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Path dependency in Employment Policy?

Comparing EU and U.S. Experiences

by

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Abstract

A comparison between the fundamental principles of employment policy in the EU and the US quickly reveals a fundamentally different value base. Whereas the US is strongly guided by the individualist tradition that stresses equal opportunities rather than public tasks, the EU - despite many differences between its Member States - perceives employment or welfare policy predominantly as a public task.

In spite of these deeply rooted differences, the respective financial instruments to pursue active labour market policy or workforce development are based on similar sets of principles. In spite of a number of differences in terms of their material scope, both the US Workforce Investment Act (WIA) and the EU Structural Funds are implemented on the basis of similar governing principles, namely partnership, programming and effectiveness.

The paper will compare the implementation of these principles in the US and the EU. Based on the concept of institutional stickiness and path dependency, it will analyse the potential and prospects of mutual learning processes.

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1. Introduction

Unemployment has since long been a more urgent problem in the European Union (EU) than in the United States of America (US)[1]. Although the European Commission noted some success in combating unemployment, it still considers this problem one of the most urgent ones the EU is currently facing (European Commission July 2001-a). In the US, unemployment has decreased since the early 1990s and reached 4% in 2000 which is the lowest unemployment rate in 30 years. However, with the accelerating economic slowdown and certainly with the events of September 11, 2001 also the US is facing sharply rising unemployment rates.[2] In February 2003 unemployment rate has reached 5.8%. When looking at the employment rate, which is a more accurate tool to evaluate the employment situation in a certain country or region,[3] the differences are even more pronounced: 62.4% in the US compared to 56% in the EU (in average).

Even though these figures hint to great differences in the employment situation, both, the EU as well as the U.S. are nevertheless faced with the same problem, i.e. a politically not acceptable high level of unemployment (Zeitlin 2003, p. 2). It is a common place that the EU and the US opted for different strategies to tackle this problem. As numerous studies have shown, the policy mix preferred by the political elite depends on a number of different variables such as the structure of the economy, the legal basis of the polity, the country's position in the world economy etc..[4] Moreover, dealing with unemployment in particular touches upon dominant beliefs, values, ideologies, customs, and traditions of society

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2 Only between September 11, and end October, 400,000 people have lost their jobs. The unemployment rate jumped up by 0.5 %. While early 2001 mostly white collar workers like dot-com programmers, stockbrokers etc. were hit by the shrinking job market, the developments after the attack hit low-pay jobs the hardest. New York Times 6 November 2001.

3 In a study comparing the Portuguese and US labor market, Blanchard and Portugal show that although both countries had similarly low unemployment rates over the past 15 years, their labor market situation is completely different. Blanchard & Portugal 2001, p. 205.

4 For instance Peterson has identified seven determinants of state choices regarding developmental and redistributive policy. These were taxable resources, poverty rates, the percentage of population living in central cities, minority percentage, population density, partisanship, and the professionalization of state politics. Although these variables provide useful guidance they are however, considered as too narrow since they mostly refer to economic categories and ignore other, more political aspects such as political system, traditional values etc.. Peterson (1995) p. 89ff

regarding how to deal with poverty and welfare (Gil 1981, p. 32, Jann 2000, Schmid 2002, p. 73).

Over the past decade or so, employment policy and in particular their financial instruments have undergone fundamental reforms. In the case of the US, the Workforce Investment Act (WIA), adopted in 1998, replaced a number of older workforce instruments. In the EU, the Structural Funds underwent several reforms, with the last one in Berlin in the framework of the so-called Agenda 2000 reform. In spite of the fact that WIA and the Structural Funds are embedded in their respective policy systems which differ fundamentally in their very conception of employment policy, they are nevertheless based on a similar set of fundamental principles, procedures and institutions.

With the aim to draw upon each others experience, this paper compares the implementation of the two instruments focusing on three core principles. However, the paper does not aim to draw lessons of the nature: "It is recommended to transfer this and that institutions or procedure". This type of conclusions would be useless because the EU and the US belong to different "worlds of welfare capitalism" (Esping-Andersen 1990). As Rose outlines, lessons drawing is not about simple transfer of systems but combines "technical appraisals of the feasibility of transfer and normative evaluations of political desirability" (Rose 1992, p. 26). These lessons "need to be decoded" against the framework of national cultures and traditions (Kenner 1999, p. 50).

The theoretical approach to this research is guided by the neo-institutional concept of embedded institutions and path-dependency. Neo-institutionalism assumes that both formal and informal institutions to a certain extend take on a life of their own and influence the political process and its outcome, sometimes in ways initially not intended or anticipated (Göhler 1996; Pollack 1996, p. 431). The concept of path-dependency-theory (Hall / Taylor 1996; Pierson 1998, 2000) suggests that "past lines of policy [will] condition subsequent policy by encouraging societal forces to organise along some lines rather than others, to adapt particular identities or to develop interests in policies that are costly to shift" (Hall / Taylor 1996, p. 941). This concept is complemented by the 'logic of appropriateness', according to which new (legal) provisions challenge and transform the pre-existing cultural construction of national identities, values, and interests through a process of socialisation and learning (Börzel/Risse 2000: 8).

2. Developing Different Reference Frames for Employment Policy

Without aiming to provide a comprehensive analysis of the different traditions in continental Europe and the US, some features should be highlighted which considerably impact the implementation of the two instruments.

2.1. The European Union

In Europe since the English Elizabethan Poor Law of 1601, welfare responsibilities have been part of the state's responsibilities. In continental Europe, welfare policy[5] is based on public law (Bordas 2001, p. 225). It is however obvious that the way and by which means public administration delivers welfare services is an issue to be determined by political processes and politics rather than through legal proceedings. Nevertheless the welfare situation of individuals in general and their employment situation in particular is not considered to belong to the private sphere but bears a public dimension. In spite of the great differences between the countries of continental Europe, they nevertheless all share this perception of welfare policy as a public task[6] which the national government has to handle[7] (Benz et.al. 2000, p. 77, Heidenheimer et.al. 1990, p. 354).

Since its beginning, the European Community struggled with the different concepts of employment policy. Member States were not prepared to replace their national policy with a full-fledged EU labour policy (Geyer 2000, p. 258, Gold 1993, p. 18).

Only at the Amsterdam Treaty and the Extraordinary European Council in Luxembourg in November 1997 Member States established a new system which was thought to respond to this challenge and accommodate the differences between the Member States. Since then we can talk of a rudimentary European employment policy which consists of two instruments: on the one hand, the European Employment Strategy (EES) and, on the other hand, the Structural

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5 The terms welfare policy, social policy and employment policy will be used interchangeably. They comprise poverty relief, public health care, unemployment benefits, and social security.

6 Budäus (1998) points out that as a consequence of modernizing public administration in the EU member states the classical dichotomy between public and private sector is somewhat softened. Thus tasks and competencies which have traditionally been attributed to public administrations can now also, at least partly, be performed by the private sector.

7 In particular Margret Thatcher's push for Euroliberalism questioned a consensus upon which the European integration process had been built. The challenge for the EU/EC at that time was to find a response that combined the advantages of the neo-liberal approach with policies to combat disadvantages. In the post-Thatcher phase, this response was often labeled as Third Way of the EU. (Blair 1998: 19, Kenner 1999: 39-40)

Funds[8]. In spite of their similar objective, they entail a number of differences with view to their legal status, objectives, procedures and instruments.

The European Employment Strategy as such – that is, the so-called 'Luxembourg Process' – is 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 open method of coordination (OMC) in employment policy, where Member States have been hesitant to opt for EU competence (Anderson 1995, Bauer and Knöll 2003, p. 38, Gold 1993, Moravcsik 2002, p. 617, Scharpf 2002) Member States were "mostly relying on each other to act as mutually supporting agents, rather than handing over policy-shaping powers to an independent institution" (Wallace 2001, p. 592). The EES is implemented in the Member States through National Action Plans (NAPs) drawn up by each Member State in a multi-annual perspective. The implementation of the NAPs is subject to an annual multilateral surveillance procedure, which includes recommendations to individual Member States. Benchmarking and peer review processes are carried out to promote convergence and mutual learning. Thus the EES remains in the intergovernmental sphere of the EU.

In contrast, the Structural Funds, on the other hand, are embedded in the supranational sphere of EU policy-making, forming part of the EU budget and giving a strong role to the EU institutions. The by far largest part of the funds are allocated via the Objective 1, 2, and 3 programmes[9]. Structural Funds support is not limited to employment, but aims at the overall sustainable development of regions. The Structural Funds are very much rule driven. Unlike the EES, the Structural Funds have been in place since the early days of the integration process. Although regularly reformed, the current principles have been introduced as early as 1988. Consequently and unlike the EES, the procedures and institutions are well embedded in the European multi-level governance structure.

Although in particular the European Commission views the Structural Funds as the financial arm of the EES, both instruments have not been integrated into a coherent governance

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8 References to the Structural Funds cover the European Regional Development Fund (ERDF), the European Social Fund (ESF), the European Agricultural and Guidance Fund, Guidance Section (EAGGF), and the Financial Instrument for Fisheries Guidance (FIFG).

9 The regions lagging behind in development are covered by Objective 1. They have a per capita GDP of less than 75% of the EU average. Objective 2 support is devoted to regions undergoing economic change, declining rural areas, crisis-hit areas dependent on the fishing industry or urban areas in difficulty. Objective 3 is devoted to the development of human resources.

structure[10]. When distinguishing between three levels of analysis (i.e. legal, strategic, and administrative level), a coherent approach could be mostly observed at the strategic level. The legal dimension revealed an ambivalent situation with a weak link between the two instruments at the level of primary legislation and a somewhat stronger link at secondary legislation level. With view to the administrative dimension, there are weak tendencies for coherence.

What are the reasons for this lack of coherent governance towards a European employment policy? One reason seems to be that the EES and the Structural Funds are hardly perceived as two sides of the same coin or as part of the same policy. Rather, the EES is perceived as being located in a different sectoral subsystem (Bulmer 1994, p. 377), which only partly and temporarily coincides with the Structural Funds' subsystem. Another reason could be that, unlike the Structural Funds, the EES is not perceived as a European instrument. Being rooted in the intergovernmental sphere, the EES belongs primarily to the national level of policy making and not to the European level.

2.2. The United States

The US system developed features fundamentally different from the EU and its Member States although the US have always looked at Europe for models both for specific programmes and general approaches in social policy[11] (Bendick 1985, p. 6, Knoke et.al. 1996, p. 28ff). Policy making in the US is rather guided by the individualist tradition which stresses equal opportunities rather than public tasks. Unlike continental European thinking of sovereignty, US citizens do not designate sovereignty to centralised administrative institutions, but attribute it to law and the constitution[12] (Bull 1997, p. 347, Karger & Stoesz 1998, p. 10, Skocpol 1995-b, p. 101, Zürn 1999). Despite the clause in the preamble of the US constitution obliging it to "promote the general welfare" is the federal government traditionally not viewed as the appropriate level of government that should be involved directly in social assistance programs or active labor market policy (Ginsberg 1999, p. 25).

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10 For a comprehensive analysis of the implementation of the EES and the Structural Funds as the two tracks of a European employment policy, see Hartwig (2002).

11 However, with regard to regulating the labor market, EU Member States however looked more often at the US than vice versa. Kasten & Soskice (2000).

12 This perception is, among others, reflected in a comparatively low share of state expenditure in the US gross domestic product: 35% in the US, e.g. Sweden has a share of 60%. (Albrow 2001, p. 159) For a congressional debate about the role of the Federal level in workforce development which reveals very clearly the mistrust in a stronger Federal government's role in this policy field see US Congress 1995-e.

Responsibility for relief of poverty rested with the municipalities, local authorities, and last but not least with private charity (Lomax Cook & Barrett 1992, p. 9; Morris & Hansan 1997, p. 9). Until mid 1930s there were no old-age pensions, maternity benefits, child allowances, or health insurance schemes. Before the Great Depression in the 1930s which led to the New Deal legislation package the federal level provided only very little money for social programs.[13]

Although the New Deal was revolutionary in many ways, it did not aim to redistribute wealth but it operated consistently within the constraints of the US American capitalist system. Its primary aim was to restore the US economy and prevent future depressions by improving the economic conditions of the nation via (among others) employment-based policies (Ginsberg 1999, p. 29; Morris & Hansan 1997, p. 6; Venn 1998, p. 102). Thus although the New Deal considerably extended federally funded social policy programmes and established the federal government's role in social policy, it still preserved a characteristic fundamentally distinctive from European social policy concepts which is worth noting. This is the omission of any programmes based on a concept of shared social citizenship.

Due to this reluctance towards a public role in welfare and in contrast to European countries which aim to operate under a comprehensive and integrated social policy plan, the American understanding of welfare is still very limited in comparison to European understanding. In the words of former President Bill Clinton and Vice President Al Gore welfare policy is about putting people back to work (Clinton & Gore 1992, p. 164). Democrats and Republicans alike do not link employment policy to issues such as underemployment, low wages, or the organization of work, but regard employment policy a means to "enhance job readiness" (Weir 1992, p. 173).

The New Deal had fundamental effects on the governance structure. Although the states and local governments retained an extensive role,[14] it altered the role of federal government permanently in that it established a role in labour market policy (Lieberman & Lapinski 2001,

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13 Before the Great Depression the Federal government essentially only conducted social programs geared to a very limited and clearly specified target group, i.e. war veterans, native Americans, immigrants upon their arrival to the nation, and former slaves. Ginsberg (1999), p. 27. Theda Scocpol (1992) in a very comprehensive study on the origins of U.S. social policy added the category of mothers (of soldiers) to the list of those benefiting from social assistance programs prior to the Great Depression.

14 In fact, only one program introduced was fully national. All other income transfers were either left to states and localities or treated as joint responsibilities of the State and national tiers of government. Pierson 1995, p. 302

p. 304; Skocpol 1995-d, p. 13, Venn 1998, p. 102ff; Weir 1995, p. 329). Since then the decentralised system of social policy has gradually received more nationalised features. Local administrative discretion was reduced (Pierson 1995, p. 302).

In particular the Reagan administration questioned this division of responsibilities. However, in spite of a very strong rhetoric in favour of further dismantling the welfare state and return responsibilities to state and local level as well as to the private sphere,[15] only limited adjustments took place and the system remained largely intact. In fact Kincaid, Bowman and Pagano argue that the federal government exercised more authority unilaterally over more facets of state and local government than ever (Bowman & Pagano 1994, p. 2). A comprehensive decentralisation was also scuttled by the fact that the idea and rhetoric of devolution were never translated into coherent workable policy proposals in the New Federalism[16] (Karger & Stoesz 1998, p. 18ff; Peterson et. al. 1986, p. 418 ff).

Although the structural changes in welfare policy were less dramatic than Reagan had aimed at, the Republican campaign has managed to revitalise the criticism of the federal role in areas such as employment policy and revive and strengthen public hesitancy vis-à-vis federal involvement in welfare policy (Karger & Stoesz 1998, p. 33; Lomax Cook & Barrett 1992, p. 236 ff; Morris & Hansan 1997, p. 182). In the longer run, this was the most important impact of the Republican period on US welfare policy. Public trust in central government's capability of solving the problem of unemployment and social unrest was at a very low point when Clinton entered office.

The Clinton & Gore type of federalism, followed a different rationale than Reagan & Bush's approach. They aimed at a fundamental reform of "welfare as we know it"[17], focusing rather on devolution of than retrenchment from welfare and labour policy. Financial responsibility for taking care of the poor should not be returned to the private sphere and private charity. Clinton considered welfare a public responsibility. In spite of giving states more flexibility, Clinton primarily aimed at streamlining the system by improving coordination among the

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15 More recent examples of vivid opposition against a U.S. welfare state can be found in the following readings: Richard M. Ebeling et.al. (1995); Charles Murray (1993).

16 Richard S. Williamson, Assistant to the President for Intergovernmental Affairs, called President Reagan's New Federalism Initiative not a "detailed plan but rather a conceptual framework". (Williamson 1983, p. 13-15)

17 For an analysis of Clinton's welfare reform package, see Caraley 2001-02.

different programmes.[18] His main objective was to make a fragmented system more coherent. Achieving this was thought to contribute to the most discernible feature of Clinton-style federalism: making intergovernmental service delivery more efficient and effective for government's customer.

Scholars have discussed many explanations for the different development of continental European states and US American welfare systems.[19] The most widely discussed include the genuine distrust in centralised government in the US which is not seen in continental Europe. Amenta and Skocpol argue that the racial, ethnic, and religious diversity of the United States has prevented the emergence of a comprehensive welfare state (Amenta & Skocpol 1989, p. 292ff). Another explanation is the country's high degree of political decentralisation impedes the emergence of strong central political institutions. Combined with a high degree of diversity, the tradition of decentralisation creates cleavages in American society that effectively prevent the emergence of a strong, centralised, and comprehensive welfare state (Karger & Stoesz 1998, p. 439). In addition to the separation of powers another barrier to governmental initiatives in welfare policy was seen in the perception of the cause of poverty. "Most people holding positions of power maintained that poverty was a self-inflicted condition that could only be overcome through self-dedication and hard work. Government involvement not only would be of no use, but also would symbolize the government's sanctioning of laziness and sloth" (Lomax Cook & Barrett 1992, p. 8).

When looking at the EU-level instead of the individual Member States' level, the differences to the US system are somewhat less drastic. When looking at the two instruments, the WIA and the Structural Funds, one can find a number of similarities with view to governing principles. First of all, they share a fundamental characteristic, namely that they are both categorical grants or conditional transfers as opposed to block grants or unconditional financial transfers. This is particularly remarkable because in both systems, the US as well as the EU, a transfer to an unconditional grant has been discussed.

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18 The National Performance Review noted that e.g. there were more than 140 Federal programs assisting children and their families, while funding is administered by ten Federal departments and two independent agencies. National Performance Review (1993) p. 50.

19 For a rich study presenting a wide variety of explanations for the differences between the European and American type of welfare state, see Orloff 1988. For a comparison of different theories explaining the American and European-type welfare system, see: Fox Piven & Cloward (1993), in particular pp. 407 ff.

Of course, the WIA and Structural Funds also differ considerably. This paper, however, will not concentrate on the differences but will analyse the implementation of similar principles. However, one major difference should be mentioned. Whereas the Structural Funds aim at the economic developments or regions, including but not being limited to employment policy, the WIA is only geared to contribute to workforce development. The Structural Funds have thus a much broader scope.

3. Common Principles and Institutions of the EU Structural Funds and the US Workforce Investment Act

In spite of these deeply rooted differences, the respective financial instruments to pursue active labour market policy or workforce development are based on similar sets of principles. In spite of a number of differences in terms of their material scope, both the US Workforce Investment Act (WIA) and the EU Structural Funds are implemented on the basis of similar governing principles, namely:

- the planning principle
- the partnership principle
- the monitoring principles

The following will compare the implementation of these principles in the different contexts. The aim of this comparison is to identify aspects which allow for mutual learning.

3.1. The Programming or Planning Principle

Both the WIA and the Structural Funds require the states and regions to draft strategy plan indicating their political priorities and how they are intending to allocate the funds. This principle as such is nothing unique to WIA or the Structural Funds. A number of other instruments in the EU and in the US share that feature. However, the planning or programming requirements as set out in the WIA and Structural Funds share a number of specific rules which are not found in other instruments.

Both instruments require that the states in coooperation with the sub-state level draw up a multi-annual strategy which bind the respective state to a certain degree. In the case of the EU, it is currently a seven year plan; for the US it is a plan stretching over a period of five years[20]. Both systems stipulate that the plan should not only be limited to the use of the funds, but they should develop an integrated state wide strategy. For the EU, it is a regional development strategy (including human resource development). For the US it is a workforce investment system.[21] Both systems follow an integrated approach. While the EU requires its Member States to make integrated use of all four Structural Funds, the WIA plan should not be limited to one of the mandatory programmes but should rather be a unified state plans which covers all mandatory programmes of the WIA[22]. These plans have to include an ex-ante evaluation or a needs analysis. In both systems the plans should outline in detail the method used to develop the strategy, the representation of regional and local authorities in the various committees, as well as the system of checks and balances.

These are the common characteristics of the planning principles. However, a closer look reveals a number of differences in the implementation of the principle. The differences result from the fact that the Structural Funds are much more rule driven than the WIA. In particular the Structural Funds plans need to go into much greater detail than the WIA plan. For instance, the Structural Funds regulations outline in much greater detail, how the development plan should be drafted, who should be consulted and which aspects such as e.g. the environmental or gender dimension should be taken into account when drafting the plan. The WIA leaves quite some flexibility to the state and local authorities as to the procedure to follow in drafting the plan. It only clearly stipulates that it has to be approved by the State legislature.

Once drafted and submitted to the European Commission, the Structural Funds plans have to be formally adopted by the Commission. The WIA state plans are considered to be accepted if the Secretary of Labour does not react within a given period of time.

Similarly, the implementation of the plans differs considerably. The WIA gives states the authority to modify their plans based on unanticipated circumstances. States could e.g. submit a modification if there are substantial changes in state law or the state-wide strategy on workforce development. WIA allows for changes in allocation of funds to sub-state level. In

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20 WIA is currently is currently in the process of being revised. One of the elements suggested for reform was the length of the multi-annual process. It was suggested to reduce the period from five to two years.

21 The House bill and Senate amendment initially required the states to submit a 3-year plan only. However, in conference the time period was extended to five years in order to ensure longer term stability of the system.

the case of the Structural Funds, changing the programme or the financial table included in the programme is a very time consuming and cumbersome procedure. Moreover, changes are only possible to a limited extend. It is not possible to change the nature of the programme.

Although these strict rules on the implementation of the Structural Funds have often been blamed as not allowing the funds to react to changes, this idleness is also advantageous. It does not allow Structural Funds to become a variable in the equation of politics. Political groups cannot use the instruments for their short term interest. In the US, implementation of the WIA is much more politicised. After state elections implementation slows down because the plans are first modified. Sometimes a considerable number of staff members are even exchanged.

3.2. Partnership Principle

Both WIA and the Structural Funds attach considerable importance to the partnership principle. Partnership is the "hallmark" of the new workforce investment system (U.S. Department of Labor 1998, p. 12) It implies the involvement of all levels of policy making, i.e. regional, state and federal. In addition, partnership includes also other than public actors in the planning and implementation of the instruments. These actors could be representatives of economic partners and from civil society. WIA explicitly calls upon the public authorities to involve agencies and entities that previously have not been a part of the workforce development system.

In both instruments, partnership is institutionalised through the various committees (workforce investment boards or Structural Funds monitoring committees). The duties of these committees include to develop a strategy, the fund allocation formulas, performance measures, and approve the annual report.

As regards the structure and membership of these committees, both instruments stipulate the type of members who should participate. Neither the WIA nor the Structural Funds prescribe a maximum number of members. Therefore, the authorities are free to select representatives from other NGOs or society groups to be represented at the committees.

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[22] WIA includes 17 mandatory programmes administered at the federal level. U.S. General Accounting Office 2001.

When looking at the composition of the committees, the differences between the US and the EU system become apparent again. For WIA, membership of representatives from the business community was considered to be crucial. Consequently the private sector plays an important role in the board's work. Private sector representatives do not only chair the boards, but they should also make up the majority of board members.[23] In the EU, private sector involvement has not been given such a prominent role. Moreover, unlike in WIA, the private sector is involved via its collective representations and not through individual companies. As regards the membership of representatives of other groups of civil society, the WIA is less specific than the Structural Funds. It basically leaves the decision to include them to the Governor when it concerns the State board and to local elected officials when it concerns local boards. Empirical studies show that involvement of civil society groups such as women organisations or trade unions is hardly ever the case at state or local level. Trade unions are only involved in committees at federal level.

Another major difference in implementing partnership in the EU and the US is the fact that the US system institutionalises partnership exclusively in a horizontal way. The actors of one level are included in the board. There are, however, no provisions to institutionalise a vertical approach to partnership by linking local, state and federal level. The EU structure is different. It does not only establish institutions to implement partnership at one level but it also brings together the actors of the various levels of policy making in one committee.

However, in spite of the differences in interpreting the partnership principle, both instruments share the same problem when it comes to bring the partnership principle alive. As Teegarden and Baran (2000, p. 11) underline, effective involvement of any representative is not only dependent on the membership. In order to commit a wide variety of actors to the committee's work, the committee must have the power to take decisions relevant to the implementation. Both system struggle with the problem that the lower level committees (i.e. local boards in the case of the US and OP-monitoring committees in the EU) have rather limited decision making powers. Therefore, in reality participation in the committees is much more limited than it looks on paper.

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[23] It is even further specified that business representatives have to be owners, CEOs or COOs, or other executives with policy and hiring authority. They do not have to come from a collective business representation. Duran 1999, p.1

3.3. Monitoring, Effectiveness, and Accountability

The third major feature which can be found both in WIA and in the Structural Funds is the increasing focus on monitoring, effectiveness and efficiency. For the Structural Funds, the monitoring principle was introduced in 1988. In subsequent reforms the implementation of the principle has become much more sophisticated and demanding on the Member States in terms of data collection. As for the US, in the tradition of the Government Performance and Results Act and in the light of the criticism that results and impact of the Job Training Partnership Act (JTPA) were very difficult to assess due to the lack of data, WIA also extended data collection and reporting requirements considerably.

For both instruments, the federal levels has adopted a list of core performance indicators such as entry into unsubsidised employment, retention of employment six months after placement, etc. These core indicators are complemented by quantitative performance targets set out in the plans. They are negotiated for èach state and region with the Secretary of Labour and the European Commission respectively. A sophisticated and elaborated reporting system is geared to ensure regular verification as to achieving the targets. Thus both the EU as well as the US increasingly rely on targets and quantified data.

However, the EU and the US system differ considerably when it comes to not reaching these targets. WIA does stipulate sanction possibilities when a state or local community fails to achieve performance targets. After the first year of failing to meet the targets, a state can ask the Department of Labour for technical assistance. When a state continues not to achieve the targets for a second consecutive year, it will face a reduction in funding to up to 5%. But the WIA does not only include sanctions but also incentives to exceed the agreed targets. When a state or the local area exceeds its targets it will receive additional funding. Such a system of carrots and sticks is not exactly know in the Structural Funds. With its Agenda 2000 proposals the Commission initially aimed at introducing such an incentive-sanction system. The Member States however refused that. The current system relies on a weaker version of what the Commission had initially thought. The so-called performance reserve does not allocate funds across the (best performing) Member States but within the states. Moreover, the Member States themselves and not the European Commission decide about the allocation of the performance reserve.

In addition to the fact of being less strict than the WIA sanction system, the Structural Funds performance reserve also uses a different set of indicators assessing the performance. The US system focuses on results. Administrative capacity or good governance as an objective in its own are not subject to the evaluation and the sanction system. The sanction system is exclusively linked to achieving the targets. In the case of the Structural Funds, the Commission's main task during implementation is not to verify whether targets have been met; that is up to the mid-term and ex-post evaluation. The Commission's main task is to verify whether the procedures set out in the various regulations have been followed. The performance reserve does not only take into account achieving targets but also aspects of good governance. Good governance and accountability is one of the objectives of the Structural Funds. For instance, the last reform of the Structural Funds have introduced a number of procedural requirements for the Member States and the regions concerned. These rules outline in detail the administrative structure which should be established in order to implement the fund.

So far, we could observe that the Structural Funds are much more rule driven than the WIA. The Structural Funds regulations included much more detailed rules on the programming, the partnership and monitoring principles. However, this changes when it comes to the offering the service to clients. Here WIA is much stricter than the Structural Funds. It sets out detail rules what service job seekers should be offered, which type of training they should receive. WIA made it also mandatory to offer all services via a so-called one-stop-centre[24]. The Structural Funds are far from being this specific at this level of implementation. Everything that relates to the final beneficiary of the funds is decided by the Member States and regions concerned.

4. Conclusions

This paper assumed that the EU and the US employment policy are embedded in different worlds of welfare. This resulted for instance in different understanding of active labour policy, in different institutions and assumptions about the role of the state. Against the background of these different reference frames for employment policy, the paper analysed the meaning of the core principles programming, partnership and monitoring in the EU Structural Funds and in the US Workforce Investment Act. When aiming at lesson drawing, these

[24] A similar degree of detailed rules at the level of service delivery exist also in another major welfare programme, the Temporary Aid to Needy Families (TANF). Strawn et al. (2001) have criticised such a system as unworkable.

fundamental differences define the potential for mutual learning processes. As the paper has confirmed, even if some working principles are the same, their translation into the system differs partly considerably. These systems need first to be decoded before lessons can be drawn. The conclusion aim to identify some of the codes which influenced the implementation of the principles.

The first observation which is noteworthy is the very fact that both instruments indeed show this degree of similarity. Given the different worlds of welfare and against the theoretical background of neo-institutional assumption of path dependency, this high degree of similarity in itself is already surprising. However, it suggests that the different notions of employment policy are less influential than the concept of path dependency would suggest when it comes to establishing working principles of a policy instrument. It can rather be assumed that programming, partnership and monitoring do not belong to the reference employment. In that they do not primarily reflect a certain approach to employment policy but they rather reflect an understanding about core principles of a modern administration. From the fact that the EU and the US use similar core principles we can draw the (preliminary) conclusion that the US and the EU are not so far apart in their understanding of modern administration.

However, when it comes to implementing these general principles, the differences in the reference frame of employment policy in the EU and the US seem much more influential. Overall, the finding suggest that the EU instrument relies much stronger on rules- and procedure-setting than the US employment instrument. With WIA the US states enjoy much greater flexibility and discretion in implementing the instrument than the EU Member States with the Structural Funds. Two mutually reinforcing explanations should be discussed in the following.

First, in the US, acceptance of federal level intervention (in all policies not just in employment) decreased considerably since the Reagan administration. The EU in contrast has seen such a questioning of its legitimate role only in the very recent past. Until the years mid-end 90s and based on the overall permissive consensus of the Member States' citizens towards the EU, the EU gradually extended its scope and the role of its institutions in policy making.

A second explanation for these differences in implementing similar principles relates to a tendency which could not be observed in the US. Namely the mutual distrust of Member States about the correct use of the funds. This distrust is not to be confused with the bargaining over the allocation of funds which exists as well in the US. The EU level, and the Commission in particular has been seen as a broker when it comes to define binding procedures. Although Member States complain about the rigidity and complexity of the procedures, Commission's rule enjoys overall legitimacy[25]. The US federal government does not enjoy this type of legitimacy in setting procedural or institutional rules.

This leads to a different notion of accountability of public authority in the EU and the US. Whereas in the EU, accountability of a system is to a large extend based on the degree of adherence to procedures and rules. Achieving targets seems to ensure a lower degree of accountability[26]. In the US on the other hand, accountability of a system seems highly dependent on achieving results. Setting binding procedural and institutional rules, seems however to be legitimate when it can be linked to improving the results achieved by the system. As has been seen, WIA does include detailed rules when it comes to defining the services offered to clients.

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25 Also for the next reform of the Structural Funds in 2005/2006 it is highly unlikely that it will result in an EU-type of block grant. The fact that the Structural Funds are a categorical grant is in general, unlike in the US, not questioned in the EU.

26 In its second progress report on economic and social cohesion the European Commission did discuss the option to change towards a result oriented planning. However, so far, most Member States have reacted critically towards this proposal.

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