of institutional change. Furthermore, it would appear as though it is this shift at the level of ideas which is having an effect on the processes of institutional change, not the other way around. In other words, the institutional change of OMC is to give effect to an *already changed* policy. How this is occurring merits greater study. Importantly what the study indicates is the importance of a reflex(ive) element of a dynamic process, whereby policy outcomes are "acting back on" institutional processes. Rather than being a linear process, we have instead a truly dynamic one whereby institutions are re-adjusting their processes more in the image of the policy over time. In this instance, the emergence of a frame in the form of the 'European social model' may be significant.

As a result, I isolate a number of difficulties in the application of the model and, consequently, with the HI account of institutional change as it is currently structured and which relate to the 'critical moment'. First, the HI approach here defines the 'critical moment' as an institutional moment (this is also true of previous applications of the model). The model recognises the 'critical moment' at the point of institutional change – i.e. the application of the OMC to the social. Arguably, this leaves the model open to a criticism of having a tautological basis – when it finds institutional change it labels it as a 'critical moment' of institutional change. The second difficulty with the model is its apparent denial that there are other 'things' which might be 'critical moments' in their loosest sense and which might give rise to qualitative shifts of institutional transformation. In this case, we cite a 'policy paradigm' shift as arguably being such a 'critical moment'. Third, HI wants to say that institutional change gives rise to policy change, but is losing the reflexive element of the dynamic process of institutional and policy change – namely that policy outcomes are 'acting back on' institutions which are then changing.

The main difficulty which I have located, therefore, is not so much that HI ignores the ideational order. On the contrary, HI work has been instrumental to the inclusion of ideas in our understanding of the evolution of processes. The main difficulty is rather that HI has subordinated the ideational order in its explanations of change. What is required is that a greater prominence be given to this in explaining patterns of both institutional and policy change over time. This would require a cyclical (as distinct from linear) model which is able to capture the dynamic interaction of institutions and policy ideas and political discourse, all of which arguably are at play here in driving institutional change. Clearly, mapping the exact relationships of this reflex(ive) part of the dynamic process will require further work and leaves us with a number of theoretical questions still to be examined.

Conclusion

This article critically examines the pathology of EU social public policy, through the application of a multi-dimensional model of change developed within the framework of HI (HI). Overall, we argue that the model acts as a 'yardstick' for measuring evolving social policy processes, and allows for comparisons to be made with other related policy

processes - such as the employment one. In summary, we suggest that the approach adopted provides an alternative way of investigating different degrees of positive integration in a situation where there has been no transfer of the policy competence to the EU level. In so doing, the article points to a re-defined process of positive integration in a highly evolved European Union.

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