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# European Labour Market Policy and National Regimes of Implementation



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## **European Labour Market Policy and National Regimes of Implementation**

### **Abstract<sup>1</sup>:**

Since more than ten years, nearly all European countries are facing the challenge of unemployment. However, the degree of the problem, its specific causes, and the strategies for fighting unemployment differ significantly. Schmid and Roth examine this multi-level phenomenon and the associated many-sided relationship between the EU and several states, because employment and labour market policy became important scopes of the Political Science in national and today supranational respect.

They analyse the problematic factors of the complex policy formulation and implementation structures and inspect the different instruments, the mechanisms to learn from each other and the innovative forms of regulation, whereas it is difficult to formulate a homogeneous, supranational, European policy.

The research identifies a number of characteristics and trends in the EU's labour market and employment policy, furthermore several components of the regimes of implementation in the states. The authors recommend no clear "blueprint", but the effort to learn from the variety of national patterns of communication, feed-back mechanisms and benchmarking procedures like "best practices" which are pointed out in the article.

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## 1. Framing the Problem and its Context: Coping with Complexity

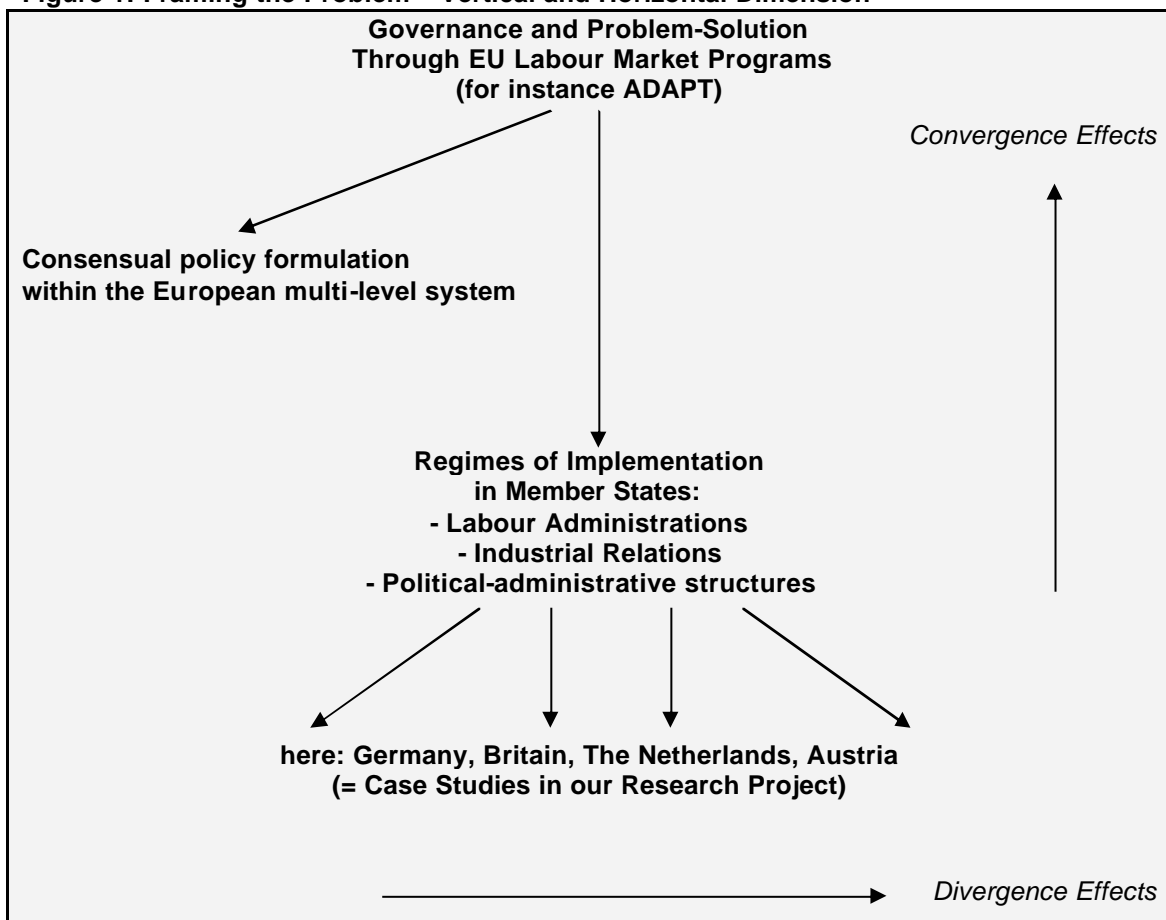
European employment and labor market policy can be conceived as a *dynamic multi-level phenomenon* (cf. Jachtenfuchs/Kohler-Koch 1996). It is exposed to a tense relationship between supra-nationality, on one side of the continuum, and national sovereignty on the other. On the one hand, European employment and labor market policy resides at the nation-state level. On the other hand, it is increasingly practiced on the European level. At the same time, both levels are characterized by a significant degree of dissimilarity and differentiation. Simultaneously, increasing interdependence of the employment and labor market policy on the different levels leads to increased intertwining of sovereignty. To put it into more concrete terms: Nation-states continue to control national labor markets, while the European Union's capacity to solve unemployment problems is limited to distributive instruments and co-ordination. In addition, political obstacles restrict the European Union's ability to act.

These phenomena lead to *increased complexity* (cf. Luhmann 1978 and Simon 1962) and result in policy formulation and implementation structures which are difficult to analyze. Three factors are particularly problematic:

- First, the lack of political *consensus* among the actors on the European level and the level of the member states. This becomes obvious when considering the heterogeneity of concrete problems, interests (regarding further integration), sovereignty reservations and resources. Progress in labor market and employment policy is only made at a snail's pace (Keller 1999).
- Second, significant barriers to implementation remain even if treaties and summit decisions provide the EU with more competence and enable it to undertake concrete measures. Implementation remains the responsibility of member-states and is often quite problematic. The degree of this problem varies and is, in our opinion, primarily dependent upon the established regimes of implementation on the national level.
- Third, significant differences exist between the just mentioned regime of implementations of member states (in the horizontal perspective), differing significantly in regards to the specific problems and restrictions of *national labor markets*, thus complicating governance even further.

In a new research project, we use the term “*regime of implementation*” in order to draw upon comparative politics research. These studies view the labor market as a system which mediates between the economic system, on the one hand, and the social security system and state intervention (welfare state) on the other hand (G. Schmid 1994, Esping-Andersen 1990, Schmid 1996). Accordingly, our study goes beyond the narrow conception of the labor market’s regime of implementation. It considers some important structural characteristics of the political-administrative and industrial relations system. This broadening of the analytical perspective is necessary for methodological reasons. Significant variation in political and economic conditions can result when studying several states.<sup>1</sup>

**Figure 1: Framing the Problem – Vertical and Horizontal Dimension**



## 2. Two Faces of Labor Market Policy: Divergence or Convergence?

Currently, all European countries are facing the challenge of unemployment. However, the degree of the problem, its specific causes, and the strategies for fighting unemployment differ significantly. Examining the unemployment figures in Western Europe shows a surprising range: Successful cases such as the Netherlands, Denmark, Great Britain/United Kingdom and Portugal contrast with “problem children” such as Spain, France and Germany (cf. for instance Bosco/Hutsebaut 1996; Kommission 1997a).

**Figure 2: Unemployment Figures in Selected EU Member States, 1998 (cf. OECD)**

Country	Germany	Denmark	The Netherlands	Great Britain	Spain
Unemployment Rate	8,6%	5,1%	4,3%	6,2%	18,8%
Labour force participant rate	64,1%	75,3%	69,8%	71,2%	51,2%

Significant differences can also be identified among the EU regions; unemployment ranges from around 3% in Luxembourg to 30% in Andalusia. Several indicators such as long-term and youth unemployment, part-time work, employment rate, productivity etc. display similar variation. In addition to the economic situation a number of long-term developments influence European labor markets. Among these are the growth of new capital- and knowledge-intensive technologies, changes in the organization of production and work, continuing globalization, and changes in the international division of labor. At the same time the fact that different political measures are undertaken seems to indicate that *no perfect solution* for battling unemployment exists (Bogai 1998, Jochem 1999, Rehm/Schmid 1999). For instance, some states are deregulating, while others are successfully using innovative forms of regulation.

Due to this diversity, it is difficult to formulate a homogenous, supranational, European policy. In addition, the EU cannot directly influence macro-political governance of the European labor market due to reservations about national sovereignty. In its annual report “Employment in Europe”, published in 1997, the Commission has emphasized again that Europe was lagging behind. The failure to boost employment was a consequence of failing to pursue an active labor market and employment policy. In addition to *different views* concerning the importance and function of European labor market and employment policy, (rational) differences in the assessment of employment programs exist. These are not just consequences of specific economic problems, but also of different political structures, preferences, and resources (Janoski 1996, Schmid 1998). Furthermore, structural limits to state interventions in the economy exist. These have been systematically identified and analyzed in the debate

concerning different forms of capitalism (cf. for instance Albert's "*rheinischen*" and the "anglo-saxon" model, Albert 1993; cf. also Couch/Streeck 1997). The challenges resulting from differences in national conditions are a characteristic of European politics. They require new "soft" forms of governance, which can be referred to with such terms as *contextualisation*, *proceduralization*, and *regionalization* (Willke 1993; Tömmel 1998; Voelzkow 1999)

### **3. Soft Governance of EU Labor Market policy – Squaring of the Circle?**

One can identify a number of characteristics and trends in the EU's labor market and employment policy, which indicate its problematic nature. Three aspects deserve to be emphasized here: (1) differentiation of the issue-area; (2) centralized decision-making structure and allocation of resources; (3) last but not least new forms and instruments of governance.

#### **3.1 Differentiation of the issue area**

In the debate about the EU's political dimension, labor market and employment policy plays an increasingly important role. The development of the issue area as "constitutional politics" and its long term repercussions on the labor markets of member states have demonstrated that European labor market and employment policy has developed into an independent EU issue area. The development has been influenced by the extent of the unemployment crisis in Europe, as well as, changes of government in important member states in the 1990s. Previously, European labor market and employment policy has been conceived as a component of European social policy. However, the issue area has reached a new quality with the inclusion of an employment title in the Treaty of Amsterdam (1997) which will result in further differentiation of policies (cf. Roth 1998).

However, one cannot regard EU labor market and employment policy as a clearly defined concept. Rather, it is a number of measures which seek to increase the supply of jobs and encourage the active promotion of employment-creating measures. Three forms of employment policy can be distinguished (cf. Deppe 1996: 14):

1. *Efficiency-oriented regulatory policy*: for instance, promoting increased flexibility of labor markets;
2. *Objective-oriented promotion of employment sectors* (target groups and/or regions);
3. *Distributive policy*: includes the expansion of EU competences as well as mobilization of financial resources for employment policy.

The "*acquis communautaire*" and the concrete objectives of European labor market and employment policy are for the most part based on norms contained in the Amsterdam and Maastricht treaties, the "White Paper on Growth, Competitiveness, and Employment" published

in December 1993, as well as the decisions of the EU's "Employment Summit" held in Essen (1994).

The promotion of a high level of employment (Art. 2 TEU, Art. 2 EC-Treaty) is defined as a central task for the European Union. Furthermore, Art. 118 EC-Treaty enables member states to coordinate their employment policy. Since Amsterdam, the EC-Treaty includes a new employment title (title VII, Art. 125-130 EC-Treaty). Art. 123 EC-Treaty defines the European Social Fund as financial instrument for improving the common market's employment opportunities.

The *White Paper* suggests some concrete measures: flexible working hours including part-time work; changing incentive structures (reduction of labor costs by redesigning tax and social security systems); special support for small and middle-sized businesses; public-private partnerships and/in labor-intensive sectors such as the health care and home services sectors; and increased investment in education (Human Resource Management). The aim was to reduce unemployment by 50 % by the year 2000.

Reacting to the European Commission's document, the heads of government and state adopted an "*Action Program against Unemployment*" during their December 1993 meeting in Brussels. In December 1994, the European Summit in Essen adopted *core elements of a European employment strategy* as well as *coordinating measures*. Five priorities are formulated for guiding national employment policy:

1. Investment in vocational training;
2. Increasing the labor-intensity of economic growth;
3. Reducing labor costs;
4. Increasing the efficiency of labor market policy;
5. Special measures for long-term unemployed, unemployed youth, under qualified and older workers, and women;

In addition, member states were called upon to include and implement these elements of a European strategy in their national multi-year programs. These national programs were observed and supervised by the Council and the Commission. During the Madrid summit in December 1995 both European bodies presented a report. Since then, this report has to be published annually.

The Treaty of Amsterdam's *Employment Title* contains a coordinating procedure for economic policy and is based on the decisions made in Essen. Five aspects are included:

- Member states are required to work towards the establishment of a coordinated employment strategy. Special emphasis is placed on the skills, education and flexibility of



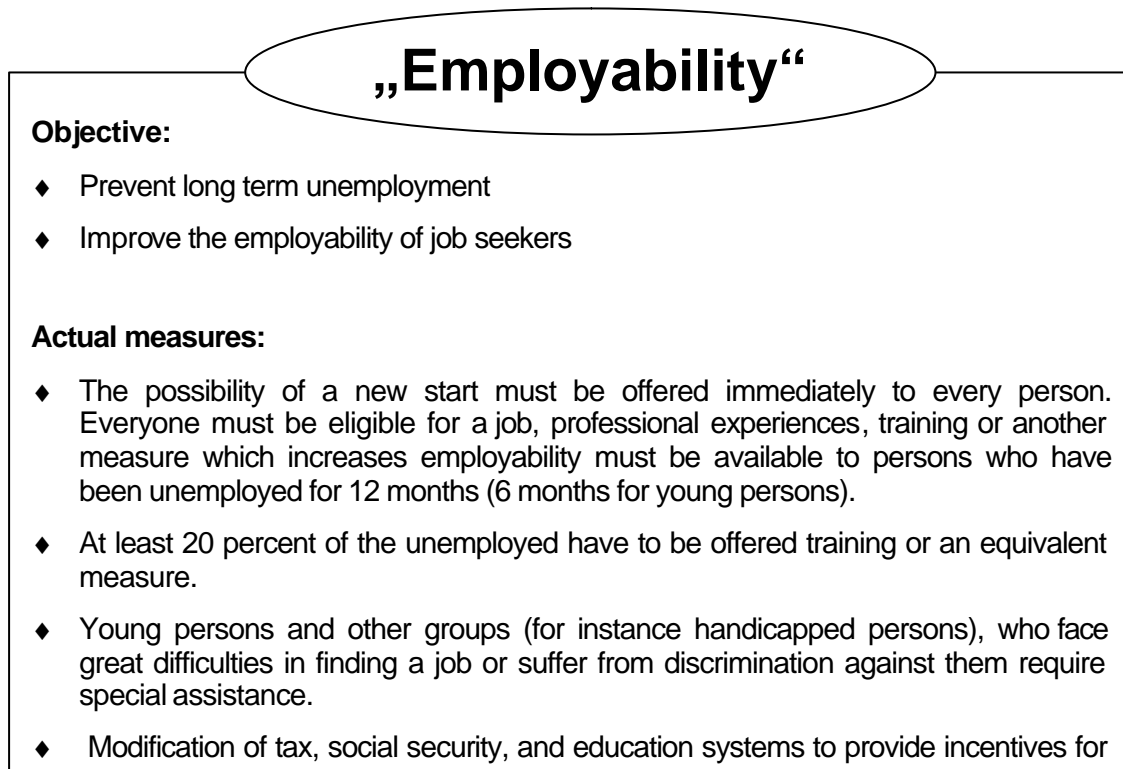
employees and to ensure that labor markets' adapt to the requirements of economic change.

- Employment policy remains the principal responsibility of member states. However, they regard the promotion of employment as a matter of common concern and coordinate their actions in the Council. The European Union supports and promotes cooperation between member states and takes into account the objective of a high level of employment.
- The support of the Union consists of the adoption of employment policy guidelines by the Council which member states have to take into consideration. The guidelines are used to evaluate the employment policy of member states. As a result of the evaluation, the Council may issue recommendations to member states.
- To promote cooperation between member states the Council can adopt incentive measures (for instance pilot projects).
- To promote employment the Union will create an advisory committee on employment issues.

Materially, European labor market and employment policy is characterized by an emphasis on "*social inclusion*", "*employability*" and "*workfare*" (cf. Tidow 1999a: 77). According to Aust promoting the skills, education and flexibility of employees as well as ensuring employees' adjustment to the requirements of economic change are the main concerns of the European employment strategy. The objective of labor market and employment policy is to increase employees' "employability" by ensuring their skills and flexibility (cf. Aust 1997: 765). In contrast to Great Britain these are currently only secondary aims of German labor market policy.

The European Union's concept of "*employability*" has two objectives: First, to identify suitable networks, target groups and measures, which can (preventatively) ensure the creation and maintenance of a mobile and flexible workforce. The EU Commission emphasizes the concept of "*lifelong learning*". Secondly, active labor market policy seeks to ensure the employability of target groups, such as the long term unemployed. The coordinated EU-employment strategy considers the creation of "employability" as one of its central objectives (cf. Roth/ Blancke/ Schmid 2000). Of primary importance are persons which often lack the basic skills necessary for "lifelong learning".

Figure 3: Employability in the European Union



*Our Account/Description based on European Commission (DG V 1998/99) documents.*

European labor market and employment policy possesses a strong *eclectic character*. On the supranational level, it is characterized by a large degree of *fragmentation*. On the national level *complementarity* of European and national labor market policy can be observed. Community law envisioned complementarity of the issue area with its national counterpart from the start. It shaped the labor market's and employment policy's integration process.

European labor market and employment policy is influenced by economic as well as social- and wage policy. It is closely intertwined with the various "integrated" Community policies. It is therefore influenced directly and indirectly by the developments in these issue areas. In particular, common market and foreign economic policy, monetary policy, the economic and monetary union, the sectoral policies (for instance, coal and steel and agriculture) and the different coordinated or partially integrated (social-, research and development, industrial, regional, and structural policy) fields have to be considered (cf. Platzer 1997: 235). Not all of the Amsterdam Treaty's norms possess the same legal quality. Different provisions require different decision-making procedures. This eclectic character is reinforced by the fact that policies are directed at and formulated on different levels, and operate with different instruments.

A further characteristic of European labor market and employment policy is a *'policy-mix'*. In addition to coordinated measures a number of specific Community regulations exist. By and large these Community regulations do not constrain national law (cf. Roth 1998: 91). During the evolution of the issue area, supranational actors, specifically the Commission, have increased their steering capabilities.

### **3.2. Central Decision Organization and Allocation of Resources**

During the development of the issue area to organize attempts have been made to organize labor market and employment policy by following national patterns closely. The EU developed a number of (mostly *distributive*) financial instruments. One has to distinguish between subsidies in the coal and steel sector, the Structural Funds (especially the European Social Fund). The most important EU employment policy programs have been the Community initiative "Employment and Creation of Human Capital" with the initiatives NOW, HORIZON, INTEGRA, YOUTHSTART as well as the Community initiative ADAPT. The objective of these programs has been to allow employees, who are threatened by unemployment due to industrial change, to adapt to new working procedures and methods.

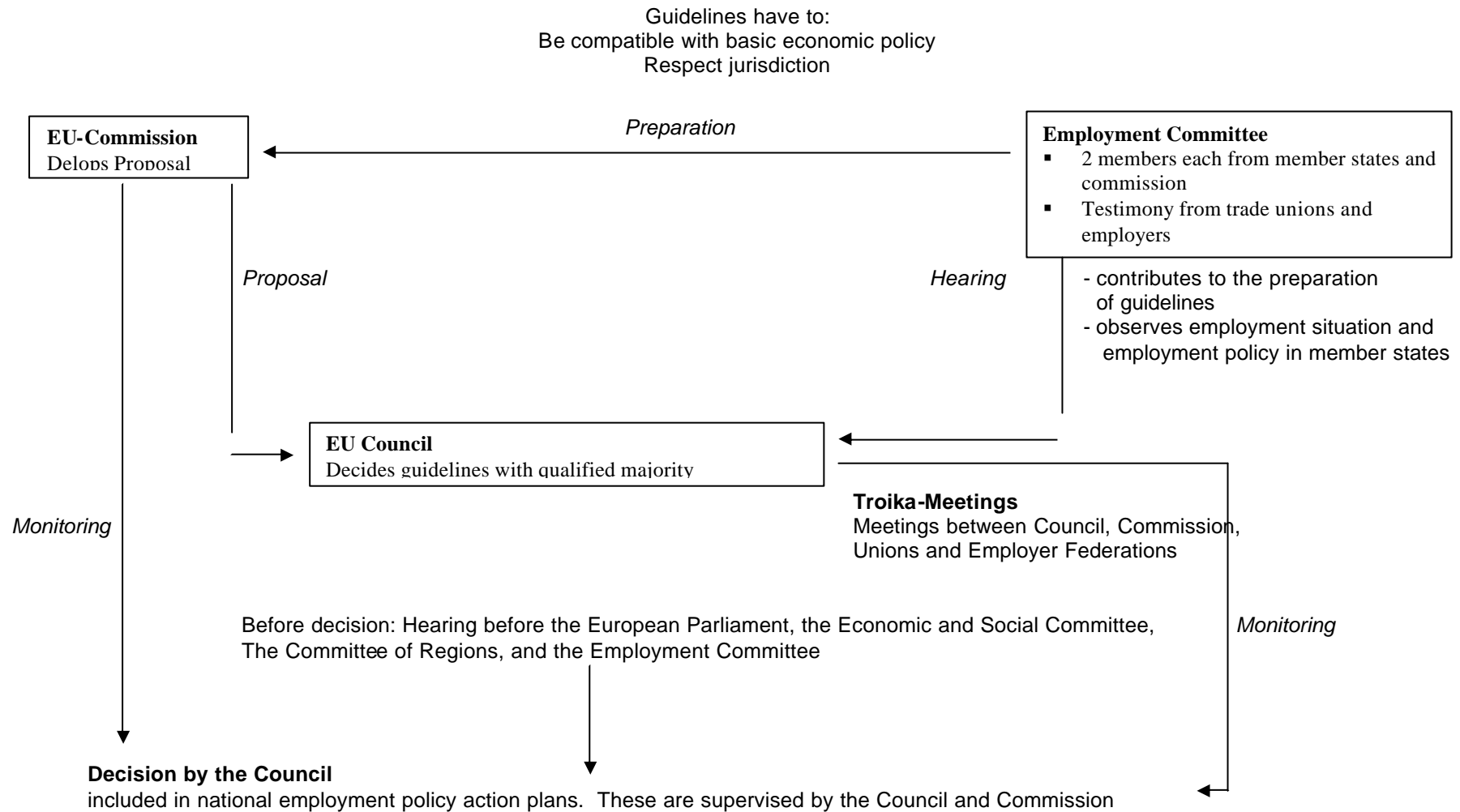
The objective of the Structural Funds and in particular the *European Social Fund* (ESF) is to support the following groups and programs: unemployed people who are able to work; on-the-job and off-the-job training programs; support for innovative training programs. Approximately 80% of social fund resources allocated by the ESF were used to: combat long-term unemployment; and the exclusion from the labor market; to provide skills and employment opportunities for every young person; to promote equality of opportunity; and, last but not least, to aid in achieving the "adaptation of employees to economic changes" as part of objective 4. After the decision was made in 1993 to double fund resources by 1999, the importance of Structural Funds for regional- and labor market adjustment/equalization significantly increased. Until 1999 the ESF's budget amounted to approximately 47 billion ECU, i.e. ca. 10% of the EU budget. These resources were distributed in the following manner: between 10% and 33% of resources for the analysis of labor market developments and for skill promotion; between 34% and 52% of resources for vocational training to prevent exclusion from the labor market; between 5% and 30% of resources to improve the training and education systems and structures; between 5% and 17% of resources for technical aid (Agence Europe 17.11.94:8). In addition, the Commission decided to fund 32 innovative projects in the 12 "old" member states with 18 million ECU from the ESF budget. The objective of these projects was to discover new ways for job creation and vocational training. In Objective-1-regions the ESF funded 75% of project costs. In other regions, the ESF contributed 50% of funds.

In sum, employment and labor market policy measures have been supported with funds from the Structural Funds, and in particular the European Social Fund. A priority was placed on the promotion of education and training. This development results out of the fact that labor market

policy is the principal responsibility of member states. Different political-administrative conditions and socio-political traditions in each member state makes co-ordination of labor market measures extremely difficult. However, with the Structural Funds the Commission possesses a meaningful distributive instrument for controlling European labor market and employment policy. During the agenda-setting and policy formulation phases the Commission can use these instruments strategically. In fact, the Commission has indirect influence on labor market policy of member states since the financial volume of measures is substantial. Approval or non-approval can have considerable consequences for the employment situation in individual member states and regions. In addition, the Commission can influence national labor market policy by setting a particular objective for its programs. During the implementation of programs and projects by regional and local actors, the Commission's room for maneuver decreases, resulting in unintended consequences and restrictions for steering (cf. Roth 1999: 223f.; also cf. Lang/ Naschold/ Reissert 1998; Hannowsky 1998).

Today, European labor market and employment policy is based on three pillars. The "*Luxembourg process*" established a procedure which allows for the co-ordination of national employment policies and aims at a better integration of the various measures and instruments (Bogai 1998). The Commission mentions four aims: Improving employability, developing entrepreneurship, promoting the adaptability of companies and employees, strengthening measures to ensure equality of opportunity. The "*Cardiff Process*" seeks to improve competitiveness in the service sector, the information society, and of small and medium-sized companies. The "*Cologne Process*" adds macro-economic co-ordination to these two approaches. It aims to ensure a policy mix free of tension between monetary, fiscal and wage policy, which ensures economic growth (cf. Platzer 1999: 189).

**Figure 4: Implementation of Employment Policy Guidelines (The „Luxembourg-Process“)**



(Source:: IG Metall, Europäische Beschäftigungspolitik. Gipfel von Luxemburg 20./21. 11. 1997, Ergebnisse und Bewertung; Frankfurt/M. 1997, S. 34.)

Employment-promoting measures of member states are not bound by the Coordinated Employment Strategy. However, the procedure does oblige member states to grapple with promoting employment and to learn from each other through “benchmarking” (cf. Meinhardt/Seidel 1998: 131). The future will have to show how this mechanism for co-ordination or “politically-staged competition” will work. The mechanism combines the possibility for pilot projects with a procedure to support “policy learning” and the diffusion of “best practices” of the welfare states that created labor market policy (cf. Heinze/Schmid/Strünck 1999).

It would have been necessary for the “*European Employment Pact*” to first, combine macro-economic, structural policies and labor market policy instruments and second, to set binding and verifiable targets for the years 2000 to 2006 – in line with the next EU budget. The Cologne Summit failed to fulfill these hopes. The “European Employment Pact” adopted during the summit does not go further than the “Coordinated European Employment Strategy”. Employment-policy objectives are only stated in general terms. The single new emphasize of the Cologne Paper is “macroeconomic dialogue”. Delegates from the 15 governments, the Commission, the ECB as well as employers and employees will gather to discuss innovative employment and labor market policy.

### **3.3. “Soft” Governance and New Instruments**

Making European labor market and employment policy a reality requires meaningful reforms for all actors to undertake. From a political science standpoint, the question is how the state – here the European Union despite its limited problem solving capacities – can or must contribute governance functions?

In European labor market and employment policy the *Commission* plays a key role, since it is committed to the EU as a whole. It is required to mediate between the EU systems functional requirements, conflicts of interest among member states, and the needs of EU citizens. Although the Commission possesses little real political power it sets the course of European labor market and employment policy through its role as a mediator and its right to initiate policies. The Commission as “pace-setter” of integration shaped the political agenda of European social policy during the intergovernmental conferences in Maastricht and Amsterdam. It was responsible for the inclusion of labor market policy in the Treaty of Amsterdam and the constitution of a new policy field on the supranational level.

By presenting guidelines for labor market policy, the Commission successfully acted as agenda-setter during the “Luxembourg Process”. The guidelines sought to increase the pressure for reforms of labor market policy by setting quantifiable targets (cf. Tidow 1999b: 9). Territorial employment pacts are also of special importance. Through its programs the Commission was able – by bypassing the national level to a certain degree – to see its vision implemented on the local and regional level. In addition, the Commission advances its notion of an integrated

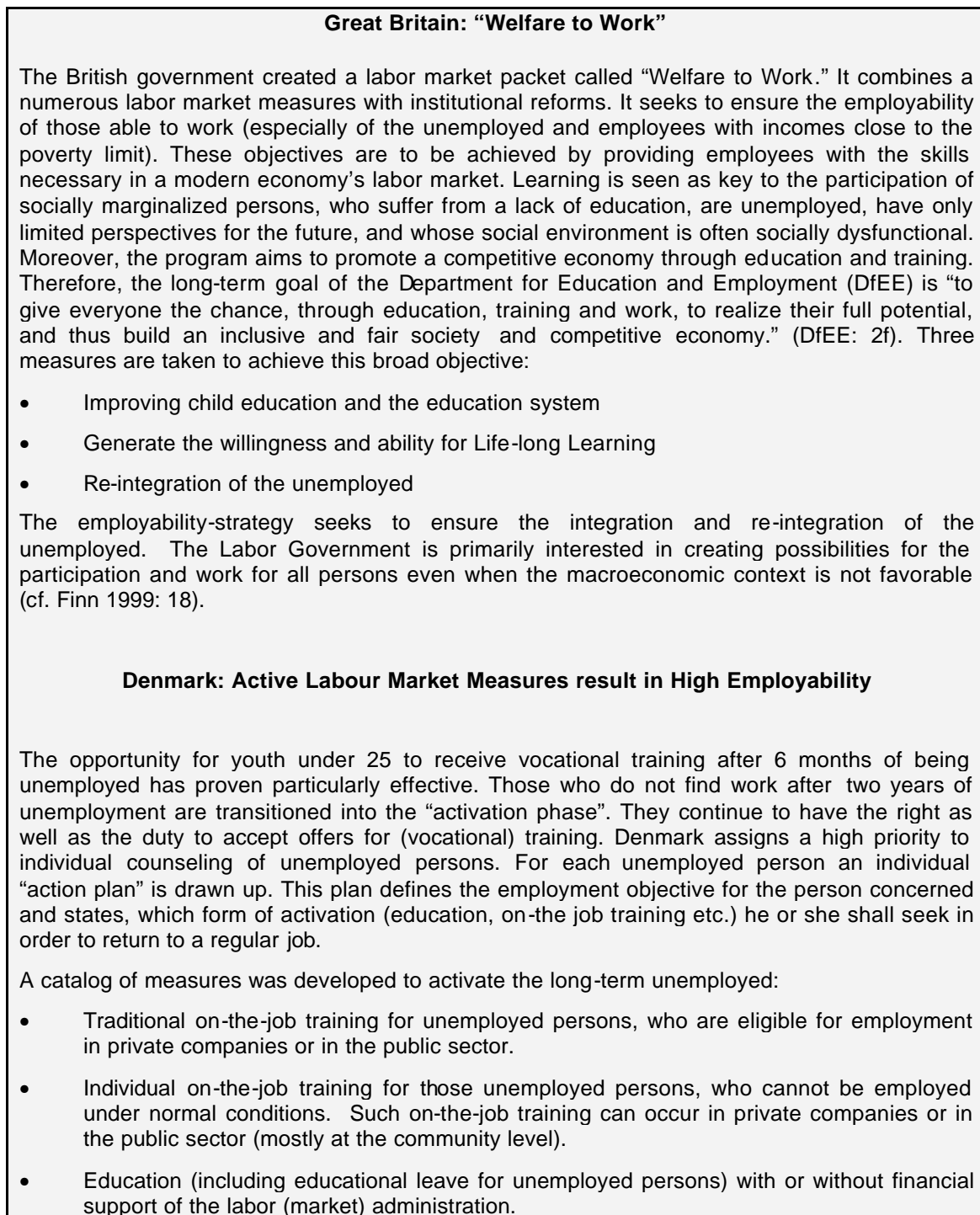
approach and its vision of an employment-promoting transition of Europe's political economies (cf. Tidow 1999a: 76) and condenses it into a "European Social- and Societal Model".

With the "Community-coordinated Employment Strategy" and "Territorial Employment Pacts" a new conceptual approach has been established to react to the increasing consolidation of the issue area and to the already mentioned steering restrictions. The background: Since the completion of the Single European Market and the EU-enlargement (keyword "Agenda 2000") seemed to indicate the exhaustion of the EU's distributive and regulative potential, new emphasis has been placed on new, soft – especially communicating and interactive – forms of governance.

The *coordinated employment strategy* can only be labeled a "soft" coordinating instrument. Nonetheless, it does include a number of positive elements, which seek to ensure convergence of national labor market policy through context control. The treaty-provisions on monitoring procedures for employment promotion, processes of "benchmarking" are currently being developed.

The Coordinated Employment Strategy seeks to increase the exchange of knowledge and experience among member states and offers the possibility to analyze and compare projects which have proved successful in member states. Which measures work and which do not? The objective is to achieve common progress by learning from the successes and failures of others. To ensure common progress, other EU member states are to be enabled to successfully implement these concepts into national policy. The Common Report of Employment (cf. Kommission 1997b), adopted jointly by the European Commission and the Council includes eleven selected areas for "best" practices. Regarding "employability", for instance, Great Britain (cf. Finn 1999) and Denmark (cf. Fuhrmann 1999) are mentioned as "best practices". The Commission criticized that the member states agreed on the necessity of active measures, but the specification of relevant measures to reach this EU-wide objective was insufficient and the willingness to make domestic changes varied (cf. Kommission 1998: 7f).

**Figure 5: “Best Practices” of national employment policies (examples)**





A further example for “soft” governance within the EU is the *Territorial Employment Pacts*. Within these the above mentioned principles of contextualization, proceduralization, and regionalization are of key importance. At the center of Territorial Employment Pacts is the integrated strategy for regional or territorial employment promotion, as well as, the promotion of local and regional initiatives which include social groups, economic groups and the public administration. Since the objective is to bring together local actors – state institutions and societal groups - it could be labeled a self-regulating strategy. The strategy does mostly without traditional governance instruments, i.e. money and law and sets only vague objectives (Tömmel 1998; also cf. the chapter by Jorgensen). Instead, “benchmarking” and “policy learning” are used, thus trusting that the “soft pressure” of the good example will be effective. However, no one can guarantee and control success (Tidow 1999; Cox/Schmid 1999; Heinze et al. 1998). The instrument of Territorial employment pacts can be characterized as follows:

- They seem to be a reaction of *economic policy* to de-regulation and flexibilization of labor markets
- A reaction of *labor market policy* to the erosion of standard employment patterns (full-time employment, fixed-term contracts). It seeks to make available new, formal (and informal) forms and opportunities of employment outside the primary labor market.
- An attempt of *social policy* to prevent the problem of social exclusion and to provide the European Union with more legitimacy.
- An answer of *integration policy* to the subsidiary principle and the enhancement of the status of regions during the last two reforms of the EU-Treaty
- From the *governance strategy perspective*, the Commission enjoys new room for maneuver.

The German state *Bremen* is one of nine German model regions in which the EU supports territorial employment pacts. Bremen’s regional labor market policy (cf. Mittelstädt 1999) concentrates on the training of those employees who are affected and threatened by unemployment. On the other hand structural policy and programs, which seek to assist the adaptation to economic and social changes.

The largest share of the labor market measures have been training measures with, on average, 6,000 persons benefiting each year. These were distributed among almost 5,100 persons receiving further vocational training, approximately 1,200 who were retrained, and 250 who received on-the-job training. In the previous four years, the “Qualifizierungsfond” (Bremen, Senator für Arbeit 1997: 37ff.) funded 119 projects and two state programs with a total financial volume of ca. 120 million DM. ESF objectives 2, 3, and 4 and the Community initiative ADAPT supported the following measures: vocational orientation, pre-training, pre-qualification, refresher training, retraining/ IQL initiative for the qualification of long-term unemployed welfare

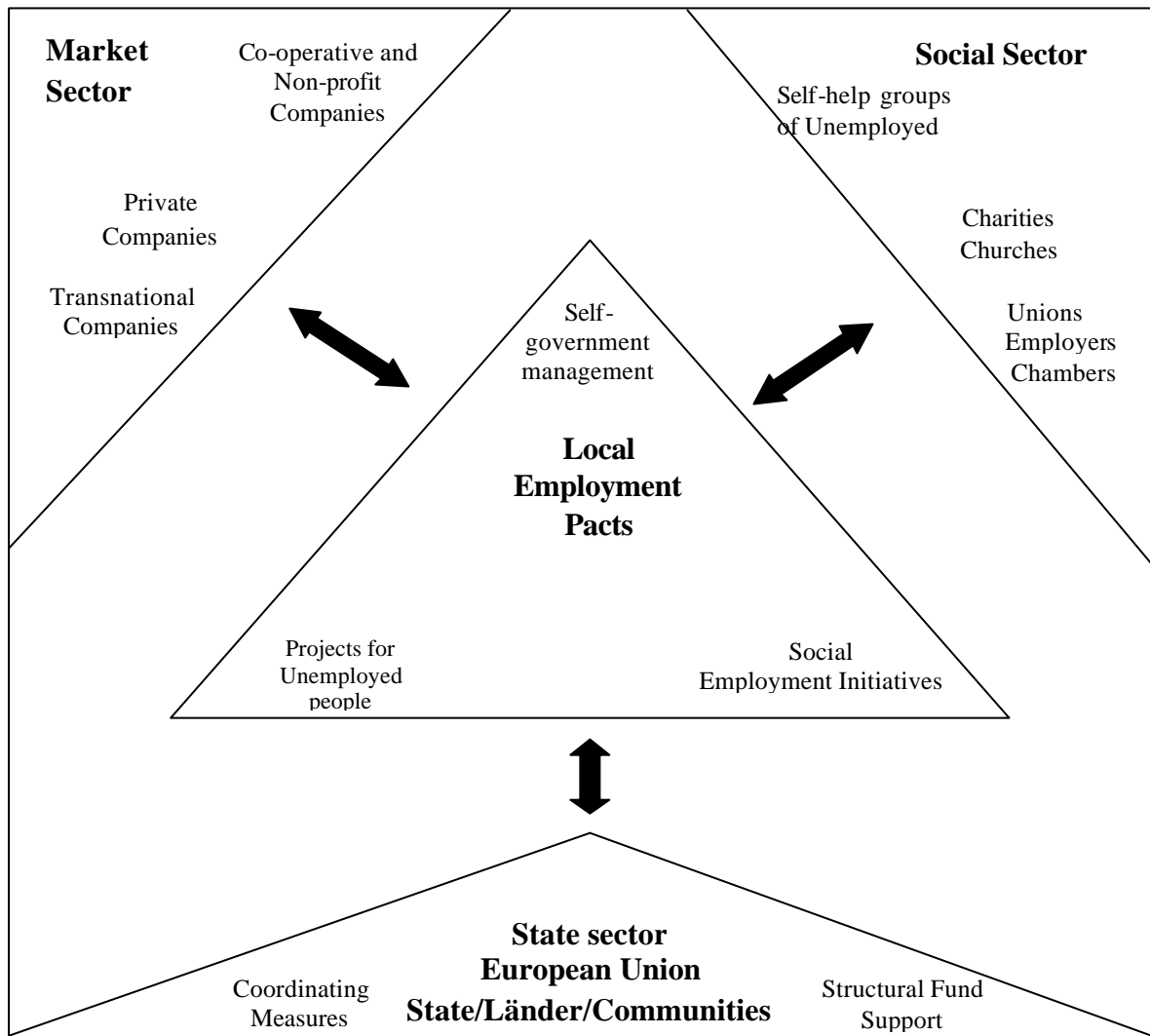
recipients, institutional support, identification of needed skills and transnational measures. On the one hand, the instrument of further training is an effective addition (to structural policies of) to "Bremer Ausbildungspartnerschaft"s (BAP) "Qualifizierungsfond". At the same time, it ensures the skills required for the adaptation of the location factor.

In addition, priorities for action were determined and new innovative projects were supported. These relate to: new working time models; new jobs in the service sector; new approaches for supporting specific target groups; and increasing transparency of labor markets.

To coordinate the "regional labor pact Bremen and Bremerhaven" a "pact secretariat" established in the employment ministry. The pact's participants are: trade unions, employers' associations, the labor administration in Bremen and Bremerhaven, the Bremerhaven council (and relevant ministries). The discussion among pact partners resulted in projects which sought to increase employment. Innovative employment promoting projects with companies, provisions of training measures, and employers were to be started and monitored.

Here, too, the *complex* structure of the issue area and the heterogeneous actor constellations are obvious. The Commission does not seek to change or to curtail the authority of existing national labor market institutions. Instead, it tries to improve the incentive structure for active labor market policy and create an optimal adaptation to the specific regional problems and endogenous potentials for development. Within the process, territorial employment pacts play a key role. Significant overlap exists with other issues areas as well as state, economic and informal bodies (cf. figure 5). Here, too, conceptual reflections result in the enlargement of the network to include free and small groups in the so-called Third Sector (cf. Schmid 1999).

**Figure 6: Territorial Employment Pacts between State, Market and the Third Sector**



#### **4. Regimes of implementation – Empirical Approaches for European Governance**

Regimes of implementations are an important factor for the success of labor market and employment policy, especially considering soft forms of governance (Höcker 1998; Héritier 1993).

The conception of the EU as a dynamic multi-level system is of special importance when it comes to the implementation of EU common market policies. The center of gravity shifts from the supranational to the national level. In fact, regional and local levels play a key role. We are therefore interested in including member states and their reactions to challenges from the European Union. This emphasis promises to be rewarding in issue areas, such as European

labor market and employment policy, where the initiation of new political strategies and the indirect influence over labor markets in member states is at stake. The benefit of analyzing regimes of implementations in the European Union is the possibility of learning lessons to organize governance more effectively and legitimately. For instance, effective policies can only be organized in a potentially successful manner if one is aware of the EU's difficulties when it attempts to achieve its objectives and implement its policy effectively. The scientific benefit of analyzing regimes of implementation is the ability to add another element to the puzzle so as to be able to realistically assess the EU system. The effectiveness and efficiency of common market policies can only be assessed during the implementation phase. Only then, can statements about the EU's ability and potential (ability) to govern be made.

These considerations do not view *problems of political governance* as an “exogenously-determined non-ability” of politics (and its administration). Instead, problems which affect political ability to govern are at stake. These are conceived as “endogenous” – but not insurmountable – political obstacles to achieve the objectives that are desired, known, and (objectively) achievable (cf. Scharpf 1988: 64f.). A number of governance problems deserve to be mentioned (cf. Mayntz 1987: 96f): implementation: i.e. implementing policy in a manner that conforms to the original aims; i.e. the motives and willingness to adapt of addressees of policies; knowledge, i.e. knowledge about the policies' effect. These structures create political and organizational focal points. They can promote innovation or become a barrier to it. However, these mechanisms have not yet been thoroughly investigated and remain unclear at this time. In fact, considering the complexity of the EU's dynamic multi-level system in general and labor market and employment policy in particular, one has to take into account differences and dissimilarities.

The next figure illustrates a number of concurrent effects which can be observed in complicated, multi-level, multi-issue area networks.

**Figure 7: Effects of Policy- and Implementation-Networks in dynamic multi-level systems**

<b>Perspective / Effect</b>	<b>Negative</b>	<b>Positive</b>
<b>Top down</b>	Blockade Misuse	Innovation Legitimation
<b>Bottom up</b>	Disintegration	By-pass Imitation/Diffusion/Learning

The *top-down perspective* emphasizes the central control of (decentralized) implementation and begins by analyzing a policy decision. It then assesses whether the implementation is

consistent with the policy decision, asks whether the policy's objective has been achieved, and seeks to identify the principal factors for the effect and output of programs as well as the re-formulation of policies (cf. Sabatier 1986). Negative effects of regimes of implementation can be blocked decision-making or the misuse of material resources/funds. Positive effects can be a higher degree of innovation and a greater willingness to innovate as well as an increase in the legitimacy of EU common Market policies. The *bottom-up perspective* focuses on the actors implementing a policy decision, not those who make the original decision to establish a program. Discretionary power is desirable since a program needs to be "re-invented" during implementation to adapt to local needs (cf. Najam 1995: 13). On the one hand, these discretionary powers can have disintegrative effects and increase variation among implemented programs in the member states. On the other hand, discretionary powers can cause learning processes in regimes of implementation.

The regimes of implementation in all member states consist of three key components: (1) the structure of labor market administrations; (2) the system of industrial relations; (3) general political-administrative structures.

#### **4.1. Structure of Labor Market Administrations**

The labor administrations in West European states are characterized by significant divergence. One can distinguish among

- a *centralised and integrated* organization (especially in Germany and Austria)
- a *centralised and fragmented* organization (in France, for instance), and
- a *decentralised* organization (in the Netherlands, Great Britain, and Denmark)

Considering the current debate concerning "best practices" and "model states" (cf. Heinze et al. 1998), one is tempted to attribute great innovative capability and problem-solution capacity to the latter group. In any case, such a hypothesis possesses a certain plausibility.

**Figure 8: The Organisation of Labour Market Policy (Höcker 1998: 210f)**

Country	Germany	France	Netherlands	Great Britain	Denmark
<i>Organisation</i>	<i>centralized integrated</i>	<i>centralised fragmented</i>	<i>decentralised</i>	<i>decentralised</i>	<i>decentralised</i>
Labour market authority (active)	BA	ANPE AFPA	CBA RBA	TEED ES (TECs)	AMS AF
Labour Market authority (passive)	BA	UNEDIC ASSEDIC	Employment Board	ES	A-funds
<i>Personal Structure</i>	<i>1993</i>	<i>1988</i>	<i>1991</i>	<i>1992</i>	<i>1992</i>
Total	78,018	31,450	15,000	37,349	6,649
For active labour market policy	49,627	20,000	6,000		2,149
For passive labour market policy	28,392	11,450	9,000		4,500
Labour force per employee	497	796	476	752	426
Unemployed persons per employee	38	83	32	75	48
Participants per employee	26	86	14	15	62
Labour force per employee (active LMP)	782	1,251	1,189		426
Unemployed persons per employee (active LMP)	60	130	80		48
Participants per employee (active LMP)	41	135	35		192
<i>Cover ratio of unemployment insurance 1990 (%)</i>	63.24	40.71	40.1		85.65
<i>Financing of active labour market policy</i>	Tax; Contributions	Tax; Contributions	Tax	Tax; General Social insurance contributions	Tax ; Contributions ; Labour market contributions for active LMP; Further training contributions
<i>Total spending on labour market policy in % of GDP</i>	<i>1993</i> 4.19	<i>1992</i> 2.99	<i>1992</i> 3.36	<i>1993/94</i> 1.75	<i>1993</i> 6.77
<i>... on active labour market policy</i>	1.58	0.98	1.14	0.52	1.88
<i>... on passive labour market policy</i>	2.6	2.01	2.22	1.23	4.89

## 4.2. System of Industrial Relations

In a similar manner, industrial relations can be placed on a continuum between *corporatism and pluralism*. Our reflections start with the assumption that an intended relationship exists between preferred governance strategies and interest-mediation in member states. The assumption is based on the hypothesis that particular characteristics of a political system influence the preferred governance strategies (Peters et al. (1977). For instance, corporatist states tend to prefer regulative or distributive governance strategies due to the need for a high degree of cooperation and willingness to compromise. Pluralistic states, on the other hand, prefer re-distributive solutions.

Our hypothesis posits that the inclusion of societal actors, especially unions and industrial federations/federations of industry, as partners would improve the quality of decentralized governance (cf. Pekkarinen 1992; for an overview, see also Höppner 1997).

<sup>2</sup> At the very least some compatibility problems exist between the EU's governance strategy and national systems of industrial relations. This should become particularly obvious in the case of Britain. However, as we have said previously we are currently only generating hypothesis which require empirical testing.

## 4.3. General political-administrative System

In a first analytical step, the general political-administrative framework can be described as a dichotomy of *unitarism vs. federalism*. Our hypothesis postulates that federal systems are better suited to adapt to new governance strategies, since they are familiar with complicated negotiation and self-organizational processes. State and non-state institutions possess the corresponding organizational infrastructure. Some empirical evidence exists, that shows the German Länder's ability to bypass the nation-state and that they made use of it (Blancke/Schmid 1998; Heinz/Schmid 1994; Keating/Hooghe 1996).

During the Structural Funds' implementation phase, the Commission sought to use the expertise of regional actors. The setting up of planning committees on a regional and supraregional level is just one indicator. Moreover, the introduction of the partnership principle and the territorial employment pacts, led to an institutionalized participation of interest groups and thereby to greater openness of the European policy-network. Thus, regions can influence the implementation of projects. To a somewhat lesser degree, they are able to influence policy formulation (cf. Marks 1996: 328). The higher the degree of autonomy the affected regions enjoy – for instance the institutional particularities of the federal state - the greater their influence. The increasing inclusion of regions in European policy processes seems to correspond with the objective of a subsidiary European labor market and employment policy. However, it conflicts with national constitutional norms and values.

#### 4.4. Conclusion

For the cases which we analyze in our project analyses the following configuration results.

**Figure 9: Regimes of implementation in selected EU states**

<b>Member state/</b>	<b>Germany</b>	<b>Great Britain</b>	<b>Austria</b>	<b>Netherlands</b>
<b>Component of Regimes of Implementation</b>				
<b>Political-Administrative System</b>	Federalism	Unitarism	Federalism	Unitarism
<b>Industrial Relations</b>	Corporatism	Pluralism	Corporatism	Corporatism
<b>Organization of Labor Administration</b>	Centralization Integration	Decentralization	Centralization + Integration	Decentralization

It is obvious, that no clear model exists, which could serve as “blueprint” for EU political strategies or which could delineate a common trend among national developments. Optimistically, one can postulate that the internal complexity and differentiation of regimes of implementation which have been sketched should be sufficient to manage the complexity of labor market and employment policy in a European dynamic multi-level system.<sup>3</sup> We have the opportunity to learn from the variety of national patterns of communication, feed-back mechanisms and benchmarking procedures (cf. Cox/Schmid 1999; also cf. the contribution by Wink in this volume). But again, these are just hypotheses.



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<sup>1</sup> In our research project “Governance of Complexity”, funded by the Deutsche Forschungsgemeinschaft (DFG), we analyze the labor market and employment policy of Germany, Great Britain, Austria, and The Netherlands.

<sup>2</sup> In a further step, industrial relations could be complemented to take account of typical characteristics of a states’ economy such as (manner of the) production regime, importance of the service sector etc. Some new comparative political economy research takes these factors into account (Crouch/Streeck 1997; Schmid/Rehm 1999; also cf. the contribution by Cappelin in this volume).

<sup>3</sup> In addition to the reconstruction of implementation structures and the comparison of governance results understood as policy outputs regarding other states and the common European program, we seek to analyse feedback and learning processes in our project, which result out of the tension between integration and variation in this issue area. These could result in important consequences for governance in the EU’s multi-level system and for the European labour market and employment policy regarding its problem-solution capability.