Institut Européen
d'Administration Publique

European Institute
of Public Administration

Working Paper
No. 2002/W/1

Incremental Synergies or Growing Fragementation between the Luxembourg Process and EU Cohesion Policy?

by

Dr. Ines Hartwig

Incremental Synergies or Growing Fragementation between the Luxembourg Process and EU Cohesion Policy?

by

Dr. Ines Hartwig

TABLE OF CONTENT

EIPA's website:http://www.eipa.nl

1. Introduction[1]

As stated by both the Council and the European Commission, the European Union's actions concerning employment follow two main tracks: on the one hand, there is the European Employment Strategy (EES), embodied in the employment title which was incorporated into the Community Treaty at Amsterdam in 1997 and developed further at the Extraordinary European Council in Luxembourg later in the same year. On the other hand, many Community actions to assist employment are taken in the framework of the Structural Funds. However, there are quite some differences between these two instruments. Whereas for the EES there is direct and explicit link to support employment, the involvement of the Structural Funds in the EU's support of employment is much less explicit. This is not only due to the fact that the Structural Funds are much broader in scope and not only limited to support employment. It is also due to differences between these two instruments which are more fundamental in nature.

The ***European Employment Strategy*** as such - that is, the so-called "Luxembourg Process" - is one of the main fields in which the "open method of coordination" is used, based upon policy coordination and benchmarking rather than legally-binding acts. This "third way" in EU governance is used when harmonisation is unworkable but mutual recognition and the resulting regulatory competition may be too risky. By adopting the OMC in employment policy, where Member States have been hesitant to opt for EU competence (Anderson 1995, p. 152, Gold 1993, p. 10), it seemed possible to accommodate pressures for increased action at the EU level with contradictory pressure against expanding EU competences (Adnet 2001, p. 359). The main instruments are - National Action Plans (NAPs) incorporating the European employment guidelines which are drawn up by each Member State in a multi-annual perspective. The implementation of the NAPs is subject to a multilateral surveillance procedure, in which recommendations are made to individual Member States. Benchmarking and peer review processes are carried out to promote convergence and mutual learning.

1 Research for this paper has been supported by the 5th EU research framework programme (Contract No HPSE-CT-2001-00045). For more information about the project and economic governance in the EU please visit the project website at www.govecor.org

The ***Structural Funds***, on the other hand, are embedded in the "supranational" sphere of EU policy-making, forming part of the Community budget and giving a strong role to the Community institutions. The funds are allocated either via the mainstream programmes of Objective 1, 2, and 3 or via the Community Initiatives with the latter giving the European Commission an even more influential role than the former. The main instruments are regional or national development plans, Community Support Frameworks, Operational Programmes and Community Initiative Programmes.

Looking at these two instruments of an evolving European employment policy, this paper addresses the following questions:

- What problems are posed by the interaction between these different approaches and instruments at the various levels at which they interact?
- To what extent do these two approaches increasingly build upon synergies?
- What are the prospects for a two track EU employment policy consisting of the EES/NAPs and the Structural Funds?

The overarching research questions are whether and to what extent does the EU indeed affect changes in national politics and polity and what are the implications for processes of governance? In conceptual terms this study is based on the assumption that the EU is a system of multilevel governance which reflects “a polity creating process in which authority and policy-making influence are shared across multiple levels of government (Hooghe and Marks 2001, p. 2). It is a widely shared view that such a system consists of three distinct features (Marks et.al. 1996, Grande 2000, Hooghe and Marks 2002):

1. Decision-making competencies are sheared by actors at different levels
2. Actors and arenas are not ordered hierarchically as in traditional intergovernmental relationships
3. Consensual or non-majoritarian decision-making among states, which requires a continuous wide-ranging negotiation process (Kaiser and Prange 2002).

The fundamental research puzzle is whether such a system of governance is moving towards a fusioned or rather towards a fragmented multilevel system. In addressing these questions, the paper seeks to explore the policy dilemmas which European employment policy is facing. Among students of European integration, there is little dispute that governance beyond the national state is a fact in Europe. It includes shared norms, routinised practices, and formalised rules and procedures which are part of the acquis communautaire (Shaw and Wiener 2000). The questions is how to charactize and explain it. These questions have been the focus of intensive academic research. The answers however, vary greatly, reflecting the whole range of possible answers. A group of researchers around Börzel and Risse assume that the EU exerts adaptive pressure to close the gap between norms and practices of the EU and its Member States (Börzel 2002, Börzel and Risse 2000; Knill et. al. 1996)? Others like Goetz (2001-a + b) and Nurnberg (1999) suggest a slightly less dramatic impact of the EU on national politics. They argue that domestic reform processes are often complimentary or convergent to EU policy processes and can therefore not be distinguished from the adaptation to EU norms? Yet, other studies distinguish between policy and polity convergence. Adaptation or convergence in the former does not necessarily lead to similar effects in the later (Héritier 2001). In particular those policies where EU norms prescribe an elaborated institutional structure for the national level, a considerable degree of convergence between the Member States has been observed (Knill / Lehmkuhl 1999, Radaelli 2000).

When analysing the impact of European policy making on national (and sub-national) level, this paper will look at three dimensions of policy making, namely the legal, the strategy formulation and the administrative dimension (Le Roy 1999, p. 388). The legal dimension is primarily linked to and shaped by the EU level of governance and actors involved at that level. However, in limiting the analysis not only to this level, the paper assumes that the legal basis will not be the “basis of all actors’ behavior” as Garret and Tsebelis argue (2001, p. 356). Instead the legal basis will provide an initial basis for the other two, informal dimensions of EU governance. They may be mutually reinforcing in the EU or they may not. The latter two dimensions, i.e. strategy formulation and administrative dimension, have largely been interpreted as the result of “the ’pressures for convergence’ coming from above” (De La Porte, Pochet and Room 2001, p. 302; Biagi 2000, p. 159). Convergence at these two dimensions of policy making are the result of policy learning and policy coordination at all levels of EU governance (Philippart 2002, Girerd 2002).

2. The Legal Bases for the Two Tracks: No Clear Arrangements

The concept of integration through law has long dominated studies on European integration (Laffan 2001, p. 722). Some more recent studies understood EC legal norms not only as a body of texts but included the routinization of practices, institutionalisation of principles, and social norms (Shaw and Wiener 2000). In order to identify clearly the level of fusion/fragmentation, the following understands legal norms in a more limited sense of primary and secondary legislation. Norms and practices will be analysed separately.

The Amsterdam Treaty does not clearly provide for a two track approach to employment, inasmuch as neither the employment title nor the provisions governing cohesion policy include any explicit reference to the other. Implicitly, of course, the Treaty does include a linkage. Article 3 TEC includes as Community competences the coordination of employment policy to reach a high level of employment and social policy pursued by the European Social Fund (ESF), and Article 127 TEC stipulates that all Community policies should contribute to the objectives formulated in the framework of the EES. Secondary legislation on ESF is more explicit. Article 1 of the ESF Regulation specifies that "the Fund shall contribute to the actions undertaken in pursuance of the European Employment Strategy and the Annual Guidelines on Employment". At the same time, Article 2, however, outlines a much broader field of intervention than the EES pillars allowing Member States to use the ESF outside the four EES pillars and guidelines. It can therefore be assumed that when the European Parliament and the Council adopted the ESF regulation in July 1999 they deliberately left the choice to the Member States to decide whether they want to put their entire ESF allocation on the four EES pillars, namely employability, entrepreneurship, adaptability, and equal opportunities or whether they want to pursue national employment policy objectives as well.

With regard to the legal bases, therefore, the relationship between the two approaches is ambiguous. It does not include a clear mandate to the Member States, nor a division of tasks or outline procedures to be followed. This is perhaps inevitable to the extent that the Luxembourg process is not implemented through legal acts but by instruments which are not legally binding. This lack of legal clarity as to how the implementation of the two tracks should be coordinated leaves the authorities involved in the two processes with considerable flexibility.

3. The Strategic level: Synergies or Patchwork?

Different issues arise with regard to coordination of the two approaches at the strategic level.

Coordination was in all events delayed by the difference in the timing of the two policy cycles. The Structural Funds cycle follows a multi-annual programming period. The previous period ran from 1994 to 1999. Since the EES only began to be implemented in 1998, no meaningful coordination with the Structural Funds could be expected at first. Only a few adjustments were then made to accommodate EES objectives by, for example, reallocating funds towards preventive actions (European Commission 2000-b, p. 81). It was only for the current programming period 2000-2006, the Structural Funds could be expected to play a strategic role in supporting the objectives of the EES. The European Commission, the Council and the individual Member States, however, seem to follow different approaches when it comes to linking the EES and NAPs with the ESF.

The European Commission has clearly considered it necessary that the EES and the ESF priorities should be coordinated. This coordination should extend to all Structural Funds procedures, namely the so-called mainstream programmes of the Objectives 1, 2, and 3, to the Community Initiatives (CI), and to the Innovative actions. The following will analyse how strategic coordinations has evolved in the first two procedures which combine 99% of the funds.

In its guidelines for the 2000-2006 programmes, the Commission indicated that "plans, drawn up on the basis of common Employment Guidelines adopted by the Council, will serve as the overall framework for measures to support employment policies under the Structural Funds" (European Commission 1999-a, p. 2). The ESF was given a more pronounced role than the other Structural Funds: "The ESF is the main financial instrument at EU level for helping the Member States develop and implement the employment guidelines under the European employment strategy" (European Commission 1999-a, p.22).

The Commission has stressed that this coordination should be reflected not only at the strategic level but also in implementation: the monitoring procedures and, in particular, the evaluations should assess the degree of consistency between the ESF and the NAPs (European Commission 1999-b, p. 10). The Commission's policy statements on implementation of the Structural Funds which refer to the NAPs often take the form of guidelines. Although these are not legally binding, the Commission is nevertheless concerned that they should be followed by the Member States to the greatest possible extent. In its first assessment of the programming process for Objective 1[2], the Commission comes to an overall positive conclusion about the Member States' willingness to follow its guidelines. In some cases, such as Sweden, Finland, Germany, Ireland, and the UK, the Commission concluded that the guidelines had been fully taken into account, i.e. including the employment policy provisions (European Commission 2001-b, p. 12).

Even stronger links between the ESF and the EES establishes the Community Initiative EQUAL. However, compared to the mainstream Structural Funds programmes, the CIs receive a relatively modest share with some 4% of the funds. Although CI are therefore financially far less important than the Objectives 1, 2, and 3, many of the strategic priorities of former CIs have been incorporated into the new generation of the mainstream programmes and consequently now benefit from considerable amount of

[2] The regions covered by Objective 1 have a per capita GDP of less than 75% of the Community average.

funding.[3] In terms of procedure, CIs differ from the mainstream programme because of a much more influential role of the Commission. Namely it is the Commission and not the Member State which determines the thematic priorities. In the case of EQUAL, they almost entirely reflect the EES. "EQUAL will operate in a number of thematic fields, defined in the context of the four pillars of the employment strategy.." (European Commission 2000-a, p. 3). In addition to the four pillars of the EES, EQUAL also aims to contribute to the objectives outlined in the EU strategy to combat discrimination and social exclusion.

Unlike the Commission which mostly favours a strong linkage between ESF and EES,[4] the Council followed an ambiguous approach. Whereas the Council Resolution on the 1998 Employment Guidelines does not include any reference to the Structural Funds, the Resolution and Decision on the Guidelines for 1999 and 2000 do refer to the positive contribution of the ESF to the EES. The decision on the Guidelines for 2001 goes even further in that they also mention the other Structural Funds and not only the ESF. One year later the situation has changed again, however, and the decision on the 2002 Guidelines does not include any reference to the Structural Funds (Council of the EU 2002-a). This lower importance attached to the Structural Funds in 2002 could be attributed to the fact that the negotiations of the Structural Funds programming documents were at their height in 2000 and 2001. Consequently, the Council was acutely aware of the close links of the Structural Funds with the EES not least because the Commission strongly urged for linking the Structural Funds programming documents to the EES. In 2002, however, these documents had already been adopted and it was then up to the Member States to implement them.

---

3 In fact, one of the fundamental objectives of CI is, as defined by the European Commission, to test innovative approaches and new ways of delivery for policy priorities in the framework of the EES. The successful approaches should then be incorporated into the Objective 1, 2, and 3 programmes and the NAPs. European Commission, *Communication establishing the guidelines for the Community Initiative EQUAL concerning transnational co-operation to promote new means of combating all forms of discrimination and inequalities in connection with the labour market*, COM 853, Brussels 14.4.2000, p. 4 and 7.

4 However, recent statements of Commission officials from DG Economic and Financial Affairs suggest a different approach. However, this seems not to be the official policy of the Commission since DG Emploi continues to refer to the ESF as the major financial instrument of the EU underpinning the EES.

This apparent reluctance on the part of the Council to link ESF and NAPs became again clear at the Barcelona European Council. The Heads of State or Government recognised the difficulties caused by the different calendars of the Broad Economic Policy Guidelines and the annual employment package, and consequently agreed that the processes should be synchronised in the future (European Commission 2002-a). Similar problems of timing exist between the EES and the ESF, since the preparation of the NAPs is not consistent with the ESF annual financial planning (European Court of Auditors 2001, p. 4). Member States are not informed of the new Guidelines and Council Recommendations for the coming year until November of the current year. This leaves them with very little time (only from November to January) to adapt ESF interventions if necessary to these recommendations. The European Council so far did not address this problem.

When looking at the level of the individual Member State, they have implemented the requirement to link the ESF and the EES. But they seem to do this in a rather formal than strategic way. They also do not distinguish between mainstream programmes and the EQUAL programme. The first NAPs were adopted in 1998. Since only the Luxembourg European Council of November 1997 established the NAP process, the 1998 NAPs were drafted in a great haste. Although more time was available for the NAP 1999, the link with the ESF was still quite weak because the Funds were programmed until the end of 1999. However, with the new programming period starting in 2000, Member States could make the link between the two tracks of the European employment policy more explicit. Over time the NAPs show a growing linkage with the ESF. In fact, all NAPs for the year 2002 include information on how the ESF is used to support the EES. Also most of the programming documents adopted for EQUAL include an explicit reference to the NAPs. The CIP for GB goes beyond that of the other Member States because it does not only include references to the UK NAP but it also outlines how its EQUAL programme responds the Council recommendations to Ireland and to observations made in the Joint Employment Report with view to implementing the NAP.

The Commission critically remarked that the descriptions of ESF operations are particularly weak with regard to innovative approaches or to specific regional or sectoral problems. In a way, the descriptions of ESF operations provided in the NAPs sometimes seem to be somewhat detached from the Employment Strategy (apart from the formal links between policy fields and Pillars) and do not make it easy to specify the genuine activating or innovative contribution of the ESF. Also the link with other Structural Funds such as the ERDF is hardly spelled out.

An analysis of the allocation of Funds within the mainstream programmes and EQUAL do not seem to support this criticism. Under the mainstream programme of Objective 1 and 3 the ESF is allocated quite unevenly to the four pillars of the EES (European Commission 2001-a, p. 2). The largest share is spent under the employability pillar (around 60% of the ESF budget or Euro 34 billion) followed by the adaptability pillar (Euro 11 billion), entrepreneurship (Euro 8 billion) and equal opportunities (Euro 4 billion).[5] The total amount allocated to the four pillars corresponds to 35% of all ESF spending allocated under the two Objectives. Although there are large variations between Objective 1 and Objective 3 programmes as well as between the Member States[6], these figures suggest a major role for the ESF in supporting the EES objectives. The figures also allow to conclude that the Member States are indeed linking the ESF funds to the EES. As regards national co-financing instruments, most Member States confined their reporting to the ESF closely following the structures (priorities, sub-priorities, and measures) of the OPs. It would however be premature to conclude that the ESF has been established as a major component for the implementation of the NAPs because the information provided does not give any indication as to the strategic and managerial coordination between NAPs and the ESF programmes.

As for the Community Initiative EQUAL, the Member States' funding schemes follow those of the mainstream programmes. However, the funds are spread much more evenly

[5] Annex 1 gives an overview of individual Member State allocation under Objective 1

[6] For instance under Objective 1, whereas Sweden puts most emphasis on the adaptability pillar (more than 50%) and relatively limited emphasis on employability (a little more than 20%), France has opted for reversed priorities: around 5% for the adaptability pillar and around 80% to the employability pillar. Overall, the employability pillar receives a lower share of funds in Objective 1 programmes than in Objective 3 programmes.

over the four pillars than it is the case in the mainstream programmes: 36% of the funds are spent for employability, followed by 26% for adaptability, 18% for entrepreneuship and 16% for the equal opportunity pillar[7]. When comparing the allocation of individual Member States under EQUAL and mainstream programme Objective 1 and 3, some striking differences can be noted. Firstly, none of the Member States have allocated the same share of ESF funds to the four pillars under EQUAL and the mainstream programmes. Finland, in fact, is the only Member State which mostly allocated the same share of ESF funds under the EQUAL and the mainstream scheme to the four pillars. All other Member States show partly large differences between the four pillars. Secondly, the share allocated to employability pillar is much smaller under the EQUAL scheme than under the mainstream programmes. For all Member States the difference is in average between 20-30% with peak differences occurring for the Netherlands (with more than 50% difference) France (more than 40% difference) under Objective 1. Thirdly, all Member States with the exception of Germany, Greece, Ireland, and Sweden have allocated a smaller ESF share to the fourth pillar of the EES, i.e. equal opportunities. The largest difference occurs for Spain (with 28% more under the EQUAL scheme), the Netherlands (19%), and Luxembourg (with 17% difference)[8].

Interviews conducted in the framework of the Govecor research project suggest that these difference in allocation of funds are at least partly motivated by the different programme requirements itself. EQUAL allows for more flexible procedures and encourages Member States to test innovative approaches. Overall the mainstream programmes rather rely on stricter and more conservative procedures. The EES pillars and the guidelines such as concepts of lifelong learning or active ageing are perceived to require innovative approaches rather than 'old-fashioned' training measures which are still the dominant ESF activity under the mainstream programmes. These findings point to some degree of inconsistency between policy objectives as outlined in the EES and the corresponding instruments and procedures.

---

7 The remaining 4% of EQUAL funds are allocated to social and professional integration of asylum seekers, a priority identified by the EU strategy to combat exclusion.

8 For an overview of the individual country allocation, see Annex 2.

As another explanation for this difference could the fact that the drafting process of the CSF and OPs of Objective 1 and 3 usually involve a wide range of ministries and regional authorities. For Objective 1, the Ministry of Employment usually plays a less prominent role than e.g. the Ministry of Economic Affairs. In some cases such as Germany or the UK the regional and local level play a major role in drafting the programme and thus deciding on the allocation of funds. Although it has been reported that the national authorities inform sub-national level of the EES guidelines and Council recommendations on implementing the NAP, the findings suggest that other considerations prevail in drafting the programming documents.

For Objective 3 the Ministry of Employment is usually the major actor involved in the drafting. Although it can be observed that the programming documents often include an explicit reference to the NAPs, drafting the document still involves considerable input from other ministries. So even if it can be assumed that the Ministry of Employment is prepared to better reflect the EES guidelines in the programming documents and allocation of funds, the coordination may lead to compromises which do not necessarily take into account the EES priorities but reflect the result of long bargaining process within the Member State. These frictions do not occur in the programming process of EQUAL because it is much more orchestrated by the Ministry of Employment with very limited input from other Ministries or the sub-national level.

Another explanation for this inconsistency could be the fact that the Commission is a more powerful player under EQUAL than under the mainstream programme. The Member States can allocate the funds only to those priorities identified by the Commission. For the mainstream programmes, the Member States or the regions determine the priorities. Therefore, it can be assumed that the EQUAL allocation of funds is not entirely the result of national priorities but also Commission priorities.

4. The Administrative Level: Blurred Competences or Targeted Networking?

Similar to the strategic vision over time the managerial level shows has developed more linkages between the two tracks of EU employment policy. However, here again it is the

Commission which seems to be the actor most eager to bridge the gap between the two tracks. For example, whereas the Council had seen the role of the Employment Committee as ensuring consistency between the Employment Guidelines and the Broad Economic Policy Guidelines - the Structural Funds were not mentioned - the Commission has tried to extend these tasks (Council of the EU 2000, Art. 1).

Implementation of the two lines of action has demanded considerable adaptation and flexibility on the part of the Member States' authorities. Due to the management structure which had been established for the Structural Funds, considerable attention needed to be paid to inter-ministerial coordination. As for the Objective 1 regions, in none of the Member States is the managing authority for the Community Support Framework (CSF) situated in the Ministry of Employment or Labour. This responsibility is usually given to the Ministry of Finance, of Planning or of Economic Affairs. Thus, inter-ministerial coordination between the managing authority and the department in charge of the ESF at the Ministry of Labour became necessary in order to coordinate the implementation of the ESF-related aspects of the CSF and the NAPs under Objective 1. Furthermore, it seems that responsibility for supervising the implementation of the NAPs does not so far rest with the same department which has responsibility for the ESF. An equally segmented situation occurs at the level of Operational Programmes (OPs). In the case of regional OPs (ROPs) the main responsibility for drafting and managing the ROPs is usually not allocated to the Ministry of Labour but to the Ministry of Economic Affairs. On the other hand, when it comes to sectoral OPs (SOPs) on human resource development, where the ESF is the dominant Fund in terms of finances, the managing authority is indeed mostly located in the Ministry of Employment or Labour.

Again the situation is different for the Community Initiative EQUAL. At European level, the Commission has established a management structure supporting a close link between NAP and EQUAL. First, it has set up an evaluation mechanism geared to assess the implications of EQUAL for the EES. Second, a database of good practice has been developed which can be used for periodic assessment of the actual and potential impact of EQUAL on the NAP. Third, in the framework of action 3 of EQUAL

"Thematic networking, dissemination of good practice and making an impact on national policy" Member States are required to establish mechanisms facilitating mainstreaming at both the horizontal and the vertical level, including the NAP (European Commission 2000-a, p. 10).

The Member States for their part followed these guidelines in different ways. Whereas some States establish a very close linkage with the NAP and their EQUAL programme, others hardly refer to it at all. For instance Germany explicitly stipulates in its CIP that the programme's strategic priorities and implementation structures are based on the NAP. One of the key elements identified under action of the German CIP is to examine how far EQUAL, the NAP and the EES complement one another.

So far we have looked at linkages between Structural Funds and the EES which are initiated by the Structural Funds requirements. We could also expect growing links initiated from the EES. For instance drafting of the NAPs has required coordination between different ministries. In Sweden, for instance, the Ministry of Employment and Communication shared this task with the Ministry of Industry and the Ministry of Finance, where one official is responsible at each ministry. In most cases, the main responsibility rests with the Ministry of Employment. At first sight, this situation would seem to allow for meaningful coordination in implementing NAPs and SOPs on human resource development. However, interviews conducted in selected Member States suggest that responsibility for supervising implementation of the NAPs usually does not rest in the same department as the Managing Authority for the SOP. Few Member States have reported overlapping management responsibilities for both the NAPs and the ESF.

This fragmentation of the management structure of the ESF and the NAPs is also reflected in the new "programme complements" of the mainstream programmes[9]. Although the SOPs and ROPs refer to how to contribute to the EES's objectives, the programme complements show a different picture. Overall, the references to the EES

9 The programme complement is a new programming document included in the Structural Funds programming cycle with the Agenda 2000 reforms. The Member States prepare it after adoption of the CSF and OPs and submit it to the Commission for information.

can be grouped into two types. They either aim at achieving material compatibility between ESF interventions and NAPs, or they outline how to achieve and verify the achievement of the quantified objectives laid down in the NAPs. They do not refer to administrative coordination between the authorities involved in these two instruments. Given the purpose of the programme complement, which includes an overview of the administrative structure for managing Structural Funds, this failure to refer to coordination with NAPs suggests that Member States indeed interpret the two track implementation rather narrowly. Coordination seems to be accepted in terms of defining strategic objectives and the control of achieving them. Indeed, both the programming documents as well as interviews suggest that a major link between the Structural Funds process and the EES is the monitoring and evaluation process. Since evaluation is a new element for most of the Member States public administrations, only introduced with the Structural Funds, its structure follows almost entirely EU requirements. The data collection for Structural Funds and EES therefore increasingly applies similar procedures. Consequently many Member States e.g. Austria, Ireland, Germany report that they interchange data for evaluating Structural Funds and the implementation of the NAP.

Overall, however, Member States currently do not seem to accept a joint strategic or management structure for EES and ESF or the Structural Funds in general. A notable exception to this observation is Belgium, which has created an institution specifically designed to coordinate implementation of the ESF and the NAP: the ESF Impact Assessment Cell (ENIAC). Created on the initiative of the Commission and financed by the ESF, it aims to ensure coherence between the NAPs and the ESF, to develop indicators both for NAPs and OPs and to develop a methodology for evaluating the impact of the ESF on the NAP.

It does not come as a surprise that the Commission is very critical about this compartmental way of implementation: the "new round of ESF programmes have shown that in most Member States there has been little cross-fertilisation between the national authorities responsible for the preparation of the NAPs and those managing the ESF interventions" (European Commission 2000-b, 73). It is "not enough for ESF programmes to incorporate the priorities of the EES if National Action Plans fail to fully integrate the contribution of ESF and other Structural Funds to the EES" (European Commission 2001-a, p. 14). The Court of Auditors is more explicit in its criticism, and calls on the Member States to improve coordination between ERDF/ESF on the one hand and EES/NAPs on the other (European Court of Auditors 2001, p. 6).

In addition to the new demands posed for inter-ministerial coordination, questions arise with view to interpreting the partnership principle, that is, the involvement of a broad range of actors in the Structural Funds cycle. Having been introduced as one of the fundamental principles in the Structural Funds in 1988, it has gradually been extended to regional and local authorities, social partners and representatives of civil society. On the one hand the NAP process has so far not featured such a broad notion of partnership with view to regional and local actors. On the other hand some Member States such as Germany, extensively involves the economic and social partners with view to certain EES guidelines. Their involvement in the Structural Funds implementation has in the case of Germany often been criticised. The Council acknowledges the importance of the local dimension in its recommendations for Member States' employment policies: "local action for employment significantly contributes to the achievement of the objectives of the EES… The establishment of partnerships at all appropriate levels is crucial" (Council of the EU 2002-b, preamble, points 18 + 19) In this respect, the territorial employment pacts (TEPs) are geared to strengthen the local dimension of employment and establish "strategic partnership approaches" (European Commission 2001-c, p. 8).

5. Prospects for Incremental Synergies or Growing Fragementation

Much remains to be done before the Luxembourg Process and the Structural Funds can be considered to constitute one coordinated employment strategy for the European Union.

Synergies are most developed and accepted by the relevant political actors at the strategic level. The Commission consistently emphasises the link between the two policy approaches, and the Member States seem also to be willing to do so, albeit to a much lesser extent.

The legal level reveals an ambivalent situation. The Treaty does not stipulate any clear link between the two approaches. There is only a vague link made between the Structural Funds regulations and the EES. The strongest link between ESF and EES exists in the framework of the EQUAL programme which, however, is in financial terms one of the weakest Structural Funds programmes. And Council documents have been inconsistent over time.

At the administrative level, finally, there is a high degree of uncertainty in all Member States and a variety of coordination problems can be identified.

When attempting to address the questions of prospects for future development, some of the structural reasons for this limited synergies should be highlighted.

One obstacle to the development of greater synergy and formal links seems to be different timing. While the EES works on an annual basis, the Structural Funds operate according to a multi-annual scheme with programmes covering the entire programming period of seven years. It seems that this has led to the perception that the EES and the NAPs focus on relatively short-term interventions in contrast to Structural Funds programmes, which are often based on longer-term strategies and priorities. This in turn deepened the understanding that the EES and the Structural Funds are two distinct processes which have common overall policy objectives but are not compatible in view of the management structures.

There is also another very simple and obvious fact that constitutes an obstacle to further links, namely that all Member States had an employment policy before the EES. Consequently, there was no need to create new structures due to the EES but the EES policy objectives could be incorporated into the national ones. In many Member States, the previously existing links between employment policy – now modulated on the basis of the EES – and the Structural Funds have therefore simply remained unchanged.

However, in areas where new procedures had to be put in place, e.g. with view to monitoring and evaluation, we can indeed observe managerial linkages between Structural Funds and NAPs.

What we have indeed been able to observe were, first of all, spill-overs when it comes to the strategy formation of the two processes and, secondly, functional fusion when it comes to their administrative dimension. In both processes, informal procedures form a major managerial tool. These informal parts of the managerial side tend to build on incremental synergies between NAPs and EES. This functional spill-over is also reflected at the level of language. The four pillars of the EES are increasingly used both in Structural Funds programming documents and in national policy discourse.

In conclusion, the question of whether the EU is moving towards a fusioned or fragmented system of governance in this particular policy field, based on the EES/NAPs on the one hand and on the Structural Funds on the other remains open. Although policy changes seem to be increasingly accepted. Yet, these changes do not go hand in hand with corresponding polity changes where adaptations to the new design of employment policy consisting of the two tracks EES on the one hand and Structural Funds on the other remain limited and are more pronounced in the latter track. In addition findings confirm that the adaptation on the Member States' polity is stronger in those countries which are close to the administrative design set out in Commission guidelines. But convergence pressure is also felt by other Member States with them reacting mostly at policy and not at polity level. In line with neo-institutional theory this findings point to the incremental nature of institutional change (Krasner 1988, p. 83). The EES was only introduced four years ago whereas the Structural Funds, as they operate now, have been in place since 1988. Their procedures are much more known and enshrined in national policy making. Establishing or adapting the institutional structure to link them with the EES and the NAP process will not only require more time but, as neo-institutional theory has pointed out, a change in the actors or their relative powers (Pollack 1996, p. 438, Thelen and Steinmo 1992, p. 17). This change in power balance could be achieved by setting a clear political mandate based on EU rules. Currently, the Commission is trying, to a certain extent, to arrive at this, but without the full backing of the Council.

As long as the EU requirements remain unclear, the prospects for incremental synergies or growing fragmentation will depend on the Member States' preparedness or reluctance to endorse the concept of a two-track employment policy of the EU.

6. Bibliography

Adnett, Nick (2001), "Modernizing the European Social Model: Developing the Guidelines", *Journal of Common Market Studies*, 39:2.

Anderson, Jeffrey J.; (1995) "Structural Funds and the Social Dimension of EU Policy: Springboard or Stumbling Block?", in Stephan Leibfried & Paul Pierson (eds.), *European Social Policy: Between Fragmentation and Integration,* Washington D.C.: The Brookings Institution, 1995.

Biagi, M. (2000); "The Impact of European Employment Strategy on the Role of Labour Law and Industrial Relations", *The International Journal of Comparative Labour Law and Industrial Relations*, vol. 16, no. 2, pp. 155-173.

Börzel, Tanja (1999); "Towards Convergence in Europe? Institutional Adaptation to Europeanization in Germany and Spain", *Journal of Common Market Studies*, vol. 37, no. 4.

Börzel, Tanja (2002); "States and Regions in the EU: Institutional Adaptation in Germany and Spain, Cambridge: Cambridge University Press.

Börzel, Tanja / Thomas Risse (2000); "When Europe Hits Home: European and Domestic Change", *European Integration Online Papers*, vol. 4, no. 15.

Council of the EU (2000); *Decision of 24 January 2000 establishing the Employment Committee*, OJ L 29/21, 4.2.2000.

Council of the EU (2002-a), *Decision of 18 February 2002 on Guidelines for Member States' employment policies for the year 2002*, OJ L 60/60, 1.3.2002.

Council of the EU (2002-b), *Recommendation on the implementation of Member States' employment policies,* OJ L 60/70, 1.6.2002.

De La Porte, Caroline / Philippe Pochet / Graham Room (2001); Social benchmarking, policy making and new governance in the EU", *Journal of European Social Policy*, vol. 11, no. 4, pp. 291-307.

European Commission (1999-a); *Communication on the Structural Funds and their Coordination with the Cohesion Fund: Guidelines for programmes in the period 2000-06*, COM 344 final, Brussels 1.7.1999.

European Commission (1999-b); *Guidelines for systems of monitoring and evaluation of ESF assistance in the period 2000-2006*, Brussels, July 1999.

European Commission (2000-a); *Communication establishing the guidelines for the Community Initiative EQUAL concerning transnational co-operation to promote new means of combating all forms of discrimination and inequalities in connection with the labour market*, COM 853, Brussels 14.4.2000.

European Commission (2000-b); *Joint Employment Report*, COM 551 final, Vol. I, Brussels 6.9.2000.

European Commission (2001-a); *Communication on European Social Fund Support for the European Employment Strategy*, COM 16 final/2, Brussels 23.1.2001.

European Commission (2001-b); *Communication on the Results of the Programming of the Structural Funds for 2000-2006 (Objective 1)*, COM 378 final, Brussels 5.7.2001.

European Commission (2001-c); *Communication on the Strengthening the local dimension of the European Employment Strategy*, COM 629 final, Brussels 6.11.2001.

European Commission (2002-a); *Communication on Streamlining the Annual Economic and Employment Policy Co-ordination Cycles*, COM 487, Brussels, 3.9.2002.

European Court of Auditors (2001); *Special Report No. 12 concerning certain structural measures to improve the employment situation: the impact of ERDF aid on employment and ESF measures to combat long-term unemployment, together with the Commission's replies*, OJ C 334/1, 28.11.2001.

ESF Regulation No 1784/1999, OJ L 213/5, 13.8.1999.

Garrett, Geoffrey / George Tsebelis (2001); Understanding Better the EU Legislative Process, *European Union Politics*, No. 2, pp. 353-361.

Girerd, Pascal (2002); "Les principles d'équvalence et d'effectivité: encadrement ou désencadrement et l'autonomie procédurale des Etats membres?", *Revue Trimestrielle de Droit européen*, vol. 38, no. 1, pp. 75-102.

Goetz, Klaus (2001-a); "Making Sense of Post-communist Central Administration: Modernization, Europeanization or Latinization", *Journal of European Public Policy*, vol. 8, no. 6.

Goetz, Klaus (2001-b); "European Integration and National Executives: A Cause in Search of an Effect?", in: Simon Hix / Klaus Goetz (eds.); *Europeanised Politics? European Integration and National Political Systems*, Portland OR: Frank Cass Publishers.

Gold, Michael (1993), "Overview of the social dimension", in Michael Gold, (ed.), *The Social Dimension: Employment Policy in the European Community*, London: Macmillan Press.

Grande, Edgar (2000); "Multi-Level Governance: Institutionelle Besonderheiten und Funktionsbedingungen des europäischen Mehrebenensystems", in Edgar Grande / Markus Jachtenfuchs (eds.); *Wie problemslösungsfähig ist die EU? Regieren im europäischen Mehrebenensystem*, Baden-Baden: Nomos, pp. 11-30.

Héritier, Adrienne (2001); "Differential Europe: National Administrative Responses to Community Policy", in: Maria Green Cowles / James A. Caporaso / Thomas Risse (eds.); *Transforming Europe, Europeanization and Domestic Change*, Ithaca NY: Cornell University Press.

Hooghe, Liesbet / Gary Marks (2001): *Multi-Level Governance and European Integration*, Boulder, col.: Rowman & Littlefield.

Hooghe, Liesbet / Gary Marks (2002); *Types of Multi-Level Governance*, Paper presented at the First Pan-European Conference on European Union Politics, Bordeaux, 26-28 September.

Kaiser, Robert / Heiko Prange; *A new concept of deepening European integration? The European Research Area and the emerging role of policy coordination in a multi-level governance system*, Paper presented at the First Pan-European conference on European Union Politics, Bordeaux, 26-28 September.

Knill, Christoph / Dirk Lehmkuhl (1999); "How Europe Matters: Different Mechanisms of Europeanization", *European Integration Online Papers (EIOP*), vol. 3, no. 7.

Krasner, Stephen D. (1988); "Sovereignty: An Institutional Perspective", in: *Comparative Political Studies*, vol. 21, no. 1, April 1988, pp. 66-94.

Laffan, Brigid (2001); "The European Union polity: a union of regulative, normative and cognitive pillars", *Journal of European Public Policy*, vol. 8, no. 5 (October), pp. 709-727.

Le Roy, Anne; "La cohésion économique et social: un nouveau modèle de politique communautaire, *Revue du marché commun et de l'Union européenne*, no. 429, juin, pp. 383-392.

Marks, Gary (1996); "An Actor-Centred Approach to Multi-Level Governance", *Regional & Federal Studies*, vol. 6, no. 2, pp. 20-38.

Nurnberg, Barbara (2000); *Ready for Europe: Public Administration Reform and European Union Accession in Central and Eastern Europe*, World Bank working paper no. 466, Washington D.C..

Philippart, Eric (2002); *The 'Lighter Touch' in EU Governance: a multi-criteria evaluation of mutual recognition and methods of open coordination*, Paper presented at the First Pan-European Conference on European Union Politics, Bordeaux, 26-28 September.

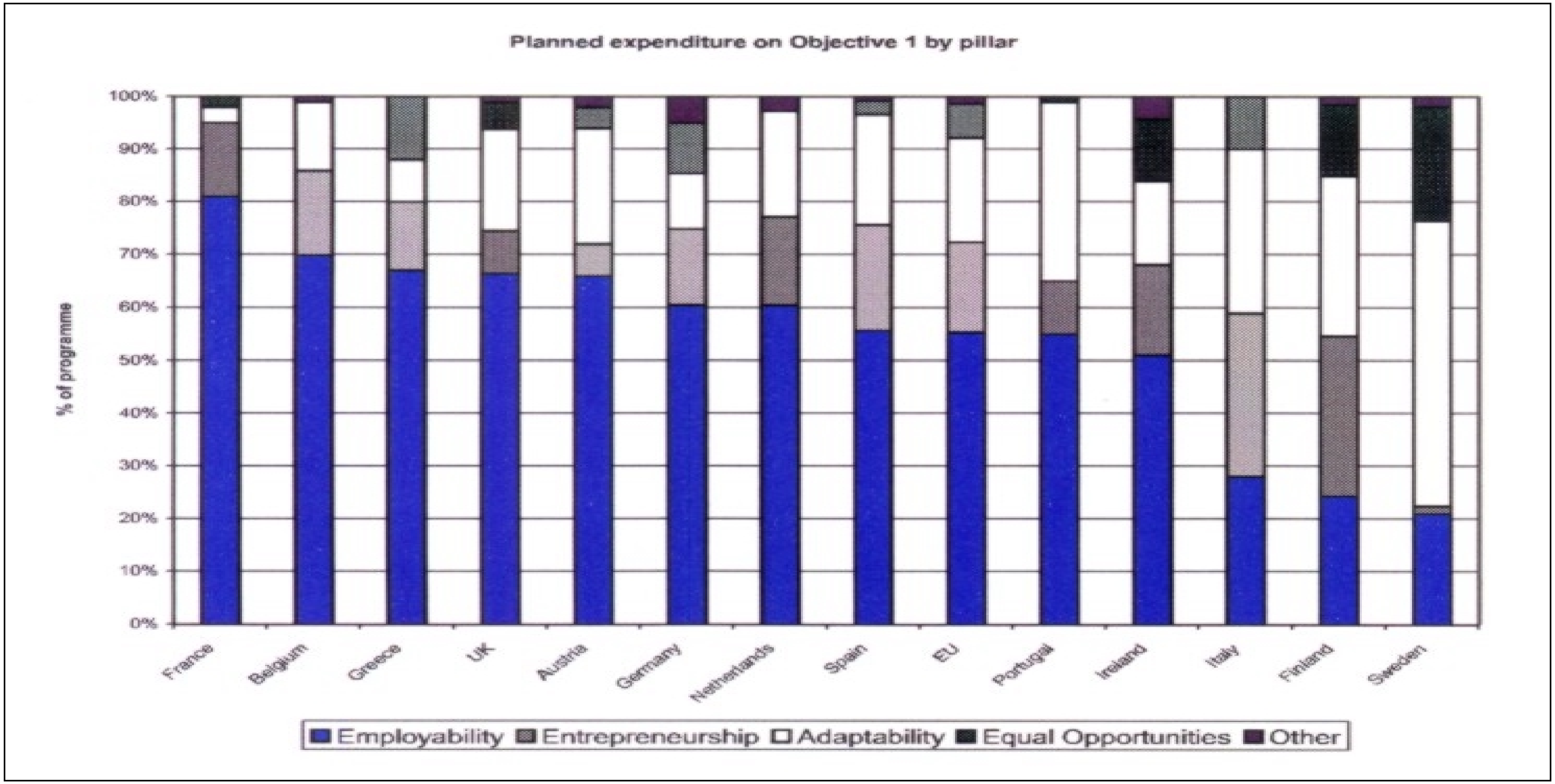
Pollack, Mark A. (1996); "The New Institutionalism and EC Governance: The Prmise and Limits of Institutional Analysis", in: *Governance*, vol. 9, no. 4, October 1996, pp. 429-458.

Shaw, Jo / Antje Wiener (2000); "The Paradox of the European Polity", in: Maria Green Cowles / Michael Smith (eds.); *State of the European Union: Risks, Reform, and Revival*, Vol. 5, Oxford: Oxford University Press, pp. 64-88.

Thelen, Kathleen / Sven Steinmo (1992); "Historical institutionalism in comparative politics", in: Sven Steinmo / Kathleen Thelen / Frank Longstreth (eds.); *Structuring politics: Historical institutionalism in comparative analysis*, Cambridge: Cambridge University Press, pp. 1-32.

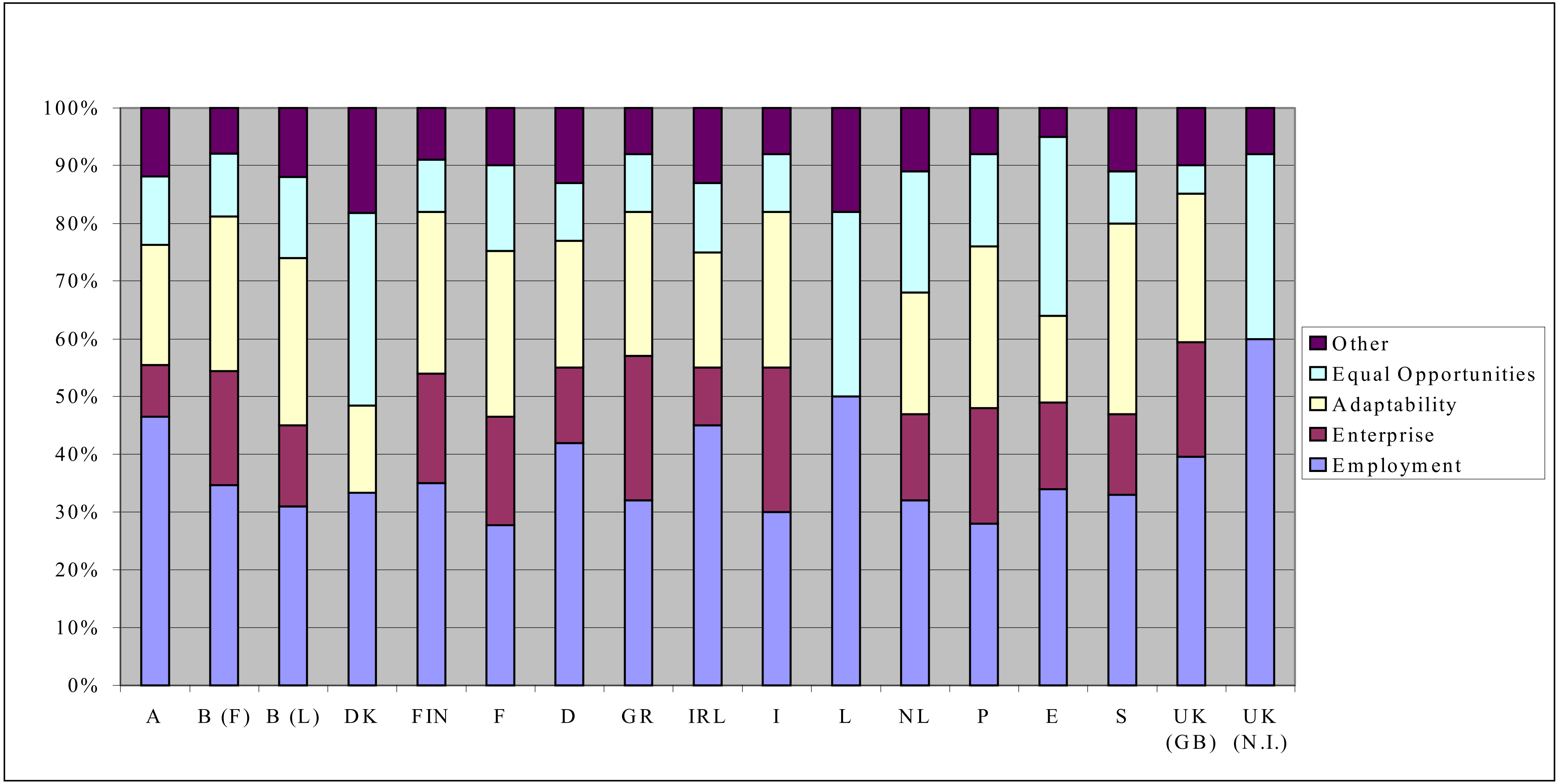
Veggeland, Noralv (1999); *European Cross-Border Regionalisation: A case of "soft" regulation?*, Paper presented at the International Conference of the Regional Studies Association, Bilbao, September.

Annex 1 Breakdown of ESF allocation under Objective 1 to the four pillars of the European Employment Strategy



Source: European Commission *Communication on European Social Fund Support for the European Employment Strategy*, COM 16 final/2, Brussels 23.1.2001

Annex 2 EQUAL - Breakdown of allocation to the four pillars of the European Employment Strategy EQUAL



Source: Figures extracted from the Community Initiative Programmes