European University Institute

Max Weber Programme

EUI Working Papers

MWP 2007/10

Soft Europeanisation?
How the Soft Pressure from Above Affects the Bottom (*Differently*):

The Belgian, Spanish and Swedish Experiences

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ISSN 1830-7728

Printed in Italy
European University Institute
Badia Fiesolana
I – 50014 San Domenico di Fiesole (FI)
Italy

http://www.eui.eu/
http://cadmus.eui.eu/

Abstract

The aim of this paper is to capture and explain the differential influences of non-binding agreements (i.e., soft law) launched by the European Union. More specifically, this piece proposes a theoretical framework to understand why and how the European Employment Strategy has affected domestic settings in Belgium, Spain, and Sweden in similar and different ways. To answer this question, I develop a theoretical toolbox to guide researchers who study and analyze policy areas ruled by non-binding agreements. More specifically, to develop my arguments, I focus on four types of internalization: 1) legal, 2) political, 3) intra-governmental, and 4) governmental-societal. The paper seeks to contribute to the literatures on Europeanisation and 'second image reversed' by developing theoretical propositions about the domestic factors that facilitate and hinder the internalization of supranational non-binding regulations on EU Member States. In addition, the paper seeks to make a contribution to the literature on welfare states in advanced industrial states as I argue that contemporary accounts of European welfare state reform ought to consider the articulation of rules outside the realm of nation-states, specifically those launched by the supranational level, given that these soft mandates have the capacity to subtly transform domestic policies and institutions.

Keywords

Belgium, implementation, employment policy, Europeanisation, multilevel governance, new modes of governance, open method of coordination, soft law, Spain, Sweden.

Soft Europeanisation?
How the Soft Pressure from Above Affects the Bottom (Differently):
The Belgian, Spanish and Swedish Experiences

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INTRODUCTION

The European Union (EU) has relied heavily on the Open Method of Coordination (OMC) in its effort to fight its labour market and social problems. Given the accelerating development of such non-binding regulations and our limited understanding of these arrangements, this paper presents a set of findings and theoretical propositions about how the European Employment Strategy (EES) has affected Member States.[1] The aim of the research on which this paper is based is to capture and explain the differential influences of the EES on Belgium, Spain, and Sweden.[2]

[1] The findings presented in this paper come from a dissertation project that explores the influence of the European Employment Strategy in Belgium, Spain, and Sweden. From June 2002 until December 2003, I conducted more than sixty in-depth semi-structured interviews with elites, policy-makers, experts, and members of trade unions and employers' organizations at the supranational level, and at the national and sub-national level in Spain, Belgium, and Sweden. For more details, see "Soft Europeanisation? The Differential Influence of European Soft Law on Employment Policies, Processes, and Institutional Configurations in EU Member States" (dissertation presented at the University of Michigan, Department of Political Science, April 2006).

[2] The case choice is not random, but is inspired by the logic behind a 'most different systems design' methodology. This choice is grounded on the empirical findings of the literature on implementation of hard law measures. This body of work points out that the 'fit between EU measures and domestic institutions matter' when explaining compliance with EU hard law. Thus, for this comparative research project, I have taken the former empirical finding as baseline, and I chose three countries with different levels of 'misfit' (high, medium and low) and with different types of labour market institutions (welfare regimes). Moreover, I wanted to look at a Southern case, a Continental case, and a Scandinavian case to analyze whether the European Employment Strategy affects member States differently (or not), given their domestic institutions. Each of these countries represents one of these 'values'—one with high levels of misfit and a Southern welfare regime (Spain), one with medium levels of misfit and a Continental welfare regime (Belgium), and finally one with low levels of misfit and a Scandinavian welfare regime (Sweden).

Thus, the paper does not provide extensive data on any particular case; rather it presents the main conclusions of this cross-national project.[3] In addition, the first part of the paper develops a theoretical toolbox to help researchers to study and analyze the putatively differential effects of soft law (i.e., non binding regulations) on domestic settings. Finally, the theoretical propositions drawn from the aforementioned three cases and here presented serve as a basis to be further tested in other Member States of the EU and other regimes (e.g., supranational, international, federal) ruled by non-binding regulations.

The paper proceeds as follows. The following section briefly introduces the Open Method of Coordination and the issue of 'Soft Europeanisation.' The third part develops a 'toolbox' to frame the influence of soft law instruments on Member States as it discusses a conceptualization of the dependent variable of this study- the internalisation of the EES. The fourth section presents the main findings of the case studies, while the fifth section mainly focuses on the differential influence of the EES on Member States. This section, in addition, puts forward the main variables and hypotheses for understanding why the EES has affected some countries more than others. Finally, I conclude with the implications of the EES on Member States and a discussion of its efficacy as a governance instrument.

A NEW FOCUS: 'SOFT EUROPEANISATION'

As the EU has gained strength, the issue of the effect of the supranational level on component states has become increasingly important to European leaders and ordinary citizens. Students of the effect of the EU on Member States, or *Europeanisation*,[4] developed this 'top-down' perspective by arguing that European integration and the development of a supranational entity, especially the establishment of a credible body of law and a supreme European Court of Justice (ECJ), has transformed domestic structures (Stone Sweet 1999). Similarly, the literature on 'multilevel governance' focuses on how the development and solidification of the European integration project challenges the central role of national governments and institutions, regional policies, and domestic patterns of territorial interaction (Ferrera 2006).[5]

The launching of OMC leads us to question and expand current explanations about 'when, how, why and to what degree' the EU and the process of integration affect Member States given that it is grounded in a different set of assumptions about 'how

[3] The project employed an in-depth comparative case study design. This approach is used to identify and explain general patterns, cross-national similarities and variations. From June of 2002 until December 2003, I conducted more than sixty in-depth semi-structured interviews with civil servants, policymakers, members of trade unions and employers' organizations, and experts on the topic. These interviews were conducted in the EU, and in Spain, Belgium and Sweden at the national levels. At the EU level I interviewed experts and civil servants in the European Commission and attachés from the national Permanent Representations. In addition, I interviewed civil servants and policymakers at the sub-national level, specifically in Madrid and the Flemish region of Brussels.

[4] Until the late 1990s, most studies of the EU used a 'bottom-up' approach that focused on the construction of a European supranational economic and political entity. Scholars studying these topics concentrated on the transfer of competencies from the national to the supranational level, and institution building and decision-making in Brussels. The term Europeanisation has been used by scholars in several ways. For a discussion, refer to Featherstone and Radaelli (2004). In addition see, for example, Cowles, Caporaso, and Risse (2001); Héritier *et al.* (2001); Börzel (2002a); Falkner *et al*. (2005); Mastenbroeck (2005).

[5] See, e.g., Sbragia (1992); Marks, Hooghe, and Blanck (1996); Keating and Loughlin (1997); Benz and Eberlein (1999); Loughlin (2000); Schobben (2000); Goldstmith (2003); Hooghe and Marks (2003).

and why' the EU influences domestic structures. OMC is a new model of governance in which states are not obliged to change their national legislation, and ratification and implementation of European mandates is entirely voluntary. Moreover, the EU (as a supranational body) cannot legally threaten or punish a Member State that does not implement European guidelines and recommendations. Under soft law, the EU's role as an enforcer is significantly weaker because it is not able to deploy the coercive mechanisms available under hard law. For example, the European Court of Justice is absent from these scenarios.

Based on the soft elements of OMC, sceptics have questioned the adequacy of non-binding rules to influence domestic settings.[6] For example, Wolfgang Streeck (1995) has criticized new forms of '(neo)-voluntarism' on social policy by warning that states will tend to forget their obligation to the higher level and/or exit from common standards, thus giving precedence to national practices.[7] In the same vein, some have asserted that it is unclear whether Member States implement these soft rules, as it is relatively easy for them to cheat on their EU obligations and label existing domestic policies as new courses of action to comply with the guidelines (Radaelli 2003a; Scharpf 2003). Besides, some have criticized OMC by arguing that its soft nature threatens the 'Community Method' and the persistence of binding law in the EU and could impair the legitimacy of the supranational integration project (Goetschy 2003; Trubek and Trubek 2005).[8]

In contrast, others are more optimistic about the creation and use of this governance instrument for coordinating labour market policy and reforms in Member States. For instance, Zeitlin (2005) argues that OMC could be effective because it allows Member States to pool information, compare themselves to one another, and to reassess their performance in the light of recent developments. Furthermore, through shaming, diffusion through imitation and discourse, networking, deliberation, and learning, OMC might change domestic settings (Zeitlin and Trubek 2003; Borrás and Jacobsson 2004; Jacobsson and Vifell 2005a 2005b; Trubek and Trubek 2005; Zeitlin 2005; Linos 2006).[9] Others have seen OMC as a new type of governance instrument that could enhance democratic participation and accountability, by opening up policymaking and decision-making processes to non-governmental actors and sub-national entities (Sabel and Zeitlin 2003; Cohen and Sabel 2003; Zeitlin 2005). This growing literature on OMC, which tends to conclude that soft law is a promising tool for improving governance, has mainly focused on its formative elements, rather than on assessing and comparing cross-national domestic experiences of implementation with empirical data- the main issue that drives this research project. However, before presenting the main findings of this cross-national project, the following sections develop a theoretical 'toolbox' to understand the cross-national influences of the EES on Member States. This discussion is helpful as it provides a set of concepts to frame and understand the potential impact of non-binding rules.

[6] For a critique of soft law, refer to Klabbers (1998).

[7] When developing this argument, Streeck (1995) focuses on the low capacity of the supranational level to impose obligation on market participants. Also, refer to Leibfried and Pierson (1995) and Falkner *et al.* (2005: 348).

[8] For an account of such views, refer to Zeitlin (2005).

[9] In addition, for an analysis of the OMC refer to Foden and Magnusson (203) and the *Journal of European Public Policy* (2004) 11 (2).

FRAMING THE DEPENDENT VARIABLE: INTERNALISATION

Scholars evaluating the effect of transnational legal processes and of Europeanisation face multiple questions about how to capture, measure, and interpret implementation.[10] The questions include: What constitutes implementation? How do we recognize and capture implementation when we see it? How can we establish to what degree regional and international mandates matter at the domestic level?[11] These questions are particularly difficult in the study of soft law given that the prerequisites for implementation and reform under hard law, i.e. ratification, transposition, and/or involvement of national parliaments are not necessarily present. Given these obstacles to the study of the influence of non-binding regulations, this section presents a toolbox to frame this type of complex scenario.

In addition, since this research project focuses on the policy area of labour market policy, it is important to point out that the issue of interpreting implementation of international standards as a single master variable is also especially significant to scholars addressing contemporary changes in welfare states and labour market policies.[12] When studying these scenarios and capturing contemporary dynamics, researchers struggle with existing models and concepts of welfare reform since they argue that current developments do not mirror processes of welfare creation (Pierson 1994 2001; Streeck and Thelen 2005; Hall and Thelen 2006).[13] Another relevant issue outlined by the literature on recent changes in labour market policies, as well as by the literature on domestic transformations mandated by international regulatory regimes, is the temporal dimension of reform (lengthy and complex process) (Chayes and Chayes 1995; Brown Weiss and Jacobson 2000). In this way, it is important to recognize that answering the question of 'what is being affected by the EES at the domestic level?' is

[10] This research project does not focus on *compliance*, but rather on understanding the *differential implementation* of supranational soft mandates (defined as conscious efforts to incorporate supranational rules into domestic settings and practices). At this point, it is relevant to differentiate between *compliance* and *implementation*. Certainly, both actions overlap in many aspects. Yet, for the purpose of this project, I conceptualize *compliance* as the extent in which institutional settings are compatible with a set of rules. In this way, a state can comply with international rules even if it does not make an effort to incorporate these rules into its domestic settings because its policies or institutions are already in line with international rules. *Implementation*, on the other hand, entails conscious efforts to incorporate these soft rules. Implementation goes beyond compliance given that a state can further incorporate a set of guidelines even if it already complies with a target, for example.

[11] For example, Radaelli (2003a) contends that the question of "what is being Europeanized and to what extent" remains a puzzle for many scholars. In addition, for a complete discussion of the difficulties of researching the influence of the OMC, see Büchs (2005).

[12] Pierson (2001:420) argues that scholars have made a mistake by discussing a single master variable and this in turn has created two types of confusion. First, scholars have talked past each other because they are concerned with different dimensions of the phenomenon of welfare change. Second, scholars have developed summary measures that do not capture the complexities of this multifaceted phenomenon.

[13] On their work on contemporary changes on welfare institutions, Streeck and Thelen (2005) assert that contemporary scholarship on welfare reform seem to produce analysis that understates the magnitude and significance of current changes because they mostly focus on abrupt transformations. They argue, "The biases inherent in existing conceptual frameworks are particularly limiting in a time, like ours, when incremental processes of change appear to cause gradual institutional transformations that add up to major historical discontinuities. As various authors have suggested, far-reaching change can be accomplished through the accumulation of small, often seemingly insignificant adjustments" (Streeck and Thelen 2005: 8). These authors contend that not all types of change are a consequence of 'dramatic disruptions,' but that change could be framed as a process of evolution that happens in between stable phases and minor transformations. Similarly, Pierson (2001) underlines that the process of welfare state change is incremental, rather than radical.

as difficult as developing a solid explanation for understanding cross-national differences. In addition, processes of implementation of non-binding regulations do not mirror processes of compliance with hard law.

Given these challenges, I argue that 'Soft Europeanisation' has a variety of consequences at the national level that can include (but are not limited to) policy (re)formulation, learning about desirable policies and potential courses of action, policy changes, and intra-governmental coordination. Considering these points, this research moves away from the traditional category of compliance and focuses on *proces*s as it 'opens and unpacks the black box of policymaking' to capture subtle and consequential transformations in various types of scenarios not necessarily linked to ratification and transposition (López-Santana 2006). To develop further these points, the following section specifies the notion of *internalisation of soft law*.

CONCEPTUALIZING INTERNALISATION

As hinted above, the effects of the EES on domestic settings ought not to be conceptualized as a dichotomous (occurs/does not occur) dependent variable, as there are different shades and modes of internalisation. To specify the different types of consequences of regional mandates on domestic settings, the effects of internalisation should be seen as a continuum that ranges from 'no influence' to 'transformation' of domestic structures. Figure 1 illustrates this continuum.

Figure 1. Potential outcomes

In these scenarios, a possible outcome is a lack of change (Radaelli 2003a: 37). In other words, internalisation does not occur. Thus, soft law has no influence over Member States. Second, soft law could lead to partial internalisation. This means that these non-binding rules are absorbed by domestic settings. In this context, internalisation occurs and domestic settings make accommodations to these non-binding rules, yet key domestic structures and political behaviour are not truly modified.[14] Moreover, accommodation entails a procedural change, not an institutional change. For instance, as a consequence of supranational recommendations a Member State could spend more on active labour market policy (ALMP); still, this shift does not mean that the prevalent model of labour market policy and the role of the government as a provider have changed in this country.

Finally, when full internalisation occurs domestic settings are transformed (Radaelli 2003a). Transformation is different from accommodation in that it entails paradigmatic change; thus, the fundamental logic of domestic structures is transformed as a consequence of internalisation. Thus, it mirrors processes of institutional change. Along the lines of the example presented above, transformation in labour market policy entails a change in the role of the government as a provider for inactive and unemployed populations, in addition to a change in how recipients of welfare are viewed by the government, as either passive recipients of aid or active seekers of employment.

[14] Hall and Thelen (2006) make a similar point when referring to institutional adjustments.

Up to this point, I have referred to the effect of the EES on 'domestic structures;' but, what are exactly these domestic structures? To answer this question we must further specify the notion of 'internalisation' as it refers to a multi-dimensional phenomenon. If one type of internalisation occurs in a Member States this does not mean that other types cannot take place (simultaneously or during different periods), as well. In this project, I refer to several dimensions of internalisation:

1) **Political Internalisation**- If political elites accept an international norm, and adopt it as a matter of government policy, then it could be argued that **political internalisation** has occurred (Koh 1997: 2657). Political internalisation could be understood as a precursor of statutory changes. Thus, assessing political internalisation is a significant component of the analysis of the effect of the EES on domestic settings given that it allows us to understand the potential effect of these rules on the shape and content of policy and legislation.

2) **Legal Internalisation-** It occurs when an international norm is incorporated into the domestic legal system through executive action, judicial interpretation, legislative action, or some combination of the three (Koh 1997: 2657). Although the term internalisation suggests a non-strategic process of absorption of norms, I argue that this phenomenon can involve strategic calculations by domestic actors to further their policy preferences and goals. For example, national governments could 'legally internalize' non-binding instruments in an attempt to further domestic partisanship agendas.

Besides examining the legal and political internalisation of non-binding rules, the project studies the *governance* aspect of the influence of the EES.[15] The findings show that it is crucial to assess this dimension as one of the goals of the EU is to promote collaboration and increase coordination between different types of actors, including ministerial policymakers, members of trade unions and employers' organizations, and civil servants at the sub-national level. Therefore, the implementation of the EES could challenge domestic balances of power and the nature of intra-governmental coordination by affecting collaborative dynamics and procedures. With the goal of conceptualizing these potential developments, this project expands the notion of internalisation to include two supplementary phenomena.

3) **Governmental-Societal Internalisation**- It occurs when governmental and non-governmental actors transform their relationships and/or routines in the process of complying with a reporting requirement and/or of implementing an international norm. This category captures possible transformations on the collaborative relations and coordinating procedures between governmental entities and 'civil society.'

Finally,
4) **Intra-governmental Internalisation-** Refers to whether soft law disrupts or transforms existing relationships and routines between national and sub-national levels of government within a Member State. Intra-Governmental internalisation occurs when

[15] The notion of governance attempts to capture the decreasing role of national governments and the interaction between public, sub-national and nongovernmental actors (e.g., firms, trade unions, and non-governmental organizations). For example, refer to Rhodes (1996), Kohler-Koch and Eising (1999), Loughlin (2000), Schobben (2000), and Héritier (2002).

formal and informal relationships between national and sub-national entities within a Member State are affected or transformed in the process of complying with a reporting requirement and/or of implementing an international norm.

To recap, this project looks at four dimensions of internalisation, specifically *political*, *legal*, *intra-governmental*, and *governmental-societal*. Moreover, as already explained, the effect of soft law is not dichotomous; rather it verges from no effect to transformation. After having explained the main theoretical framework of this project, the following section presents the general findings of the Spanish, Belgian, and Swedish case studies.

GENERAL FINDINGS: COMPARING AND CONTRASTING THEI NTERNALISATION OF THE EUROPEAN EMPLOYMENT STRATEGY

In this section, I underline common and dissimilar trends in the influence of the European Employment Strategy in the three Member States. This discussion provides insights on the nature of soft law as a governance instrument and how it can bring about change in domestic settings. To clarify, in this section I will not address the domestic factors that explain cross-national patterns of internalisation (i.e., differential internalisation) as I directly address these theoretical propositions in section 5. The section is divided into three parts; first I discuss the influence of the strategy on domestic collaborative dynamics and relationships. Section 4.2 presents the cross-national findings for the sub-national dimension, while section 4.3 focuses on the influence on policies and legal frameworks.

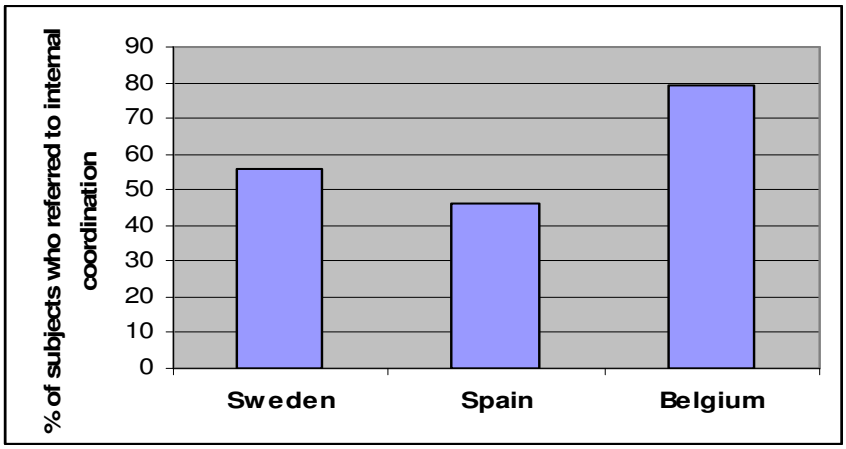
THE INFLUENCE OF THE EUROPEAN EMPLOYMENT STRATEGY: THE COLLABORATIVE DIMENSION

There are uniform trends in the domestication of the EES. First, all member States have observed their procedural obligations to the EU level by actively complying with the reporting task and national ministries have been particularly involved in this activity.[16] More specifically, the national ministries responsible for labour market policy have actively included other important parties, such as other key national ministries, the social partners and sub-national entities, in the creation of National Action Plans. The involvement of these organizations in the reporting process is essential to understand the effect of soft law on Member States as it goes beyond the procedural obligations of Member States. These developments have had important consequences for domestic coordination and, ultimately, policymaking as the task of reporting to the EU level has created new political networks and coordinating channels for national ministries, trade unions and employers' organizations, as well as sub-national entities, to better coordinate labour market policy. For example, policymakers in all three countries referred to the idea that the implementation of the EES has improved domestic patterns

[16] We must differentiate between two different dimensions of obligation: 1) procedural obligations (reporting and participating in forums) and 2) substantive obligations (implementing supranational mandates) (Jacobson and Brown Weiss 2000). In policy areas ruled by soft law, component states have procedural obligations toward higher levels of government or international/regional organizations. Once a state agrees to form part of a soft regime, it must comply with its procedural obligations (e.g., participating in international meetings, reporting). Procedural obligations vary from regime to regime; thus, some non-binding procedures involve more procedural obligations than other types of agreements (e.g., gentlemen's agreements) (Hillgenberg 1999). Nonetheless, under soft law, a state does not have substantive obligations toward these higher levels of government. Therefore, a Member State is not obliged to implement non-binding rules launched by international or regional organizations

coordination. Figure 2 illustrates these findings and differences across Member States. This figure presents the percentage of interviewees who referred to the idea that European soft law helps internal coordination between sub-national levels and national levels, and governmental and non-governmental entities. Note that in Belgium this effect was significantly notable, while in Spain and Sweden it was also the case but to a lesser degree.

Figure 2.Percentage of subjects who referred to the notion of internal coordination[17]



One of the most important consequences of the reporting process was the creation of an 'organizational labour market regime' that resembles an 'epistemic community' (Haas 1992).[18] In Spain, Belgium and Sweden, interviewees recognized that following the introduction of the EES they have been able to have frequent and common policy discussions with their peers and with other actors that normally would not participate in their policymaking spaces. For instance, the EES have created new arenas for the social partners to collaborate with each other, with the government, and with their colleagues from other Member States.

After the introduction of the EES trade unions and employers' organizations have actively shared information with each other and with the government. In this process, new arenas for gathering and exchanging information and political networks were created. In addition, national governments consulted the social partners about the domestic national plans and policies. These developments are significant as they

[17] There are some points that should be clarified about the analysis. First, the interviews conducted at the EU were not included in this analysis. The reasoning behind this choice is that policymakers at the supranational level only speculated about the influence of the EES at the national level, because they do not participate in the process of policymaking at the national level. Second, the goal of this analysis is to illustrate the trends discerned with the interviews by showing aggregate descriptive figures. I did not test these data for statistical significance because this is a small sample that was not randomly selected. The samples were chosen similarly across sites, as I mainly conducted interviews with experts and elites who have been involved in the implementation of the EES at the domestic level.

[18] For example, Streeck and Thelen (2005:12) define 'regime' as a set of rules stipulating right behaviour and ruling out practices that are undesirable. Given the findings of this cross-national research project, I assert that the EES definitively resembles an EU labour market regime as it dictates a set of 'good' and 'bad' policies, and consequently, this has affected how domestic policymakers think about domestic labour market policies. For more information, refer to López-Santana (2006).

suggest that, in some respects, more horizontal and vertical coordination improves the capacity of employment policy-making (Jacobsson and Vifell 2005b).
At the supranational level, non-governmental actors have participated in the process given that the EU Commission has had regular contacts with a variety of civil society actors (Jacobsson and Vifell 2005a). Nonetheless, at the domestic level other groups within civil society, namely non-governmental organizations, have not been particularly involved in the process of implementation mostly because national governments failed to invite them in. In this way, national governments have resisted the desire of the Commission to make these processes more open. These findings are theoretically significant as they help us disregard alternative explanations of Europeanisation which highlight societal activism and active opposition as important factors to understand different rates of compliance (Falkner *et al.* 2005: 21).[19]

Table 1 illustrates cross-national differences on *governmental-societal internalisation*. The reader must note that in all three countries the implementation of the EES has not led to the transformation of governmental-societal relations, rather social partners and the national ministries have absorbed these practices by accommodating their routines to comply with their procedural obligations. As illustrated in the following cases, the absorption of soft law (vis-à-vis transformation) has been common across types of internalisation.

Table 1. Differential internalisation: governmental-societal

COUNTRIES	OUTCOME OF INTERNALISATION	NATURE OF SOCIETAL INVOLVEMENT
Sweden	Accommodation	Social partners: consulation and bargaining during the whole process
Spain	Accommodation	Social partners: consultation after the NAP was created
Belgium	Accommodation	Social partners: active consultation and bargaining at the national and the supranational levels

As already mentioned, the effects of these events are not limited to the procedural side of policymaking, but also to the beliefs and understandings of key policymakers. One such manifestation is the idea that policymakers see employment as part of a bigger 'jigsaw puzzle' connected to other policy areas, such as fiscal, inclusion, and housing

[19] Falkner *et al*. (2005:303) emphasize that no real knowledge has been acquired of the "*direction* of the effect exerted by interest group involvement." They point out that some authors have argued that interest groups might advance compliance by exerting pressure on governments. However, others have stressed the blocking power of these groups (Héritier *et al.* 2001). I argue that in the case of 'Soft Europeanisation' the involvement of societal actors does not help us understand differential patterns of internalisation given that these actors have not been very active.

policies. By having a better understanding of how a policy area relates to another (a 'unity vision' as an interviewee called it) policymakers are able to better strategize when formulating and creating policy.

The 'collaborative influence' of the strategy was especially marked on intra-governmental relations. The implementation of the strategy has increased *de facto* domestic coordination between national and sub-national levels. For instance, national ministries have been able to put on the table domestic global (holistic) and integrated labour market policy plans for sub-national entities to follow; whereas sub-national entities have created their own regional or sub-national plans within the boundaries of the national plan and the EU strategy. These effects of the EES are important, especially in decentralized and federal systems, because they allow national levels of government to draft inclusive policy plans on how to tackle common labour market problems across levels of government. In addition, the exercise allows for collaboration and coordination between levels of government.

Throughout this process of coordination national governments have actively monitored the performance of sub-national entities. In the same manner, sub-national levels have showcased their policies by reporting to the national level. For instance, in Spain, by exchanging data, both the national and the sub-national levels of government were able to detect policy duplications which allowed for a more efficient use of financial resources. Along the same lines, in Belgium, sub-national entities have created Regional Action Plans which allowed the federal government to be informed about the policies created by the regions. In this way, more coordination between national and sub-national levels has helped to overcome collective action problems and coordination dilemmas caused by information gaps.

As explained above, all three Member States have experienced intra-governmental internalisation, specifically they have adapted (accommodation) their domestic procedures and collaborative routines to implement the strategy. This means that the formal nature of intra-governmental relations has not been transformed because *de jure* institutions remain the same after the introduction of the EES.

The nature of the influence on intra-governmental relations has been different in these three Member States (see Appendix 1). When we compare cross-national trends on how sub-national levels have been involved in this process, Sweden is placed in the lower end, whereas Belgium is placed on the higher end, and Spain is placed in the middle. Since this is a relative evaluation of the effect (one country against another), this does not mean that in absolute terms a Member State has not made significant qualitative adaptations. For example, in Sweden, the fact that sub-national levels have reported to the national level in the process of implementing the strategy is a significant development given that in this country the national government has dominated the policy area of labour market policy. Table 2 illustrates these cross-national differences in *intra-governmental internalisation*.

Table 2. Differential internalisation: intra-governmental

COUNTRIES	OUTCOME OF INTERNALISATION	NATURE OF THE SUB-NATIONAL INVOLVEMENT
Sweden	Accommodation	Reported
Spain	Accommodation	Consulted
Belgium	Accommodation	Bargained

SUB-NATIONAL COORDINATION

In addition to promoting better national-sub-national coordination, the policy principles of the EES guided the creation of 'bottom-up' programs and sub-national partnership structures. In all three countries, sub-national entities engaged in the creation of local or regional employment programs to implement the goals of the EES (see Appendix 1). Furthermore, EU soft standards opened new regional spaces for collaboration between sub-national public and private actors (e.g., social pacts) and affected the general content of regional employment policy. For instance, in Sweden, the Regional Association of Sörmland has been working on communicating and integrating the national employment programs and the objectives of the Lisbon strategy at the regional and the municipal levels. In addition, several Swedish municipalities participated in a project to create 'Local Action Plans.' The same has been true in Spain (e.g., Proyecto Pleyades) and Belgium (Territorial Action Plans). Thus, the EES serves as an instrument to guide sub-national levels to claim their spaces as important actors in local policymaking and decision-making.

'Bottom-up' initiatives are still weak as the process has filtered to lower levels from the 'top-down' and many local entities do not have much knowledge about the strategy. For example, a policymaker at the EU level said,

> Our assessment is that there is a lack of information. Employment policy is established at the national level and coordinated at the EU level, but jobs are created locally. So we do have the feeling that there is an insufficient involvement of local and regional actors in employment strategy. In terms of being informed on how policies are established, and how they are meant to be implemented at the national and EU level, there we feel that they are under informed. Although (again) that depends very much on the Member State (Interview, European Union, December 2003).

Even if these initiatives have not been common across Member States, the data indicate that we should not underestimate these new local and regional spaces as they have promoted collaboration, the creation of partnerships and networks, and the diffusion of innovations at the sub-national levels.

A key finding is that the development of sub-national partnerships was made possible by the availability of European financial and technical resources.[20] Most

[20] This finding should not be surprising to students of federalism. For example, in his book 'The Price of Federalism' Peterson (1995:13) argues that in the United States "most national efforts to influence state

importantly, I found that we cannot understand the links between soft law and 'bottom up' developments in EU Member States if we do not take into account the important role of the European Structural Fund and the Commission in promoting sub-national partnerships. For example, by 2002 the Commission funded 33 projects to 'act locally for employment' (Jacobsson and Vifell 2005b).

I argue that horizontal coordination at the sub-national level is mainly driven by the availability of regional resources. Furthermore, once these resources are granted, soft law guides the content of policy and partnerships at the sub-national level. Therefore, the availability of regional resources serves as an incentive for sub-national levels within Member States to implement non-binding rules. These findings are consistent with arguments about regional policy (the ESF is an important part of this EU policy) being the leading edge of multilevel governance and devolution (Mark 1993; Jones and Keating 1995; Conzelmann 1998).

In addition, the data indicate that the likelihood of soft law being diffused to lower levels increases when the links between the ESF resources are directly linked to the EES process (Hartwig 2004). This is most likely, I assert, because the national levels and the European level are working together to connect the ESF and the principles of the EES (and other soft methods). For instance, in Spain, the interviewees at the Community of Madrid did not feel particularly empowered by the EES, but by the ESF. An explanation for this phenomenon is that the Spanish national level and the EU poorly connected these processes. In contrast, in the case of Belgium, through the 'European Social Fund-National Action Plan Assessment Cell' the federal level and the EU, in conjunction with the federated entities, have invested in resources and put effort into clarifying, connecting, and implementing the links between both processes for the Belgian regions. When talking about the practical implications of these findings, I argue that higher levels of government must push these connections because they do not flourish spontaneously in Member States.

Why are these findings relevant? First, they imply that in order to increase the likelihood of soft law promoting sub-national coordination technical and financial resources should accompany the implementation of this instrument. Consequently, policies would be more integrated into multilevel governance structures when there are resources available to sustain sub-national participation and coordination. Second, disregarding the ESF would lead to incorrect arguments about causality because we would overestimate the independent effect of soft law at the sub-national level. These findings are pertinent as they show that the degree of non-bindingness is not a crucial factor in understanding differences in the development of multilevel governance structures in Member States.

In sum, in the process of implementing the EES, the availability of supranational information and resources strengthened the logic of 'bottom-up' devolution, governance, and multilevel governance across Member States because lower levels of governments may use these financial or technical resources to: 1) innovate their settings and better manage their problems; 2) develop partnerships; and 3) claim their roles as key actors in decision-making and policymaking, as well as implementers and managers. These findings indicate that soft European Employment policy strengthens

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governments come in the form of federal grants." In addition, this literature points out that grant-in-aid of transfers to states and localities served as a way to 'buy' states' governments, and to move the United States from a model of 'dual federalism' to a 'cooperative' model. See, Rosenthal and Hoefler (1989); Kincaid (1990); Hueghlin and Fenna (2006:231).

current trends of devolution (i.e., 'the New Regionalism'), which are characterized by the provision of human capital at the sub-national level (Keating 1998a). Yet it does not entail the weakening of national governments, but rather the ability of sub-national entities to be key actors and exert influence in decision-making and policymaking.

THE POLICY AND LEGAL DIMENSIONS

To capture the influence of the EES on different domestic scenarios, this research project explores the arenas and stages that precede parliamentary activities and statutory changes. More specifically, by 'opening the black box of policymaking' I focus on whether the EES affects the preferences and behaviour of key policymakers and civil servants (i.e., political internalisation). Using this framework as a stepping stone, I argue that EU non-binding rules have had important consequences on early stages of the policymaking process, particularly problem identification, agenda setting, and policy formulation. Reporting to the supranational level and implementing the EU strategy has had important unintended consequences on Member States given that these processes have shaped labour market policies and employment policies by defining (and reinforcing) what problems domestic policymakers should attack to increase productivity and competitiveness.[21] In addition, the EES softly enforces and reinforces the idea that a policy is good/bad or necessary, which consequently restricts and limits the policy options and courses of action that domestic policymakers develop. More specifically, the process of implementing soft law has had important consequences on how policymakers (re)formulate policies, even in countries with low levels of institutional and ideational misfit (López-Santana 2006). I elaborate on the former argument in the following section.

The implementation of the strategy has also had important substantive consequences on the shape and the content of labour market policies and institutions. It is worth noting that the strategy has influenced ALMPs and labour market institutions. A possible manifestation of such developments is the increase in the average share of ALMP spending after 1997 in all three Member States. More specifically, a common policy development across all three Member States was the attempt to implement activation and preventative approaches through a "new start" and the modernization of public employment services (PESs). A "new start" refers to employability measures (e.g., training, work practice, counselling and vocational guidance) to (re)insert the short-term inactive population into the labour market. Specifically, national ministries in all three countries sought to modernize PESs by instructing these organizations to create individual reinsertion plans for the population within 6 to 12 months of unemployment. When asked about this approach, interviewees in all three countries referred to the EES as one of the main explanatory factors to comprehend the domestic emphasis on a new start. For most interviewees the approach of acting early on unemployment to prevent long-term unemployment, promoted by the EES, was an innovative policy approach as it shifted the focus from this population to the short-term unemployed population.

Second, and directly linked to the former point, the strategy has placed ALMPs in the middle of the labour market policy debate. In Belgium and Spain, interviewed policymakers directly involved with labour market policy referred to the need to move from PLMPs to ALMPs and the key role of the strategy in affecting their policy

[21] For a discussion of the unintended consequences of European integration, refer to Pierson (1996).

preferences. The general message of the EES is that Member States should achieve the required balance between flexibility and stability. Interviewed policymakers in Belgium and Spain argued that even if the issue of activation has been on their agenda before 1997, the EES intensified the notion that the further creation and development of ALMPs should be a domestic priority; thus, it forces them to take further actions. For example, when I asked an interviewee in Spain what has been the main impact of the EES on national settings, the civil servant responded,

> That we spend more money on active labour policies. Every year the relationship between active and passive labour policies changes, and we try to impose more and more active ones. Or, even that passive ones include a higher level of activity (and we see that year by year in the budgets), and normative changes (and that is where the EES is situated), and it has had its effect (Interview, Spain 2003, my translation).

The 'European' emphasis on ALMPs has made national Spanish and Belgian policymakers increasingly aware that they should further engage in reforming and changing many dimensions of employment policy if they want to follow European trends, and in the case of Sweden it has reinforced their current labour market policies (with the exception of tax reform, gender exclusion, and labour market policy for migrants). In this way, the strategy has especially affected early stages of the policymaking process by influencing the preferences of key policymakers across Member States. Table 3 illustrates the main findings and cross-national differences on the political internalisation of soft law. The reader should note that in all three countries policymakers were affected by the soft message coming from Europe. In Belgium, the effect of the strategy at the political level was especially salient since policymakers put much emphasis on the development and the implementation of 'activation.' In Spain, policymakers were also influenced by the EES, but to a lesser degree than Belgium. In Spain most of the policy approaches were quite salient because before the introduction of the strategy the ESF has actively pushed them through its financial and technical resources. In this way, we do not see as much movement toward *political internalisation* in Spain as in Belgium.

Table 3. Differential internalisation: political

COUNTRIES	OUTCOME OF INTERNALISATION
Sweden	Accommodation (Low/Medium)
Spain	Accommodation (Medium)
Belgium	Accommodation (High)

This analysis allows us to articulate several ideas about the formative characteristics of soft law and their relationship to legal internalisation. Researchers studying policy areas ruled by soft law should not assume that there are direct relationships between the

creation of soft law and ratification, parliamentary activity, and/or statutory changes, as this mechanism of change is rare in the policy universe ruled by soft law. Given that Member States are not obliged to change legislation and they are not bound to a set of measurable outcomes, researchers studying these scenarios are uncertain about whether: 1) domestic reforms are motivated by soft law, and 2) Member States need to meet their substantive obligations. In addition, these theoretical uncertainties about the links between the creation of soft law and legal internalisation are partially grounded in the fact that governments and policymakers have been hesitant to corroborate the effect of non-binding agreements on legal internalisation. Given these theoretical and methodological obstacles, studying the connections between the creation of soft law and legal internalisation becomes a fuzzy enterprise. I argue that a fruitful way to capture the mechanism of legal internalisation is to argue that soft law **inspires** domestic actors to place issues high on the agenda. This inspiration may or may not involve an instrumental calculation. In other words, the term legal internalisation is not limited to non-instrumental processes, but also captures scenarios in which domestic actors strategically download soft law to further their goals and agendas, even in cases where reforms are highly unpopular.[22]

Although the EES has not been directly linked to radical legal changes, after 1997 governments and social partners (especially in Belgium and Spain) have created legislation (collective agreements in the case of the social partners) which fits the principles and objectives promoted by the European guidelines and recommendations. For example, in Spain the government cited the EES to pass a radical Royal Decree to reform unemployment insurance systems, in part to further its neo-liberal agenda. In Belgium, the government incorporated legislation that was in line with the Employment guidelines and recommendations. Yet, these initiatives were not ground-breaking and most soft policies stayed at the level of policy proposals (and debates) and were not converted into legislation. Table 4 presents the differences in legal internalisation across countries.

[22] The 2002 Spanish reform of unemployment benefits, better known as '*el decretazo*,' illustrates this argument. Following the failure of a prolonged process of negotiation between the trade unions and employers' organizations, in May 2002 the ruling government unilaterally passed the Royal Decree Law 5/2004. At this point, Aznar's government took advantage of its soft obligation with Europe to legitimize and pass extremely unpopular reforms. This law adopted 'urgent measures' to reform the unemployment benefit and protection systems, as well as to modernize public employment services. The aim of the reform was to introduce mechanisms so the unemployed would be obliged to actively seek employment to find a job in the shortest amount of time possible. This law made direct references to the Employment guidelines and the conclusions of the European Council meeting in Barcelona. This unpopular reform was not supported by the social partners and the general public since it introduced stringent measures to establish individual responsibility and reduce dependency on unemployment payments. For example, on June 2002 the trade unions organized a general strike and in one day more than 620,000 people gathered in different parts of Spain to protest against this reform. After a period of intense social unrest, the law was repealed in October 2002. Given the unemployment situation in Spain and the lack of support the government had no choice but to abolish the law and pass new legislation (Law 45/2002). For more information, refer to López-Santana (2007).

Table 4. Differential internalisation: legal

COUNTRIES	OUTCOME OF INTERNALISATION
Sweden	No change (with some exceptions)
Spain	Accommodation (Medium)
Belgium	Accommodation (Low)

In these scenarios we must stress the 'domestic assent' and 'time' factors, as they are even more salient than in policy areas ruled by binding agreements. Once political internalisation occurs, we would expect legal changes to take place, as long as key domestic actors agree with the policy. If this last condition is not met and the government passes a law to respond to soft law or to further its partisan agenda, for example through executive action, then these legal changes would be very unstable, as the case of Spain (Royal Decree law 5/2004) showed (see footnote 23). Given that national governments are not obliged to implement the EES, under non-binding agreements unpopular reforms are highly unstable. In this sense, a plausible argument is that unpopular reforms are more reversible under soft law than under hard law.

Under soft law the 'temporal dimension' of reform is particularly salient given that processes of change are especially lengthy; therefore, this dimension is essential to understand the weak legal internalisation of non-binding agreements. This argument is especially relevant if we assume that welfare institutions are notably 'sticky.' Presumably, legal internalisation takes longer under soft law than under hard law since the threat of being punished by a higher level is virtually absent. This means that domestic actors do not feel the urgency to change their current policies and, in the short run, do not substantially deviate from their original path of development. Thus, as actors reinterpret their current conditions, institutional changes under soft law are based on institutional adjustments (accommodation) and incremental change, rather than radical ones (transformations) (Hall and Thelen 2006).[23]

This section has presented a set of findings about the overall influence of the EES on Member States. The following section further addresses this issue as it focuses on the differential impact of this soft process at the national level.

THE DIFFERENTIAL INTERNALISATION OF THE EUROPEAN EMPLOYMENT STRATEGY ON MEMBER STATES

The analysis of the effect of the EES confirms that its differential effect cannot be explained by a single factor and that the significance of the explanatory factors is not constant across types of internalisation. This section elaborates on the main theoretical propositions of this project for each type of internalisation. Moreover, these propositions here presented should be seen a set of hypotheses that should be tested in other Member States and other policy areas ruled by soft law. The reader must note

that, as in the last section, in the following pages I focus on the four different types of internalisation.

POLITICAL INTERNALISATION: IDEATIONAL FIT

Even if the data suggest that the 'Soft Europeanisation' of labour market models is taking place across states, the case studies also show that political internalisation of soft law has occurred in some states more than others (see table 3).[24] Compared to Belgium, Spanish policymakers did not move as much towards political internalisation because they were not as shaken by the EES at the political level. In the same vein, Swedish policymakers perceived that most of their policies were already ahead of the EU (for example, they claimed that they have actively 'uploaded' their policies to the supranational level), thus political internalisation in this Scandinavian country was not as salient as in Belgium.[25] By contrast, the data show that in Belgium, policymakers moved more towards political internalisation than their peers in Spain and Sweden because many policies were 'innovative' for this country as they have not received as much ESF funding as Spain.

Based on these findings, I argue that to capture the differential influence of soft law on political internalisation we must pay attention to the **degree of misfit**.[26] More specifically, the findings suggest that in order to understand the differential effects of soft law on political internalisation researchers should not only pay attention to the degree to which tangible domestic factors (such as institutions and policy outcomes) fit EU standards, but they must also capture the degree to which domestic policymakers' views and understandings fit specific EU soft rules (ideational fit).

The distinctions between formal and ideational dimensions of misfit have not been fully explored by scholars of hard law, as they have tended to limit their analyses to policy and institutional misfits (Cowles, Caporaso and Risse 2001; Héritier *et al.* 2001; Börzel and Risse 2003).[27] It has been assumed that in a Member State the levels of misfit are equivalent across domestic scenarios (e.g., ideational, policy, institutional). My analysis expands these theoretical propositions as I argue that a country can have high levels of congruence with EU rules on one dimension, whereas it could experience

[24] For more details, refer to López-Santana (2006).

[25] Jacobsson (2005) highlights a similar phenomenon in Denmark.

[26] Scholars within the field of Europeanisation have identified 'the degree of compatibility (i.e., fit) or incompatibility (i.e., misfit)' between European measures and domestic policies and/or institutions as one important factor to predict the likeliness of implementation success (or failure) of supranational binding rules at the domestic level. For example, Cowles, Caporaso, and Risse (2001), Héritier *et al*. (2001), as well as Börzel and Risse (2003) focus on the 'goodness of fit' between EU institutions and domestic institutions to explain why some countries experience more adaptational pressures to Europeanisation than others do. These authors argue that the bigger the 'misfit,' or incompatibility, between domestic institutions and European measures, the higher the likelihood of compliance failure because a larger policy response is necessary to comply with EU mandates. Furthermore, they predict that when there is low misfit (or good fit) between domestic institutions and European measures, we are likely to observe weak or no change because domestic institutions already fit EU standards. Thus, 'business as usual' (no domestic change) prevails in countries in which domestic rights and obligations (i.e., legal or customary) are already in line with EU requirements (Bugdahn 2005). Based on these propositions, transformations are more likely to occur when a country has medium levels of misfit because the degree of institutional misfit does not represent a major obstacle for compliance, but still there is enough space for improving the domestic situation.

[27] The gap between ideational fit and formal (tangible) fit can be explained, for instance, by implementation failures and/or domestic and structural elements that slow down (or hinder) reform processes.

low levels of congruence on another dimension. For instance, when referring to policy outputs (a dimension captured by the quantitative indicators of the EES), Spain has high levels of misfit in employment policy because, for example, it has had high levels of unemployment. Meanwhile, while looking at the degree to which EU labour market policy approaches are salient in Spain (ideational dimension), this country has medium to low levels of misfit given that the EU has actively transferred its policy approaches to this southern state through the European Structural Fund (ESF). Consequently, most Spanish policymakers have been fully aware of the labour market policies promoted by the EU.[28] In this case the discrepancies between institutional and ideational dimensions are explained by the availability of regional resources in the pre soft law era, which partly determines: 1) the degree in which European norms and policies are already present in a Member States in the soft law era, and consequently 2) how far a country moves towards political internalisation.

Moreover, we can think about two types of Member States with low levels of ideational misfit: 1) those states that receive multiple resources from the EU and consequently have congruence with EU ideas, and 2) those states in which institutions are fully in line with EU rules and their level of ideational fit is independent from the EU.

When referring to the first scenario, it is important to point out that countries with high levels of institutional misfit have received a substantial amount of resources from the EU; consequently, in the majority of these states EU policies have been actively diffused to domestic settings.[29] In these countries, it is very likely that policymakers will not politically internalize soft law as much as countries with fewer resources because domestic ideas already fit EU soft policies. Therefore, when it comes to political internalisation, I hypothesize that countries with high levels of institutional misfit will not move as much toward political transformation as countries with medium levels of institutional misfit, but rather that soft law should reinforce the goals attached to the resources. In this way, by soft law reinforcing a set of policy goals, it should increase the likelihood of legal change (i.e., legal internalisation).

Alternatively, countries with medium levels of institutional misfit have not received much aid from the EU because they have not needed it as much as less developed countries (with high levels of institutional misfit). In these settings, domestic policymakers should not have the same level of awareness about desirable European policies. This means that in countries with medium levels of institutional misfit, the implementation of EU soft law should be very influential in the early stages of policymaking since pre-soft law domestic policymakers have not been as exposed to EU policies and ideas; thus, in the soft law era they should have space to accommodate. In this way, soft law should serve as a force that pushes policymakers to reflect on their current institutions and policies. More importantly, I hypothesize that in countries with high to medium levels of 'policy approach' incongruence, soft law should significantly influence early stages of the policymaking process, such as problem definition and agenda setting, and the preferences of key policymakers.

Finally, I hypothesize that countries with low levels of institutional and ideational misfit will internalize soft law less than countries with medium and high

[28] Subirats (2005) presents such an analysis for the field of social inclusion in Spain. This piece is an interesting example of the differences between these two dimensions.

[29] For a discussion of the links between the Structural funds and the European social dimension, see Anderson (1995).

levels of ideational misfit because their institutions and policy approaches already fit EU soft rules. This type of country should not be pressured by the EU to adapt to and/or adopt supranational standards given that their institutions are already in line with EU standards. From the policymakers' point of view, why should they change domestic institutions and policy approaches if the former elements already fit EU standards and if they are not obliged to do so? Moreover, these countries have put much effort into 'uploading' their policy preferences to the EU level; thus, they should have low levels of ideational misfit because they have transferred their policies to the EU level. These factors could explain weak political and legal internalisation in other countries with low levels of institutional and ideational misfit. Nonetheless, this does not mean that this type of country cannot be affected by soft law as the process of implementing soft law has had a set of unintended consequences on Member States (for example, Sweden has been somewhat affected by the EES even if it has transferred many of its policies to the EU level).

Table 5 illustrates the main propositions developed in this section. It is important to note that it presents a set of hypotheses about the differential political internalisation of non-binding agreements; thus, it refers to a relative assessment (one country vis-à-vis another) of political internalisation, not to an absolute one.

Table 5. Differential political internalisation: theoretical propositions

LEVEL OF IDEATIONAL FIT	LEVEL OF INSTITUTIONAL FIT	DEGREE OF POLITICAL INTERNALISATION (RELATIVE ASSESSMENT)
High	High	Lower
High/Medium	Low	Medium
Low	Medium	Higher

To recap, based on Spanish, Belgian and Swedish data, I propose that the distinction between types of misfit is significant for theoretical and practical purposes given that Member States that have widely utilized EU policy approaches and ideas to guide (or even determine) their courses of action, such as the development of ALMPs,[30] should respond differently to EU non-binding rules than countries in which European policies are innovative to the majority of their policymakers.[31] In addition, I underline the idea that the level of ideational fit should explain why some countries have politically internalized soft law more than others. The level of ideational misfit in a country is dependent on two factors: 1) the amount of regional resources transferred to a state; or 2) the shape of domestic institutions previous to the introduction of soft law. When referring to political internalisation, I propose that countries that receive

[30] Active labour market policies are destined to facilitate the (re)incorporation of the inactive population into the workforce (e.g., training, subsidize employment). This type of policy does not involve spending on income maintenance.

[31] This argument follows the line of Héritier's *et al*. work (2000). The author argues that the stage of liberalization (pre-liberalization and already embarked on liberalization) is an important factor that reflects the degree of congruence with Europe's liberalizing demands.

substantial resources from the EU will react to soft law similarly to countries where domestic institutions are in line with EU policies because both types of country tend to have high levels of ideational congruence with EU soft policies. These propositions (based on a set of findings) are important since they could help us to understand the cross-national patterns of political internalisation of soft law.

Implications

Having discussed the main theoretical propositions regarding political internalisation, it is important to ask: What are the implications of political internalisation for the likelihood of domestic changes and reforms? First, political internalisation of the EES entails a convergence of labour market policy models and paradigms. For instance, multiple policymakers across Member States argued that they increasingly use European labour market policy as a point of reference. A quick look at labour market reforms in the last decade, for example, in Germany, France, Spain, Sweden, and Belgium, illustrate how Member States have adopted policies that are in line with the supranational soft agenda.

First, based on these findings on political internalisation, I contend that the development of soft law by international or regional organizations (as well as by nation-states) resembles a policy regime which determines a common path of development because it can shape (and in some cases determine) the overall content of domestic polices in Member States. In the case of the EES, the EU has created a 'labour market policy regional regime' which shapes the overall content and structure of domestic welfare states. These developments, along with the potential effects of the OECD "Job Strategy," set a precedent in international relations since the legalization and the regulation of welfare states by regional and internalisation organizations has been a rare occurrence (Strang and Chang 1993).[32]

Second, the political internalisation of soft law is also a significant phenomenon if we consider that policy implementation is not always dependent on the creation of legislation, but on ministerial rulings and bureaucratic mandates (Steunenberg 2007). If policymakers accept and understand the need to implement soft law, then they can adopt policies that reflect these non-binding regulations. Third, political internalisation increases the likelihood of legal internalisation because once key ministerial policymakers internalize the rules promoted by soft law, they can shape parliamentary and executive activities. Finally, political internalisation can also be significant for policy implementation (once legal internalisation has taken place) because once policymakers incorporate these soft frameworks into their belief systems, it is very likely that they will push for their implementation. Thus, policymakers will do their part to prevent laws from being 'lost in implementation.'[33] For example, in policy areas ruled by binding and non-binding rules (such as gender equality policy), the political internalisation of soft law helps policymakers understand why EU hard law and soft frameworks are important and necessary to achieve a set of goals. Therefore, based on these arguments, political internalisation can increase the likelihood of successful compliance and implementation.

In contrast, the limitations of political internalisation become evident when we consider scenarios in which implementation is dependent on statutory changes. Even if

[32] For an analysis of the OECD Job Strategy, refer to Noaksson and Jacobsson 2003; Dostal 2004; Schäfer 2006.

[33] I borrow this notion from an article published on the Financial Times. See Ibinson (2006).

political internalisation is a necessary condition for legal internalisation to take place (this is not necessarily true in non-consensual or dictatorial settings), it is not sufficient for the latter to occur. Since parliaments have been virtually absent in these scenarios, it could take much time for soft law to move from ministries to parliaments, and/or for political internalisation to drive societal mobilization (Duina and Oliver 2005; Duina and Oliver 2006; Raunio 2006). Thus, under soft law, processes of domestic change could be lengthy and strenuous, and at times even improbable. This is especially true if we take into account that Member States are not obliged to engage in statutory changes.

These issues beg the following question, when would political internalisation lead to legal internalisation? Which domestic factors allow for policy ideas to become tangible outcomes? The following section addresses these questions by discussing legal internalisation.

LEGAL INTERNALISATION: THE NATURE OF INTRA-GOVERNMENTAL RELATIONS AND INSTITUTIONAL FIT

As already discussed in section 4, in the three cases, the EES has not led directly to dramatic statutory changes, at least in the short term. In scenarios in which legal internalisation has been indirectly linked to legal internalisation, it has not led to dramatic transformations. In these cases, soft law is one of the factors that pushes or inspires policymakers and legislators to draft bills because they view these policies as necessary or because they want to further their agendas. In addition, policymakers have used the EES in a strategic manner in order to pass unpopular reforms. For example, in Spain the government of Jose Maria Aznar used the 'message of Europe' to pass a set of very unpopular reforms (López-Santana 2007). Thus, to explain the effect of soft law on legal internalisation, I argue that researchers must interpret EU soft law as an important influence, not as a direct cause of change given that domestic factors play a determinant role in statutory changes.

The case studies show that since the creation of the EES in 1997, many statutory changes in Spain were in line with the policy prescription of this soft EU instrument. In contrast, in Sweden we do not observe much activity concerning statutory changes. These findings point to different cross-national experiences with legal internalisation. I propose that two factors mediate the effect of soft law on legal structures: 1) the nature of intra-governmental relations, and 2) the levels of compatibility (fit/misfit) between European non-binding regulations and domestic policy approaches.

First, an important finding is that in policy areas ruled by soft law it is more difficult to overcome blocking veto actors given that there is no obligation to pass reforms. The institutional structure of a nation-state shapes the degree to which of veto actors are significant in a system (Garrett and Lange 1995; Tsebelis 1995; Haverland 2000; Cowles, Caporaso, and Risse 2001; Héritier *et al.* 2001; Mbaye 2001; Tsebelis 2002). To capture the institutional structure of Member States, my analysis moves away from the traditional categories of 'unitary' and 'federal' as it focuses on the *nature* of inter-governmental relations in states. To construct these arguments, this project looks at whether the relationships between the national and sub-national governments are organized in a *hierarchical* or *horizontal* manner. In other words, I focus on whether: 1) formal arrangements allow national levels of government to overrun sub-national entities (i.e., intra-governmental relationships are organized in a hierarchical manner), and 2) sub-national entities are veto actors.

Based on the cases studies, I hypothesize that in systems where the central government cannot overrun key actors (i.e., horizontal systems) all important actors must assent to achieve legal internalisation and change the status quo.[34] In this way, the non-binding nature of such rules should exacerbate the effect of veto actors in horizontal systems, making legal internalisation more unlikely. For example, even if Belgian policymakers have internalized soft law and we observe several statutory changes that are in line with the EES, in this country we do not see radical legal changes because all levels of government must consent before a reform is introduced into the legislative agenda at the federal level. In contrast, there are fewer veto actors in systems where the national level can overrule sub-national governments and the social partners (hierarchical systems); thus, in these systems it should be easier for soft law to be more conducive to legal internalisation (even if it is strategic in nature) because the national level can unilaterally pass legislation because it has the 'right to decide,' for example through executive decisions.

Second, the degree of fit of domestic legislation with EU soft standards can also explain cross national differences on legal internalisation. If domestic legal and policy structures are already in line with EU soft standards there should be no need to engage in domestic reform. I hypothesize that in these scenarios soft law leads to the reinforcement and stability of legal structures since domestic actors will be hesitant to engage in reforms that go against common European trends. Nonetheless, we should not assume that countries with overall low levels of misfit cannot have any type of 'institutional or policy gaps' (i.e., areas with high to medium levels of misfit) since it is highly unlikely that every single domestic institution or policy fits European standards.

In contrast, when domestic structures do not (or partially) fit EU soft standards, transforming legal structures to implement soft law is a plausible option to be, for example, more competitive in the European landscape. This explains why, compared to Sweden, in Spain and Belgium national governments have engaged in legal internalisation to some degree. Yet, at the legal level, Spain legally internalized the EES more than Belgium because national reform goals (actively introduced in this country by European resources) were already in line with EU guidelines. In addition, the hierarchical nature of intra-governmental relations allowed the national Spanish government to pass unpopular reforms (partly to further its partisan agenda), something that would not have possible in Belgium (given the horizontal nature of intra-governmental relations).

The propositions presented so far challenge the dominant literature on 'fit/misfit' in various ways. First, under soft law, there are no tangible coercive mechanisms; thus there are no 'tangible adaptational pressures' to implement non-binding regulations. This means that 'Soft Europeanisation' is not driven by coercion (and the threat of punishment), but by other types of mechanisms (see López-Santana 2006). Second, by expanding the notion of fit to include the 'ideational' dimension, I am able to capture why countries with low and high levels of institutional misfit might react similarly and differently to soft law. Third, I propose that in order to understand patterns of implementation we must not only capture overall levels of misfit, but specifically we must understand the specificities of a policy area to see if a country has institutional gaps (or misfits) that will push it to (or not to) adapt to soft law. As mentioned above, this argument is important to explain why on some occasions countries with low overall

[34] In the case of labour market policy, trade unions and employers' organizations must also assent to domestic reforms.

levels of misfit might change, while countries with overall high levels of misfit might not change. This means that my theoretical insights do not mirror the main propositions of literature on EU compliance, rather this project borrows solely the idea that the degree of 'fit/misfit' (both tangible and ideational) is an important factor to explain 'how much' soft law matters at the domestic level.

The EES has not only been relevant for the subtle transformation of domestic policies and legislation. The EU has framed the EES as an alternative governance instrument to encourage open and participatory decision-making. As pointed out in the second section, to capture this type of potential effect of soft law on domestic settings, this project looks into how societal and sub-national actors have been involved in processes of reporting and implementation. The following section elaborates on this issue by synthesizing the important consequences of soft law on the nature of collaboration between national governments and social partners and sub-national levels.

THE EFFECTS OF THE EUROPEAN EMPLOYMENT STRATEGY ON DOMESTIC GOVERNANCE

The EU has recognized that the non-binding nature of the EES represents an obstacle for the achievement of domestic reforms. Given that the legal internalisation of the EES has been especially weak, the EU asked national governments to diffuse the EU message to lower levels of government and societal actors. By asking national governments to involve these actors in the process of reporting, the EU not only sought to increase the likelihood of implementation, but this supranational entity also attempted to make implementation more open and democratic.

An important unexpected finding of this project is the effect of the EES on the relationships between national governments and sub-national levels and social partners. The data show that the EU has been partially successful in promoting the development of governance structures within Member States. As in the case of political and legal internalisation, some states have changed their structures and routines more than others. The following section further discusses the differential influence of the EES on intra-governmental internalisation.

INTRA-GOVERNMENTAL INTERNALISATION: THE NATURE OF INTRA-GOVERNMENTAL RELATIONS

Across states, the implementation of the EES has not affected the nature of intra-governmental relations in the same way. In some countries, such as Sweden, representatives of sub-national levels reported to the national government by providing information and feedback on the content of National Action Plans. In Spain, the Autonomous Communities actively collaborated with the national level in the creation of National Action Plans and the implementation of the strategy. Finally, in Belgium, the federated entities were included at all times in the process of the creation of National Action Plans and they also bargained at the national and supranational levels. Based on the case studies, I assert that formal (*de jure*) institutional configurations should explain these differences in the nature of involvement of sub-national entities in the implementation of the EES given that these configurations can mediate the nature of the involvement of sub-national actors in the implementation of soft law. Thus, when evaluating the prospects of non-binding regulations for affecting domestic institutions, specifically the nature of intra-governmental relations, I propose that scholars should examine whether and how the formal institutional set up of a country allows sub-

national entities to participate in the first place. In sum, the findings indicate that the implementation of the EES will lead to more coordination between levels of government, but the nature of their involvement should be determined by the de jure institutional configuration of a state.

I propose that after the introduction of soft law, the formal nature of intra-governmental relations will not change; for instance, horizontal systems will remain horizontal and hierarchical systems will remain hierarchical. Nonetheless, we can expect the collaborative effect of soft law to increase coordination between levels of government, which in turn influences how levels of governments relate to each other. More specifically, after the introduction of soft law, national and sub-national levels of government should engage in more coordination. Consequently, the nature of intra-governmental coordination and policymaking should improve.

It is important to note that these empirical findings and theoretical propositions expand current research on multilevel governance, devolution, and decentralization as they point to the idea that the development of multilevel governance structures will take place even when there is no obligation to comply with EU regulations. Thus, my findings provide important insights into the conditions under which multilevel governance structures in Member States are more likely or less likely to be created, an argument that has tended to be neglected by these bodies of work. More specifically, these propositions indicate that sub-national entities should be more active in processes of Europeanisation in horizontal systems than in hierarchical systems.

GOVERNMENTAL-SOCIETAL INTERNALISATION

The collaborative effect of soft law has not only been salient for intra-governmental relations, but the data also indicate that the implementation of the EES promoted collaboration between the national government and the social partners in many Member States. As shown in the case studies, after the introduction of the EES, trade unions and employers' organizations have actively shared information with each other and with the government. In this process, new arenas for gathering and exchanging information and political networks were created. In addition, national governments consulted the social partners about domestic national plans and policies. Nonetheless, other groups within civil society, namely non-governmental organizations, have not been particularly involved in the process at the national level mostly because national governments failed to invite them in. In some cases, members of civil society have pressured national governments to include them in consultative scenarios (Jacobsson and Vifell 2005b). Yet without any doubt, in these scenarios national ministries and civil servants have 'won' under the EES as they get to dominate the process both at the national and the supranational levels.

Medium levels of governmental-societal internalisation are explained by the fact that national ministries across countries have controlled the process of implementation of soft law. In other words, national governments decide which groups are included (and excluded) in the process of reporting and implementation. Nonetheless, once national ministries 'opened the door for collaboration,' domestic actors were able to claim their role and participate in the reporting and implementation processes. Domestic social partners, as actors independent from the national ministries, have also participated in supranational arenas. It is important to clarify that the EU played an important role in actively promoting the involvement of trade unions and employers' organizations and members of civil society at both the national and the supranational

level. Without this EU input, it is very probable that national ministries would have been the only actors involved with soft law.

In contrast, excluded actors, such as non-governmental organizations, have not actively contributed in the reporting or the implementing tasks at the national level. National governments have been reluctant to include civil society in these processes because they see it as an intrusion into their autonomy (according to the principle of subsidiarity) (Jacobsson and Vifell 2005b). To frame these findings we must refer to the question of whether soft law promotes 'governance,' or the inclusion of societal actors in tasks traditionally dominated by national governments (Rhodes 1996).[35] One development that sustains the idea that soft law promotes the creation of new governance structures is the fact that national parliaments are almost absent from these scenarios, while social partners and sub-national entities have been regularly included. The absence of national parliaments in this process corroborates the arguments posed by several scholars about the process of integration, and specifically OMC, leading to a weakening of national parliaments, better known as deparliamentarisation (Schmidt 1999; Duina and Oliver 2005; Duina and Oliver 2006; Raunio 2006).

By recognizing these trends on governmental-societal internalisation, some might argue that soft law is a governance tool that is undemocratic in nature as it is more difficult for societal groups to claim their role and participate in the implementation of soft law. To discredit soft law, some may evoke episodes in the history of European integration in which societal groups and citizens have been able to take advantage of the enforcement mechanisms available under hard law (e.g., rights claiming, litigation) (Harlow and Rawlings 1992; Alter 2000; Caporaso and Jupille 2001; Cichowski 2006). Nonetheless, work by Börzel (2006:147) shows that the transformative effects of judicial power on democracy through law enforcement might be overstated as the "EU's legal institutions only increase opportunities for participation for those individuals and groups who possess court access and sufficient resources to use it." Thus, soft law as a governance instrument might be as democratic (or undemocratic) as hard law given that non-binding agreements can partially advance governmental-societal internalisation and, consequently, the development of new governance structures within Member States.

CONCLUDING REMARKS

This project makes an important contribution to the literature on Europeanisation by studying a scenario in which there are no tangible adaptational pressures.[36] It mainly shows that 'adaptational pressure' is not a necessary condition for Europeanisation to occur. This means that 'Soft Europeanisation' is not driven by coercion (and the threat of punishment), but by other types of cognitive mechanisms.

The findings suggest that two factors pinpointed by the literature on Europeanisation to explain the likelihood of change are also relevant for 'Soft Europeanisation': levels of misfit and blocking actors. In this way, Soft Europeanisation (through internalisation), as well as Europeanisation, "is contingent on institutional factors" (Radelli 2003: 45). As pointed out above, the arguments here posed further specify the propositions put forward by studies on Europeanisation to

[35] For a discussion of how and why new modes of governance do not necessarily lead to participation, refer to Smismans (2006).

[36] The literature on Europeanisation identifies 'adaptational pressure' as an important factor driving the process of Europeanisation.

capture scenarios ruled by soft law. Nonetheless, in contrast to the propositions of the literature on misfit/fit, my arguments suggest that countries with remarkable good levels of fit will not change much, compared to countries with medium and high levels of misfit. In the same vein, by expanding the notion of fit to include the 'ideational' dimension, the project captures why countries might react similarly and differently to soft law. This means that the propositions do not mirror the main theoretical ideas of this literature, rather they are solely grounded in the idea that 'fit/misfit' is an important variable to determine 'how much' soft law should matter at the domestic level.

In the case of political internalisation, I further specify the 'metaphor of fit' (Radaelli 2003) by identifying *ideational fit* as a factor to understand the likelihood of internalisation. Second, I propose that the relationship between levels of misfit and political and legal internalisation is not necessarily curvilinear, as the literature on Europeanisation points out, given that countries with high and medium levels of misfit internalized the EES at the political and the legal level. Third, it is argued that countries with overall low levels of misfit might have 'institutional and policy gaps,' which should make them susceptible to internalisation of soft law.

The project also provides important lessons about the ability of non-binding instruments to be agents of domestic change. An important conclusion of the project is that soft law does not radically transform Member States. At this point, it may be too early to detect radical transformations. Nonetheless, across Member States, soft law has led Member States to accommodate to these types of rules which means that domestic procedures, policies, and institutions are subtly and slowly being transformed. Thus, in the long-run these small changes could lead to big transformations of employment policies.

Moreover, as policy paradigms slowly converge, Member States have been following similar paths of development.[37] For example, the gathered data illustrate that after 1997 Member States have been putting much emphasis on activation. In addition, increasing employment by incorporating excluded populations (e.g., youth, women, the elderly), rather than reducing unemployment, has increasingly become the focus of EU Member States. Yet, member states have not been experiencing policy convergence because institutional legacies are very significant.

In the real world, these changes have radical implications for the treatment of women, the young, and the old as Member States innovate their policies and institutions to 'activate' these populations. These findings lead me to conclude that soft law is an efficient governance tool if the goal is for higher levels of government to diffuse a set of 'good' policies so Member States can follow similar policy prescriptions and paths of development without having to cede power to higher levels of government.

When referring specifically to the ability of the EES (and other soft processes) to transform labour market polices and employment policies, the aforementioned findings are not surprising given that welfare institutions have been particularly 'sticky' and resistant to radical change (Pierson 2001).[38] In this context, the EES does not lead radical transformations, but it supports subtle accommodations. Taking this point into account, it is fair to say that welfare states might not be radically changing, but they can be subtly evolving. Within this scenario, the EES should be considered an external

[37] For an account of the importance of paradigm changes, see Hall (1989 1993).

[38] There is a growing literature on this issue, which directly deals with the topic of institutional evolution and change in advanced industrial countries. For example, see Pierson (2001); Thelen (2004); Streeck and Thelen (2005); Hall and Thelen (2006).

process or 'an opportunity structure' that pushes domestic policymakers to reform (or strengthen) their welfare practices, policies, and institutions.

Recently, scholars have emphasized the aforementioned ideas by arguing that the subtle evolution of domestic welfare settings takes place within long-lasting institutions; therefore, current processes of change are not radical in nature (Esping-Andersen 1999; Streeck and Thelen 2005). I claim that that is the reason why we observe continuity and weak (or no) reforms to dissolve well-known welfare institutions.[39] For instance, ALMPs have been increasingly developed by Member States, still these actions do not entail the dismantling of insurance systems (i.e., retrenchment) (Pierson 1994) given that passive labour market policies remain an essential part of labour market policies in the vast majority of EU Member States (Swank 2006). These types of transformations, labelled by some as 'recalibration' (Rhodes, Ferrera and Hemerijck 2000; Pierson 2001; Hemerijck 2005), seek to update welfare states to make them more consistent with contemporary goals and demands for social provisions. Nonetheless, these ongoing 'subtle' changes accumulate; thus these accommodations can lead (in the long-run) to far-reaching transformations.

The analysis of the influence of soft law on labour market settings and employment policies substantiates the aforementioned debates as it suggests that the institutionalization of a 'European social space' contributes to the subtle transformation of Member States' welfare states, especially in those countries with less developed institutions. Furthermore, it is argued that regional and international organizations have been playing an important role in the process of 'recalibration' as they have been dictating a set of contemporary, good policies to be competitive in an era of increasing change, mobility, and competition.

Finally, a question that remains on the table is this: How can methods ruled by soft law be more efficient as governance tools and agents of change? After interacting with policymakers in various countries and carefully examining non-binding instruments and their influence on states, I am able to provide several policy recommendations. First, in order to increase the effect of non-binding agreements, higher levels of government should make sure that the goals of various rules (both hard and soft) do not contradict each other. The fusion of hard and soft laws would most likely lead to political internalisation and implementation. In addition, higher levels of government should put much effort into combining soft processes. By combining soft processes, as the EU has recently done by mainstreaming several non-binding processes, domestic policymakers are better able to comprehend the relationship and the connections between several policy areas. This, in turn, should reduce fragmentation and create new political networks and channels, which help policymakers to have more and better information to reform domestic policies and institutions. This means that policymakers will be able to learn and draw lessons from those who manage policy areas that have direct repercussions on their own area. For instance, policymakers

[39] Streeck and Thelen (2005:4) assert "an essential and defining characteristic of the ongoing worldwide liberalization of advanced political economies is that it evolves in the form of gradual change that takes place within, and is conditioned and constrained by, the very same postwar institutions that it is reforming or even dissolving." Although my analysis does not focus on liberalization and the enforcement of formal rules by third parties, their theoretical focus is extremely relevant to frame current changes in welfare models. As they suggest, this type of model of change (subtle and incremental change, without dramatic disruption) differs from the strong punctuated equilibrium model, which is used - explicitly or implicitly - by much of the institutionalist literature.

managing employment policy should have direct contact with policymakers managing fiscal, monetary and education policy, for example.

Second, higher levels of government should create mechanisms to increase accountability. This will prevent soft law from 'getting lost in implementation.' More specifically, as recently done by the EU, a domestic official should be appointed to be directly accountable to the EU and to actively manage soft law at the domestic level. The main role of this person is to serve as a liaison between domestic policymakers and the EU and to promote and support the process of implementation of soft law at the domestic level. This political position should increase Member States' accountability to the EU. The EU has been attempting to increase accountability by appointing a "Ms. or Mr. Lisbon", responsible for linking various soft and hard processes and directly accountable to the EU.

Finally, the EU should make technical and financial resources conditional on Member States adopting the goals of soft law. For example, before the resources are granted, Member States must show how their policies and programs are in line with the goals of soft law. In this way, technical and financial resources will serve as an incentive for Member States to implement soft law. As part of their obligations, Member States must actively involve lower levels of government and societal actors with the aim of increasing the likelihood of diffusion and innovation. In these scenarios higher levels of government should actively connect the policy goals promoted by soft law and the financial resources granted by the EU.

Unfortunately, implementing these recommendations does not guarantee that soft law will lead to effective policies and positive outcomes. In other words, soft law has some limitations regarding the ability of the EU to become 'the most competitive and dynamic knowledge based economy in the world' given that individual and collective normative changes do not necessarily translate into effective policies and positive policy outputs to increase employment rates and promote growth, as underscored by recent analysis of European conditions (Barroso 2005; Kok 2004). The implementation of soft law does not guarantee successful outcomes, such as booming employment rates and growth, given that there is no direct relationship between compliance, implementation, and policy effectiveness. As Shelton (2000: 17) argues, "once international regulations [are] perceived as necessary and action has been taken, compliance is expected and necessary, but not always sufficient, for the norm to become effective." The EES has been partially successful at modifying Member States' policies; nonetheless these developments do not necessarily mean that the Lisbon strategy has been successful in increasing employment. For example, many factors, such as administrative and institutional capacity, improper domestic implementation, changes in fiscal policy, monetary instability, unstable electoral cycles, international uncertainty and competition, can determine whether employment rates increase and Member States become more competitive. Nevertheless, this gap is not necessarily related to the non-binding and non-coercive nature of soft law given that the availability of sanctions does not necessarily lead to successful compliance (Falkner *et al.* 2005; Kok 2004) and/or policy effectiveness.

But, as in any scenario, the relationship between the creation of policies and positive outcomes is highly uncertain. In this sense, policymaking and implementation is often a matter of 'trial and error' and correction, and social policy in the EU and the soft law regime is still in the trial phase.

DOMESTIC POLICYMAKING AND INSTITUTIONAL SET UP				EES PROCESS		
	Type of System	**Configuration of Labour Market Policy**	**Role of Sub-National Levels in Labour Market Policy**	**NAP Creation**	**Nature of sub national coordination**	**Sub national Initiative Linked to the Strategy**
Sweden	Hierarchical	Centralized and exclusive competency of the national level	Implementers	Highly centralized	Very limited 'say': Inclusion of sub national peak organization only in reporting	Local Action Plans
Spain	Hierarchical	Centralized and concurrent	Implementers and enforcers, increasingly formulators and decision makers (through consultation)	Centralized, but open	More 'say": Inclusion of sub national entities through consultation	Local Action Plans and Best Practices
Belgium	Horizontal	Highly decentralized and exclusive	Main Actors, with the exception of Social Security	Intergo-vernmental	Active say-- Bargaining between national and sub national entities in new arenas	Regional Action Plans, Social Pacts

APPENDIX 1. Summary of domestic experiences: domestic structures and the European Employment Strategy

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