

# PENSIONS OMC: WHY DID IT EMERGE AND HOW DOES IT EVOLVE?<sup>1</sup>

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## Introduction

The present paper aims to shed light on the emergence, within the European Union (EU), of the Open Method of Co-ordination (OMC) in the field of pensions. This through the concept of *window of opportunity* (related to a revised ‘garbage can’ model). While that concept has been usually proposed for the analysis of agenda-setting and policy change (Keeler, 1993; Kingdon, 1995; Zahariadis, 2003), here I use it for the study of the introduction of new modes of governance<sup>2</sup> (NMG) and to answer two more specific questions: why did Pensions OMC emerge? And how did it evolve?

The proposed model seems useful for at least three reasons. Firstly, it allows for a multi-dimensional and multi-level analytical framework. From a descriptive perspective, it provides a wide map of multiple *socio-economic, institutional and political factors* (some of them related to elements of chance and human creativity) which affected the launch of the coordination process in the field. These forces, originated both at national and supra-national level, led to a window of opportunity and then to a NMG. From a theoretical point of view, this allows for the combination of some of the traditional theories of European integration (neo-functionalism, new institutionalism and intergovernmentalism). As Peterson and Bomberg (1999: 9) have argued, EU is ‘*heavily nuanced, constantly changing and even kaleidoscopic*’ and thus resists simple characterisations and/or a general theory. Consistently, the following framework draws on the interaction of different theories.<sup>3</sup> Secondly, it helps to specify the mechanisms that translate critical junctures into lasting political legacies. The role of key *political entrepreneurs* in particular proves important to define problems, envisage solutions, and collecting consensus for a renewed EU intervention. In the following, we do reference to the Director General of the DG Employment and Social Affairs of the Commission, the then Belgian Minister Frank Vandembroucke (one of the architecture of the OMC), and the Italian administrative elite. Finally, the use of a multi-dimensional and multi-level framework helps us to identify the main peculiarities of Pensions OMC, its emergence and first evolution (before the broader

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<sup>2</sup> I refer to the definition of governance proposed by Peterson and Bomberg (1999): the imposition of overall direction or control on the allocation of valued resources.

<sup>3</sup> Vanhercke (2006a) talks of the need for theoretical ‘eclecticism’ in the analysis of European integration.

process of ‘streamlining’ with other social protection and inclusion OMC’s). While some of the factors mentioned above were determinants of the broader Lisbon Strategy, some others are typical of pensions policy. Their combination helps explain the peculiar ‘weakness’ of the coordination process of national pension reforms (in terms of its convergence capacity).

The first section briefly summarises the key steps for the launch and first implementation of Pensions OMC (in the period 1999-2003) and its peculiar traits. Section two introduces the multi-dimensional and multi-level framework based on the concept of *window of opportunity*. Sections three to five present the main socio-economic, institutional and political factors that led to the launch of the new method. Their interaction rather than their independence explain the launch of the OMC in the field. Section six concludes.

### **1. The Open Method of Coordination on Pensions: A ‘weak’ and ‘light’ process**

According to the conclusions of the Lisbon Summit of 2000, the Open Method of Coordination (OMC) aims to organise a learning process about how to cope with the common challenges of the global economy in a co-ordinated way, while also respecting national diversity. It consists of defining common strategic guidelines at European level for coping with structural change and then organising a process whereby Member States emulate each other in applying them, stimulating the exchange of best practices, while taking account of national characteristics (European Council, 2000). Its main procedures are: common guidelines to be implemented at national level, periodic monitoring, evaluation and peer review accompanied by indicators and benchmarks.

Forms of European coordination have developed over time. Already envisaged for budget policy under the Maastricht Treaty, they were then introduced for employment policy through the Amsterdam Treaty and for social inclusion and social protection (Scharpf, 2002). In 1999, the Commission proposed the communication, ‘*A concerted strategy for modernising social protection*’ (CEC, 1999). In terms of policy goals, the report stressed that social protection institutions are at the core of the European Social Model. It proposed their modernisation to contribute to the economic competitiveness of Europe. In terms of procedures, the document indicated a number of instruments to improve the exchange of national expertise, the stricter cooperation between EU institutions, and for the involvement of key stakeholders at different levels of governance (supranational, national, and local). The key components of the OMC, in terms of both goals and procedures, were *de facto* already defined (de la Porte, 2003).

Still in 1999, under the Finnish Presidency, the decision was taken to set up the High-level working group to tackle social protection issues common to all European members. This working group was then integrated and mentioned in the Nice Treaty as the Social Protection Committee (SPC). As requested by the Lisbon summit, the European Commission published a communication on ‘Safe and Sustainable Pensions’ at the end of 2000. The Stockholm European Council of February 2001 made reference for the first time to the open method of coordination to be introduced in this domain, while the Goteborg Council of June 2001 endorsed the three broad objectives (or pillars) of the process. They were defined in terms of the need to grant the social adequacy, the financial sustainability, and the modernisation of pension programmes according to the changing social and economic conditions. In December, the Laeken Summit (under the Belgian Presidency) adopted the Joint Report on Objectives and Working Methods prepared by the SPC and the

Economic Policy Committee (EPC) with eleven sub-objectives (under the three objectives of social adequacy, financial sustainability and modernization), working methods and the timetable for the first ‘round’ of the process. Member states were invited to prepare the National Strategy Reports (NSR) about their national pension programmes for September 2002. Then, the Commission and the Council had to present the Joint Report to summarise common trends in pension policy across the EU for March 2003 (see Vanhercke, 2006b for a more precise historical account). The next sections will seek to answer the following question: why did Pensions OMC emerge?

If compared to other OMC’s (like the European Employment Strategy), Pensions OMC (at least as for its first years of implementation) has been defined a ‘partial’ (*ibidem*, 13) and ‘closed’ method of coordination (Natali, 2006), in that:

- it lacks an explicit reference in the Treaty;
- common voluntary objectives are mainly qualitative;
- there are no explicit recommendations to member states, and thus neither formal nor moral sanctions;
- it lacks common indicators agreed on by member states (at least as for the first cycle of its implementation).
- participation of stakeholders (both social partners and social NGOs) has proved particularly limited in that there is no formal requirement for them to participate or to be consulted in the process;
- national strategy reports (NSR) represent a state of the art of pension programmes rather than an action plan for the future;
- benchmarking is very limited and the peer review process is weak (see Schludi, 2003).

As Citi and Rhodes (2007) put it, the coordination of pension programmes is thus characterised by a low ‘convergence capacity’. The two authors establish a single variable for locating different policy instruments, in terms of five discrete steps and calibrate the convergence capacity accordingly. Pensions OMC is included in step two (low convergence effects), in that is based on voluntary objectives plus weak forms of benchmarking and peer pressure. In other words, there is little room for learning and no fundamental alteration of the incentive structure of the national policy-making process (Eckardt, 2005). Moreover, as shown by de la Porte and Nanz (2004), it is characterised by low participation of social partners and civil society organizations and restricted room for public debate.

The following sections seek to answer a second question: why is Pensions OMC such a ‘light’ process of coordination (much weaker than that on employment and other social policies)?

## **2. The Emergence of New Modes of Governance: A multi-dimensional and multi-level approach**

The literature on the launch of new modes of governance in the social policy domain has mainly focused on *neo-functional*, *inter-governmental*, and *new institutionalist* theories. For *neo-functionalists* the emergence of social OMC’s is largely dependent on economic integration and the consequent loss of national capacity to promote social rights. First decisions related to economic integration (i.e. Single market, EMU) ‘spill over’ and provoke further acts of integration (in employment and social domain). Scharpf (2002) and

Ioannou and Niemann (2003) have followed that approach and stressed the importance of social and political demands for the advancement of social Europe and the technocratic process led by national governments and experts for the introduction of NMG. Neo-functionalism has been criticized for ignoring the political rationality of the EU decision-making; and for underestimating the potential for inefficiency and for stagnation in the European integration (Schafer, 2004).

*Neo-institutionalists* have suggested the capacity of supranational institutions (once they are created) to define and pursue an autonomous set of preferences, basically to increase their control over the policy-making process. Gaps between national governments preferences and the functioning of supra-national institutions is thus determined by: autonomy of supra-national institutions, unintended consequence of integration, multiplicity of interests of actors taking office, restricted time horizon of decision makers. Institutional obstacles and costs limit the capacity of national institutions to react to 'agency losses', while they increase power and competencies of supra-national actors (see Pierson, 1996a; Pollack, 1997; de la Porte, 2007). As argued by Vanhercke (2006a; 2006b), the introduction of the OMC on social protection seems to be related to the previous emergence of new governing modes on employment and then on social inclusion. On the one hand, the first OMCs represented a set of instruments easily adaptable to further policy domains. On the other, the Commission (on the base of the role played and on the capabilities matured in other policies), acted as a broker to aggregate consensus. New institutionalism has been criticized because of its inability to shed light on the persistent ability of national governments to chose different modes of integration with different degrees of delegation, to overestimate the impact of unintended consequences and costs (related to previous steps) on future decisions, and again because it underestimates the role of actor constellation (see Schafer, 2004). For *inter-governmentalists*, then, EU integration is mainly related to the interaction of member states. Governments are rational self-interested actors which define their interests, aggregate social demands and negotiate between each other. The leftward electoral swing in the second part of the 1990s, the action of some members (i.e. Portugal and Belgium) and of new comers in the EU (i.e. Sweden), and a broad inter-governmental contributed to the launch of OMCs (Goetschy, 1999; Jenson and Pochet, 2002). Critics to this approach are mainly related to more open interaction between governments, supra-national institutions, and interest groups; as well as to the influence of international organisations on the definition of members' interests and preferences (Vanhercke, 2006a).

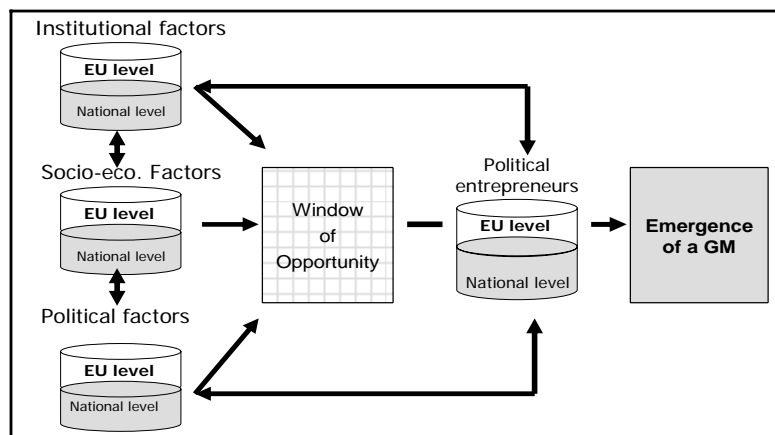
Moreover, the theories mentioned above have been the object of some broader and common critical remarks. First, as argued by Peterson and Bomberg (1999), their individual application to the EU integration shows some limits. Each one cannot represent by itself 'the' general theory for the understanding of the EU decision-making. This last is a complex and deep form of regionalism that resists simple generalizations (Sandholtz, 1996). Second, as to their application to the emergence of new governing modes on social issues, it seems too generic and unable to deal with the peculiar traits of each process and its independent variables. The above-mentioned complexity of European integration has a 'policy-based' dimension too. In line with the seminal work by Lowi (1964), key features of a certain policy have an influence on the political process (i.g. the logic of interaction, the nature of interests and preferences, etc). Further complication, decision-making is typically multi-level: supra-national and national level interact. Here, I do reference to the seminal work of Putnam (1988) on 'two-level games' based on the interaction of diplomacy (at supra-national level) and domestic politics (see also Scharpf, 1988).

In line with these broad remarks, the present section proposes a multi-dimensional and multi-level framework. This explains the emergence of a NMG in terms of the interaction of different variables leading to a window of opportunity and then innovation. More than a single independent variable, I understand the introduction of new modes of governance as the result of a number of factors, some of them identifiable and rationally explainable; some others imponderable (Kingdon, 1995; Zahariadis, 2003). Moreover, some operates at national level and some others at supra-national level.

Opportunities for innovation are usually very low. Lock-in effects, the generally conservative features of democratic political institutions, and the risky nature of innovation represent decisive constraints on changes. By contrast, other phenomena may open windows representing an opportunity for advocates of proposals to give attention to some problems and consequently to adopt solutions. Despite their rarity, it is precisely these windows that affect major changes. Authors like Kingdon (1995) has used the ‘garbage can’ model to studying the fluidity of policy-making and the role played by elements of chance and human creativity. In fact, it recognises that political phenomena are irregular and highly influenced by very broad determinants. Fortuitous factors can play a decisive role in setting a certain issue at the core of the political debate. In a previous work, I have proposed a revised and more deterministic interpretation of the ‘policy change’ model (based on the concept of *window of opportunity*) to cope with its main shortcomings (Natali, 2004).<sup>4</sup>

The following framework is based on some key elements: *socio-economic, political and institutional factors* (Figure 1).

**Figure 1. Window of opportunity for the emergence of governing modes**



The first two are related to the problem and political ‘streams’ defined by Kingdon (1995). Political and socio-economic factors capture the attention of decision-makers by means of different elements as he describes. *Indicators* (such as the economic stagnation, or the

<sup>4</sup> A vast debate has developed on vices and virtues of such an approach (see Mucciaroni, 1992: 461-7; Bendor *et al.* 2001: 184-7; Olsen, 2001: 191-4; Zahariadis, 2003). Some authors have pointed out the vagueness of the independent variables within the ‘policy change’ model (in particular in the seminal work by Kingdon, 1995) as its first limit (Mucciaroni, 1992; Bendor *et al.*, 2001).

growing budget deficit) as well as *focusing events* (i.e. symbolic events, etc.) are able to call attention on problems. Moreover, other *political events* (i.e. new public opinion climate, turnover of key political and administrative personnel) can enlarge or restrict the room to manoeuvre for innovation.

*Institutional factors* seem particularly important in the analysis of the European integration. The emergence of forms of coordination of economic and budget policies has represented an important example to replicate in other areas through a dynamic of learning and mimicking (Pochet, 2001; Moreno and Palier, 2004). What is more, these institutional dynamics in a certain field can produce their effects on other policy areas (functional *spillover effect*). This is particularly true for pensions. Fiscal and monetary policy decisions have affected welfare problems directly (see Featherstone, 2004). Then, innovations are assumed to be the result of a process that includes more than a single episode. Actors' behaviour and factors at time  $t$  influence events at time  $t+1$ . To sum up, socio-economic, political and institutional factors interact with each other and thus lead to a window of opportunity for the emergence of new governing modes.

To clearly explain the logic of such a process, the model needs some further elaboration. Here, I claim that *political entrepreneurs* have an important role. These are individuals capable of producing unexpected changes and are characterised by energies and talent (see Zerbinati and Souitaris, 2002 for a review of the literature on policy entrepreneurship). Not only do they make use of a given window, but they also contribute to its opening. They *couple* solutions, problems, and political momentum (Kingdon, 1995). As argued in a previous work (Natali, 2004), I assume they have a more pro-active role. As the analysis of the emergence of the OMC confirms, not only do they make use of a given policy window, but they also contribute to its opening. The next sections will focus on few of their capabilities: the elaboration of *strategic orientations* (that are the definition of problems and proposals), and the *commitment and control of resources* (in particular, the maximisation of consensus for changes through diplomatic alliances) (Riker, 1986; Zahariadis, 2003).<sup>5</sup>

### 3. Socio-economic Factors: Common Challenges to Pension Systems in Europe

By the end of the 1970s, a number of economic and social pressures had placed social policies in general, and pensions in particular, under stress. Changes in the labour market, new family patterns, demographic strains and globalization were seen as severe constraints on social provisions (Taylor-Gooby, 2004). In line with the EU jargon, these challenges affected both the 'financial sustainability' and the 'social adequacy' of pensions (CEC and European Council, 2003). Since the 1980s, some publications (especially those from international organisations, like the OECD, 1988 and the World Bank, 1994), did start a vast debate at the level of both public opinion and political elites. In the following we just summarise some key aspects of the 'pension problem' at the end of the 20<sup>th</sup> century.

Population ageing has represented the first main source of increased tensions. It consists of three different but interrelated issues: the increase in life expectancy, the exit from the labour market of the so-called *baby-boom* generation (born between 1945 and 1965), and the huge reduction of birth rates. While old-age schemes, introduced between the end of the 19<sup>th</sup> century and the beginning of the 20<sup>th</sup> century, were directed to a minority of the population and benefits were paid for a short period, demographic changes have worsened

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<sup>5</sup> The present paper will focus on different types of entrepreneurs: political leaders, national and European high-level bureaucrats, and experts. I refer to interviews with key actors that participated to the first elaboration of the EU strategies on social policy.

their financial viability. Already in the 1980s, international organisations projected a dramatic increase of public pension outlays as a result of demographic trends. As proposed by Schludi (2005), OECD (1988) calculations in the late 1980s proved the growing financial strains on old-age programmes. Public spending in the EU countries was expected to reach dramatic high levels in case of no reform: 35% of GDP in Italy, 30% in Germany, about 27% in France. These *indicators* highly contributed to put pensions' cutbacks at the top of the (national and European) political agenda<sup>6</sup> (Bonoli and Shinkawa, 2005).

Growing financial strains have consisted of a second challenge. They are just partly explainable in terms of population ageing. Other dynamics have played a role. In some countries, in fact, pension schemes started to show financial instability well before the concrete impact of demography. Pressures have been the consequence of a more limited economic development of European countries (compared to the rapid growth in the first three decades after WW II). The maturation of the pension system contributed to put it under financial strains as well. This corresponded to the exit of a growing number of workers from the labour market, with the subsequent implementation of the more generous rule introduced earlier. The existence of large state budget deficits (and debts) were a further short-term pressure: being pensions partly financed out of the public budget (Schludi, 2005).

The evolution of labour markets and societal institutions (e.g. family) put old-age programmes under siege too. Pension systems were mainly directed to protect long-term contract jobs, stable and long careers, and based on full employment. Stable family structures that provided care for elderly and other dependent groups were the norm in the social structure (in particular in continental and southern Europe). In the second part of the 20<sup>th</sup> century, families started to change their profile and thus weaken the functional link between social policy *in action* and social needs. While, labour markets have been characterised by the increased importance of flexible contracts (e.g. temporary and part-time jobs). Subsequent 'new' social risks have imposed the revision of 'old' programmes (Taylor-Gooby, 2004).

In such a socio-economic context, European integration have represented a double threat for national welfare state (and especially for pension systems). On the one hand, the widening of the internal market have led to more open financial markets and capital mobility and thus reduced the capacity of national governments to increase taxation (Bonoli 2003). If the level of taxes is perceived as being too high by investors, they may decide to move their activities. This pressure is assumed to be particularly acute for countries where pensions are financed through contributions and general taxation. On the other, and consistently, monetary union and the coordination of budget policies have greatly reduced the capacity of Member States to control exchange rates and budget deficit. This leads us to the institutional factors that contributed to open the window of opportunity. To sum up, both socio-economic pressures at national level and European integration were consistent with the strength of EU steering capacity in the field.

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<sup>6</sup> The former EU commissioner Fritz Bolkenstein used the label 'pensiontime bomb' to describe the foreseeable problems on the financial viability of pension programmes (Bolkenstein, 2001). This can be interpreted as a *focusing event* that contributed to the dramatisation of pension problems.

#### 4. Institutional Factors: European Integration vs. National Welfare States

While socio-economic strains concerned all western countries, EU members faced reinforced pressures. As Scharpf (2002) and then Ferrera (2006) put it, the EU has been based on a political and constitutional asymmetry between economic and social policy functions. The latter is designed at national level in the shadow of the ‘constitutionalized’ European law on market integration and liberalization. In line with *neo-functionalism*, economic integration is assumed to ‘spill over’ and provoke the demand for further integration in social policy domains through societal and technocratic processes (see Ioannou and Nieman, 2003). In line with a functionalist perspective, common challenges to the ‘golden age’ pension programmes forced member states to react, but European integration limited their capacity to find solutions. Both elements were consistent with some more active form of EU intervention.

At the end of the 20<sup>th</sup> century, at the European level the ‘pension issue’ was not new. Since its emergence, the EU has dealt with it according to different (but complementary) dimensions (European Council, 2000). The first axis of intervention concerns the development of integrated, transparent and efficient financial markets, by eliminating obstacles to investments in supplementary pension funds. Here, the EU has acted through the legislative or community method<sup>7</sup>. As Borrás and Jacobsson (2004) put it, that attempt to harmonise individual and collective rights has reached its limits. More precise issues related to the functioning of national programmes could be just partially touched by the European legislation, while more effective measures could not be imposed to single members.

The second action aims to face population ageing through the co-ordination of macro-economic policy (and especially of budget policies). In that sense, the Maastricht Treaty and then the Stability and Growth Pact and the Broad Economic Policy Guidelines have represented the main instruments of action. As mentioned above, during the 1990s, national governments were forced to leave the budget-spending paradigm in favour of a more restricted financial policy. Limits to public pensions, from the Maastricht Treaty and then the Stability and Growth Pact, largely contributed to cutbacks (Pakaslahti and Pochet, 2003). That coordination has represented a twofold stimulus for a more explicit EU action on social policies. On the one hand, it led to the acceleration of the European debate on social issues (where socially-oriented actors were initially excluded). As stressed by Hemerijck and Ferrera (2004: 251), by the 1990s employment and social policies had begun to find their way onto the European agenda. On the other hand, it represented according to the proposal by J. Delors, a template for a similar soft governance on social issues (see Ross, 1995; Pochet, 2001). Empirical evidence shows the active role of EU institutions (i.e. the Commission) in pressing member states to use the OMC to tackle the coordination of national pension reforms (see Vanhercke, 2006b). This confirms the new-institutionalist perspective can help assessing the complex inter-governmental but also inter-institutional dynamic of the EU.

While these supra-national dynamics were all favourable to the coordination of pensions, they were contrasted by other strong pressures at member states level. Despite the demands for more social Europe, national governments have traditionally been reluctant in

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<sup>7</sup> Some directives and rules traced the European discipline of public and private pension programmes. Between them, the rule 1612/68 related to the supplementary pension rights of migrant workers, and the rule 1408/71 on rights from social security programmes on trans-border workers (Pochet, 2003).



transferring to the EU their responsibility. Tackling pensions' problems means engaging with what Pierson (1996b; 2001) has called an '*immovable object*': welfare (and in particular pension) programmes are still sticky entities. First, electoral incentives are huge. Virtually every citizen (current pensioners and future beneficiaries as well) has a stake in public (and to a lower extent in non-public) pensions. Support for current pension programmes thus remains intense and creates potentially strong opposition to reforms as well as to the EU challenge to national autonomy. As shown by Ferrera (2006: 105), national institutions represent the main source of solidarity throughout the social structure and of strong political bonds between citizens and policy-makers, through the mediation of political parties and interest groups. If this is true for welfare schemes in general, pensions are the most expensive and thus popular programme by far: in 2003, pension outlays (for old-age, disability and survivors) represented more than 50% of total social spending in the EU-25 (Natali, 2006).

Second, lock-in effects further reinforce the stability of existing national pension institutions: multiple vetoes and mechanisms of path dependence make certain courses of action once initiated hard to reverse. Again, this is particular true for pension arrangement which are mature and thus consistent with increasing returns (Pierson, 2001). I argue these impediments to innovation have been active against the uploading of responsibilities to the EU. For instance, the degree of institutional diversity with respect to pension systems is somewhat higher than in the case of other social policies (Schludi, 2003: 42). In fact, if the diversity of national welfare states is a traditional trait of the European social dimension, they are particularly huge in the field under scrutiny. Normative assumptions about what a pension system is and what is it expected to perform differ with consequences on the definition of common objectives and indicators.<sup>8</sup>

Third, pension programmes had mainly developed at national level. Key actors (political institutions and actors, and social partners) in the field are mainly national, while supra- and sub-national players are traditionally weak. National and European NGO's which exert so much influence in other OMC's (i.e. on social inclusion) are absent from the domain of pensions (see Vanhercke, 2006a; 2006b). Thus, the number of stakeholders interested in the field is much more limited and the room for an EU-level network (of organised interests) is reduced as well.

The combination of the three factors seems to limit the room for an effective European intervention in the domain and thus to reduce the dimension of the window for a NMG. It is not surprising that member states have not accepted transfers of sovereignty to the EU level (Bertozzi and Bonoli, 2002).

## **5. Political Factors and the Role of National and European Entrepreneurs**

Common challenges to national pension programmes and the progress of the European integration contributed to put pensions at the core of a large European debate. Other factors should however be addressed to improve the knowledge of how those pressures led to the emergence of the OMC (see Figure 1). This section focuses on political events that at the end of the 1990s favoured the launch of new modes of governance on pensions. Then, we focus on the role of *political entrepreneurs*, both within the EU institutions and single member states. As to the former, we do reference to the key role of actors in the DG

<sup>8</sup> See Cornilleau et al (2003) about the problems dealt with by EU technical bodies for the definition of common objectives and indicators for pensions.

Employment and Social Affairs. As to the latter, we refer to national political decision makers and administrative elites in two countries. We consider Belgium and Italy as part of the coalition that favoured the launch of the Pensions OMC.

As far as *political events* are concerned, the existence of left-of-centre governments in the major part of EU countries at the end of the 1990s (e.g. in the biggest countries, like France, Germany, Italy, and UK), was a truly stimulus that contributed to open a window of opportunity (Jenson and Pochet, 2002). According to the intergovernmental approach briefly summarised in Section 1, this represented a major political event consistent with the turn-over of the key political personnel in Europe. Mass protest movements in some countries (e.g. France and Italy) did show a mounting critique to the proposed reforms of welfare programmes, and the fear of new attacks (in the shadow of EMU) to social rights *'as we know them'*. High-spending on pensions and the (electoral and political) costs of reforms were at the top of the political debate in many countries as well. The rise of centre-left governments was largely interpreted as the effort to put employment and social policies at the top of both national and European agendas (Palier, 2003). As confirmed by the actors that at that time worked on this dossier, the shared understanding on the need for innovation was decisive to launch the OMC in social protection:

*“all the governments were conscious of the need for reforming pensions across Europe. At the same time, the fact that in a majority of countries left-of-centre governments ruled, favoured a common position to define a new ‘compromise’ between pressures for changes and the re-statement of key principles of the European social model’ (Interview Member of the Cabinet of the Belgian Minister of Social Affairs 2000, Brussels, 8 February 2005).*

In the words of Hemerijck and Ferrera (2004: 274), *'the social democratic moment'* of the 1990s defined social protection as a productive factor and helped to resurface the social dimension of the Union. Yet, social democratic leadership was much more ambiguous about the concrete uploading of competences on social protection (as well as on employment) policy. As argued by Schafer (2004, 12), *'there has never been as strong a coalition in favour of internationalizing employment (and social) policy as there was in Maastricht for monetary union'*. This is even more true for pensions (see the previous section). On the contrary, new modes of governance were accepted in that they represented neo-voluntarist soft methods, combining EU action with subsidiarity and flexibility. Here again, multiple forces *'clashed'* with each other and pushed into different if not opposite directions.

### **5.1 The Role of the Commission**

Thus, the *'conflict'* between opposite forces, some favourable to EU coordination and some others against it, did limit the opportunity for a concrete action. Political entrepreneurs highly contributed to create the *window of opportunity* and then used it to launch the coordination of national pension reforms. Between the Lisbon Summit of 2000 and the European Council of Stockholm in 2001, the interaction of some of these actors was decisive. The Director general for Employment and Social Affairs of the Commission was particularly active to address pensions and to envisage the introduction of the OMC process in this field too.

*“the role of the DGV was decisive to put the interest on pensions and introduce the OMC method on this issue as well. In 2000, governments shared the idea to put two issues at the core of the Social Agenda: fight against social exclusion (through the OMC process) and the modernization of social protection schemes through the reform of the Rule 1408/71. Odile Quintin (High-level servant of DGV) in a meeting with the Belgian Minister Vandembroucke, before the Belgian Presidency of the EU, stressed the need to implement an autonomous OMC for pensions policy” (Interview Member of the Cabinet of the Belgian Minister of Social Affairs 2000, Brussels, 8 February 2005, see also Vanhercke, 2006b).*

As introduced above, the first European reports on old-age programmes came from the economic actors, like the Ecofin Council and its technical bodies. What is more, after the Maastricht Treaty, economic ministers were particularly active in promoting cutbacks to social protection programmes to grant the present and future viability of public budget. As put it by Pochet (2003), socially-oriented institutions (the DG on Social Affairs and its Director general in particular) reacted to the risk to be isolated and to play a residual role in the process.

The contribution by Mrs. Quintin at the occasion of the Conference ‘Towards A New Welfare Architecture for Europe?’, organised under the Belgian Presidency in 2001, clearly exemplified her approach to the ‘pension problem’ and what role the EU should play. She stressed two lessons to draw from the debate on reforms across Europe, both implicitly related to the launch of a European coordination:

- policy makers should have to learn from each other, in that they share the same objectives (building solid pension schemes), face the same problems (the imbalance between active and inactive part of the population), and comply with the same rules (sound public finances and high-level social protection);
- policy makers should have talk to other ‘professionals who also play a role in making (pensions) buildings safe. That means the need for cross interaction between different policy areas (e.g. employment and public finances) (see also Quintin, 2002).

Hence, the Director general did influence the *strategic orientations* of key actors in the European political game (first of all national leaders) for the definition of the (pensions) problem and the solution to cope with it.

## **5.2 The Role of Single Member States: the case of Belgium and Italy**

The Belgian Minister for Social Affairs and Pensions, Frank Vandembroucke, favoured the introduction of a form of co-ordination on pensions as well (Vanhercke, 2006b). He was particularly active in influencing *strategic orientations* of other actors. At the beginning of this section we have shown that political leaders, expression of left-of-centre governments, had a two-fold aim. They proved particularly sensitive to both the reinforcement of the social dimension of Europe and to modernise it through reforms. At the same time, the EU could provide an exogenous constrain to justify innovations consistent with the goals mentioned above (see Featherstone, 2004). With reference to Belgium, for instance, pensions was a debated issue at the end of the 1990s:

*“The (Belgian) Minister took into consideration a new legislative intervention at the national level. To do it, a new rhetoric able to enlarge the social consensus for reforms was needed. To do that, it was important to mobilise social actors (especially trade unions) and the public opinion in general on some key issues:*

*for instance, on early retirement, and the low level of employment rates (especially between the older part of the population) in Belgium. the goal was to stress the opportunity to combine traditional objectives of the socialist party (in terms of adequacy of social protection) and the need for its financial sustainability. In that context, the efforts from the DG V were warmly welcome” (Interview with the then Member of the Cabinet of the Belgian Minister of Social Affairs in 2000; Brussels, 8 February 2005).*

The Belgian Minister was engaged on European social advancements since 1999, when in the case of a speech at the University of Amsterdam, he proposed his own interpretation of the concept of *active welfare state*, consistent with the New Labour’s project for a *positive welfare*. That label was related to the redefinition of both national welfare policies and the European project in a broader sense (see Cassiers *et al.*, 2005). Given his personal mixed background (that of political leader and academics), he was able to play a crucial role in advancing the scientific elaborations and the EU politics on social policy as well (and the *strategic orientation* of the other actors).

In 2001, he took the initiative for enlarging the support for, and the room for implementation of, the OMC. While a complex diplomatic game tried to enlarge the opportunity for the rapid introduction of the method for social protection, the Belgian Presidency of the EU organised three different conferences: the first one in September in Anthwerp on social inclusion, the second one in November in Leuven on social protection, and the third in December in Ghent on healthcare (Berghman and Okma, 2002). In particular, the competent Minister prepared the conference on social protection through the launch in 2000 of the proposal of four scientific reports (from noted academics)<sup>9</sup>. These contributions should allow for the definition of a ‘new architecture’ of social protection systems. The preparation led to a more precise focus on pensions and the European procedures to introduce about them. At that time, the role of the Belgian Presidency was particularly important, view that the concrete implementation of the decisions of Lisbon on pensions was still a work-in-progress (*ibidem*, 422).

In the closing note of that conference, Vandenbroucke (2001 and 2002: 534-535) stressed that the Open Method of Coordination represented an effective instrument for social progress and a credible commitment to a social Europe. On the base of the experts’ reports, the Minister then summarised some of the key aspects of pensions policy (and politics) to be considered through the new coordination. First, the demographic problem was defined as one of ‘an increasing share of spending’. From this perspective, it makes no difference whether these expenditures are accounted for within public budget or not. Consequently, the issue was not limited to the adequacy and viability of the first pillar, but to that of the non-public pillars too. A new emphasis was thus focused on the potential inter-generational conflict and the need to consider present and future spending in terms of social justice (and not only of financial sustainability). The OMC could help to address all these challenges through the exchange of reliable information, the implementation of dynamics of learning and mimicking, the definition of common objectives able to clearly define the European social model (Vandenbroucke, 2002: 535). Thus, the Minister helped to diffuse orientations about solutions (not only problems).

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<sup>9</sup> Four issues were at the centre of that scientific efforts : pensions, employment, intergenerational solidarity, family and care policies, and procedural aspects of the renewed European framework. Oxford University press published a book edited by G. Esping-Andersen in 2002 (Esping-Andersen *et al.*, 2002).

Other countries worked for the emergence of the Pensions OMC. As argued by the former *'attaché social'* of the Permanent Representation of Italy to the European Union (and confirmed by civil servants of DG Employment), the Italian bureaucracy acted as a promoter of a coalition of countries favourable to the introduction of the OMC on pensions:

*"(...) We (the Italian representatives) used a typical diplomatic strategy to build alliances, in particular with France and Belgium. Belgium was represented by the Minister Vandenbrouke, while France had a strong bureaucratic structure, represented by Raoul Briet who then became the first president of the Social Protection Committee." (Interview with the then Italian 'attaché social' in 2000, Berlin, 9 May 2005).*

The bilateral contacts between the Jospin Government (and the Minister for Social Affairs, Martine Aubry in particular) and the Italian Government (and his Minister for Employment and Social Affairs, Antonio Bassolino) prepared the ground for the respective bureaucracies. Yet, the active role of the administrative elite, was not the result of a specific impetus by the Italian politicians. Again, the former *'attaché social'* of the Permanent Representation of Italy to the EU clarify that point:

*'political leaders did follow our activism (...) there was not a real strategy, also because the (Italian) legislature ended in 2001 and politicians had other interests at that time'(Interview with the then Italian 'attaché social' in 2000, Berlin, 9 May 2005).*

The Italian administrative élite acted to play a role in the emerging process well beyond the political mandate given by their political counterpart. Why did Italy work for the launch of Pensions OMC? A member of the Indicators sub-group of the Social Protection Committee, clearly exemplifies the reason for this activism:

*"for Italy, the OMC represented the opportunity to put pensions on the EU agenda with a twofold aim: on the one hand, that of presenting progresses implemented through reforms in the 1990s; on the other, to develop a debate on present and future problems still to deal with". (Interview, member of the SPC Indicators sub-group, Brussels, 5 April 2005).*

At that time, the Italian reform of 1995 could be considered a good practice to 'promote' at the European level. It consisted in a progressive containment of total public spending through the innovation of some of the pensions system rules (e.g. the benefit structure). Then, the reform was implemented in parallel with a process of monitoring of total spending, and of the functioning of the system through a new administrative body (*Unit for the Evaluation of pension spending*). That unit had the aim to produce projections and technical expertise (e.g. definition of indicators, etc.) in order to develop an in-depth exchange of information for the analysis and the assessment of the long-term evolution of public pensions. Such an approach (consistent with the method of co-ordination in progress) was absent in the other members. What is more, the new legislation was concerted by the government and trade unions representatives (Natali and Rhodes, 2004). As confirmed by the then representative of Italy to the EU on social issues:

*'(...) we were convinced to have a pension reform that could be a model for the other members (...) and in fact at the Stockholm Council the Italian and Swedish reforms both represented the benchmark for the other members.'* (Interview with the then Italian 'attaché social' in 2000, Berlin, 9 May 2005).

Yet, in other social policy sectors Italy was a *late comer*, more than a good practice (see Ferrera, 1997; Ferrera and Sacchi, 2005). This further explains the interest of Italy to work for the launch of Pensions OMC.

## **Conclusion**

The study of the events between the end of the 1990s and the beginning of the 21<sup>st</sup> century has helped us to assess the interaction of a number of variables. These produced the right conditions for the emergence of a (not so large) *window of opportunity* that some political entrepreneurs used to launch a new mode of governance in the pension field.

The multi-dimensional and multi-level framework we have proposed has allowed to map multiple socio-economic, political, and institutional factors that favoured that window. While socio-economic pressures (reinforced by European integration) were consistent with a more direct EU intervention; institutional and political factors were more inconsistent. From an institutional point of view, the European integration represented a source of strains on national pensions, a limit to member states' capacity to find solutions, and a parallel pressure for more demands of supra-national coordination. New governing modes in the economic and employment field represented a template for the development of similar forms of co-ordination on social issues as well. But, the persistent strength and diversity of national pension institutions led to the opposite: the strict respect of subsidiarity.

The influence of political events at the time was ambiguous. The vast majority of left-of-centre governments at the end of the 1990s did favour and use the resurgence interest for the social dimension of Europe. Yet, they were not enthusiastic about more advanced forms of coordination. And I think electoral incentives related to national pension programmes help understand the reason for this.

In such a political context, some political entrepreneurs were able to create and spread some key strategic orientations on the 'pensions problem' and its solution. The Director general of the DG on Employment and Social Affairs and the Belgian Minister competent on these matters, both contributed to define a problem (financial strains on pension systems and its inability to deal with new risks), propose a solution ('new' mode of governance at the EU level), and arrange the political consensus for the emergence of a new institution. The Italian administrative elite contributed to commit and organise key resources in terms of consensus and technical expertise (as a consequence of its reforms of the early 1990s). Finally, the paper has shed some light on the peculiarities of the OMC emerged in pensions policy through the combination of different theoretical approaches.

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