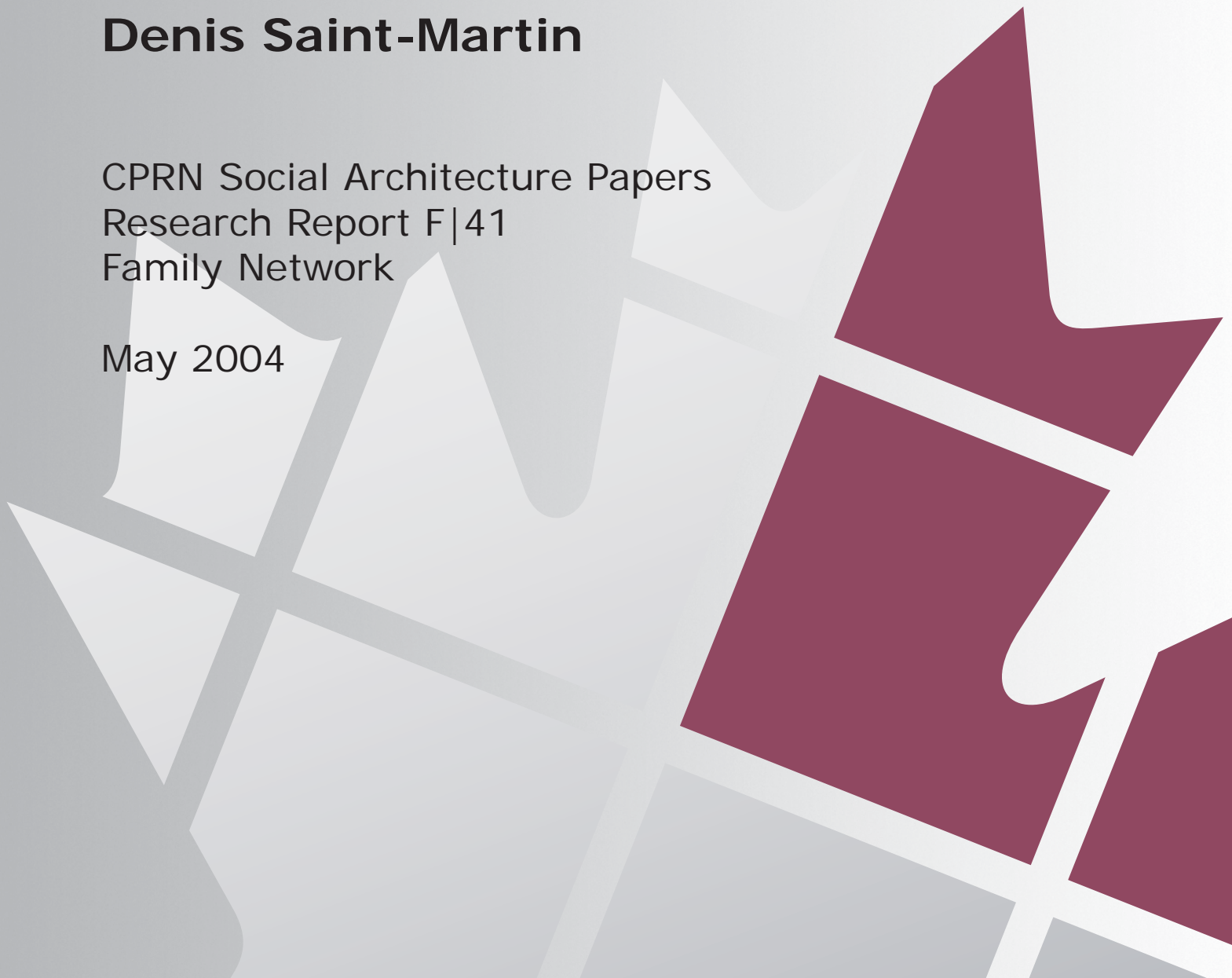# Coordinating Interdependence: Governance and Social Policy Redesign in Britain, the European Union and Canada

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Coordinating Interdependence:
Governance and Social Policy Redesign in Britain,
the European Union and Canada

By

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Foreword

In every society, there are four sources of well-being for citizens: market income, non-market care and support within the family, state-sponsored services and income transfers, and community services and supports. The roles and responsibilities of actors in markets, states, communities and families vary considerably from one country to another, and they can change over time. Certainly, all four sources of well-being have been transformed by economic, demographic, political and social trends both within and beyond Canada's borders in recent years.

During the 1940s, as government leaders looked ahead to the post-war period, they were convinced that fundamental changes would be needed to ensure that Canada would avoid another Depression and begin to create a better life for all Canadians. They therefore commissioned Leonard Marsh, a young McGill professor who was an advisor to the federal Committee on Post-War Reconstruction, to write a report on social security for Canada. Marsh had been educated in England and was influenced by William Beveridge, the architect of the British welfare regime. The *Marsh Report,* as we have come to call it, was published in 1943 and had a major impact on the design of Canada's social policies over the next three decades.

Since 1980, governments have tinkered with many of the policies put in place in the first two decades after the war. They have recognized the existence of new realities and tried to address them. But the underlying principles governing the roles for market, family, communities and state have not been thoroughly discussed since the years of the *Marsh Report*. Canada again, therefore, needs to go back to first principles. CPRN has commissioned the Social Architecture Papers, a series of nine research reports, all designed to undertake a serious look at these issues. Some research reports examine Canada's history and others look to the experience of neighbouring countries and jurisdictions. Two take a more in-depth look at the challenges facing Aboriginal peoples. A final synthesis report will summarize what this research suggests for a basic social architecture that will maximize well-being for all Canadians in the 21st century.

This is the seventh paper in the Social Architecture series. It has been written by Denis Saint-Martin, who teaches public administration in the Political Science Department of the Université de Montréal and is a Family Network Research Associate. The research report provides a structured comparison of the efforts of three jurisdictions – Great Britain, the European Union, and Canada – to respond to governance challenges presented by the new configuration of roles. After reviewing the literature on the "new governance," he describes the goals and strategies used in each of the three cases, synthesized in an innovative typology capturing the differences across these three cases.

Seven Social Architecture Papers have now been released. The whole series is available simply by clicking on the "Social Architecture" button on the Family Network home page (http://www.cprn.org/en/network.cfm?network=1). The eighth report and the final synthesis report, which will summarize the findings and propose building blocks for a new social architecture for Canada, will be released soon. Stay tuned.

Judith Maxwell
May 2004

Executive Summary

This research report documents and compares recent changes in the institutions and practices of governance and social policy in the European Union, Britain and Canada. To do so, the analysis uses a framework that focuses on two dimensions: whether management of social policy is based on tightly versus loosely coupled systems, and the level of coercion built into governance instruments. Based on this distinction, the European Union's Open Method of Coordination (OMC) is categorized as a case of *communicative governance* intended to foster a common social policy vision. New Labour's modernization agenda in Britain is characterized as a case of *holistic governance* designed to promote an integrated approach to social policy development and delivery. Canada's Social Union Framework Agreement (SUFA) constitutes an instance of *collaborative governance,* focused on joint planning and work.

Throughout, the report makes a distinction between the ideal-typical – that is conceptual and abstract – features of the new modes of governance and how they work in reality. One of the key conclusions is that, for now, the gap is wide between the theoretical inspiration and the reality of the new governance arrangements, especially in terms of policy learning and public participation. To the extent that participation is about tapping the benefits of local knowledge, poor participation then becomes a serious hindrance to policy learning.

With regard to the OMC in Europe, the report finds that it has been successful in fostering convergence in ideas. This means that policy-makers share an assessment of causal mechanisms generating policy problems, definitions of desirable and unacceptable policies, and beliefs about how policies work, even if their strategies and programs differ. But there is still a need to open up the OMC process. Bringing in more citizens' knowledge could help improve the political legitimacy of the emerging European governance arrangements as well as the performance of social policies.

For the British case, the report concludes that there is little support for the claim that New Labour's approach represents a shift towards a new form of governance. While there is some evidence of decentralized network forms of governing, there is also an intensification of a "command and control" style. The government's emphasis on holistic and joined-up government and its use of partnerships as a means of delivering public policy can be viewed as enhancing the state's capacity to secure political objectives by sharing power with a range of actors, drawing them into the policy process. The spread of an official and legitimated discourse of partnership has the capacity to draw local and community stakeholders, from third sector actors to business organizations, into a more direct relationship with government and involve them in supporting and carrying out the government's agenda.

As for Canada, the report finds that in terms of governance, the major impact of the Social Union Framework Agreement so far is on accountability regimes. The shift to public reporting in Canadian social policy constitutes a significant change. Although it is too early to expect governments to have actually produced results-based measurements, the eventual ability to compare outcomes across jurisdictions could facilitate a public dialogue around social policy investment and help hold governments accountable for their program commitments.

But by itself, outcomes measurement cannot guarantee better accountability and citizen participation. Measuring results is a complex analytical enterprise. In Europe, the multilateral surveillance system used by the OMC means that the "watchdog job" of looking at whether participating Member States have more or less met the targets agreed to by the Member States falls primarily on the shoulders of national governments and European officials. In other words, the watchdog role is played by *public institutions* possessing significant policy resources and expertise. In Canada, multilateral surveillance, where Ottawa and the provinces would systematically examine and assess each other's performance in the social policy area, would constitute a significant challenge to the federal principle. Federalism makes the use of peer review, multilateral surveillance and the "naming and shaming" that often goes with these governance tools politically difficult. V*ertical surveillance* – that is, reporting by each government to the public, is another option. But in SUFA, the public named in the term "public reporting" is ill-defined. The Social Union talks about "Canadian citizens" but this seems to constitute an individualized notion of the "public." Citizens, as individuals, do not have the time or resources to be benchmarkers, that is, to gather all the relevant information they need to see which government is the "best performer." Without access to adequate resources, benchmarking by the public is likely to remain an unfulfilled promise.

As well, if the Social Union Framework Agreement's promise "to involve Canadians in developing social priorities and reviewing outcomes" (article 3 of SUFA) is to be taken seriously, there needs to be some kind of "meeting place" where public participation in the review process can become reality. In other words, there must be some kind of *institutional locus* where policy learning can take place. One of the key lessons to be drawn from the EU is that, in the case of the OMC, this locus is provided by the European Commission and its committees. Such a meeting place is important not only because it can help foster policy dialogue and build mutual trust. It is, above all, important to help build the credibility and effectiveness of the review process. In Europe, credibility partly comes from the fact that the Commission and its committees act as neutral brokers between Member States participating in the OMC process. The institutions supporting the peer review exercise are not under the direct political control or influence of participating governments. If the review process is to be seen as objective, fair and consistent by participants, there needs to be some institutional or administrative support guaranteeing independence, transparency and quality of work. But in Canada, there is nothing comparable for the Social Union.

Coordinating Interdependence: Governance and Social Policy Redesign in Britain, the European Union and Canada

1. Introduction

The sense that a new social architecture is needed to deal with the various challenges that now face social policies is based on many factors. A defining characteristic of the current era is a considerable mismatch between emerging social risks and the array of social policies inherited from the post-1945 years (Esping-Andersen, 1999). Addressing this mismatch constitutes an important dimension of the agendas in contemporary states (Pierson, 2001). But while there is a growing recognition that existing policies may be inadequate, no clear blueprint for a new social architecture has emerged (Ferrera, Hemerijck and Rhodes, 2001). This, in turn, leads to the view that experimentation is needed: at the community, local or regional levels it may prove useful, and thus devolution or decentralization is appropriate (Sabel, 2000). There is also some disenchantment with traditional forms of policy-making and regulation and a belief that more flexible approaches, which stress problem-solving, are necessary (Peters, 1998). At the same time, there is a desire to give all stakeholders a voice in reforms to ensure both the legitimacy and effectiveness of new policies (Héritier, 2002). Finally, and somewhat paradoxically, along with an interest in decentralization goes a sense that effective changes also require coordination and collaboration at a central level of authority to encourage partners to learn from one another and avoid negative spillover (Théret, 2003).

Despite important institutional and political differences, policy communities in Canada and Europe are facing similar problems created by changes in the organization of production, employment patterns, and household and family structures. The challenge is designing social programs and expenditures to cover changing distributions of social risk among generations and between genders across the life cycle in response to demographic pressures such as population aging and increasing female labour-force participation. Another challenge is balancing work and family life by expanding the provision of complementary caring arrangements for children and the elderly, whether through public or private channels (Michel and Mahon, 2002).

But beyond these common challenges affecting program design, policy communities in Canada and Europe *also* face similar problems of developing effective and legitimate arrangements for their governance. Indeed, on each side of the Atlantic, the need to harmonize social policy with economic growth constitutes a complex and thorny governance conundrum – among the wickedest of "wicked issues" in public administration jargon.[1]

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[1] The term "wicked issues" (Rittel and Webber, 1973) is reserved for those policy problems that cannot be addressed within the structures, processes and cultures conventionally managed by public policy. Wicked issues challenge conventional approaches in a number of ways: they are issues that do not appear to belong to any single organization, they represent problems that are difficult to define and even more difficult to link to causes, and they are intractable in that there do not appear to be readily available solutions at hand.

One such problem is that of *coordination*: coordinating reforms across interdependent policy domains and levels of governance, each involving a multiplicity of public and private actors. Because the issues are complex, the environment uncertain, and ready-made solutions unsatisfactory, policy-makers in Canada and Europe have increasingly recognized the need to accept diversity, encourage experimentation, foster collaborative problem-solving, and link multiple levels of governance. The result has been a proliferation of new forms of experimentalist governance based on various combinations of devolved decision-making, information pooling and performance comparison, deliberative exploration of promising solutions or "good practices," and redefinition of policy objectives in light of accumulated experience. Europeans are systematically studying and debating each others policies and practices through the Open Method of Coordination (OMC), while the Social Union Framework Agreement (SUFA) in Canada is likewise intended to promote the development of new mechanisms for information sharing and comparison. They are also legitimizing and identity-building exercises meant to foster the social bonds of citizenship, that is, to show that the European Union and Canada are more than mere economic unions.

1.1 Social Policy as a Productive Factor: A Paradigm Shift?

As we shall see later in greater detail, these two new modes of governance share at least two things in common. Politically, they involve "standing up" (Jenson and Pochet, 2002) to an economistic or neo-liberal conception of citizenship. Both the OMC and the Social Union are intended to improve the coordination of economic and social policies. The Open Method of Coordination is the process that the European Union created to achieve the goal of becoming "the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion" (Diamentapolou, 2000). In Canada, the Social Union initiative is the framework that governments have created to renew and modernize Canadian social policy. It focuses "on the *linkages between the social and economic unions*" (my emphasis).[2]

As this last quote illustrates, in the past ten years or so, there has been a growing recognition that economic and social goals are becoming increasingly interdependent. Nowadays, even top officials from the International Monetary Fund (IMF) argue in favour of "strengthening the link between economic and social policies" (Camdessus, 1999). First, there is a recognition that social goals can be made to contribute to economic efficiency and progress. There is also growing support for the view that social policy should be seen as a good investment in the knowledge-based economy (Saint-Martin, 2000). Strong and sustainable social programs can enhance economic competitiveness by supplying vital social infrastructures – health care, lifelong learning, a skilled and knowledgeable workforce, and solid support for families and children – that bestow comparative advantage. Third, there is greater awareness that the persistent inequalities of outcomes are a costly economic deadweight in terms of lost productivity, foregone tax revenue, reduced consumer spending and higher expenditures on income assistance, social services and health care. Inequality imposes economic as well as social and individual costs. Social policy, moreover, can serve to create and stabilize collective goods, channel and mitigate industrial conflict in periods of structural adjustment, and, in turn, is likely to foster political stability and social cohesion (Rodrik, 1997).

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[2]   See http://socialunion.gc.ca/menu_e.html.

In the recession-prone decades of the 1970s and 1980s, neo-liberal economists and political leaders such as Margaret Thatcher highlighted the perverse effects of some social policies that seemed to hamper economic growth, crowd out private investment, and undermine the spirit of entrepreneurship. Now, however, whether one talks about "social investment" (Giddens, 1998), "active social policy" (Vandenbroucke, 2001) or "productivist social policy" (Holliday, 2000), the idea that a well-performing economy requires reliable and effective social policy goes against the neo-liberal assumption of the inevitable and big trade-off between economic efficiency and social justice. At the political level, this policy vision is part of the ideas promoted by the *Third Way* in Europe and North America, which seeks to modernize the social democratic project by – among other things – ending "the cleavage between economic and social policies" (Stedward, 2003: 143).

One of the most significant governance challenges in building a new social architecture, therefore, is to coordinate reforms that:

- involve a closer link between economic and social policy;

- are re-equilibrating the balance of responsibilities among the state, markets, family and the community in the production of welfare; and

- seek to address "wicked problems" such as social exclusion and child poverty that cut across traditional organizational boundaries.

1.2 Structure of the Report

The objective of this research report is to document and compare recent changes in the institutions and practices of governance in social policy, by looking at the European Union, Canada and Britain. The latter was selected because, in the words of French political scientist Jean-Pierre Gaudin, "*c'est la Grande-Bretagne qui, de manière la plus significative en Europe dans la dernière décennie, a développé à l'échelle nationale le travail de diffusion et d'innovation relatif à la gouvernance*" (Gaudin, 2002: 80).

The report is divided into six sections. Section 2 provides a brief overview of the literature as a way to highlight the type of transformations that those using the concept of "new governance" seek to both describe and prescribe. Section 2 also develops a framework for analyzing and comparing the modes of governance discussed in the subsequent sections of the report. The framework is based on two dimensions: the extent to which the management of social policy in the three cases is based on tightly versus loosely coupled systems, and the more or less binding or coercive nature of new governance mechanisms. Based on these distinctions, the report identifies the European Union as a case of *communicative governance* and Canada as an instance of *collaborative governance*, whereas Britain corresponds more to a situation of *holistic governance*. In this last case, the goal is not only the *coordination* but the *integration* of the goals, processes and practices of the various agencies and actors involved in the development and implementation of social policies. Section 3 of the report analyzes the Open Method of Coordination (OMC) of the European Union and uses the European Employment Strategy as a case study to describe how the OMC works in practice. Section 4 discusses the "modernizing governance" agenda of New Labour in Britain. Section 5 looks at the Social Union in Canada as

an attempt to develop a new governance architecture for coordinating social policy, while Section 6 offers some concluding comments.

Throughout, the report makes a distinction between the ideal-typical features of modes of governance that policy-makers are developing and how they work in reality. The conclusion is that, for now, the gap is wide between the theoretical inspiration and the reality of the governance architectures developed in Canada and Europe, especially in terms of social learning and public participation. To the extent that participation is about tapping the benefits of local knowledge (Fischer, 2000), poor participation then becomes a serious hindrance to policy learning.

2. Governance as a New Approach to Public Problem-solving

Part of the appeal of governance as a concept is its capacity – unlike the narrower term government – to cover the whole range of institutions and social relationships involved in the process of governing (Pierre and Peters, 2000). Governance denotes the development of ways of coordinating collective resources that transcend the limitations of both hierarchy and markets (Pierre, 2000).

One of the defining features of the term governance is an emphasis on what has become a central reality of public problem-solving in the current era – namely, its reliance on a wide array of third parties in addition to government to pursue public purposes. Such an approach is necessary, it is often argued, because problems have become too complex for government to handle on its own, because disagreements exist about the proper ends of public action, and because government increasingly lacks the authority to enforce its will on other crucial actors without giving them a meaningful seat at the table (Salamon, 2002: 8).

The contemporary focus on governance can be understood in part as a response to the challenge of globalization and of governing increasingly diverse societies in which no single actor has the power to control events in a complex and diverse field of actions and interactions (Héritier, 2002).

2.1 Why the Concern with Governance Now?

The shifts that have brought the idea of governance to the front of the political scene are located in broad patterns of economic and social transformation. The capacity of national governments to control events is supposedly influenced by the flow of power away from traditional government institutions, upwards to transnational bodies and downwards to regions and communities (Rhodes, 1994; 1996). Thus, the notion of governance refers to the development of governing styles in which boundaries between and within public and private sectors have become blurred (Williamson, 1996). It shifts attention beyond the state itself while setting out new conceptions of the tasks and roles of governing (Rhodes, 1997).

The state, it is argued, can no longer assume a monopoly of either expertise or the resources necessary to govern, but needs to rely on a plurality of interdependent institutions and actors drawn from within and beyond government (Ronit and Schneider, 1999). Thus, "governance recognizes the capacity to get things done which does not rest on the power of government to command and use its authority. It sees government as able to use new tools and techniques to steer and guide" (Stoker, 1998: 18). The governance perspective draws attention to the increased involvement of the private and voluntary sectors in service delivery and strategic decision-making (Stoker, 1997).

Contracting out and partnerships have become the reality of public service and policy-making in many countries (Salamon, 1995). Rather than acting alone, governments increasingly engage in co-regulation, co-steering, co-production, co-operative management, public/private partnerships and other forms of governing that cross the boundaries between state and society and between public and private actors (Sullivan and Skelcher, 2002). The tasks of steering, managing, controlling or guiding are no longer the preserve of governments but are carried out through a

wide range of agencies in the public, private, and voluntary sectors, acting in conjunction or combination with each other (Teisman and Klijn, 2002).

2.2 Governance as Both a Descriptive and Normative Concept

Governance is both descriptive and normative. It links normative hopes for a move beyond the fragmenting and dislocating market reforms of the 1980s with an analysis of the complex interactions and interdependencies of government institutions, communities, citizens and civil society (Barnard, 2002). Empirically, studies have illustrated the increasing importance of networks and partnerships in the coordination of public services (Glendinning, Powell and Rummery, 2002). But commitments to governance also symbolize a number of normative values, emphasizing the primacy of network-based collaboration and coordination in complex social systems (Kooiman, 1993).

However, the very breadth of the concept produces difficulties. One challenge is to distinguish between discourse and reality – between *real* changes as opposed to what is promised or as opposed to what *actors say* they are doing. The conception of change and the view of historical processes often appear to involve a mis-remembering or over-simplification of the past and an overly tidy view of the present or future. The view that we are shifting from hierarchies to markets and then to networks "forgets" a number of important changes, which complicates the picture of a "from-to" dualism of past and future.

As we shall see, rather than a coherent and unidirectional change from markets and hierarchies to networks and cognitive forms of governance, the reform process in the three cases examined in this research report is often contradictory, uneven and ambiguous. Rather than a situation in which government could impose its will through the direct exercise of power and through the dominance of hierarchical channels of control, public policy has long been shaped by a wide range of actors, both inside and outside government.

There is undoubtedly a complex relationship between discourse and reality. However, despite the difficulty, the notion of governance does offer important analytical propositions for examining the current patterns of interaction between state and civil society, governments and citizens, and the institutional complexity of the public sphere. The argument that we are witnessing a shift from direct forms of governing to a process of governance exercised through a plurality of actors, sites and processes suggests an increasing reliance by government on informal forms of power and influence rather than formal authority. This has, according to the literature, a number of implications (see Box 1).

These propositions are set out to support the analysis of the actions, discourses and policies of decision-makers in the European Union, Britain and Canada. I am not attempting to evaluate how far there might be evidence of an increase in new forms of governance (more participation, more partnerships, more collaboration, and so on). My aims are more modest: to analyze and compare how, in the three cases, the processes and procedures recently developed for coordinating social policy change fit with these governance propositions.

Box 1
Governance Shifts

The literature suggests we are witnessing:

1. A move away from hierarchy and competition as alternative models for delivering services towards networks and partnerships traversing the public, private and voluntary sectors.

2. A recognition of the blurring of boundaries and responsibilities for tackling social and economic issues.

3. The recognition and incorporation of policy networks into the process of governing.

4. The replacement of traditional models of command and control by "governing at a distance."

5. The development of more reflexive and responsive policy tools.

6. The role of government shifting to a focus on providing leadership, building partnerships, steering and coordinating, and providing system-wide integration and regulation.

7. The emergence of negotiated "self-governance" in communities, cities and regions, based on new practices of coordinating activities through networks and partnerships.

8. The opening-up of decision-making to greater participation by the public.

9. Innovations in democratic practice as a response to the problem of complexity and fragmentation of authority, and the challenges this presents to traditional democratic models.

10. A broadening of focus by government beyond institutional concerns to encompass the involvement of civil society in the governance process.

2.3 Framework for Comparative Analysis: Variations on the Theme of Coordination

The popularity of the notion of governance is closely related to efforts to address "wicked" social problems. Nowadays, social problems are viewed as wicked not necessarily because they are, in themselves, more complex but because we, as societies, have accumulated more knowledge about such problems. More knowledge means that our understanding becomes more complex and subtle than in the past. There is a growing awareness that problems are multi-dimensional and that all the dimensions involved in a given social problem are interdependent.

For instance, social policy analysts, using a life course perspective, and largely because of the accumulated knowledge and evidence generated by longitudinal studies that have been going on for decades,[3] simply have more knowledge than in the past about the effects a poor start in childhood has for adults' risk of poverty, low education, poor health, social exclusion, and so on.

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[3] Take, for instance, the National Child Development Study (NCDS) in Britain. The NCDS is a birth cohort survey that has been following the lives of a group of people born in March 1958 (about 17,000 individuals). The aim of the study is to improve understanding of the factors affecting human development over the whole lifespan. See http://www.mimas.ac.uk/surveys/ncds/.

In becoming more aware of the multi-dimensional and interdependent character of the problems they face, policy communities in Europe, Britain and Canada are all emphasizing the need for more *horizontal* coordination (across government departments and agencies), closer *vertical* coordination (among multiple levels of government) and *multi-sectoral* coordination (across sectors of society). As we shall see in each of the three cases studied in this report, there have been various attempts at creating more "tightly coupled" systems and procedures for coordinating both the framing and the implementation of social policy.[4]

Of course, in adopting new modes of governance to create more tightly coupled arrangements to deal with social policy, Britain, Canada and the European Union are starting from different points of departure: the first is a unitary state, the second is a federal regime, and the third is a supranational polity.

Despite these differences, there are significant similarities. In Europe, the Open Method of Coordination is an effort to create tighter-coupling in the processes and procedures used to frame social policies. The goal is to foster among Member States a shared diagnosis and a common policy vision. By contrast, in Canada, the Social Union Framework Agreement (SUFA) is an effort to foster stability in the relationship[5] as well as collaboration between Ottawa and the provinces/territories for the financing, management and delivery of social programs and services. Compared to the OMC, SUFA is less concerned with the cognitive or normative dimensions of social policy and more with its managerial aspects.

To capture these differences, I have labeled the OMC as a case of *communicative governance* (Kooiman, 2000: 150) intended to stimulate learning processes that will lead to co-operative behaviour, mutual adjustment and the forging of a European social policy framework. Benchmarking, social indicators, peer review, multilateral surveillance, scoreboards, trend-charts and the setting of measurable targets are among the new modes of governance deployed by the OMC to promote policy learning and diffusion. In Canada, the Social Union represents more an instance of *collaborative governance*, defined as a set of "arrangements among autonomous organizations that have the following features: common objectives tied to a public policy purpose, shared governance, and written agreements on governance and financing" (Auditor General of Canada, 1999: 3).

If governance reform in Canada and the European Union is primarily about better coordination, in Britain the goal is also integration. *Holistic governance*, the term used to describe the British case, can be defined as "as starting with clear and mutually reinforcing sets of objectives framed in terms of outcomes and then working back from there to identify a set of instruments which have the same relationship to one another to achieve those outcomes" (6, 2004: 106). This is a so-called "whole system" approach (Wilkinson and Appelbee, 1999) that draws on ecological models of interaction and interdependence. They are based on the premise that complex systems need to be understood in terms of the interactions among the parts of the system and their environment. These interactions involve feedback loops, whereby elements in the systems

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[4]   In organization theory, "tightly coupled" systems are defined as having relatively high degrees of interaction and interdependence (Perrow, 1986).

[5]   The first section of SUFA talks about the need for ensuring "stable and sustainable funding for social programs" and section 5 is all about "funding predictability."
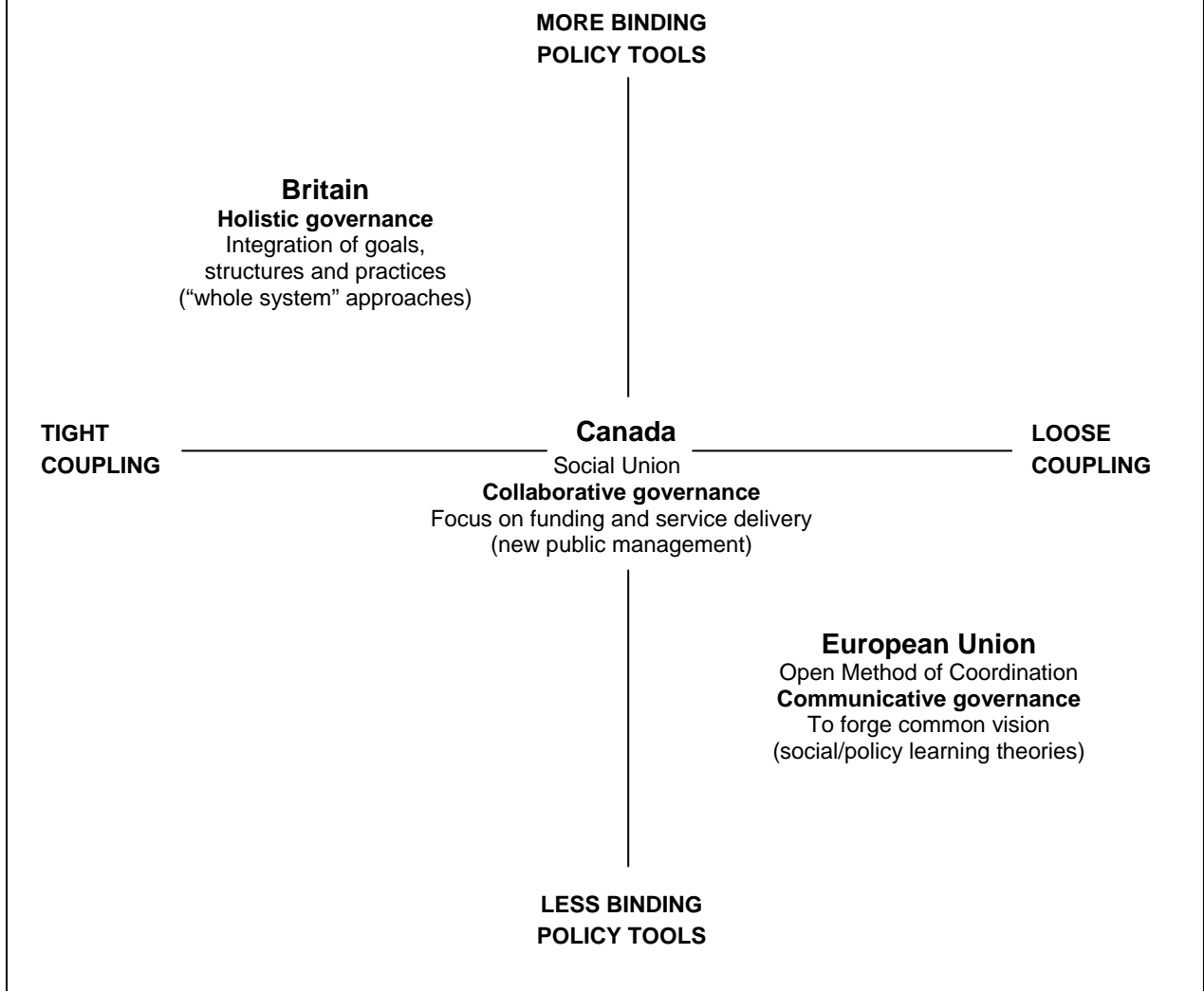
influence and feed information to each other over time. Outcomes are the result of the interaction of a large number of organizations and agents, each of which is attempting to respond to a changing environment, by adapting behaviour and by shaping the environment itself. The system is "open" in the sense that there is constant interaction between each organization or agent and all the other agencies that make up the environment they find themselves in.

The second dimension I use to compare Britain, Canada and the European Union is highlighted in Figure 1 and focuses on the more or less binding character of new governance arrangements for social policy. In their book on *Governance, Politics and the State*, Pierre and Peters (2000: 12) argue that the notion of governance relates to "a growing reliance on less coercive policy instruments." Governments now rely on symbolic learning, capacity-building and various types of information-based instruments (Howlett, 2000). As discussed in the following pages, the OMC's instruments that focus primarily on policy learning and diffusion are less binding than those of the SUFA in Canada. It in turn involves less coercive mechanisms than in Britain, where the growth of audit, inspection and various types of performance measurement indicates an intensification of a command and control style of governing. In the British case – and also to a large extent in the Canadian situation – the focus on performance indicators and the use of results-based approaches to policy planning and evaluation is closely linked to concerns about *accountability* – and thus, control – a theme largely absent from the OMC process because governments of Member States retain full responsibility for social policies.

Of course, this analytical framework is an exaggeration of reality; it describes three ideal types, which do not exist in pure form. To say, for instance, that the OMC is primarily about communicative governance does not mean that governance in the EU does not involve some managerial aspects. After all, benchmarking, a key feature of the OMC, is a management tool directly imported from the business world. In much the same way, when the European Commission claims that the European Employment Strategy is a policy coordination framework "fostered by a management-by-objectives approach" (CEC, 2002: 5), this again is an indication of management influences. In Canada, those who describe the Social Union as an agreement that "embodies our sense of collective responsibility" (Biggs, 1996) would certainly argue that it contains elements that fit well within the communicative governance type. And a similar mix can be found in the British case.

When looked at from within, each case studied individually is likely to include a number of aspects that correspond more or less directly to all three ideal-typical forms of governance; reality does not create watertight models. It is only in using a comparative perspective, when the three cases are studied side-by-side, that the differences in the weight given to the elements of each of the three types become visible and obvious, both analytically and empirically.

Figure 1
Varieties of Governance Models

MORE BINDING
POLICY TOOLS

Britain
Holistic governance
Integration of goals,
structures and practices
("whole system" approaches)

TIGHT
COUPLING

Canada
Social Union
Collaborative governance
Focus on funding and service delivery
(new public management)

LOOSE
COUPLING

European Union
Open Method of Coordination
Communicative governance
To forge common vision
(social/policy learning theories)

LESS BINDING
POLICY TOOLS

3. The Open Method of Coordination and *Communicative Governance* in the European Union

During the Lisbon Summit of March 2000, the European Union set itself the goal of becoming "the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion." To implement this strategy, the EU introduced the Open Method of Coordination (OMC). The OMC is based on different stages:

- Defining guidelines for the European Union combined with timetables for achieving the goals which they set in the short-, medium- and long-terms;

- Exchanging best practices and, where appropriate, establishing quantitative and qualitative indicators and benchmarks against the best in the world and tailored to the needs of different Member States;

- Translating these European guidelines into national and regional policies by setting specific targets and adopting measures, taking into account national and regional differences; and

- Periodic monitoring, evaluation and peer review organized as mutual learning processes.

As a process, the OMC starts with the formulation of guidelines, followed by agreement on a list of indicators. National plans are then developed using the agreed list of indicators and benchmarks. They are used to compare national results and identify best or good practices. The final step is the monitoring, peer-review, and evaluation stage of the process. This should provide learning opportunities that feed back into the development of national policy and the re-formulation of guidelines (Hodson and Maher, 2001; Mosher, 2000).

In the OMC process, the Commission is meant to play a coordinating role by presenting proposals for European guidelines, organizing the exchange of information about best practices, presenting proposals on potential indicators, and providing support to the process of implementation and peer review. In the documents produced by the Council and the Commission, the OMC is presented as an instrument for fostering convergence in common interest and around some agreed common priorities while respecting national and regional diversity. It is a tool for deepening European construction or for building "social Europe" (de la Porte and Pochet, 2001).

The purpose is to organize a learning process at the European level in order to stimulate exchange and emulation of best practices, as well as to help Member States improve their own national policies (Teague, 2001). The OMC is meant to foster a Europeanization of outlooks and perspectives, flowing from both the administrative practices, common deadlines and agendas in this system of governance and from the development of common policy frameworks, approaches, and measurement techniques (common indicators, common statistics) (Jacobsson, 2001). In this sense, the OMC is both a learning and *normative* tool. As Frank Vandenbroucke (2002: 9), the Belgian Minister of Social Affairs and Pensions, has argued:

the OMC is a cognitive tool because it allows us to learn from each other. In my opinion, this learning process is not restricted to the practice of other Member States, but also extends to their underlying views and opinions, an area that is no less important. Open coordination is a "normative" tool because, necessarily, common objectives embody substantive views on social justice. Thus open coordination gradually creates a European social policy paradigm.

One of the key goals of the OMC is to create "tighter-coupling" or greater institutional and cognitive interdependence between economic and social policies at the EU level. It is intended to make economic and social policies mutually supportive and work towards the same objectives, which in turn requires improved policy coordination nationally and at the European level (Cameron, 2001).

In theory, the OMC combines broad participation in policy-making, coordination of multiple levels of government, use of information and benchmarking, recognition of the need for diversity, and structured but unsanctioned guidance from the Commission and Council (Mosher, 2000; de la Porte, 2002; de la Porte, Pochet and Room, 2001; Hodson and Maher, 2001). Because this type of new governance architecture does not rely primarily on top-down command and control regulation backed by sanctions, its use has been described as a move from "hard law" to "soft law" (Scott and Trubek, 2002).

While certain policy benchmarks are set for the European Union, national responses are formulated independently and without the threat of formal sanctions. Applying the OMC is "non-binding": defined goals are not mandatory and non-performance, measured through benchmarking indicators, peer review, and monitoring, is not accompanied by a system of sanctions (Héritier 2002). The EU merely provides a context and enabling structures for co-operation and learning among national policy-makers. The regulatory impact of this approach rests on dissemination of best practice and the provision of incentives (peer review) rather than legal obligation and control.

In its ideal-typical form, the OMC is a new mode of governance that includes the following components:

- Guidelines
- Benchmarking
- Multilateral surveillance
- Indicators
- Iterative process
- Implementation through domestic policy and legislation (this means that no EU legislation is needed)

Hence, for the OMC, the level of obligation to a regulatory centre is low and a wide range of policy strategies to achieve general EU targets could be chosen. However, it goes beyond simple co-operation. Multilateral surveillance and the fixing of common targets puts pressure on the Member States to achieve these targets, so it has a "disciplinary effect." In fact, as we shall see later, the disciplinary dimension of multilateral surveillance is not present in the case of SUFA where surveillance, re-defined in terms of *accountability*, is not *lateral* (i.e., from one government to another) but *vertical*, between each government and its "own" electorate. Unlike the OMC, "naming and shaming" is not part of the governance "toolkit" produced by SUFA.

The application of the OMC – according to the European Commission – may especially be suited in three cases: first, in areas touching upon national identity or culture, such as education, which are closely tied either to constitutional or historical peculiarities of a Member State; second, where national legislation and structures are too diverse or too complex to be harmonized (e.g., social protection, employment); and third, policies where Member States are reluctant to embrace common legislation immediately, but do have the political will to take some steps towards a common objective.

The use of the Open Method of Coordination to deal with social policy in general and employment in particular is controversial. Where some see a creative breakthrough that will solve problems heretofore thought to be intractable, others see just one more development that threatens the European Social Model. For the optimists, the OMC is not only a methodological breakthrough for the Union, but also an innovation with superior capacity to solve the many problems Europe faces in the social field (Gerstenberg and Sabel, 2000). Others, however, fear that by moving away from efforts to mandate uniform social and employment standards, the Union will contribute to the gradual erosion of the programs that make up the European Social Model (Degryse and Pochet, 2000). For the pessimists, the move to soft law is either a waste of time, or a smokescreen behind which the welfare state might be dismantled.

3.1 Post-regulatory Governance

Open coordination is sometimes described as a "post-regulatory approach" to governance (Mosher, 2000). Traditional regulation imposes mandates that are relatively specific and uniform, hierarchically determined, static, and substantive. However, in post-regulatory governance there is a preference for procedures or general standards with wide allowances for variation rather than detailed rules, for intensive consultation to set and modify standards, for standards that are wholly or partly voluntary, and for adjustment over time in response to feedback. Post-regulatory governance is flexible in the face of different conditions across space and time and may foster mutual learning over time that improves policy (Trubek and Mosher, 2001).

Open coordination allows policy initiatives to be adapted to the diverse institutional arrangements, legal regimes and national circumstances in the EU (Chalmers and Lodge, 2003). It also allows Member States to move at different speeds in reforming policy, while attempting to keep them moving together in the same direction (Héritier, 2003).

With open coordination, Member State governments are able to opt out. Member States that might oppose regulation that permanently takes away policy responsibility may be more willing to grant supranational input and guidance into policy making through open coordination.

Many of the policy areas proposed for the Open Method of Coordination are those where Member States seem capable of proceeding individually but may be unsure of the best path to take. The OMC provides a way of organizing and institutionalizing cross-national learning. The OMC can thus be seen as the case of *communicative* or, some would say, *deliberative governance.*

The basic idea is that frequent interaction and arguments about social and economic policy choices over time shapes the preferences of the Member States and thus makes them more compatible with European decision-making. The institutional locus of these deliberations is the thick web of EU committees in which public and private actors coordinate policy formulation and implementation, the so-called "Comitology" (Jacobsson and Vifell, 2003; Mandin and Palier, 2002).

3.2 The European Employment Strategy: Process and Strategy

Although the term "open method of coordination" was coined at the Lisbon Summit, the story of the OMC did not start at Lisbon (Jenson and Pochet, 2002). Policies such as the 1997 European Employment Strategy (EES) had already been the object of coordination (Goetschy, 1999). Indeed, the "EES is the cradle of OMC" (Brusse and Hemerijck, 2002: 122). In 1997, at the Amsterdam Summit, 13 out of 15 Member States had social-democratic or socialist governments and with the EES, one of the goals was to show that Europe was about more than just "market and money," and that its social dimension was also important to the average EU citizens.[6]

Since its formal adoption in 2000, the OMC has been applied to several additional social policy areas, including social inclusion (Ferrera, Matsaganis and Sacchi, 2002) and pensions (de la Porte and Pochet, 2003a). It is important to keep in mind that, although it is useful to examine the OMC as an ideal type, its features vary considerably across policy areas. "The OMC" argued Frank Vandenbroucke, "is not some kind of fixed recipe that can be applied to any issue…. Policy coordination and open coordination together constitute a cookbook that contains various recipes, lighter and heavier ones" (Vandenbroucke, 2002: 9).

The EES has not only been a precursor of open coordination, it is also the longest running OMC process. Because more information (scholarly articles and books, as well as a five-year evaluation study released by the Commission in 2002) is available regarding employment policy, the next pages focus on the EES to highlight how the Open Method of Coordination works in practice.

3.3 An Iterative Multi-level, Multi-actor Process

The implementation of the European Employment Strategy involves several steps. It begins with the Commission developing general ideas about the best employment strategy for EU Member States to pursue. The Commission develops these ideas in discussions with the Council of Ministers, Member States, and the relevant social actors, including unions, employers' organizations and academics. These general ideas are made concrete in the form of annual guidelines proposed by the Commission and modified and approved by the Council of Ministers. Each year, Member States draw up National Action Plans outlining how they plan to respond to the guidelines and what progress has been made. At the end of the process, the Commission and Council review Member State actions and plan for a new set of guidelines.

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[6] This last aspect was also among the political concerns that led to the establishment of the Canadian Social Union in 1999 (Biggs, 1996).

In its role as the primary administrator of the EES, the Commission has gradually expanded the scope of the guidelines and convinced the Council to set new targets. For example, while the Council initially rejected the idea of setting a target for the overall employment rate, the Commission continued to press for such a figure. In 2000, the Council went along, setting a target of having 70 percent of the eligible population employed by 2010.

Another key feature of the process is that it engages many levels of government and involves social actors as well as public officials (Lönnroth, 2000). Many levels and units of government must cooperate to produce the National Action Plans. This must be done in consultation with regions and social partners. The annual review process involves discussion between Member State and Commission officials, and creates contacts among officials and social partners from different Member States (Goetschy, 2002).

While the EES rejects radical deregulatory approaches promoted by some neo-liberals, it bears traces of a compromise between more traditional social democratic views and the ideas of a *Third Way* promoted by New Labour in the UK (Mosher and Trubek, 2003). The stress on working, flexibility, and the role of entrepreneurship in creating jobs embody the *Third Way* emphasis on overcoming dependency and shows acceptance of the need to promote risk taking and adapt social protection to business goals for flexibility (Kenner, 1999). Nonetheless, the guidelines foresee an important role for the state and the social partners: they presume that the core of the welfare state will remain in force and do not envision major changes in the organization of industrial relations. The strategy is one of reform, not major restructuring (de la Porte and Pochet, 2003b).

The overall objective of the strategy is to maintain the European Social Model by reforming it (Mosher and Trubek, 2003). The Commission wrote, in the preparatory documents for the extraordinary Luxembourg Employment Summit, that "meeting the challenge of insufficient growth and intolerable unemployment requires a profound modernization of Europe's economy and its social system for the 21st century without giving away the basic principles of solidarity which should remain the trademark of Europe" (European Commission, 1997). The EES' original goal – to increase the employment rate and combat unemployment to sustain economic growth – has progressively incorporated more socially oriented objectives. In 1997, it began with four pillars: employability, entrepreneurship, adaptability and equal opportunities. Other key social concerns, such as quality in work and lifelong learning have been added. For instance, in January 2003 – and as a way to reach the 2010 target of full employment set by the Lisbon European Council – the Commission proposed restructuring the EES around three "overarching" objectives: (1) full employment, by raising employment rates; (2) quality and productivity at work, working towards "more and better jobs"; and (3) cohesion and an inclusive labour market: reducing disparities in access to the labour market, both in socio-economic and regional terms (CEC, 2003: 9-10).

3.4 The EES and Policy Learning

Any assessment of the European Employment Strategy must deal with its potential to promote policy learning. Some commentators find this aspect of the EES to be one of its greatest strengths (Ferrera, Hemerijck and Rhodes, 2001). There is substantial literature promoting the view that governance systems which promote learning can be preferable to traditional regulatory approaches (Sabel, 2000; Dorf and Sabel, 1998; Teague, 2001).

A good case can be made that the EES process contains many governance mechanisms that can promote policy learning (Easterby-Smith *et al.*, 1999). These include mechanisms that destabilize existing understandings; bring together people with diverse viewpoints in settings that require sustained deliberation about problem-solving; facilitate erosion of boundaries between both policy domains and stakeholders; reconfigure policy networks; encourage decentralized experimentation; produce information on innovation; require sharing of best practice and experimental results; encourage actors to compare their results with those of the best performers in any area; and oblige actors collectively to redefine objectives and policies.

The EES contains all these elements to one degree or another.

- The Employment Guidelines and the underlying strategy they reflect do, to varying degrees, challenge national policies in many countries and thus should destabilize prior understandings.

- The process is designed to create ongoing policy dialogues that engage diverse groups and cross many traditional boundaries within government, between government and social partners, among actors from different countries, and between localities, national governments, and Union level actors and institutions. These dialogues are repeated on an annual basis and thus should encourage continued deliberation.

- Member States are required to provide detailed information on their unemployment-reduction efforts, share best practices, and comment on each others annual plans.

- There are several benchmarking mechanisms that encourage Member States to measure their performance against that of the best performers in the Union. Through peer review and exchange of best practices, each Member State directly confronts the plans and experiences of others, thus acquiring benchmarks by which they can measure their own performance.

- The Commission and the Council regularly review the national plans and provide comments and recommendations: these are often based on comparisons with the best performers and create additional benchmarks for each Member State.

- Finally, the EES process is iterative and iteration fosters deliberation. The guidelines can be, and are, changed from time to time so that new information and ideas can be incorporated. Since changes in the guidelines involve discussions with Member States and Social Partners, it sets in motion deliberations that may themselves bring new ideas and information to light.

The process brings together actors from different parts of many national government and social partners from various levels who interact with the Commission; in this way it could create a new, ongoing trans-European employment strategy network or "epistemic community." Such a trans-European network could be both an incubator of new ideas and a force to help build internal support for innovation by the several states.

3.5 Evidence of Change

Peter A. Hall defines social learning as a "deliberate attempt to adjust the goals or techniques of policy in response to past experience and new information. Learning is indicated when policy changes as the result of such a process" (Hall, 1993: 278). Accordingly, one way to measure learning is to observe changes in policy over time and see if these changes can be attributed to new understandings brought about by one or more of the learning-forcing mechanisms identified above. Needless to say, for such an assessment, the crucial policies that should be looked at are those at the Member State or sub-national level. The best case for EES as a learning system would be one that both showed that changes occurred at this level and also demonstrated that the changes came about through the action of one or more of the EES' learning-forcing mechanisms. Unfortunately, such comprehensive information about changes at the national and sub-national level is not yet available.

It is, however, possible to say something about change and learning in the overall EES process by looking at changes in the EES guidelines themselves. There we see significant change taking place and find reason to believe that some of these changes have come about because of policy learning processes. While the Commission has been reluctant to make radical changes in the guidelines for fear of creating confusion, there were important shifts between the 1998 and 2001 guidelines. Some of these changes can be seen as an effort to refine the original guidelines in light of experience while others really introduce new objectives and set new targets.

Among the clearest example of refinement in the light of experience is the addition of a mandate to modernize Member State public employment services (Kvist, 2000). As time went by, it became clear to the Commission and others that the effort to shift from "passive" to "active" unemployment-reduction policies would not succeed unless changes were made in the operation of public employment services in many Member States, and so this mandate was added. Other refinements of the original strategy, which seem to be the result of learning, are the new mandates to eliminate poverty traps (by changing tax and benefit policies), improve procedures for skills certification, and provide training for would-be entrepreneurs.

The five-year review of the EES issued in 2002 concluded that "overall the strategy has brought a shift in national policy formulation and focus – away from managing unemployment, towards managing employment growth" (CEC, 2002: 2). There has also been a change in the fact that the EES has been intensified in quantitative terms throughout its lifetime. When the EES was first introduced in 1997, there were nine indicators, which have now increased to over ninety indicators. The indicators are agreed to in the Employment Committee (EMCO) on an annual basis. The Employment Committee's Working Group on Indicators assists the EMCO in the selection and development of indicators required to monitor the Employment Guidelines. The Commission (DG Employment) and the Member States work together in this indicators group.

The main task of the group includes developing, revising and improving the set of indicators in light of statistical developments and new policy priorities. Indicators are classified into key indicators and context indicators. Key indicators measure progress in relation to the objectives defined in the Employment Guidelines. Context indicators support analysis of the National Action Plans on employment by putting national policies and performance into perspective. In 2002, there were 35 key indicators and 64 context indicators.[7]

One recent sign of change is that there is now "tighter-coupling" between economic, employment and social policies. Since March 2003, the Broad Economic Policy Guidelines (BEPGs) and the Employment Guidelines proposed by the Commission as part of the EES process must be published on the same day, so as to highlight the tight link between economic and social policy. The decision was taken because it was felt that a different timing of the annual cycle of these two processes and the ad hoc addition over the years of new elements had made the coordination framework more complex. Thus, in a bid for what the British would call more "joined-up policy-making," the European Commission decided in September 2002 to streamline the annual economic and employment policy coordination cycles. It introduced two pivotal points in the year at which both the BEPGs and the EES will simultaneously present an implementation report (January) and policy guidance for the Member States (April).

This change is likely to influence the future of the EES because the economic and employment policy guidelines will now be considered at the European Council, not in isolated and specialized committees. The intent is to avoid overlaps and contradictions, to install a three-year cycle, to identify more stable strategic guidelines, and to give more focus on implementation (CEC, 2003).

3.6 Fostering Ideational Convergence

The five-year review of the EES issued in 2002 concluded that "the EES fostered political agreement on new common paradigms, such as lifelong learning and quality in work" (CEC, 2002: 9). In the same way, a recent study by Radaelli indicates that "one successful result [of the OMC] is convergence at the level of ideas in some policy areas – ideational convergence" (Radaelli, 2003: 9). This means that policy-makers converge in their assessment of causal mechanisms at work in policy areas, definitions of desirable and unacceptable policies, and beliefs about how policies work. This is not unimportant as convergence at the level of ideas, and perhaps desirable models, may help to delineate the contours of a possible EU social model. But this is still embryonic.

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[7]   These cover the following policy areas: employability, entrepreneurship, adaptability and equal opportunities between women and men (for example, prevention of long-term unemployment, activation of unemployed persons, tax and benefit systems, lifelong learning, disadvantaged groups, enterprise births and survival rates, work organization and working time, health and safety at work, quality in work, gender gaps, reconciliation of work and family life, and care services), as well as the overall performance of the labour market (for example, employment, full-time equivalent employment, unemployment, youth unemployment, long-term unemployment, employment growth, labour productivity growth, real unit labour costs and regional dispersion of employment).

3.7 Conclusion: Opening the OMC?

The OMC is not without weaknesses. Some observers fear that "soft" policy coordination and its lack of real sanction means that domestic policy-makers will only pay lip-service to the guidelines without making any real adjustments in their policies. As Scharpf (2000: 87) puts it, "the danger is that the National Action Plan will merely restate what governments are doing anyway, and that the learning effect of deliberations at European level may only educate international 'liaison' officials who lack effective power at home… ." It is true that, so far, learning seems to have taken place mostly at the bureaucratic level without any effective public participation. While participation is a key feature of the OMC process, various studies indicate that policy learning has been more top-down than bottom-up. As one study concluded, there has been "a lack of bottom-up participation" (Radaelli, 2003: 9). The five-year review of the EES by the Commission also noted that partnerships and the involvement of civil society organizations was an area of the open coordination process that "should be reinforced" (CEC, 2002: 20). As pointed out by Telò (2002: 265), one of the architects of the OMC, "if the actors of civil society are not concerned, consulted, involved at the level of partnership and negotiation, one of the aspects of the 'openness' of the new method will be belied."

"Bringing more citizens' knowledge in" could help improve both the political legitimacy of the emerging governance architecture and the performance of social policies. Policy learning is not only a managerial exercise of benchmarking involving the exchange of "best practices" among decision-makers. The redesign of social policy involves some form of evaluation and with it the inherent need to bring to bear a combination of technical or expert knowledge and judgments or values. Citizen participation is a way of assisting this process of combination or synthesis, precisely because it allows one to bring a broader set of views, ethical considerations and sources of knowledge into assessment processes. The OMC must be able to tap the benefits of local knowledge and local experimentation. Accordingly, participation should not be limited to those who operate in EU level committees, but should be extended to local-level actors.

One lesson that seems to be emerging is that to increase participation within the OMC requires a re-orientation of policy processes at the domestic level (de la Porte and Pochet, 2003c). But this is not something that can be decided in Brussels. The institutional architects of the OMC have neglected the issue of how to create a structure of incentives for participation at the local and national levels.

4. *Holistic Governance* and New Labour's Modernization Agenda

Partnership, in the sense of involving citizens and civil society in the open coordination process, is among one of the OMC's weak spots. Before turning to the British case, it is important to underline that when the EU talks about partnership in the OMC context, it refers primarily to a process designed to obtain relevant inputs (evidence, ideas and arguments) for social policy evaluation and re-calibration. "Partnership," in the OMC context, is, to a very large extent, a *consultative process*.

It is important to clarify what is meant by partnership because, when examining the British situation (and the same can be said about Canada), we see the notion of partnership is used significantly differently. This difference is, of course, the product of institutions. As we shall see, in Britain and Canada partnership means involving third sector organizations in the co-production of social policies. But the EU is limited to mostly consultative forms of partnership in the social policy realm. It cannot develop what the literature describes as *collaborative* and *operational* partnerships, both of which involve either the sharing of work or of decision-making power (Rodal and Mulder, 1993). With these considerations in mind, let us now turn to the analysis of the program of governance reform that the Labour government has put in place since its election in 1997.

The purpose of this section is to identify the extent to which Labour's policy approach signifies a move towards a new style of governance. It suggests that Labour has continued some strands of Conservative reform but has also distanced itself from the consequences of the reform of the 1980s. The section explores three broad themes in the modernization of governance and social policy: joined-up governance and the focus on evidence-based policy; partnership with the voluntary and community sector; and the issue of "steering at a distance" through the growing use of performance indicators and other forms of arm's length control systems.

While the focus is on developments in the policy process, these must be set in the context of profound changes in the British system of governance that have been produced by constitutional change, the devolution of power to national and regional bodies, and by the changing relationships between central and local government.

4.1 Joined-up Governance and Evidence-based Policy

The push towards joined-up government is a significant component of the Labour government's government reform program (Considine, 2002). Jack Cunningham, Minister for the Cabinet Office, stated: "To improve the way we provide services, we need all parts of government to work together better. We need joined-up government. We need integrated government" (Cabinet Office, 1999a: 5). To do so, the Cabinet Office's White Paper on *Modernising Government* (1999) sets out three aims:

- ensuring that policy is more joined up and strategic;

- making sure that public service users, not providers, are the focus by matching service more closely to people's lives; and

- delivering public services that are high quality and efficient.

The White Paper provided important points of continuity with previous reforms (with its emphasis on efficiency) but it also marks important changes. It highlighted the need to draw on a range of governmental and non-governmental actors into partnership to develop more holistic solutions to complex policy problems. The White Paper suggested that problems in the policy process had arisen in part as a product of earlier, New Public Management-style reforms:

> The emphasis on management reform has brought improved productivity, better value for money and in many cases better quality services… On the other hand, little attention was paid to the policy process and the way it affects government's ability to meet the needs of the people… Issues like crime or social exclusion cannot be tackled on a departmental basis… Too often the work of Departments and Agencies has been fragmented and the focus of scrutiny has been on their individual achievements rather than on their contribution to the government's overall strategic purpose (Cabinet Office, 1999a: Chap. 2, para. 4 and 5).

The proposals for modernizing the policy process were taken forward by a strategic policy-making team established within the Cabinet Office. This team produced a report setting out a model that they called *Professional Policy-Making in the 21st Century* (Cabinet Office, 1999b). The model is based on a series of core competencies linked to the policy process, describing a process intended to be:

- *Forward looking* – takes a long-term view, based on statistical trends and informed predictions on the likely impact of policy.

- *Outward looking* – takes account of factors in the national, European and international situations and communicates policy effectively.

- *Innovative and creative* – questions established ways of dealing with things and encourages new ideas; open to comments and suggestions from others.

- *Joined up* – looks beyond institutional boundaries to the government's strategic objectives.

- *Evaluates* – builds systematic evaluation of early policy outcomes into the policy process.

- *Reviews* – keeps established policy under review to ensure it continues to deal with the problems it was designed to tackle, taking account of associated effects elsewhere.

- *Learns lessons* – learns from experience of what works and what does not.

- *Using evidence* – uses best available evidence from a wide range of sources and involves key stakeholders at an early stage (Cabinet Office, 1999b: para. 2.11).

Initiatives linked to the *Modernising Government* agenda have affirmed the central importance of evidence in the policy process. The growth of interest in evidence-based policy is linked to a number of developments, including the explosion of data, developments in IT, an increasing emphasis on scrutiny and accountability in government, and the growth in the size and capability of the research community (Davies *et al.*, 2000). These developments have been complemented by the expansion of managerial approaches focusing on outcomes or results-based management, the proliferation of performance indicator systems and the increased use of inspection and audit

as a means of collecting and using data on managerial practice and organizational performance. As the White Paper and Cabinet Office report show, Labour has placed great emphasis on the need to develop policy based on evidence and to promote evaluation and learning to support this goal.

At the centre of government, the search for evidence-based policy-making has shaped the process of institutional reform. One of the roles of the Centre for Management and Policy Studies, set up by Labour and located within the Cabinet Office, has been to develop a more evidential basis to policy-making, drawing on the techniques of knowledge management. Government also supported the establishment of a new national Resource Centre for Evidence-based Policy within the Economic and Social Research Council (ESRC) to support policy-makers and practitioners across different sectors. The Performance and Innovation Unit and the Social Exclusion Unit are strongly oriented towards developing policy initiatives in a more research-based way, involving experts outside government in cross-departmental, policy-focused task groups. These units represent "important customers for high-quality research evidence and exemplify the new interface between policy-makers and knowledge producers which will begin to unfold over the next few years" (Amman, 2000: vi). Together, these initiatives symbolize an intensification of the attempt to apply "rationalist" techniques to the governance process (Sanderson, 2002).

While in the Thatcher and Major years the predominant focus had been on the efficiency of organizations and value for money, the modernization agenda of New Labour stressed inter-organizational collaboration and policy coordination, both encompassed by the phrase "joined-up government" (6, Leat, Seltzer and Stoker, 2002; Pollitt, 2003). According to some analysts, this change represents a new paradigm, which emerged in reaction to the problems of fragmentation produced by the New Public Management. This new paradigm, in the words of Richards, is:

> outcomes-focused, in that the design must be based on the best available evidence of "what works"; it is holistic, the assumption being that many policy problems will be found not within the boundaries of single organisations, but on the interface between them, and the nature of the problem, rather than existing structural forms, should determine the delivery systems – "forms follow function"; prevention, or early intervention, is preferable and cheaper than cure or late intervention; and culture change highlights the notion that with many wicked issues, only the active involvement of the citizens trapped within the problem will secure a solution (Richards *et al.*, 1999: 10).

Perhaps of greatest significance is the challenge of uncertainty that "wicked issues" present to politicians and officials, requiring them to provide a response when they have limited intelligence about how to respond (Clarke and Stewart, 1997). In trying to govern or manage this uncertainty, politicians and officials are urged to adopt holistic rather than linear thinking, which is "capable of grasping the big picture, including the inter-relationships between objectives" (Clarke and Stewart, 1997: 4).

One wicked issue that has attracted a great deal of attention since 1997 is social exclusion. The British government's *Neighbourhood Renewal Strategy* specified that action to tackle social exclusion needed to be "joined up" in order to tackle its multi-faceted nature effectively. The report highlighted the significance of place, i.e., neighbourhoods, as an important site for action but emphasized the need to "join-up" vertically as well as horizontally in order to achieve sustainable change. Various area-based partnerships have been created to tackle inequalities in areas of highest social need. Hence, Health Action Zones have been set up to develop health improvement programs through a partnership comprising health authorities, local government, NHS trusts and new primary care groups. Education Action Zones have been established to tackle low levels of education attainment, adopting similar partnership arrangements with representatives from business, community and parent organizations, and setting up Employment Zones ("New Deal for Communities") in areas suffering from a high concentration of long-term unemployment.

Changes in policy-making institutions have been introduced to coordinate policy across government and help tackle complex policy issues (Wilkinson and Appelbee, 1999). A proliferation of central groups or task forces were charged with the task of integration (for instance, the Social Exclusion Unit, the Children and Young People's Unit, the Women and Equality Unit, the Active Citizenship Unit, the Neighbourhood Renewal Unit, the Delivery Unit, the new Strategy Unit, which brings together the Performance and Innovation Unit, the Prime Minister's Forward Strategy Unit and parts of the Centre for Management and Policy Studies).

Governance changes also took place in the employment policy area (Finn, 2003; Holden, 2003). A Department of Work and Pensions has been created and the Employment Service (ES) and Benefits Agency (BA) merged into "Jobcentre Plus." By 2005, the new agency will integrate the work of nearly 90,000 staff, bringing together job-search support and benefit payments for over six million people in a network of some 1,000 district and local offices. Jobcentre Plus is a "single-window" service designed to deliver work-focused services for all those of working age on out of work benefits – both unemployed and economically inactive. As a new mode of governance, the single-window option is a concrete application of the idea of joined-up government. The essence of the single-window approach is the bringing together of government services, or information about them, in order to reduce the amount of time and effort citizens must expend to find and obtain the services they need (Hagen and Kubicek, 2000).

The goal of joined-up government is not only to foster *horizontal* collaboration by overcoming barriers across departments and agencies but also to promote *vertical* collaboration among central and local government, communities and citizens. For instance, a Department of Health discussion document, *Partnership in Action*, criticized boundary disputes between health and social services and suggested a holistic, systems-based approach:

> We must deal with every link in the chain, from the strategic planners to people accessing services in their local community. Past efforts to tackle these problems have shown that concentrating on single elements of the way services work together… without looking at the system as a whole does not work (Great Britain, Department of Health, 1998: 5).

Notions of holistic government are emblematic of the "new" governance based on coordination through networks rather than markets or hierarchies.

4.2 Partnerships and the Voluntary Sector

Relations between states, markets, families and the voluntary sector are changing as various reform efforts over the past 20 years or so have significantly altered the role and responsibilities of the institutions involved in the production of welfare (Jenson, 2003). Welfare state retrenchment in the 1980s and 1990s has led to reductions in social services and a renewed interest in the role of the voluntary sector in filling the resulting gaps in the social safety net. In Britain, such retrenchment has been accompanied by a call for communities and families to take up more responsibilities – to do more on their own through voluntary action (Lund, 1999). New Labour's focus on the voluntary sector has been directed towards both political and institutional change (Labour Party, 1997).

The focus on the voluntary sector and the importance of community marked out a terrain radically different from both the "economism" of neo-liberalism and the welfarist traditions of "old" Labour. Communitarianism both provided an alternative to neo-liberalism and served to distance the party from its post-war social democratic past. While the new right viewed the market rather than the state as the best way of delivering services, Labour assumed a greater role for civil society. It also emphasized the importance of the third sector as a focus of community activity and a source of social capital. The idea of community was strongly linked to particular notions of civic responsibility and citizenship, notions that informed Labour's attempt to overcome social exclusion and reform the welfare state (Lister, 1998).

If, politically, the third sector was crucial in Labour's attempt at building a *Third Way* between statism (old left) and individualism (new right), institutionally, the sector also became an important governance instrument for reconfiguring the welfare mix. The third sector took on a new importance as a means of complementing – or replacing – state provision. New Labour emphasized the importance of a renewed and revitalized voluntary sector, delivering services outside the confines of the state, introducing innovative forms of provision and acting as a focus of community activity. The sector played a leading role in new Labour's partnership model of governance. In this model, the state acts as a facilitator and enabler, with an emphasis on the need for community capacity-building to foster and support self-help, to develop skills and build self-esteem.

In the area of partnership, one of the key governance innovations has been the development of *Compacts*[8] between government and the voluntary and community sector (Stowe, 1998). Over the past two decades, the question of the relationship between the sector and government had been a subject for debate. The central issue in the debate has been about the role of civil society organizations in the delivery of services to individuals and the ability/capacity of organizations to advocate. In 1980, an attempt was made to secure a memorandum of agreement over relations

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[8] "The Compact is an expression of the commitment of Government and the voluntary and community sector to work in partnership for the betterment of society and to nurture and support voluntary and community activity" (Paragraph 4 of the Compact on Relations between Government and the Voluntary Community Sector in England, Cm4100, November 1998).

between the government then and the voluntary sector, setting out how the two sectors interacted – particularly in the field of employment training programs for unemployed young people. This attempt was unsuccessful. In the later 1980s, the passing of the National Health Service and Community Care Act had a major impact on the role of many voluntary organizations in the social care field. It transferred from central and local government to the voluntary and private sectors certain responsibilities for the provision of personal social services, which would be provided by them under contract. This had a profound effect on the relationship of many voluntary bodies with central and local governments (Morrison, 2000).

Box 2
Labour Government's Compact with the Third Sector

Principles

- Independent voluntary sector is fundamental to the well-being of society
- In the development and delivery of public policies, the government and the sector have distinct but complementary roles
- There is added value in working in partnership towards common aims and objectives
- The government and the sector have different forms of accountability but common values of commitment to integrity, objectivity, openness, honesty and leadership

Government's Undertakings

- To recognize and support the voluntary sector's independence
- On funding *inter alia* common, transparent arrangements … and the use of long-term funding to assist stability
- To consult the sector on issues which are likely to affect it
- To promote mutually effective working relations
- To review the operation of the Compact annually

Voluntary Sector's Undertakings

- To maintain high standards of governance and accountability
- To respect the law
- To ensure users and other stakeholders are consulted in presenting a case to government and developing the management of activities
- To promote mutually effective working relations
- To review the operation of the Compact annually

The impetus for a "Compact" between government and the voluntary sector derives from the recommendations of the *Commission on the Future of the Voluntary Sector* in 1996, which was established as an independent commission by the National Council for Voluntary Organizations (the umbrella body of civil society organizations in England) to consider the future role and agenda for the sector. The Commission's report concluded that in order to safeguard the independence of voluntary organizations and to clarify how voluntary organizations should interact with government, a "concordat" was necessary, particularly as government had a

powerful influence on the environment within which the sector operated. The concordat should be aimed at setting out basic principles for future relations. The report also concluded that a "Compact" to take forward a partnership between government and the sector was necessary and should be based on a set of principles. Since 1998, Compacts have been signed between the Blair government and the third sector in each of the four UK jurisdictions. Local authorities have either published, are in the process, or have signalled an intent to develop their own local Compacts with the sector (Phillips, 2002: 17).

The Compact's innovation is to convene an annual joint meeting of senior ministers and leaders from the voluntary sector for the purposes of: (1) preparing, for presentation to Parliament, an annual report on government and voluntary sector adherence to the compact and on the general state of the relationship; and (2) producing an action plan that sets out steps for improving the relationship in the coming year.

In 2002, the government launched a plan to help the voluntary and community sector deliver public services in areas such as health, education and social services. The study – *Treasury's Cross-Cutting Review of the Role of the Voluntary and Community Sector in Service Delivery* – sets out a three-year agenda to improve the relationship between the government and the voluntary sector. The review forms part of the government's long-term plan to make it easier for voluntary groups to deliver public services and cut down on red tape. The review sets out a 42-point implementation plan, which includes:

- Ensure costs of contracts fully reflects overheads;

- Move to a more stable funding relationship that is less "short term";

- Involve the voluntary sector in the planning as well as delivery of public services; and

- Develop capacity of the voluntary sector.

The Active Community Unit (ACU), a new organization set up in the Home Office in 2002, has taken the lead in implementing the detail of the review. The ACU's budget for encouraging volunteering is £60m for the current year. As part of its plan, the government introduced a new investment fund worth £125m (called *Futurebuilders*) over three years to help the voluntary sector overcome barriers to effective service delivery and modernize infrastructure for the long term.

4.3 Performance Indicators: Steering at a Distance?

Performance indicators are now viewed as an essential instrument of governance, their growth increasing with the greater accessibility and use of information technologies. The new governance agenda is about establishing a clear division of labour between "steering" and "rowing" (Osborne and Gaebler, 1992). But if government is to be able to steer, then it must be able to state explicitly the form, quantity, and quality of inputs, outputs and outcomes that it expects those who do the "rowing" – that is, the private and voluntary sectors, policy networks and decentralized agencies – to provide. Enter the performance indicators, which have become increasingly fashionable because, in theory, they provide the opportunity for government to steer and guide the rowers by exercising a strategy of "hands off rather than hands on control" (Carter, 1989).

Performance indicators (PIs) are used in an attempt to sharpen the transparency and accountability of organizations (Carter, Klein and Day, 1992). Debates about how PIs should be used, and indeed whether they should be used at all, have pervaded the literature for the last decade. PIs can be used as policy learning tools, opening up the possibility of feedback and self-regulation. Or alternatively, they can be used as externally applied systems of control. If the former seems to correspond broadly to the use of PIs in the OMC process at the European level, the Labour government's use of PIs is more centralized, linked to the gathering of data at the centre rather than as a process of feedback and learning.

The proliferation of targets and PIs was linked, under Labour, to the requirement that organizations in most sectors produce year-on-year plans reporting on past performance and outlining the way in which they intend to achieve improvements. Many such planning processes are mandatory and subject to audit and inspection. As well, quality standards (i.e., quality benchmarking) became more important under New Labour. The introduction of common standards enables government to overcome perceived defects in the way in which delegated authority is used by its partners. As a result, some "partners" (local government, schools, health authorities) became increasingly divided between "heroes" (the best performers to emulate) and "villains" (failing services) (Newman, 2001: 95). Although this might appear comparable to the "naming and shaming" process at the heart of the benchmarking system developed by the OMC in Europe, in Britain the politics of quality standards appear to be much more coercive. Services deemed to be failing are required to produce action plans and demonstrate measurable improvements within a specific time period. For example, the Fresh Start scheme for schools enabled the government to impose special measures and ultimately to close failing schools and re-open them under new leadership.

Most of the instruments like PIs, inspection, benchmarking, and quality standards are meant to improve performance and foster accountability. Each of these instruments was reinforced by audit (Power, 1994; 1997). Clarke *et al.* (2000) connect the growth of audits to the emergence of a "new dispersed state form," in which provider organizations (the rowers) have enlarged autonomy for operational management, thus implying new issues for control at the centre. "Audit has emerged as a generic feature of this new state form in the UK, although it combines in complex ways with a variety of arm's length control systems and practices: inspection, accounting, regulation, performance review, and processes of organisational development" (Clarke *et al.*, 2000: 254).

4.4 Conclusion: A New Style of Governance?

The discourse of partnership and joined-up governance has been traversed by others based on directive forms of coordination and control. As one Permanent Secretary (i.e., Deputy Minister) has argued:

> The government has a number of desirable aims for improving our system of governance… They include – in the jargon – seeking cross-cutting approaches with a long-term, outcome-based focus. The Government wants, and has developed better patterns of cooperation with other levels of government and is seeking with them to build capacity at the community level. At the same time, as for all governments, there is the compelling need for quick results… This is not necessarily incompatible but nor is it without potential conflict. Thus the quickest way confidently to get results may be seen to be through top-down command with the familiar plans, targets, etc. …coming down from Whitehall" (Mottram, 2000: 2).

As we have seen, one key initiative linked to the partnership approach promoted by new Labour was the Compact with the third sector. Compacts have rightly been seen as instruments for formalizing the role of the third sector in the governance process (White, 2001). They are tools for creating "tighter-coupling" in the relationships between government and voluntary organizations involved in social policy delivery. But at the same time, through the theme of accountability,[9] the Compact initiative also extends to the voluntary sector the government's focus on quality standards as a form of what Clarke *et al.* (2000: 254) call "arm's length control system." As research indicates, from the perspective of the voluntary sector, "partnerships may represent a dangerous liaison, implying a process of *incorporation* into the values of the dominant partner" (Newman, 2001: 126). With the Compact, third sector organizations are less likely to be excluded in the policy process. But in return for their involvement in partnership, they must demonstrate their capacity to be "good partners." They must, for instance, be able to demonstrate measurable outcomes from their work. They must also have performance indicators, a vision, a mission statement, quality standards, and so on. But in doing so, third sector organizations may lose some of the distinctively voluntary characteristics that made them attractive to government in the first place.

Labour's emphasis on holistic and joined-up government, and its use of partnerships as a means of delivering public policy, can be viewed as enhancing the state's capacity to secure political objectives by sharing power with a range of actors, drawing them into the policy process. Thus, rather than partnerships being situated in a "hollowing out of the state" – a process that is supposedly weakening state capacities as argued in the governance literature (Rhodes, 1994) – it may be that partnership can be viewed as a further dispersal and penetration of state power. The spread of an official and legitimated discourse of partnership has the capacity to draw local and

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[9] The issue of accountability is one of the key provisions of the Compact between government and the third sector. Under the heading "Accountability," it is stated that: "The voluntary and community sector has committed itself to maintain high standards of governance, as well as to meet accounting and reporting obligations, and to respect the law. In addition, voluntary organizations have committed themselves to developing quality standards."

community stakeholders, from third sector actors to business organizations, into a more direct relationship with government and involve them in supporting and carrying out the government's agenda.

The governance literature suggests a growing dominance of decentralized, network forms of governance in which the role of the state is to influence and steer a wide range of policy actors. While there is some evidence of this in the reforms reviewed in this section, there is also an intensification of "command and control" style of governing. Overall then, the result is mixed. It is not possible to assert that Labour's approach represents a shift towards a new form of governance.

5. *Collaborative Governance* in the Canadian Social Union

In Canada, changes in social policy go hand in hand with changes in the practice of federalism. In this post-deficit era, much of the discussion about the Canadian social architecture focuses on intergovernmental relations under the rubric of the "social union." Social union is the latest term for the old problem of what the relationship should be between the two orders of government so that they can work effectively together in the areas of exclusive provincial jurisdiction – health, education, and welfare. There are, however, fundamentally different views in terms of how this relationship should work in social policy development. To simplify, I have broken up these views into three competing visions.

5.1 Competing Governance Models for Social Policy Development

The first is an Ottawa-centered view of the country that assumes federal hegemony over social policy. In this perspective, the federal government is seen as speaking for all Canadians, without provincial intermediation or consultation. This perspective is founded on a positive view of the federal government's role in nation-building.

The second view is the decentralist vision of the country. It is also known as a provincial-rights or devolutionist view. It is promoted by successive provincial governments in Quebec and sporadically supported by other provinces. It urges a watertight compartment reading of the constitutional division of powers, and its clarion call is for disentanglement on the grounds of administrative efficiency and cleaner lines of accountability.

The third view is one that former Saskatchewan Premier Roy Romanow called "constructive entanglement." It argues the merits of federal-provincial partnership in social policy formulation and program delivery where neither level of government can be as effective acting alone. This view accepts the nation-building role of the federal government but puts far more emphasis on the provinces' historic role in social policy innovation and program implementation than does the Ottawa-centered view. It also sees the value in the federal spending power that in the past has been an effective way to turn successful provincial initiatives into national policy. At the same time, however, it is concerned about the punishing recoil of spending power when funding is unilaterally withdrawn from social programs. In this view, the Constitution is an imperfect guide in determining which order of government does what. Therefore, governments should negotiate their respective roles and responsibilities and truly collaborate in social policy formulation and program delivery. The goal is to deliver the most effective social programs possible at sustainable levels of taxation.

5.2 Instrumental Federalism and the New Public Management

As a governance model for intergovernmental relations, "constructive entanglement" has also been described by Susan Phillips as a form of "instrumental federalism" which, she argues, emerged in the 1990s and became enshrined in the Social Union Framework Agreement (Phillips, 2003: 106). The Social Union Framework Agreement (SUFA) is a political document signed by the federal and provincial governments (except Quebec) in February 1999 creating a new framework for social policy-making. In addition to setting the rules for how the federal and

provincial governments should work (it requires the consent of a majority of provinces to initiate a new program in an area of provincial jurisdiction like child care), the Agreement also lays out principles of equity and fairness in social programs; codifies rules for the federal spending power; and promises collaboration, accountability and transparency.

Instrumental federalism focuses on the ability of governments to solve problems that matter to Canadians and to enhance policy learning through evaluation. It also focuses on the accountability of governments in these two respects. These goals derive directly from the philosophy of New Public Management (NPM).

Ottawa's desire to embrace more results-based federalism is motivated by several factors. First, it is compatible with events within the federal government in recent years. In line with NPM reforms, attention has been increasingly focused on outcomes and service standards, as demonstrated by the results-based management process led by the Treasury Board Secretariat. The focus on public reporting of results, in the intergovernmental context, is a way of holding the provinces responsible for how they spend federal transfers. Although there was some accountability for social spending under the cost-shared Canada Assistance Plan (CAP) – the monies had to be spent on social assistance and spending had to meet a few minimal conditions – under block funding it is impossible for Ottawa to require that the provinces meet any particular standards of service, or indeed that they use the transfer on the nominally designated purpose at all.

> **SUFA and Results-based Federalism**
>
> In the third section of the Agreement, *Public Accountability and Transparency*, the participating governments have agreed to "achieve and measure results" by:
>
> - Monitoring and measuring outcomes of their social programs and reporting regularly to their constituents on the performance of these programs;
>
> - Sharing information and best practices to support the development of outcome measures, and work with other governments to develop, over time, comparable indicators to measure progress on agreed objectives;
>
> - Publicly recognizing and explaining the respective roles and contributions of governments;
>
> - Using funds transferred from another order of government for the purposes agreed and passing on increases to their residents; and
>
> - Using third parties, as appropriate, to assist in assessing progress on social priorities.

The SUFA accountability provisions are intended to give the public and civil society organizations the information on outcomes they require for vigilance, pressing underperforming provinces to direct spending toward social programs and to design more effective programs. This, in a sense, is comparable to the multilateral surveillance system created by the OMC in Europe where, it is hoped, the exchange of information and peer pressure through "naming and shaming" will encourage a "race to the top" to improve the performance of social policy.

Instrumental federalism is a new approach to intergovernmental relations in several respects. First, it is an attempt to focus on problem-solving or, as the federal government sees it, "doing what works for Canadians," without being unduly hampered by jurisdictional boundaries. Second, perhaps even more essential than actually fixing policy problems is being seen to do so, in part by involving citizens in the policy process. The third and potentially most important element of instrumental federalism is accountability through outcomes-based measurement and public reporting. In SUFA, under the section "Informing Canadians," each signatory agrees to

"monitor and measure outcomes of its social programs and report regularly to its constituents on the performance of these programs" and to use third parties, as appropriate, in assessing progress. It should be noted that the reporting is on outcomes, not mere outputs or activities, and that, in respect of constitutional jurisdiction, provinces are to report to their own constituencies, not to the federal government (Lazar and McIntosh, 1998).

5.3 The National Child Benefit

The National Child Benefit (NCB) represents one of the first attempts at experimenting with the type of governance arrangements promoted by SUFA. Provincial premiers and the Prime Minister have referred to the NCB as a positive example of how social programs can be delivered collaboratively in the social union. Created by federal, provincial and territorial governments in 1997, the NCB focuses on three goals:

- reduce child poverty;

- promote attachment to the workforce by low-income parents; and

- decrease overlap and duplication among governments.

Under this initiative, the federal role in providing basic income support to low-income families enables provincial governments to redirect funds to other programs that assist low-income families with children. The underlying premise is that in the long term, child poverty will be reduced if parents on social assistance enter the workforce and remain in it. The strategy of the National Child Benefit is to reduce child poverty by providing income supplements and other assistance to working families. The intention is to increase the benefit over time until it is large enough to eliminate the "welfare wall" and is "sufficient to remove benefits for children from the welfare system." In other words, the long-term aim is to eliminate the economic disincentives to work that occur when social assistance benefits for families with children are more than the earnings and other benefits of a minimum-wage job. The expectation is that more parents will enter or remain in the workforce and that their children will benefit from their parents' improved status.

In 1996, First Ministers began to discuss a collaborative and accountable approach to Canada's social programs. In communiqués, they referred to the National Child Benefit as part of a broader National Children's Agenda. They cited child poverty and persons with disabilities as collective priorities. The 1997 Speech from the Throne referred to the agreement among all levels of government to "work together to develop this broader agenda for children, including clear outcome measures by which to gauge success."

At the First Ministers' Meeting in December 1997, they reiterated the need to negotiate "a set of principles for social policy, such as mobility and monitoring social policy outcomes." They affirmed the National Child Benefit as a possible model for future social programs: the federal government would increase the Canada Child Tax Benefit, while provinces would use their resulting savings in welfare expenditures to undertake programs consistent with mutually agreed-upon goals. They also requested that social services ministers conclude the development of a vision statement and national framework for assistance to persons with disabilities.

- There is no signed agreement. Policy statements (such as the NCB Governance and Accountability Framework) are released publicly.

- Federal, Provincial and Territorial (FPT) Ministers Responsible for Social Services constitute the principle forum for governance of the NCB. The ministers provide the overall strategic policy directions for the program at the national level; monitor and assess all aspects of implementation; identify areas of potential concern and seek solutions, and adjudicate and resolve disputes when required.

- FPT Deputy Ministers Responsible for Social Services are delegated responsibility for the general management, implementation and operation of the NCB program under the direction of ministers.

- The role of the FPT National Child Benefit Working Group of Officials is to support the mandate of deputy ministers and ministers with respect to the initiative including identifying, addressing and finding solutions for emerging issues.

- Operations of the NCB are the responsibility of the Federal/Provincial/Territorial Working Group. All jurisdictions are represented on the NCB Working Group co-chaired by one federal and one provincial official. Since 1997, the NCB Working Group has met at least once a year and held multilateral conference calls about every six weeks.

- The Working Group is supported by four subgroups handling functional areas: reporting, evaluation, communications and program design/policy issues.

Three key features define the NCB. First, the NCB takes a *multi-faceted approach* to addressing child poverty and workforce attachment by supporting a variety of programs, such as integrated child benefits, earning supplements, extended health benefits, child nutrition initiatives and child daycare. Second, the NCB is based on a *partnership* between Canadian governments. As in the EU and British cases, the focus on partnership in both the NCB and the Social Union is largely based on the recognition that the economic and social problems confronting Canada are too complicated to be tackled by the federal and provincial/territorial governments alone: social policy no longer is the sole preserve of government. Business, labour, municipal governments, the educational system, interest groups, researchers, communities and citizens must marshal and combine their resources through various forms of working partnerships. The SUFA affirms this proposition in its principle that federal and provincial/territorial governments, within their areas of jurisdiction and powers, should "work in partnership with individuals, families, communities, voluntary organizations, business and labour, and ensure appropriate opportunities for Canadians to have meaningful input into social policies and programs."

The NCB partnership is characterized by shared decision-making and policy development. All participants have committed to joint public reporting on the program and on the extent to which it is achieving its intended outcomes. What is distinctive about this commitment is that no level of government is more responsible than another for reporting on the results. All are responsible for the overall product.

Third, the NCB puts forward a new accountability approach in Canadian social policy. The NCB *Governance and Accountability Framework*, released in March 1998, distinguishes government-to-government accountability from government accountability to the public. One focuses on accountability for the effective management of the NCB by the government partners and the other on accountability for program effectiveness to the public.

The first type of accountability stressed in the NCB can be said to emphasize a "learning model" of accountability. Here the goal is information-sharing through performance measurement and reporting on results, and the identification of best practices among governments. This type of learning primarily takes place at the level of the FPT National Child Benefit Working Group of Officials. The second type of accountability focuses on public reporting. All NCB participants have committed to joint public reporting on the program and on the extent to which it is achieving its intended outcomes. The annual progress report is the cornerstone of the NCB's accountability framework. It is the primary means of reporting to the public on expenditures, program outputs and progress indicators. In May 1999, the Federal/Provincial/Territorial Ministers Responsible for Social Services released the first annual National Child Benefit Progress Report.

5.4 Outcomes-based Public Reporting

So far, four NCB Progress Reports have been published by the FPT Ministers Responsible for Social Services. To some extent, these reports reflect a new trend in accountability in federal-provincial relations because they incorporate ways to make intergovernmental actors and forums directly accountable to citizens. In Canadian politics, there is a longstanding argument that as decision-making moves from individual governments to intergovernmental forums, meaningful accountability of executives to their legislatures is weakened. Prior to 1995, the federal government worked around this obstacle, holding provincial governments to account through conditions placed on the use of funds transferred to the provinces for the purposes of funding health care, education and social services. But with the removal of some of these conditions, intergovernmental agreements now place a new emphasis on a third kind of accountability directly to citizens through the measurement and reporting of results to the "public." The goal is that this will, over time, make it possible for citizens to become "benchmarkers." As Lazar notes, "Over time, it is anticipated that different governments will use comparable indicators to measure progress so that this flow of information to the public will enable those who are interested to compare results in their jurisdiction to results in other jurisdictions" (Lazar, 2000: 109). This, as discussed later, is in sharp contrast with the OMC in Europe where the benchmarkers in the open coordination process are primarily collective entities – governments – not individual citizens.

What do the NCB Progress Reports do in practice? First, they determine the size of the "federal component" of the NCB. They indicate the total federal expenditures for the NCB Supplement to low-income families with children, as well as the provincial breakdown. The reports also clarify which governments are recovering the value of the NCB Supplement. Finally, the reports establish the provincial and territorial government NCB initiatives. This means that citizens can compare, in one document, the level and the nature of expenditures for various kinds of services

and income programs for children in all provinces (except Quebec). But according to some, one impact of accountability through outcomes-based measurement and public reporting,

> is to place the onus on citizens, unrealistically in my opinion, to review outcomes, assess their meaning, compare them across provinces and take political action to achieve better results. In effect, *it makes social scientists of us all*. This is unrealistic not because citizens are apathetic or not up to the task. Outcome measurement is a complex task and public debate about it requires access to relevant data and technical information, the ability to assess the quality of measurement as well as institutional venues for debate on the adequacy and policy implications of the data" (Phillips, 2003: 107, my emphasis).

5.5 The Voluntary Sector Initiative

"To make us all social scientists" as Phillips argues, Ottawa is investing in civil society through voluntary organizations in order to help them build policy capacities. This new focus on building policy capacities in the third sector is based on three factors. The first, discussed at length in the British case, is the turn towards evidence-based policy-making (Laforest and Orsini, 2004). The second is the Voluntary Sector Initiative developed by the federal government and the voluntary sector in 2000. As in Britain, the relationship between government and the third sector in Canada has been formalized and become more tightly coupled. As responsibilities in the welfare mix have shifted, and as the push for partnerships has changed the relationship between the public, private and voluntary sectors, there has been a growing interest in the governance and accountability of the third sector (Broadbent Panel).

The Voluntary Sector Initiative (VSI) is focused on strengthening the relationship between this sector and the federal government and enhancing the capacity of the voluntary sector.[10] One of the key elements of the VSI was the development of a framework document or accord setting out principles that would guide the two sectors' relationship into the future. The VSI Accord is based on five guiding principles. It acknowledges that Ottawa and the voluntary sector are independent of each other, but that some of their goals are interdependent. It recognizes that, if the relationship is to be mutually rewarding, both parties must adhere to the principles of ongoing dialogue, co-operation and collaboration. Finally, it calls on both sectors to be accountable to Canadians.

In the summer of 2001, the President of the Treasury Board of Canada and Chair of the Reference Group of Ministers for the Voluntary Sector Initiative, announced $11.6 million in support to voluntary sector organizations to lead 21 pilot projects that contribute to federal policy development. "These projects are instrumental in building the voluntary sector's capacity to influence Government of Canada policy-making," said Minister Robillard.[11] The pilot projects focus on a wide range of policy areas, including health, security, child poverty and environmental issues. They are financed from the Sectoral Involvement in Departmental Policy Development Fund, which was established under the VSI.

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[10] See http://www.vsi-isbc.ca/eng/index.cfm.
[11] See http://www.tbs-sct.gc.ca/media/nr-cp/2001/0808_e.asp.

The third factor accounting for the growing interest in building policy capacities in the voluntary sector is SUFA. It is part of the Social Union's promise "to use third parties to assist in assessing programs on social priorities" and develop mechanisms for Canadians to participate in the evaluation process (point 3 of *Informing Canadians – Public Accountability and Transparency*). To do so, the federal government launched, in 2002, the Social Development Partnerships Program, a research and development program (of about $30 million in 2002-2003) that supports activities of the social non-profit sector. The SDPP focuses on developing the policy research capacity of the third sector in three areas: persons with disabilities, early childhood learning and care, and social inclusion for other vulnerable groups. As one can read on the government's Web site (http://www.tbs-sct.gc.ca/rma/eppi-ibdrp/hrdb-rhbd/h011_e.asp):

> SDPP funding activities are expected to lead to greater knowledge and awareness of social issues and application of solutions and best practices; greater collaboration with internal and external stakeholders to meet shared goals; and greater capacity within national social non-profit organizations to promote social development and inclusion. Over the long term, SDPP support for these activities will help organizations in the non-profit sector to be more effective in meeting the social needs and aspirations of their constituents and will help government policy-makers design and implement more responsive social programs. SDPP advances Canada's commitment under the Social Union Framework Agreement (SUFA) "to ensure appropriate opportunities for Canadians to have meaningful input into social policies and program."

5.6 Conclusion: Citizens as Watchdogs and Benchmarkers?

In terms of governance, the real impact of the Social Union so far is on accountability regimes. The shift to public reporting in Canadian social policy constitutes a significant change. The requirement that governments report on policy outcomes has been embedded in new federal-provincial-territorial agreements, such as the initiative on Early Childhood Development and the 2000 Health Accord. Although it is too early to expect governments to have actually produced results-based measurements, the eventual ability to compare outcomes across jurisdictions will be of some benefit in facilitating a public dialogue around social policy investment and in holding governments accountable for their program commitments (McIntosh, 2002). But by itself, outcomes measurement cannot guarantee better accountability and citizen participation. Measuring results is a complex analytical enterprise. As we have seen, in Europe, the multilateral surveillance system used by the OMC means that the "watchdog job" of looking at whether participating Member States have more or less met the targets agreed to at the EU level falls primarily on the shoulders of national governments and European officials. In other words, the watchdog role is played by *public institutions* possessing significant policy resources and expertise. Of course, in Canada, multilateral surveillance where Ottawa and the provinces would systematically examine and assess each other's performance in the social policy area would constitute a significant challenge to the federal principle. Federalism in Canada makes use of peer review, multilateral surveillance and the "naming and shaming" that often goes with these governance tools, very difficult and unlikely (Théret, 2003). The other option is *vertical surveillance*, the reporting of each government to the public. But one weakness of this is that in SUFA, the "public" in public reporting is ill-defined. The Social Union talks about "Canadian citizens" but this seems to constitute an individualized notion of the "public." Citizens, as

individuals, do not have the time or resources to be benchmarkers, that is, to gather all the relevant information they need to see which government is the "best performer." As discussed above, there is now, in the context of SUFA, government funding to develop better civil society networks and improve the policy capacities of the third sector. But so far, these initiatives are mostly coming from Ottawa. To foster trust among participants and to be more in line with the collaborative spirit of the Social Union, such initiatives should probably be more directly linked to the governance architecture of SUFA itself rather than being linked to the level of government that has the most financial resources.

6. Conclusion: What Lessons for Canada's Changing Social Architecture?

The purpose of this research report was to document and compare recent changes in the institutions and practices of governance in social policy in the European Union, Britain and Canada. To do so, the analysis relied on a framework focussing on two dimensions: the extent to which the management of social policy is based on tightly versus loosely coupled systems, and the more or less binding or coercive nature of new governance mechanisms. Based on this distinction, the European Union's Open Method of Coordination was categorized as a case of *communicative governance* intended to foster a common policy vision. Britain was defined as a case of *holistic governance* designed to promote a more integrated approach to social policy development and delivery, whereas Canada constituted an instance of *collaborative governance* that focused more on joint planning and work.

What lessons can be drawn from the British and European experiences and their potential applicability to Canada? As a federal state, Canada, with regard to its formal institutions and policy legacies, is clearly located between Britain and the European Union. The arrangements governing social policy are less centralized and integrated in Canada than in Britain, but more than in the European Union. As well, in terms of constitutional authority and power to intervene in the social policy field, Ottawa is weaker than London but stronger than Brussels. London has the most formal powers and, as we saw in Section 4 of the paper, it is also the case where the "old" command and control style of governing is still very much present in the social policy sector. The centrality of Parliament in British political and administrative life, as well as the issue of government accountability (or ministerial responsibility), means that even when some governance instruments are relatively "new" – such as the focus on outputs and the use of performance indicators – they are nevertheless primarily preoccupied with "old" issues of control. In the British case, it is not possible to assert that Labour's approach represents a shift towards a new form of governance.

In the process of modernizing social policy, performance indicators in Britain have often been used in a top-down manner by Whitehall to impose sanctions against organizations (arm's length bodies of local governments) deemed to be performing poorly. This is very different from the case of the Open Method of Coordination, where indicators are part of a multilateral surveillance process designed to foster learning, policy experimentation and the exchange of best practices. As opposed to what can be called "Whitehall surveillance," multilateral surveillance in the European Union is closer to, and more in accordance with, the intergovernmental logic underlying Canada's Social Union. In multilateral surveillance – which has generally been applied in the context of international organizations such as the OECD or International Monetary Fund – there is no central or focal point of authority that has the capacity or the power to impose sanctions on other organizations.

In the OMC and Social Union cases, the capacity for direct control is replaced with a capacity for influence. In Britain, the surveillance process is not multilateral (or horizontal) but more vertical (top-down) and primarily driven by Whitehall policy goals. In Europe, multilateral surveillance takes the form of a peer review process. Peer review is the systematic examination and assessment of the performance of one government (or state) by other governments (or states),

with the ultimate goal of helping the reviewed government (or state) improve its policy-making and adopt best practices. The examination is conducted on a non-adversarial basis, and it relies heavily on mutual trust among those involved in the review, as well as their shared confidence in the process.

In the OMC process, the "peers" involved in peer review are governments. But as argued earlier, in Canada, federalism makes it politically difficult to create – as part of the Social Union Framework Agreement – a peer review or multilateral surveillance process. To avoid this difficulty, governments have opted for a surveillance process conducted not by peers but, ultimately, by the public.

It is noteworthy that it appears to be more problematic in Canada than in the European Union for governments to accept that the performance of their policies be reviewed by other governments. This, of course, is due to the fact that the Canadian social union is more deeply integrated than social Europe. The first is about sharing power, whereas the OMC is essentially about sharing ideas. Deeper integration, in the sense of sharing power, means that relationships among governments are likely to be much more politicized. By comparison, in Europe, the OMC tries to mute politics. It is a method that seeks to make progress in politically sensitive areas by "avoiding" politicization. It seeks to tap knowledge, as well as identify specific ways of improving on the status quo and innovations that can be diffused from one system to another. Rather than having one single or "macro" framework (as in SUFA case) that encompasses numerous types of social policy, the OMC, as we have seen, creates several open coordination processes (pensions, social exclusion, etc.). This more "micro" orientation breaks down policy complexities into smaller compounds that are more manageable.

In fact, in Canada one could argue that peer review itself is not really the problem. The problem is more that, as a process, peer review always goes hand in hand with *peer pressure*. The effectiveness of peer review relies on the influence and persuasion exercised by the peers during the process. In the OMC, peer pressure does not take the form of legally binding acts, as sanctions or other enforcement mechanisms. Instead, it is a means of soft persuasion, which can become an important driving force to stimulate government to change, achieve goals and meet standards. The peer review process can give rise to peer pressure through, for example:

(i)   a mix of formal recommendations and informal dialogue by the peers;

(ii)   comparisons, benchmarking and, in some cases, even ranking among governments (e.g. the national scoreboards in the EU); and

(iii)   the impact of all of the above on citizens attitudes when the outcome of the peer review is made available to the public.

If the peer review process created by the OMC in Europe constitutes a mix of (i) and (ii), in Canada the public reporting provision in SUFA focuses more on (iii), on pressure being exercised on governments by the public and not directly by the peers themselves.

But whatever the form, peer review requires that those involved in the reviewing exercise systematically exchange information, attitudes and views on policy decisions and their

application. This, in turn, requires the existence of some common structure or institution to facilitate the exchange of information and to foster mutual trust among those taking part in the review exercise. In other words, there must be some kind of *institutional locus* where policy learning takes place. If, in the case of the OMC, the European Commission and its committees can play that role, in Canada there is nothing comparable. Of course there is, in the case of the National Child Benefit, the Federal, Provincial and Territorial Ministers for Social Services, which is the key governance structure for dealing with the NCB. But it provides absolutely no room or institutional space for public involvement. This reality is in sharp contrast with the Social Union's promise "to involve Canadians in developing social priorities and reviewing outcomes" (article 3 of SUFA). If Canadians are to play the role of "peers" in the review process proposed by SUFA, then there must be some kind of "meeting place" where this exercise can be realized.

Such a forum is important not only because it can help to foster policy dialogue and build mutual trust. It is, above all, important to help build the credibility and effectiveness of the review process. Credibility is a key condition for policy learning. In Europe, credibility partly comes from the fact that the Commission and its committees act as neutral brokers between Member States participating in the OMC process. The institutions supporting the peer review exercise are not under the direct political control or influence of participating governments. The review process must be seen by participants as objective, fair and consistent. There needs to be some institutional or administrative support guaranteeing independence, transparency and quality of work. The effectiveness of any new social architecture in Canada may well depend on finding such mechanisms.

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