

Employment Policy in Europe - A New System of European Governance?

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Context: Social Policy in Europe

It has been argued that if one accepts T. H. Marshall's definition of social policy as the political power to supersede, supplement or modify operations of the economic system in order to achieve results which the economic system would not achieve on its own, then 'Social Europe' already exists. Redistribution among regions (through structural funds) and between sectors (through CAP) is taking place within the EU framework (Pierson and Liebfried 1995: 3). However, there is no automatic spill-over from structural funds to a social policy based on the principle of citizen entitlement.¹ Social policy in this sense has instead evolved from the creation of employment-related entitlements for workers, including social security and safety standards as well as rights to collective bargaining and representation (Streeck 1995: 397). Accordingly, social policy within the EU has developed mainly in relation to the internal market and then more in order to facilitate its functioning than to correct it (cf the corrective function of the national welfare states). The existing regulation has developed primarily in order to facilitate and encourage labour mobility, and regulation has then been based on the notion of equal treatment. The steps taken are in themselves far-reaching: no Member State can any longer limit social benefits to its own citizens (Liebfried and Pierson 1995a: 63 f).² However, supranational legislation only exists in a few limited areas, namely

¹ The structural funds have social impact and in a sense "address the needs of the losers in the common market". However, the support is based on a territorial principle and differs from support based on the principle of citizen entitlement. Given the fact that many conflicts in the EU are territorial in nature (stand between member states or regions), a switch-over to entitlement-based social policy at the EU level is not easily done (Anderson 1995: 148 ff).

² Examples include the equality and portability of social insurance benefits, rights of residence in member countries in relation to employment, and rights of families of foreign workers to the same treatment and social

free movement of workers, social security for migrant workers, health and safety at work and equal opportunity for women and men in employment.

The Member States derive much of their domestic political legitimacy from their social policies. This makes them less rather than more likely to agree to a supranational welfare state (Streeck 1996: 72). Moreover, the limited fiscal capacity at the Union level sets limits to welfare ambitions. The central components of welfare functions, such as health care, education and old age provisions, are therefore likely to remain under national control. Majone (1996) has argued that because of EU's limited economic resources, regulatory social policy rather than redistributive social policy has been favoured in the integration process. The costs then are borne by individuals and firms. With this regulatory path, the court (EJC) has become an important policy-maker in the social area, even though its commitment in this was more to market-making than to social policy as such (Streeck 1995: 399). The ECJ as policy-maker means that taxation, expenditure and administration are left to the Member States (cf Leibfried & Pierson 1995: 36f).

Whereas the legal authority of the Member States has been restricted only in rather small areas, the process of European integration has nevertheless partly eroded the political autonomy of the Member States in the social field. Thus, even if the influence of Member States in the social field is still dominant, it is increasingly embedded in a supranational institutional environment. Some factors behind this are: 1) the impact of the growing *acquis communautaire* which narrows down the Member States' areas of autonomous action, 2) many matters covered within the EC framework include most areas of state activities and therefore are relevant to the field of social policy too, 3) the relative autonomy of EC institutions with the Commission acting as a 'process manager' setting the political agenda, 4) the gradual shift from unanimity to majority rule, and beginning to include social matters in political deals (such as the cohesion fund agreed on at Maastricht following political pressure from Spain), 5) the growing awareness that Member States face similar challenges and the growing preparedness to adopt or to consider similar solutions, 6) the growing importance of social partners, 7) the lobby activities of autonomous non-state actors in Brussels (Schulte 1997). The social policy effects of the common market have already been mentioned. Also, the convergence criteria and policies set out in order to realise a monetary union puts constraints on public finances and in its consequences on social spending nationally. As put by Leibfried and Pierson: "National welfare states remain the primary institutions of European social policy, but they do so in the context of an increasingly constrained multi-tiered polity" (1998: 186).

With the few exceptions where legal action has been taken, the social dimension has so far taken the shape of 'soft law' initiatives, such as recommendations on convergence and action programmes. However, pressure to adjust may also arise from such non-binding steps and also from the use of social indicators and supervisory procedures to produce reports on the situations in Member States (Schulte 1997). Therefore also such informal and voluntary measures will be of importance for understanding the development of effective social policy in Europe. Streeck has pointed out that "what really distinguishes the emerging European from traditional national social policy is its low capacity to impose binding obligations on

benefits as citizens.

market participants, and the high degree to which it depends on various kinds of voluntarism“ (1996: 77).

One field where this “neo-voluntarism“ (Streeck) plays an important role is in the current transformations in the labour market field. The completion of the internal market coincided with recession and rising unemployment in Europe. The social policy order of the day has shifted from constructing social regulatory policies at the European level to reconfiguring labour market and other arrangements to allow the European economy to compete in the world market (Ross 1995: 388). In the renewal of European social policy, strategies for combatting unemployment are key. This includes increasing the ‘employability’ of the workforce.

The inability in dealing effectively with reducing unemployment has increased the willingness of the Member States to consider coordinated action and voluntary convergence of individual policies in the labour market field. My claim is that these voluntary measures are a constitutive part of the reconstruction of labour markets, but also – potentially – of the European cooperation at large. I will in this paper describe the new system of governance developing. I will also provide some illustrations from the Swedish context.

A Third Way?

It may be argued that with the Amsterdam treaty and its employment chapter, the Union has passed from a stage of a dominance of ‘negative’ to a balance of also ‘positive’ integration (cf Scharpf 1996, 1999). In the history of the European cooperation, there has been an asymmetry between supranational European law and intergovernmental European policy-making, e.g. “between measures increasing market integration by eliminating national restraints on trade and distortions of competition, on the one hand, and common European policies to shape the conditions under which markets operate, on the other“ (Scharpf 1996: 15). While negative integration could be enhanced without much political attention through the initiatives of the Commission and through the rulings of the ECJ, positive integration depended on the agreement of national Governments in the Council of Ministers. Thus, to regulate the market has been easier than to positively correct its dysfunction’s by social interventions.

The common ambitions in the labour market field is an attempt at positive integration. The initiative has come from political decision-makers as a reaction against the erosion of national welfare systems by the internal market regulation, and thus as a recognition of the need for common objectives also in the social field.

While the competence still rests with the Member States, the Amsterdam treaty establishes employment policy as an area of ‘common concern’, which allows the Commission a central role in pushing the employment policy ahead. This path has been called ‘the third way’ and may even be conceived of as a future ‘fourth pillar’.³ It has been presented politically as a

³ Tony Blair picked up the phrase ‘third way’ from Bill Clinton, and took it to mean the attempt to combine market flexibility and social justice. Peter Mandelson, former UK Minister of Trade, related the ‘third way’ thinking to EU institutions, and took it to mean a combination of intergovernmental and supranational elements

promising middle-way between an intergovernmental and a federal development, e.g. a path which means close cooperation and coordination at the European level but with the ultimate national authority intact. This means a new kind of cooperation and distribution of powers between the Commission, the national governments and national parliaments, and sub-national policy-makers. Social insurance systems vary much between Member States, which makes legal harmonisation particularly difficult in this field. Furthermore, political support is lacking for such legal harmonisation. The 'third way' is a way to get around these problems and to reach a policy coordination on a voluntary basis. Having started in the field of employment, the Commission already proposes to extend the model to the field of social protection, and believes it may be possible to extend it also to other fields as well, for instance consumer protection. Also the European trade unions propose the model in the field of social protection (ETUC 1999).

The formula in the Amsterdam treaty was that the Member States and the Community should 'work together' in developing a co-ordinated employment strategy. A committee, the Employment and Labour Market Committee (ELC), was set up, in which both the national ministries (two representatives) and the Commission are represented (Art. 109s). The task of the ELC is to promote the coordination of Member State employment and labour market policies.

The formal procedure that has developed from the Amsterdam treaty and from the extraordinary European Council meeting in Luxembourg in November 1997 is that the Commission drafts guidelines for employment policy that eventually are decided upon by the Council of Ministers. The ELC, as an advisory body, participates in the process of drafting the guidelines. It should, in its work, consult the social partners. The European Parliament, the Economic and Social Committee and the Committee of the Regions are also consulted in the policy process. The Council eventually decides on the guidelines with a qualified majority decision. The Member States shall take the guidelines into account in their employment policies, however they are not legally binding. On the basis of the guidelines, national governments work out national action plans (NAPs). The NAPs are in turn submitted to the Commission for cross-national comparison and evaluation. Also a report on the implementation of the guidelines is to be submitted. The results are published in a joint employment report to be approved jointly by the Commission and the Council. The formal task of supervising Member State implementation of guidelines rests with the Council. The Council can also, if deemed needed, recommend the Member States to adapt their policy according to the guidelines. The decisions on such recommendations, like the decisions on guidelines, are made by a qualified majority. This means that while authority over labour market policy remains with the national parliaments, the treaty makes it legitimate for the Commission to play an active role in the process as well as for Member States to have opinions on each other's labour market policies. (For instance, the Council may make a recommendation to an individual country on the need to decrease taxation on labour, a decision that is legitimate in the context of employment policy but is controversial in the context of taxation policy.)⁴

in order to prevent a development towards a European 'superstate'. The Swedish government has proposed the Employment Title of the Amsterdam treaty as a model for this 'third way' (Ekengren 1999).

⁴ Cf: "The Commission will also continue to cooperate with the Member States with a view to achieving more employment-friendly structures of tax and expenditure ... The 1999 Broad Economic Policy Guidelines recommend a reduction in the overall tax burden on labour in most Member States" (CEC 1999a: 21).

An interesting aspect of this process, and somewhat different from the intergovernmental cooperation in the second and third pillar, is the role of other parties, notably the 'social partners'. With the Social Protocol, the role of European social partners has been strengthened: the Commission is obliged to consult the social partners before submitting proposals in the social field and the social partners have been assigned the right to conclude European agreements. Tripartite cooperation has been strengthened, as illustrated by the macro-economic dialogue (established at the Cologne summit in June 1999) and the recently reformed Standing Committee on Employment. The European social partners shall be consulted by the newly established Employment and Labour Market Committee, and national social partners shall be consulted in the NAP work. Partnerships between the social partners at the European, national, local and enterprise levels are thus expected to contribute to the consensus-formation and problem-solving in employment policy (e.g. European Commission 1997b, 1998b).

Moreover, the national Parliaments are included in the process, e.g. by approving the national action plans. Authority over labour market policy remains with the national parliaments. This policy process, I would like to argue, is a new combination of domestic policy-making and cooperation at the European level. It is likely to create a somewhat different political dynamic than the first and second pillar policy-making, both in the EU and domestically. It is thought, probably correctly, to be a way of politicizing the European cooperation. The hope of the governments supporting this path is that this policy process will provide greater legitimacy than the usual supranational policy-making in the first pillar, and at the same time, be more effective than the cooperation in the second and third pillar.

The System of Governance Built on Voluntariness

The process of implementing the employment guidelines differs from implementation by directives. Since guidelines are not legally binding, and thus not amenable to judgements by the ECJ, implementation becomes crucial for the Commission to supervise. The Member States are to submit yearly implementation reports. The Commission also tries to develop other measures to foster implementation, such as developing comparable statistics and policy indicators, and involving local authorities in implementation (cf CEC 1999a). Allan Larsson, Director General of DGV, has also visited every country in turn to discuss their action plans and their implementation. For the Commission, building confidence between the Commission, Member States and social partners is crucial in this situation where legal force does not apply. Moreover, the national contexts and systems are given more regard in this implementation process than in the case of directives.⁵

However, while the national authority over the labour market policy is retained, the standardising effects of this policy process may still be considerable. The yearly drafting of guidelines and later submission of NAPs means that national administrations continuously work with employment issues with the "European spectacles" on: working on guidelines,

⁵ The 'third way' should also be seen against the background of a more heterogeneous group of member states in future, where the conditions and needs of particular member states need to be given more regard than before (Ekengren 1997).

action plans, implementation reports, responses to evaluations by the Commission etc. Moreover, this round, taking place yearly, provides occasion for regular input from the Commission and other actors. Ekengren (1998) has pointed out the importance of the use of dead-lines and common agendas in the European system of coordination and governance. His major claim is that the temporal horizons change with this practice. National civil servants experience that they are confronted with deadlines they cannot control, i.e. an experience of external direction, and that there is less time for preparation. Adaptation becomes the main strategy for coping with this situation. The preparation work at the national ministries changes character: "Due to the number of fora and working groups and the extent of simultaneous meetings, government positions are in a *constant* formation process" (Ekengren 1998: 62). A Swedish official confirms the need for 'a continuous pressure and a certain pace' for the NAP process not to stop up or lose direction (author's interview).

The Commission may be able to exert considerable power by its ability to take initiatives, interpret the guidelines, collect statistics, and evaluate and comment on national reports. The Commission for instance identifies 'best practices' and disseminates them for the member countries to learn from each other. It drafts the employment reports and the recommendations for individual countries.⁶ The Commission thus has a chance to exert the power of interpreting and defining problems and solutions. At the same time, the Commission is open for the influx of ideas from other actors in the process of drafting proposals. A continuous dissemination of ideas is likely to take place in the transnational policy-making networks.

That "ideas travel" (Czarniawska and Joerges 1996) is of course not unique for the European cooperation. Students of other international organisations have pointed out that processes of communication in transnational political-administrative networks may lead to the development of common perceptions of problems and solutions. For instance, OECD, with its intergovernmental and non-binding decision-making structure, has functioned as an agent of policy diffusion and policy standardisation in the research and technology area. The OECD reports on countries' economic performance and comparative studies – with their recurrent "lagging behind theme" – have been instrumental in this cooperation and standardisation process (Mörth 1997).⁷ Sahlin-Andersson (1996, 1998) has analysed the compilation and dissemination of information as an 'editing process', whereby ideas are edited into standards, often by way of experts. Local initiatives are decontextualized and made possible to generalize by being interpreted and evaluated in a common framework. The Commission's work to identify 'best practices' – and find 'objective criteria for this – can be understood in such terms.

Accordingly, such voluntary measures as guidelines and reports may imply informal pressure to move in a certain direction, as will such things as collection and dissemination of statistics and of 'best practices'. An important means of constructing something as a 'European' phenomenon is through the production of 'European knowledge', which is not

⁶ The recommendations were made for the first time in 1999, following the ratification of the Amsterdam treaty. According to Commissioner Flynn, the recommendations should not be seen as sanctions but "rather as providing an opportunity to make more decisive progress" (speech).

⁷ On standardisation, formal and informal, see Brunsson and Jacobsson 1998.

available at the Member State level (Waterton and Wynne 1996).⁸ This strategy of the Commission has been used also in the areas of public health and environment (Sutton and Nylander 1999). The standardisation and compilation of information serves as a base for Community action. Recently, the Commission has stressed the need for common indicators also in the areas of education, entrepreneurship, taxation, adaptability and equal opportunities (CEC 1999d). This is in line with the Commission's ambition to include these areas in employment policy and the employment policy procedure.

Part of the Commission's attempt to establish a rationale for 'European' action in the social field is to compare the European competitiveness with that of the US and to stress the 'European social model' – however in need of modernization – as a 'productive factor' (CEC 1997a).⁹

Moreover, peer pressure is built into the process by a peer review system, in which Member States evaluate each other's NAPs. A Swedish official working with the Swedish NAP confirms the influence of other Member States, e.g. Denmark on unemployed youth, in this work, as well as the driving force of wanting to be seen as 'able' by the Commission and other Member States (author's interview). However, pressure may not only come from the Commission or other Member States, but also from within Member States. For instance, the compilations and disseminations of national employment-related results may provoke domestic responses, as has been the case in Sweden where the right-wing opposition has been quick to point out what may appear as failures on behalf of the Swedish Government in comparison with other Member Governments (Bildt 1998).

However, it may also be the case that national governments and parliaments feel free to interpret the guidelines in accordance with their own political preferences and domestic labour market traditions. We can expect 'translation processes', where actors try to make strategic use of the manoeuvring space available. Support for the policies may be possible through a "strategy of vagueness" (cf Sahlin-Andersson 1989). Vague formulations or generally stated goals and concepts facilitate implementation since it leaves certain interpretative flexibility with the implementer. The key concepts in the employment policy discourse, such as *employability*, *flexibility*, *co-ordination*, may have different meanings in different contexts. The translation process includes granting the core concepts a meaning that is acceptable in the context in question. Thus, European rules and guidelines are translated and interpreted in a national or local context. Translation processes are a way to adapt new rules and norms to an already established practice (cf Czarniawska and Sevón 1996). Thus, what is to be implemented partly changes in that very implementation process (Jacobsson 1999). To some extent, the Commission has, in its proposal for guidelines for year 2000, tried to prevent national divergences in interpretation by introducing common definitions and clarifications of guidelines (CEC 1999d).

⁸ Ekengren interprets the strong emphasis on the establishment of common European statistics, indicators and definitions of policies as an attempt to reformulate the national economic parameters in terms of *European economy* (Ekengren 1999).

⁹ In practice, there is of course no single 'European Social Model', but "diverse, historically contingent, and complex national solutions, deeply embedded in the institutions, values, and established practices of specific societies", capable of changing only in path-dependent ways (Scharpf 1999: 193).

However, we should not expect the coordination and voluntary convergence of policies to produce the same outcomes in all the countries. As pointed out by institutionalists, evolution and change tend to move along well worn paths, since the search for solutions to new international pressures is partly structured by prevailing domestic institutions, such as different underlying ideas about the appropriate role of the state in the market and structural features of the political-economic context (Thelen 1998).

In an institutionalist perspective, interests and identities of organisations do not just 'exist' pre-negotiations, but are created and recreated in interaction with other actors. Thus, 'Swedish interests' and 'Union interests' are partly created and re-negotiated in the transnational settings. Also 'interests' may undergo 'translation processes' in order to be acceptable to the various parties. For instance, one way of seeking legitimacy for the labour market policy developing in the transnational networks is, while "importing" solutions, to frame them as 'Swedish interests', emphasizing continuity with the Swedish traditions in this field (cf Thedvall 1998). The international cooperation and the "import" of ideas and "constructions" of problems and solutions to the national context, contributes to a dynamic in the national organizations. The boundaries between domestic policy and EU policy are blurred, and a continuous redefinition of positions and views can be expected to take place.

To sum up, the most important elements in the voluntary system of governance developing is the exchange of information and communication between relevant parties, including the institutional set-up for facilitating this, expected to contribute to consensus-building. The exchange also includes 'social partners' and tripartite fora and agreements are instrumental in the governance. The system is based on a combination of subsidiarity and European action which differs from policy-making in the other pillars.

The 'Modernization' of Labour Markets

The overall project of the Commission is a 'modernization' of the labour markets. The goal is a "balance between flexibility and security", to be reached by increasing the 'adaptability' of both the workforce and the companies. Increased adaptability and 'employability' of the workforce is to be reached primarily by vocational training and investment in human capital.

Accordingly, there is a stress on novelty in the policy discourse: new technologies, new demands, which require new solutions, a need to 'modernize' social protection systems and 'update' the social model. However, there is a tension in the 'flexibility discourse', where some parties, e.g. the unions, argue that in order for people to be open for 'life-long learning', a certain level security in the contract of employment is required. For them, flexibility refers to the employees and its qualities: vocational training and investment in human capital will improve the geographical and occupational mobility of workers. In the employers' perspective, flexibility refers to a deregulation of labour markets, opening for new kinds of work contracts. Both aspects of flexibility are present in the discourse of the Commission. The Commission explicitly sees the redefinition of core concepts as part of its strategy (Flynn 1999).¹⁰ The Swedish government tends to emphasize the former perspective, and sees

¹⁰ Commissioner Flynn argues that old definitions of security and flexibility do not hold any longer and that: "workforce flexibility and security *through skills* are the fuels which can transform the problem..." (Flynn 1999,

education and development of competence as the most important means for creating a flexible labour market and for increasing employability.

In the view of the Commission, improved 'adaptability' of the companies is to be reached by changing the work organisation. This includes questions of further education, work times, introduction of new technology and equality at work (cf CEC 1997b). According to the Commission, the enterprises have the main responsibility for modernizing the work organization, but participation by employees is a prerequisite for a successful process. Therefore partnerships between employers and employees will be instrumental in this process. Strong partnerships should be developed at all levels: European, member-state, sectoral and enterprise level (CEC 1997b, 1998b). The new work organisation should be built on trust, commitment and participation.

The overall labour market project also includes bringing issues on education and vocational training, social security systems, employment policy and tax policy closer together. The project of modernizing social security systems in Europe thus runs parallel with the modernization of labour markets. This includes making social security benefits more employment promoting, i.e. providing incentives to work, and to make tax systems more employment promoting, i.e. providing incentives to enterprising (CEC 1997a, 1998a).¹¹ Recently, the Commission has proposed social protection as "a matter of common concern", requiring a "common political vision", even if not a common organising and financing. The reason given is the greater degree of inter-dependence brought about by EMU (CEC 1999c). The Commission strategy includes making and utilizing *linkages* between policy areas.¹²

Part of the strategy is also to make sure that macro-economic policy and employment policy are compatible. The economic policy guidelines and the employment guidelines should complement each other and foster a consistent economic strategy for growth, stability and employment. In this line, the Vienna summit of December 1998 took the initiative to develop a European Employment Pact. It was eventually accepted at the Köln summit in June 1999. The pact is conceived of as a process built on three pillars: the employment strategy (the Luxembourg process); structural reforms to improve the functioning of the internal market (the Cardiff process); and a macroeconomic dialogue aiming at coordinating wage development and economic and monetary policy (the Köln process). The new element is the establishment of a dialogue, including the social partners and the Central Bank, on macro-economic and structural policies. The social partners are expected to contribute to 'appropriate' wages agreements (CEC 1999a). This does not imply collective agreements at the European level. Wage negotiations remain a national business. What is called for is "a form of concertation, where every actor takes their responsibility for engaging in dialogue with the others" (speech Allan Larsson). From the Union side, some seem to hope that the dialogue will provide occasion for making the case for a more expansive – 'demand-oriented' economic policy (author's interview). In any case, the dialogue will allow the participants to

emphasis added). Cf "the necessary balance between the needs of companies for flexibility and the needs of employees for security" (CEC 1999a: 8).

¹¹ While the Swedish unions heavily support the employment strategy, they do not agree that the labour costs are too high in Europe or that social security systems are too generous (e.g. TCO 1996: 28).

¹² The Commission characterizes its employment strategy as an 'integrated approach' where all relevant policies are to contribute to and support each other; as a 'preventive' rather than 'curative' approach; and as a 'management by objectives', which does not imply a transfer of competence.

agree on the current socio-economic situation and what space of action exists (author's interview).

Multi-Level Governance in Practice

The European Employment Policy illustrates a new type of interplay between different levels of governance, likely to give rise to a new political dynamic. It is not a matter of *either* supranational *or* intergovernmental policy-making but precisely an *interplay between different levels of governance*, a new pattern of *multi-level governance* (cf Marks 1993).

The European Social Fund, which is one of the structural funds, is regarded as the key financial instrument available at the European level for 'modernizing' labour markets, and education and training systems. In the view of the Commission there should be a synergy between the ESF and the implementation of the NAPs. The Commission has announced that: "In the negotiations on the new Structural Fund programmes, the Commission will encourage Member States to translate the principles underlying the Employment Guidelines into practice" (CEC 1999a: 11).

Thus, sub-national actors are instrumental in implementing the European employment policy. Local actors seek funding for local projects. In Sweden, the Labour Market Board has the authority over the payments from the ESF. However, decision-making about payments is delegated to regional groups with representatives of local and regional authorities (municipalities, county councils, county administrative boards and county employment boards) and social partners, in the case of the geographical objectives. As to the national objectives, for objective 3, county employment boards make the decisions after consultation with the social partners. In the case of objective 4, the Swedish EU Programme Office has appointed regional coordinators who decide on projects in cooperation with regional partnerships. Support from the EU funds should be complemented by at least as much public funding from Swedish authorities. For the national programmes, the Swedish state is responsible for this additional funding. For the regional programmes, local and regional authorities are supposed to account for the additional funding. The structural funds are a clear example of multi-level governance.

According to the Government, the structural funds have led to a partly new dynamic locally, regionally and nationally: "The production and implementation of the EC's structural fund programme has in Sweden resulted in the development of partly new methods for economic growth- and employment stimulating measures. The programmes for the geographical objectives are worked out and implemented by a broad partnership consisting of representatives of different regional and local actors. The way of operating has led to new cooperation forms and the deliberation of choices of measures and how these should be prioritized. The management by objectives and results and the follow-up of measures have become more effective" (Prop. 1997/98: 62). In order to receive funding, the different parties have to cooperate in partly new fashions, and the projects proposed must be innovative.¹³

¹³ Cf Martinez Lucio and Weston (1999) on the 'spin-off' effects of European Works Councils.

The projects and partnerships developed in connection with the structural funds are an apt illustration of the new dynamics emanating from the complex multi-tiered system of policy-making. It is clear that “structural policy has provided subnational governments and the Commission with new political resources and opportunities in an emerging multi-level policy arena” (Marks 1993: 403). Another instrument available for supporting the macro-economic and employment strategy is the investment in infrastructure (transnational networks).

With the new system of governance, tripartite cooperation has been strengthened. In Sweden, this means a return of the Swedish system built upon cooperation between labour market interests. This has been gone for some years and has now been re-introduced through the “European back-door”.

The Swedish Government Perspective

The European employment policy is much in line with the traditional active labour market policy in Sweden. This is not surprising since the ‘architect’ behind it, and currently responsible for it in the Commission, is the Social Democrat Allan Larsson, former minister of finance and former head of the Labour Market Board in Sweden.¹⁴ After the extraordinary European Council in November 1997 with employment as its theme, the Swedish Government concluded that the guidelines adopted “in all essentials concord with Swedish ambitions in this field ... The accepted guidelines are well in line with Swedish policy. That is particularly true of measures to, mainly by training, strengthen the position of individuals in the labour market and the priority of equality between men and women” (Skr. 1997/98: 60).

The European employment guidelines consist of four ‘pillars’. In the National Action Plan 1998, the Swedish government confirmed that the guidelines on *improving employability* are in line with the Swedish employment policy: The Government sees education and development of competence as the most important means for creating a flexible labour market and for increasing employability, and prefers active measures to passive cash allowances. This is confirmed in the NAP of 1999.

On *developing entrepreneurship*, the government in 1998 agreed that it should be easier to start and run a business and that it is important to foster employment in the private sector. The government also shared the view that tax and subsidies systems should be designed in a way that is favourable to employment. However, according to the Government, the structure of taxation should be considered rather than the general tax level. The action plan for 1999 points out that the social insurance system is currently under review and the Government is analyzing the possibilities for a future tax reform. The Government’s willingness to consider more ‘employment friendly’ tax and subsidies systems may be interpreted as an influence of the European employment coordination.

On *encouraging adaptability*, the Government saw an important role for social partners in agreeing on a work organisation, wage structure and working conditions. On *strengthening*

¹⁴ The Swedish Government took the initiative to the employment chapter in the intergovernmental conference leading up to the Maastricht treaty (see Johansson 1999).

the policies for equal opportunities, the Government stressed that the aspects of equal opportunities should pervade all the main lines of action in the guidelines.

The 1998 Joint Employment Report acknowledged that the Swedish policy of active labour market measures and the investment in Adult Education are well in line with the guidelines. However, the low level of job creation points to the need of enhancing action in the field of entrepreneurship. In its draft recommendations to individual Member States, the Commission in 1999 recommends Sweden to take measures to "reduce the high tax burden on labour income" (CEC 1999e).

Conclusions so far

The EU social policy has been increasingly centred on promoting employment in the 1990s. It is then based less on legal regulation and more on soft law and voluntarism. This also means less of a court-driven social policy development than before and more of coordination and voluntary convergence of national practices. Streeck (1996) has identified some principles of governance in the new 'voluntaristic' social policy regime, which also characterises well the new European employment policy: 1) cohesion by exemption (to allow countries to exit), 2) unity by subsidiarity (to give precedence to national practices and contractual agreements between market participants), 3) governance by persuasion (to rely on the effects of non-binding recommendations, expert consensus, explication of the common elements of national regimes, mutual consultation and information), 4) governance by choice (to offer actors menus of alternatives from which to choose), and 5) governance by diffusion (hoping to increase the homogeneity of the national regimes through comparisons by electorates of their situation to that of citizens in other countries, transparency of targets and indicators). I may add here the role of repetition and pace, i.e. the use of recurrent procedures and dead-lines, in the system of governance.

Observers assess the contributions of the new employment policy differently. Scharpf sees it as providing some safeguards against competitive deregulation, tax cuts and 'beggar my neighbour' policies among the Member States. Moreover, structures for a joint reflection on the causes of unemployment and the policy options available at the national level are established (1999: 159). Streeck considers the 'neo-voluntarist' social policy regime as weak and unable to solve controversial, e.g. distributive, issues. In my view, the voluntarism developing in the employment field may have long-going effects and may, indeed, make possible changes – for good, for bad – in national tax and social benefit systems that would not have been politically possible by legal means.¹⁵

In a brochure, the Commission describes itself as a "social policy mediator who formulates hypotheses and objectives, invites to discussions and tries to create a consensus". In this role,

¹⁵ As pointed out by Cram, the power to select non-binding policy instruments, often allows the Commission to get a toe-hold in contentious policy areas. Meanwhile, the use of legally binding measures, which may antagonise national governments or sectorial interests, are avoided until the policy area have become 'softened up' (1997: 99). It remains to be seen if a legal path will later be chosen or if not the voluntarist regime is deemed likely to be more effective in this particular policy field.

it has been very effective, preparing the grounds, e.g. by its Green and White Papers (CEC 1993a, 1993b, 1994), and then making use of the possibilities that the Amsterdam treaty opens for. Majone (1997) has described the new forms of regulation within the EU as regulation based upon information and persuasion rather than on command and control mechanisms.¹⁶ The 'editing of ideas' (Sahlin-Andersson) and the organisation of information and knowledge are crucial here. Apart from the management of information, the Commission has also managed to establish arenas for exchanges and negotiations and a framework for debate, covering a broad range of actors.

By establishing, and renewing existing, tripartite fora, the Commission has also ensured its place at the negotiation table. Moreover, the Commission is also present in the social dialogue at the European level as well as in the new macro-economic dialogue. The Commission, thus, has managed to affect the environment in which future decisions are taken (cf Cram 1997: 167). It has created contexts for other key actors to operate – in an area where the EU's own legal capacity is limited – and has moreover managed to ensure the support of key actors by giving them a central role in the implementation.

The Commission has played a catalytic role in the new European employment strategy. It remains to be seen what shifts in governments in Member States would imply for the future work. Social Democratic Governments in the UK and in Germany were necessary to get the process started. The 'marketisation' of Social Democratic discourses has, by the way, been suggested as one explanation to the new forms of regulation, besides economic interdependence and lack of faith in the direct interventions of Keynesianism (Martinez Lucio and Weston 1999).

A Research Agenda

The EU is currently in the second round of employment guidelines and national action plans. So far, it is too early to judge to what the policy process will lead. But there is good reason to investigate the new forms of regulation emerging as well as what the 'third way' means in actual practice. What are the implications for the political dynamic in the EU (between the Commission and the Member Governments, between Member States, between the EU institutions and organised interests) and domestically (for the labour market relations and the relations between Government, Parliament, political opposition, organised interests) etc? What implications does this policy process have for the perception of Swedish public policy interests and the defence of them? To what extent does an informal harmonization of outlooks and standpoints take place? How does it affect national welfare systems?

Will the 'third way' create further constitutional consequences?¹⁷ Will this process escape some of the problems of the 'democratic deficit'? Does it provide effective mechanisms for granting political legitimacy? Is the 'employment model' a sufficient response to the economic – and maybe fiscal - integration that the EMU may lead to? To what extent is it

¹⁶ Other ways of characterizing the new regulation emerging is 'indirect regulation', 'flexible regulation' and 'regulation from below' (Martinez Lucio and Weston 1999).

¹⁷ For instance, may in future a conflict arise between the legal systems of the Member States and the ECJ on interpreting matters in the labour market and welfare fields? (Ekengren 1999).

possible to extend it to other policy areas? What are the limits of 'coordination' as a formula for European cooperation? To what extent does it require political and ideological consent among the Member States? The whole approach seems to rest on the assumption that there is, in the current situation, a convergence of interests of labour, capital and Member states and maybe other societal interests too. Who will eventually benefit from it?

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