
The European Union as a Virtual Learning Forum for National Labour Market Policy? – Comments on a ‘Late Vocation’ Field of European Governance

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Abstract

Recent reforms on the EU level led to a “Joint Employment Policy” which is characterised by a “soft governance” approach and the intention to promote institutional learning processes by benchmarking rules. Based on an economic-evolutionary, thus process-oriented, model of institutional learning, the success of this strategy can be assessed. The investigation leads to the identification of a need to redefine the function of EU institutions in a globalised world, and ends up with some remarks on possible reform options.

1. Institutional learning as an objective of Joint European Employment Policy

Combating persistent unemployment in the EU Member States is one of the most pressing and difficult problems with which national governments have had to grapple for many years now (OECD, 1998; OECD, 1999; Eurostat 1999). They are mastering this challenge with varying degrees of success, and in recent years have shown an increasing tendency to seek and explore those areas where their diverse experience, strategies and factors overlap. Escape routes out of the dilemma between international competitiveness, on the one hand, and the feathering of social hardships generated by structural adjustment of the labour markets, on the other, are recurrent agenda items at recent EU summits (Höcker, 1998; Schmid; Roth, 2000). With the institutionalisation of a “Joint Employment Policy”, approaches

involving a concerted influence on the labour markets, which started off as 'exchange of experience', are now becoming a distinctive policymaking field for new, emerging forms of European governance (Tidow, 1999; Schütz; Speckesser; Schmid 1998). The recent focus on new domains for European governance pertains above all to the allocation of responsibilities among the various and multiple levels that characterise the European system, and to co-ordination of efforts by the national states. The direction being taken has less to do with formalistically defining Europe-wide policies that must then be implemented at national level, but rather, and more to the point, with the supranational level applying instruments centered on common, shared objectives, and on providing support forums for policy co-ordination and the exchange of information (Roth 1999; Schmid; Roth, 2000). Unlike other policy fields there are few, if any, transfers of national (or regional) decision-making competence. With commitments to achieve specific employment policy targets and to document both the steps undertaken and the results achieved, incentives are to be created at national level for seeking new ways out of the employment crisis and to learn from examples of good practice in other countries.

The following paper analyses the extent to which this approach – stimulating and fostering national learning processes – can be a trendsetting strategy for European governance within the multilevel system, and hence for other policy fields as well. This core question will be answered by focusing on three subsidiary issues, against the background of experience already gained with institutional learning processes at national and transnational level:

- What is meant by institutional learning, and what role does it play in the context of German labour market policymaking?
- To what extent can European governance influence these learning processes at national (and/or regional) level?
- What knowledge is gained from this experience for other policy fields?

These three sub-issues provide the structure of argumentation in this paper. The analysis identifies a need to redefine the task of responsibility to be exerted by European policymaking. Action on a supranational level must concentrate to an ever-greater extent, in the context of globalisation and diminishing capacities for sovereign

regulation, on providing support in relation to international market processes and on capacity building at individual level.

2. German labour market policy as a learning system?

Hardly a single debate on essential reforms in German labour market policymaking goes by without some reference to the successes of employment policy in neighbouring European countries and to the key instruments deployed in such cases (Cox, 1998; Schmid, 1999; Walwei, 1998; Kröger; van Suntum, 1999). This is particularly understandable when one considers that Germany was the only EU Member State in the year 1999 for which European statistics show no reduction in unemployment rates (Eurostat, 1999). This failure is contrasted, in countries like Denmark, the Netherlands and even Great Britain, by much-acclaimed successes in reducing unemployment and creating new employment (Kröger; van Suntum, 1999; Becker-Soest; Wink, 2000a). Examples of how Germany is trying to learn from the experience of other countries include the many attempts and initiatives involving “jobs alliances” at national, regional and local level, or experimentation with employment policy instruments new to Germany (keywords being “job rotation”, START temporary work, or MAATWERK; Klemmer et al. 2000a and b; Berthold; Hank, 1999). Yet can one really speak of Germany “learning” to solve labour market problems?

A glance at the recent ‘successes’ of jobs policies in Germany prompt scepticism in this regard. The various labour markets in Germany are affected to a special degree by structural trends in the global economy (Kröger; van Suntum, 1999; OECD, 1998; Klodt et al., 1997). As a country where labour is relatively expensive, many jobs involving standard skills have been lost, whereas new jobs require a combination of specialist expertise and social skills, such as team-spiritedness, creativity and customer focus. The need for action on the employment front is concentrated, therefore, on mitigating the lack of competence, generating incentives for people to set up new businesses and for engineering new institutional arrangements so that employees in Germany become more competitive. Such institutional arrangements include various forms of ‘non-standard employment’ (temporary employment contracts, part-time working, etc.), or decentral (i.e. in-

house) wage deals, each with the aim of increasing labour flexibility and, in this way, of giving companies more scope for action. All European countries are experiencing difficulties on the path to overcoming these structural challenges. Positive trends are often attributable to temporary economic recovery, with structural deficits remaining intact, even in 'successful' countries. That said, some countries are making visible progress in modifying their initial and continuing training systems, and in generating additional incentives and opportunities, even for 'problem' groups, to adapt to changing conditions on the labour markets (Becker-Soest; Wink, 2000a; Klemmer et al., 2000a). German employment statistics and the national regulatory framework for labour market policymaking, by contrast, have evidenced little change in recent years. It almost seems, to all intents and purposes, as if the whole debate over new policy instruments and strategies is a mere 'alibi' for not tackling the root causes of structural deficiencies on the German labour markets (Baumgart et al., 1999). *How can real learning success be identified, and what factors are essential for successful learning?* Producing answers to such questions is increasingly the aim of evolutionary institutional economics and the models it develops for analysing how institutions 'learn' to solve problems.

The analysis of learning processes had no place in economic models until very recently. These models generally assumed an automatic link between the availability and the exploitation of information (Witt, 1996; Kiwit, 1996; Wegner, 1997; Slembeck, 1997; Stahl, 1998). Problematic factors such as uncertainties and restricted options for gathering information and translating it into practice have been effectively ignored. First attempts at explaining the different economic performance of competing companies have focused attention on the importance of learning processes and the conditions in which they thrive (Argote, 1999; Yeung et al., 1998; Rycroft; Kash, 1999). Learning is understood as the collection, assessment and translation into practice of new experiential knowledge, be it empirical or theoretical. This universal definition also embraces institutional solutions, instruments of employment policy being just one example. In answering the questions as to when and under what conditions learning can be said to take place, it is crucially important to realise and analyse the evolutionary character of learning processes (North, 1994; Kiwit; Voigt, 1995). Learning occurs in continuous processes that comprise various different steps. However, these steps do not form a fixed

sequence of any kind. Instead, there are feedbacks between specific steps, and each item of new information is perceived in a context shaped by previous experience and learning routines. *Besides this processual, sequential perspective, one must also realise that only individuals can learn.* 'Organisational' or 'institutional' learning can only be spoken of to the extent that individuals receive incentives, through acts of co-ordination, to pass on their knowledge and to learn from the experience of others, such that the gain in knowledge for specific activities is not confined to a single individual, but affects all the members of an organisation, or all those involved in a particular institutional arrangement. What is thus required, in the field of labour market policy, is a co-ordinated learning process of all participants – policymakers, those involved in labour administration, job-seekers and companies. Whether and to what extent such a learning process is actually taking place must be examined on the basis of the separate *phases of learning*. These phases can be observed in any learning process, they are not strictly separated, but connected by a multitude of feedback effects. As this paper is focused on labour market policy, institutional learning in political processes will be analysed in the following (cf. for the connection between learning in multinational companies and political processes Klemmer et al. 2000b). In contrast to the "classical" model of „political cycles", the investigation of learning processes is directed towards the flow of experiential knowledge. Thus, these phases refer to

- the *awareness and motivation*, when a certain problem and a need to look for institutional solutions is realised generally which leads to a(n) (implicit) definition of learning objectives;
- the *interpretation and selection*, when experiences with institutional solutions (labour market instruments) strictly directed towards the problem realised before, are observed, integrated into the cognitive and normative background of the affected person (e.g. politician, entrepreneur, unemployed person or training service provider) and filtered out according to the situative determinants of political decisions, and
- the *implementation and diffusion*, when starting from existing experiences and their interpretation, new labour market instruments are introduced and the experiences during this process of introduction are used to evaluate one's own

decisions and to give input into institutional learning processes of others.

In the following, these phases, their characteristics and general problems of institutional learning are explained in more detail.

Awareness and motivation

Are the actors on the labour markets and in the field of labour market policymaking at all interested in learning from the experience of other countries and regions? In Germany, a substantial body of academic and political information about the strategies of other European countries can be identified (Bertelsmann-Stiftung, 1997; Heinze et al., 1999). Lowering the unemployment rate has been one of the decisive indicators for assessing the success of national (and 'Laender') governments, as this indicator can be easily recognised in the mass media. Politicians therefore have an interest in performing as well as possible on the international ranking scales and in improving their chances of being elected by adopting successful practices from other countries (Wegner, 1998). Another aspect concerns the growing importance of labour market indicators for inward investment decisions by international investors. High levels of structural unemployment, a low employment rate and a poor economic climate deter especially those investors who need human resources equipped for the future, meaning highly skilled and qualified employees (Raines et al., 1999; ZEW et al., 2000). As a fundamental principle, therefore, there have to be strong incentives at the private-sector and political level for discovering institutional arrangements for

- creating new jobs in new occupations, so that shortcomings in structural adjustment are surmounted, instead of public job offerings where only temporary effects can be achieved,
- mitigating the lack of competencies among employed people and job-seekers to enable them to adjust to new production methods, products and organisational models, instead of standardised education modules, and
- facilitating the integration of hard-to-place groups (e.g. older workers, young people without work experience, women, the disabled and immigrants) in order to open up perspectives for them, whatever their specific difficulties in

meeting the changing requirements on the labour markets, instead of a concentration to public programmes for these disadvantaged groups.

Summing these observations up, there is an awareness in most European countries that a change on the labour markets lowering the unemployment rate belongs to the fundamental tasks of European societies. For these incentives to look for new solutions to be effective, however, it is essential that innovatory measures aimed at structural adjustment to changing markets are actually rewarded. It is a fact, however, that greater orientation towards market processes implies greater pressure on workers and job-seekers to become more efficient and flexible within the short term, a widening income gap in society, and that the competitive disadvantages of hard-to-place groups become more openly apparent (Lindbeck; Snower, 1996). These short-term effects eclipse the potential medium-term outcomes, especially since market uncertainties mean there can be no guarantees for success in the medium term, either (Saint-Paul, 1996; Paquè, 1996). Such strategies for structural adjustment would thus expose politicians to the risk of not being elected. Companies would be confronted with intensifying social conflict over the distribution of jobs and pay – the ‘spectre’ of a neo-liberal labour market along American lines would be cited (Wegner, 1998; Klodt, 1998). In all European countries, initial measures have been primarily geared to achieving short-term results. Typical examples are regulations for early retirement and public employment programmes. Countries that have achieved medium-term successes – meaning countries where employment and unemployment rates have steadily grown and declined, respectively, over a longer timeframe – combine short-term schemes with efforts geared to structural adjustment. Yet given the compulsion among politicians to think in terms of legislative periods when making their decisions, and the fact that these legislative periods are reduced in Germany to ongoing election battles due to recurrent parliamentary elections at ‘*Laender*’ level, the incentives to adopt instruments from other countries tend to be concentrated on measures with short-term impacts. In the early phase of institutional learning processes, it is therefore important to use the general awareness of a problem and the motivation to solve it – here: the structural adjustment on the labour market – to overcome the incentives to focus on short-term effects and to look at the broader and medium-term context of the problem.

Interpretation and selection

The second stage of institutional learning – interpretation and selection – is already touched upon in the very fact that, when monitoring the experience of other countries, there is a risk of attention being focused on those measures with short-term effects only. Many changes on the labour markets can not be solely attributed to certain instruments and strategies, but are rather the outcome of many cumulative factors (Kröger; van Suntum, 1999; Martin, 1998). Thus, the phase in which institutional experience is collected and assessed involves identifying the institutional causes of positive trends on the labour markets, and the conditions in which those causes take effect. For example, one problem afflicting the debate in Germany over a national ‘alliance for jobs’ is that no consideration is given to the protracted lead-up in the Netherlands, while at the same time there is no co-operative ‘climate of negotiation’ that would enable the employers’ federations and trade unions to step down from their maximum demands and to ensure that corporatist agreements are implemented by their members (Baumgart et al., 1999; Visser, 1997).

Experience gained to date in the dissemination of policy strategies and instruments shows that exemplary measures are perceived primarily by states with similar institutional ‘traditions’ and regulatory systems (Blancke; Schmid, 1999; Kern, 1999; Dolowitz; Marsh, 1996 with references to the experiences with diffusion theories in political sciences). In Germany, for example, there is little willingness to examine how Great Britain has fared with its market-based approach to labour market adjustment, or the extent to which such an approach could be transferred to Germany. Indications of a high proportion of non-standard employment and greater segmentation of job-seekers are sufficient for any social acceptance of British experience in Germany to be fundamentally doubted (Klodt, 1998; Kröger; van Suntum, 1999). Initiatives aimed at reshaping the education and training system in general, e.g. by establishing ‘continuing training centres’ as part of a ‘University for Industry’ (Ufi 2000), or giving people ‘learning accounts’, are rejected with a curt reference to the exemplary nature of the dual training system in Germany. In contrast, many *Länder* emphasise the compatibility between Danish approaches to active labour market policy, on the one hand, and the institutional system in Germany, on the other. What is missing, however, in the discussion about introducing ‘activation

schemes', 'job rotation' and public employment schemes, is a thorough analysis of which particular target groups can be addressed with which measures, and how sustained structural improvements can be engendered. Experience in Denmark suggests that the current recovery of labour markets is due in large measure to a favourable economic climate and the placement of disadvantaged groups in local government employment projects (Becker-Soest; Wink, 2000a; Jørgensen, 2000). A transfer of these strategies to Germany would run the risk not only of straining public-sector budgets even more than is already the case, but also of little, if any, momentum being generated for overcoming structural adjustment problems.

What is needed, therefore, are ideas and incentives for supporting institutional learning in Europe, in order to prevent an all-too-narrow focus when importing strategy responses from other countries and a pre-selection of alternative political strategies without analysing strategic objectives, means and effects (Streit, 1999). Barriers to learn within the phase of interpretation and selection refer to (implicit and informal) norms within a political group or society which prevent an assessment of experiences without references to ideologies and normative aims. Expanding the information basis pertains to both the countries being observed and the context of measures taken, whereby assessing foreign experience should not end at wholesale importing of particular instruments or labour market strategies, but rather the adaptation of various approaches in other countries to the specific situation in the home country.

Implementation and diffusion

The subsequent filter, in the third step of institutional learning, is applied when translating instruments from other countries to the domestic context, thus leading to concrete action and the generation of new experiential knowledge. The important thing here is to pay due heed to the requirements and potential for action in the target country and to adapt new instruments and strategies accordingly. Without such adaptation, there is a growing likelihood that the intended effects will fail to materialise and that the measures taken will have an adverse influence instead. Adaptation is necessary at two levels:

- the level of formal, statutory regulations and accountabilities.

For example, when the Danish instrument of 'job rotation' was adopted in Germany, one problem that arose was to identify a matching support instrument in the Social Insurance Code (*Sozialgesetzbuch* – SGB). Furthermore, local pilot projects for this instrument had to be co-ordinated with national and regional strategies for supporting the integration of disadvantaged, hard-to-place groups (Klemmer et al., 2000a).

- the informal level involving the specific conditions under which the relevant persons in the political and administrative area and on the labour markets actually operate.

In many European countries, labour market policy reforms were combined with greater decentralisation and privatisation of the labour administration's responsibilities. Translating such examples to the German situation would mean that adjustments would have to be made within the employment authorities and in companies, within bodies that organise government-funded training and employment schemes, not to mention by employees and job-seekers as well.

In economic terms, these adjustments would signify the devaluation of irreversible investments (Wegner, 1997; Leipold, 1996; Kiwit, 1996), i.e. specific investments in setting up personal networks of contacts, in using particular facilities or in developing specific skills in the placement and integration of job-seekers would be no longer needed for the original purpose, and getting used to competitive relations in the field of job placement and to competition between regional or local decision-makers would necessitate new investments. Resistance to such change increases in view of the anticipated devaluation of investments. Although this resistance can be lowered in the context of 'policy borrowing' by referring to successful reference cases in other countries (Cox, 1999), reform projects tend not to be carried out in the originally intended form; an institutional development process depends on particular pathways, in that changes in respect of responsibilities for and instruments of labour market policy cannot be effected in isolation from existing experience and structures.

Hence, it is essential for institutional learning that such path-related dependencies can be taken into account when implementing

institutional changes. What therefore needs to be examined are ways to curtail the devaluation of irreversible investments, for example by facilitating adaptation by extending the timeframe, while enlarging the scope for action of all concerned by involving new participants (Saint-Paul, 1996). In any case, it can be assumed that transferring institutional approaches to other countries and regions necessarily leads to changes in the original ideas and the resultant trajectories (Bandelow, 1999, and Sabatier; Jenkins-Smith, 1993, for examples to illustrate the specificities of political learning processes).

In sum, the increase in international policy comparisons and the introduction of employment policy instruments borrowed from other countries do not yet imply that the EU Member States are now engaged in a more intensive and successful process of institutional learning. Institutional learning can only be observed when certain requirements along an evolutionary process of recognising, interpreting, using and supplementing knowledge are given. These requirements refer to the general awareness of a problem and the motivation to solve it, the interpretation and selection of possible institutional solutions for the realised problem and the transfer and implementation into concrete action on the labour markets. In general, however, these requirements cannot be taken as given in the practice of labour market policy in Europe. Barriers refer to incentives for a concentration on short-term effects of institutional reforms, the filtering out of important cause-effect relationships and the underestimation of unintended effects of institutional reforms due to resistance against them. The observed change of European governance in the field of labour market policy – the “soft governance” approach leading to a supply of access to new political knowledge instead of constitutional reforms – aims at the overcoming of these barriers. The next section serves to analyse the success of “Joint Employment Policy” in EU according to the assessment criteria which are oriented to the aforementioned phases of institutional learning processes.

3. The European Union as a ‘learning lab’ for new employment strategies?

In elaborating its Joint Employment Policy, the EU explicitly pursues the goal of fostering change within national labour market policymaking and surmounting deficiencies in structural adjustment by

means of supranational co-ordination (Roth, 1999). The characteristic feature of this approach is 'soft regulation', i.e. there are no stipulations at EU level of the instruments to be applied, and there is no interference with national sovereignty in respect of labour market policy; the strategy is focused instead on intergovernmental co-ordination and obligations to document policies and progress. The object of this paper is not to evaluate the chosen instruments and institutional arrangements in respect of the learning impulses they generate. Rather, it examines the question as to how institutional learning processes in the separate states can be supported through supranational co-ordination. This question will be answered in terms of the three stages of learning referred to in the foregoing.

Awareness and motivation

Enhancing awareness in connection with employment policy reforms is dogged by the problem, mentioned already, of the incentives for politicians and citizens to concentrate on purely short-term measures and to filter out the need for structural adjustment. Supranational co-ordination, on the other hand, can center public interest on certain problems that are otherwise ignored. Germany, for example, is exemplary in combating youth unemployment. Nevertheless – and despite demographic changes indicating a continuous decline in the proportion of young people in the working population – the integration of young workers into the labour markets remain a priority field of German employment policy. Although there is still a need for action – in certain regions and with regard to the integration of young immigrants without vocational training –, a number of other problems with increasingly severe repercussions are systematically overlooked in public debate, examples being the growing proportion of elderly job-seekers with little or no job prospects, the relatively rapid pace at which vocational skills become outdated, or the concomitant need to reform the continuing training system (Knuth, 1999; Becker-Soest; Wink, 2000b). Europe-wide agreements on policy targets for certain groups of workers, and on certain modifications to the range of options open to workers and job-seekers for enhancing their competitiveness on the labour markets, can help to focus *public attention on 'taboo' issues of labour market policy*, even if there are no supranational sanctions against infringements of these targets. The institutionalisation of benchmarking for different categories of employment scheme increases transparency for voters and foreign investors when assessing the

performance of national (and regional) governments on the jobs front. This intensifies the institutional competition among Member States and regions for policy solutions in respect of labour markets, and has implications for industrial location as well.

Two aspects are essential to such competition. Firstly, a *clear commitment to documentation* of national employment strategies and their impacts is necessary. In this context, in some fields at least, the EU has helped to generate some fresh approaches in national employment policy (Tidow, 1999). Secondly, it is necessary to create *incentives among voters and investors to take benchmark results into consideration* when making their decisions (Wegner, 1998; Kiwit; Voigt, 1998). One way of doing this, besides informing on a wider scale, is to highlight the importance of employment policy for growth and regional development. Such clarification relates less to the targeted support of reorganisation and personnel development schemes at corporate level, but also and more importantly to incentives for co-operation between central and regional government bodies, companies and providers of training and consulting services, specified in intergovernmental agreements on targets.

Interpretation and selection

Reference has been made, in connection with the interpretation and selection of employment policy experience in other countries, to the risk of concentrating on certain countries only, namely those bearing the greatest similarities, and of underestimating the complexity of cause-effect relations in the deployment of employment policy instruments. Co-ordination of activities in the framework of a 'Joint Employment Policy' can exert an influence on the cognition of other countries' employment policy experience in two main ways. One is that an *extended range of mandatory information* will improve the basis for identifying policy options in this field. The EU agreements ensure that information is available from all Member States and also that instruments and problems are included that are not dealt with in the numerous benchmarking studies already in existence. The impact of a greater wealth of information has its limits, however, if ideological and cognitive barriers prevent due consideration being given to such information.

It is at this juncture that the second pathway of supranational influence can be brought to bear. Multinational corporations are exemplary models of how experience with different causal contexts can be transferred across national boundaries, even when the bulk of that experience is locked into everyday routines and therefore of limited applicability as regards its specific problem-solving relevance (Argote, 1999; Senker, 1995). The response by companies is to use job rotation as a means of translating and transferring information, i.e. employees are reassigned to different entities within the corporation in order to discover the extent to which their experience can be applied in a context involving different routines, and how their own action can be improved by unearthing potential at the new place of work and its routines. As far as collecting and transferring employment policy strategies are concerned, *multinational corporations represent a key transmission channel* because experience obtained by a company in one country will also influence the behaviour of decision-makers in other companies, for example when working with providers of training and consulting services, or integrating job-seekers. This is conditional, however, on training and consulting providers as well as individuals in the labour administration showing sufficient flexibility in responding to the needs and capacities of companies. *Exchange of personnel among policymaking and administrative bodies in the EU Member States* is an opportunity in this context to become more thoroughly informed about how impacts are achieved in other countries, and the preconditions that need to be met. Such activities help those involved to take a more objective view of what are often rather superficial hypotheses about the effects of employment policy instruments, differences between Germany and Great Britain being a case in point.

Implementation and diffusion

The implementation phase is the moment of truth for the 'soft governance' approach, as pursued in the 'Joint Employment Policy'. Those advocating a greater concentration of employment policy competence at the supranational level substantiate this demand by referring to the chance of overcoming national resistance to reforms by stipulating the design of support instruments. 'Soft' stipulations, they maintain, are liable to degenerate into purely symbolic acts with no genuinely reforming impacts, because it is not possible to force those who paralyse reforms to change their ways. These assumptions are based on examples of how sectoral policymaking fields have been

extensively liberalised (Nienhaus, 1998). However, this is contradicted by the complex web of institutions in the national systems for labour market policymaking, which is characterised by specific responsibilities on the part of the labour administration, the social partners and political instances in the separate states, whereas changes in the sectors referred to mostly involved only few legal regulations and responsibilities. Control by laying down the line in centralist fashion would be slowed down by a network of different and conflicting interests, and ultimately lead to institutional moves having little in common with the original objectives.

In the framework of support provided under the Structural Funds, which in recent years has been increasingly targeted at employment impacts, emphasis has been placed, in an effort to safeguard the success of measures adopted, on stipulating how institutional implementation is to be shaped (Lang et al., 1998). The various Member States then adjusted their institutional structures towards co-operative decision-making with involvement by the social partners, the expectation being that experience obtained in single programmes could then be transferred more easily to other programmes. This way of exercising control is an intermediate solution between a strictly centralist definition of particular employment policy instruments and forms of 'soft' control based solely on co-ordinating national measures of employment policy, in that, despite the absence of specified statutory solutions, certain decision-making structures are stipulated that then confine the range of conceivable instruments (Schmid; Roth, 2000). From the economic viewpoint, institutional competition between the Member States is thereby diminished, since all the competitors must deploy the same specific repertoire of institutional options – namely discursive co-operation between policymakers, public administrators and the social partners (Klemmer et al., 2000a). Given the aforementioned causes of growing resistance to reform, such centralist stipulations of the institutional framework harbour a greater risk of employment policies having unintended consequences. If, as in Great Britain, the level of organisation in employers' federations and trade unions is relatively low, making it difficult to commit companies to participate in implementing certain instruments, there can be no assurance that employment targets will actually be met.

If the aim, instead, is to foster *the learning potential of institutional competition*, then institutional stipulations at European

level will be confined to *some general regulatory rules*. Institutional diversity should be explicitly allowed, also as regards involvement by employers' federations and trade unions, and the sovereign rights of labour administration, in order to test the impacts that alternative systems have on labour markets, and to pay due regard to the diversity of regional contexts (Morgan, 1997; Lawson, 1997). The general regulatory framework bears similarities here to the European regulation of subsidies, in other words a list of prohibited measures and minimum standards of social security for the unemployed are defined in order to prevent single countries from acquiring competitive advantages with unacceptable measures. Another aspect is that such a regulatory framework is conducive to employment strategies being opened to transboundary providers, thus combating the tendency towards cartel formation within regionalised systems of labour market policy. Institutional diversity can also be fostered by moves at European level aimed at increasing decentralisation of decision-making competencies (Klemmer et al., 2000b). In recent years, and especially in the more centralist EU Member States, many new approaches have been generated in response to experience in other EU countries.

Pressure on anti-reform forces is exerted in this economic approach purely through competition for business location, i.e. through decisions by investors and highly-qualified workers, and decisions by the electorate (Wohlgemuth, 1997; Kerber, 1999). The EU operates exclusively as a forum for information and co-ordination, and as a monitor of international competition. Unforeseeability and uncertainty, as constitutive elements of economic competition, are thus introduced, which means that no-one can predict the employment policy instruments that each country will deploy, or the impacts that will subsequently be achieved. However, the analysis of institutional learning processes would suggest that, in such a competitive setting, incentives will be generated for innovative approaches involving a combination of international best practices in employment policy and efforts to overcome national dependencies on particular pathways.

4. Implications for redefining the interplay between European governance and national politics

More than in any other policymaking domain, learning processes are urgently needed in the field of employment policy, which is confronted with growing structural challenges, on the one hand, and little potential for influencing private-sector labour markets, on the other. That the potential gains to be achieved by jointly developing new solutions and approaches in this policy field are being so intensively discussed at present should come as little surprise. The analysis of learning impulses for and from supranational coordination can be summed up in three core statements:

– Firstly, a *'soft governance' approach* geared primarily towards *documentation and jointly defined objectives* is an appropriate means of overcoming national barriers to learning, provided it establishes the conditions for institutional competition between Member States in the field of employment policy.

– A key requirement for institutional competition is a *common regulatory framework* (meaning 'hard governance') that prevents certain impermissible strategies from being deployed, while at the same time forcing employment policymaking to open up to international market players, and competencies to be decentralised.

– "Joint Employment Policy" can be seen as the starting point for a „virtual learning forum“ not in the sense that affected politicians and administrations will be placed around a „round table“ in a discursive process, but as the precondition to promote the *internationalisation of employment, further education and social integration „markets“* by breaking down national barriers caused by ideological taboos or selective subsidisation of domestic employment and training suppliers.

– As an overriding principle, all those operating in the field of labour market policy must realise that any political or institutional strategy for supporting structural adjustment will have limitations imposed upon it by the real world. *It is inevitable that macroeconomic processes and trends within society will operate as major determinants in the creation of new jobs.*

Does the approach taken by the EU in its 'Joint Employment Policy' characterise how regulation at the European level can be exercised in future? Is the transfer of decision-making competence to the supranational level, as evidenced in many policymaking fields, now being replaced by obligations to document and co-ordinate activities instead? Radical changes in the institutional framework, such as the enlargement of the EU and the globalisation of markets, will invariably lead to the responsibilities and options of supranational bodies being redefined. Enhancing institutional diversity on the national and regional level while agreeing at the same time on common regulatory rules can be an important building block in such a redefinition. That said, decades of negotiation at European level suggest the unlikelihood of any paradigm for European governance taking full shape. Instead, one must assume in future that a 'patchwork' comprised of different institutional arrangements for different policy fields will develop. And yet, in an age when competition for business location is becoming more and more severe, the opportunity to learn from the experience of others will become more and more important

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