

**College of Europe**

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European Political and Administrative Studies

**Does the European Employment Strategy lead to a *soft* form of Europeanisation?**

**An analysis of the 'local dimension' in Germany**

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**Statutory Declaration**

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## **Abstract**

Since the launch of the European Employment Strategy (EES), efforts were made to build up a 'local dimension'. Especially the European Commission emphasised the need to take the problem solving capacities of these actors 'on the spot' better into account. It therefore proposed several instruments to the local actors and made funding available. The main question of the present paper will be whether this resulted in an Europeanisation of local actors and especially of the German local authorities.

Therefore, the theoretical framework of the analysis will be, firstly, a comparison between the intergovernmental theory and the multi-level governance approach and their assumptions in this regard, and secondly, the description and application of the concept of Europeanisation to the European Employment Strategy and its instrument, the Open Method of Co-ordination, as well as to the local actors in this new policy field. There, it is argued that the 'goodness of fit' has only limited explanatory power but that the three domestic factors, the constitutional set-up in a Member State, the actor's institutional capacities and the existence of change agents play a crucial role for Europeanisation. As basic hypothesis, it is then assumed that at most a 'soft' Europeanisation of local authorities will occur in the context of the EES, whereby 'soft' refers to both, the intensity as well as the process of changes via policy-learning and peer review.

After shortly describing the power and competencies of the local authorities in the German political system in general and in the employment and labour market policy in particular and an overview of the emergence of the 'local dimension' at European level, the Europeanisation of German local authorities is analysed along the proposed instruments of the European Commission: their involvement in the National Action Plan-process, the creation of similar Local Action Plans, local benchmarking and the exchange of best practices, the continuation of the existing Territorial Employment Pacts and, finally, the opportunities of the European Social Fund in its mainstream, its innovative measures under Art. 6 and its Community Initiative EQUAL.

The main findings of the paper will be that no uniform picture exists of whether and how local authorities in Germany take up the incentives of the European Commission to strengthen the 'local dimension'. Instead, while a 'soft' Europeanisation emerged within some local governments, others remained resistant with regard to the opportunities and demands of the EES.

**Keywords**

European Employment Strategy

Open Method of Co-ordination

Local authorities

Europeanisation

## List of Abbreviations

BSHG	Bundesozialhilfegesetz (Federal Social Code)
CEMR	Council of European Municipalities and Regions
CITIES	Cities' Initiatives Towards Employment Strategies
EES	European Employment Strategy
EMCO	Employment Committee
ERDF	European Regional Development Fund
ESF	European Social Fund
EU	European Union
GG	Grundgesetz (German Basic Law)
ICLEI	International Council for Local Environmental Initiative
LANE	Local Agenda Network for Employment
LAP	Local Action Plan
LEP-NET	Local Employment Promotion - Net
NAP	National Action Plan
NGO	Non-governmental Organisation
NRW	North Rhine-Westphalia
OMC	Open Method of Co-ordination
OP	Operational Programme
REVES	European Network of Cities and Regions for the Social Economy
SME	Small and Medium-sized Enterprises
SWOT	Strengths, Weaknesses, Opportunities and Threats
TEC	Treaty Establishing the European Community
TEELA	Translating EES at Local Level
TEP	Territorial Employment Pact

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## 1. Introduction

In the mid-1990s when EU Member States faced huge problems of unemployment, the European Employment Strategy (EES) was set up to co-ordinate national employment policies at the European level. Included as title VIII into the Treaty of Amsterdam, it aims at “[...] promoting employment as a matter of common concern [...].”<sup>1</sup> One of the key components of the strategy is the Open Method of Coordination (OMC). This policy instrument consists of an iterative procedure with several steps. Starting point are the annual (now triennial) Employment Guidelines which the Council adopts on the basis of a joint annual report on the employment situation in the Member States. In reaction to these guidelines, the Member States draw up and implement National Action Plans (NAPs) whose effects will then be evaluated at European level with the help of common indicators and benchmarks. The results enter into the next joint employment reports but can also lead to Council recommendations towards Member States. The general aim of this method is to launch policy-learning processes by ‘naming and shaming’ bad-performing governments and by exchanging examples of best practice.<sup>2</sup> As regards the content, the EES included until 2003 four pillars on employability, entrepreneurship, adaptability and equal opportunities, under which a large number of guidelines had been grouped. This structure was reformed after a five-year-review and replaced by three objectives (full employment, quality and productivity at work, and social cohesion and inclusion into the labour market) and 10 respective guidelines.<sup>3</sup>

Already since the beginning, efforts were made to involve regional and local actors in the Employment Strategy. Especially the European Commission emphasised the need to take the problem solving capacities of these actors ‘on the spot’ better into account. And in 2001, it published a Communication with the title “Strengthening the local dimension of the European Employment Strategy”.<sup>4</sup> In this document, it underlines the necessity for national governments to better involve the local level in the creation and implementation of the National Action Plans, and it proposes several instruments to the local actors in order to use the new opportunities provided by the EES at local level.<sup>5</sup>

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<sup>1</sup> Art. 126 TEC.

<sup>2</sup> For a more detailed description see Regent, Sabrina (2003): “The Open Method of Coordination: A New Supranational Form of Governance?”, in: *European Law Journal*, 9:2, pp. 190-214.

<sup>3</sup> European Commission (2003): Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions: The Future of the European Employment Strategy (EES). A strategy for full employment and better jobs for all, COM (2003) 6, Brussels, 14.01.2003, pp. 9-16.

<sup>4</sup> European Commission (2001): Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions: Strengthening the local dimension of the European Employment Strategy, COM (2001) 629, Brussels, 06.11.2001.

<sup>5</sup> COM (2001) 629.

The aim of the present paper is to trace and to analyse this local dimension of the European Employment Strategy in Germany. In doing so, the theoretical focus will lie on a classification of the European Employment Strategy and the Open Method of Co-ordination with the help of different theoretical approaches or concepts. At first, the intergovernmental theory will be confronted with the multi-level governance approach before then presenting the concept of Europeanisation. All three approaches will be, firstly, generally presented and, secondly, applied to the EES and OMC in order to, thirdly, be able to make assumptions on the local dimension in this context. In doing so, the attention lies on local actors as institutional actors within European, national and local policy processes and not on the policy outcome and the effectiveness of their activities with regard to for example the reduction of unemployment. The main question thereby will be whether the EES and the OMC lead to the Europeanisation of German local actors in this policy field.

The empirical analysis will then concentrate on local public authorities in Germany as a quasi-third level of the German political system with democratically elected local governments and a right of 'local self-administration' (*kommunales Selbstverwaltungsrecht*).<sup>6</sup> They comprise regional districts (*Landkreise*), cities (*Städte*) and municipalities (*Gemeinden*). Many of these cities unite the characteristics of district authorities and municipalities (*kreisfreie Städte*) whereas three cities (Berlin, Hamburg and Bremen) are so-called city-states (*Stadtstaaten*) which means that they are Länder and cities at the same time.<sup>7</sup> When speaking of the German local authorities, all these public administrations are included in the present paper. Other actors of the 'local dimension' such as local public employment services, the social partners or the private sector, are only referred to in the context of local networks initiated by local authorities.

The empirical basis for the present case study consists mostly of official EES documents such as Employment guidelines and the NAPs, of external evaluations carried out on behalf of the Commission and of internet sources. In addition, seven interviews were conducted with officials from the European Commission, with representatives from European and German local umbrella organisations, with

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<sup>6</sup> Art. 28 GG. As the European Commission did not clearly define the regional and the local level – a matter which was criticised by the European Court of Auditors (European Court of Auditors (2002): Special Report No. 4/2002 on local actions for employment together with the Commission's replies, 2002/C 263/02, in: *Official Journal of the European Communities*, 29.10.2002, pp. 28-29) – it is often difficult to distinguish these two levels in official documents and statements. Nevertheless, both, the regional and the local level, are in Germany inferior to the Länder level and will be here referred to as the local level.

<sup>7</sup> Stumm, Thomas (2002): "National Report on the overall performance of the TEP Programme: Germany", in: ECOTEC (eds.): *Thematic Evaluation of the Territorial Employment Pacts* (carried out on behalf of the European Commission, DG Regional Policy), Brussels, p. 48.

people from local public administrations of the City of Cologne and the City of Offenbach/Main and with one representative of the German Federal Employment Agency. Moreover, the author attended a seminar on 'EQUAL - Challenges for Local Authorities' of the Council of European Municipalities and Regions whose presentations and results are partly included in the analysis. Secondary literature could be used with regard to the EES and OMC in general as well as with regard to local authorities either in European affairs or in the national employment policy but was almost non-existent when it comes to the special research question of the present analysis, the German local authorities as actors in the EES. This is the reason why the present paper can only provide a rather general overview of the topic with some examples, but does not claim to be an exhaustive evaluation of all local projects and activities within the EES. The time frame of the paper will be from the start of the EES in 1997 up to today but with a special focus on the period after the publication of the Commission Communication on "Strengthening the local dimension of the European Employment Strategy"<sup>8</sup> in 2001.

The paper is divided into six parts. The first one will present the theoretical framework of the analysis. Here, the intergovernmental theory and the multi-level governance approach are confronted with each other. While the intergovernmentalism assumes that local authorities do neither have information on the EES and its opportunities nor play any important role both with regard to the NAP-process and activities at the local level,<sup>9</sup> the multi-level governance approach supposes a mobilisation and active participation of local authorities in vertical interactions with the Länder, the federal government and the European institutions as well as in national and transnational horizontal networks with other local actors.<sup>10</sup> However, it is argued that actors do not respond equally to European developments. Instead, their 'Europeanisation' depends on three factors: on the constitutional set-up in the Member State, on the actor's institutional capacities and on the existence of change agents. As the argument of the emergence of adaptational pressures as a result of 'misfit' between the European and the domestic level does only have a limited explanatory power with regard to the EES and the

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<sup>8</sup> COM (2001) 629.

<sup>9</sup> Moravcsik, Andrew (1997): „Warum die Europäische Union die Exekutive stärkt: Innenpolitik und internationale Kooperation“, in: Wolf, Klaus Dieter (ed.): *Projekt Europa im Übergang? Probleme, Modelle und Strategien des Regierens in der Europäischen Union*, Baden-Baden: Nomos, pp. 211-269.

<sup>10</sup> See among others: Grande, Edgar (2000): „Multi-Level Governance: Institutionelle Besonderheiten und Funktionsbedingungen des europäischen Mehrebenensystems“, in: Grande, Edgar/Jachtenfuchs, Markus (eds.): *Wie problemlösungsfähig ist die EU? Regieren im europäischen Mehrebenensystem*, Baden-Baden: Nomos, pp. 11-30; Jachtenfuchs, Markus/Kohler-Koch, Beate (1996): „Regieren im dynamischen Mehrebenensystem“, in: Jachtenfuchs, Markus/Kohler-Koch, Beate (eds.): *Europäische Integration*, Opladen: Leske + Budrich, pp. 15-44; Marks, Gary/Hooghe, Liesbet/Blank, Kermit (1996): "European Integration from the 1980s: State-Centric v. Multi-level Governance", in: *Journal of Common Market Studies*, 34:3, pp. 341-378.

OMC,<sup>11</sup> the hypothesis for the empirical analysis will be that at most a 'soft' Europeanisation of local authorities will occur in the context of the EES. 'Soft' refers here to both, the intensity of changes as well as the process of Europeanisation via policy-learning and peer review.

The second chapter will then shortly describe the power and competencies of the local authorities in the German political system in general and in the employment and labour market policy in particular. This factor of Europeanisation reveals a relatively high level of autonomy for German local governments. Subsequently, the third chapter will trace the emergence of the 'local dimension' of the EES at European level and the special role which the European Commission played as change agent in this field, before the participation of the German local authorities in the NAP-process is analysed in the next chapter. Here, both the procedure and the substance of the National Action Plans will be examined. After that, a larger chapter will look at those local employment initiatives which are linked to the European Employment Strategy. In doing so, the structure follows the instruments which the European Commission proposed in its Communication of 2001: the creation of Local Action Plans, benchmarking exercises and the exchange of best practices among local authorities, the continuation of Territorial Employment Pacts, and finally, the opportunities which the European Social Fund provides in its mainstream, its innovative measures under Art. 6 and its Community Initiative EQUAL. While dealing with all these instruments separately, one has to bear in mind that they are linked to each other and cannot be clearly distinguished. The final chapter will then summarise the results and evaluate them in the light of the theoretical assumptions. The main findings will be that no uniform picture exists of whether and how local authorities in Germany take up the invitation of the European Commission to strengthen the local dimension. Instead, while a 'soft' Europeanisation emerged within some local governments, others remained resistant towards the opportunities and demands of the EES.

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<sup>11</sup> Bulmer, Simon J./Radaelli, Claudio M. (2004): *The Europeanisation of National Policy?* Queen's Papers on Europeanisation, No 1; see on the Europeanisation concept among others: Börzel, Tanja A./Risse, Thomas (2000): "When Europe Hits Home: Europeanization and Domestic Change", in: *European Integration online Papers*, 4:15; Olsen, Johan P. (2001): *The Many Faces of Europeanization*, ARENA Working Paper WP 01/2; Risse, Thomas/Cowles, Maria Green/Caporaso, James (2001): "Europeanization and Domestic Change: Introduction", in: Cowles, Maria Green/Caporaso, James/Risse, Thomas (eds.): *Transforming Europe. Europeanization and Domestic Change*, Ithaca/London: Cornell University Press, pp. 1-20.

## 2. *The theoretical approach*

### 2.1. Intergovernmentalism

The European Employment Strategy and its policy instrument, the Open Method of Co-ordination, represent a new form of governance, combining intergovernmental elements of policy-making with aspects of a multi-level governance system.<sup>12</sup>

Within the intergovernmental theory, national governments are the 'winners' of European integration. They determine European policy-making almost entirely by making rational decisions behind closed doors in the Council in order to pursue their national interests in the European context. Other European actors play only a minor role, the European Commission being a mere administrative body without any political role, and the European Parliament still remaining weak compared to the Council. Moreover, Moravcsik argues that in the domestic arena also, national governments gained a stronger position. They have an advantage in information retrieval compared to other domestic actors and they are able to legitimate their domestic policies with reference to the European constraints. In this way, national governments can control the domestic political agenda and the policy-making process as a whole and they are 'gate-keepers' of the access of other subnational or non-governmental actors to the EU policy arena.<sup>13</sup>

When it comes to the European Employment Strategy and the Open Method of Co-ordination, one can find many of these elements. First of all, the EES is based on 'soft law'<sup>14</sup>, allowing the national governments to co-operate voluntarily at European level without losing their power as masters or "owners"<sup>15</sup> of the process. Thus, national interests and policy choices determine this process and its outcome. No sanctions have to be feared for non-compliance, and a harmonisation or communitarisation of the Member States employment policies is explicitly excluded. Furthermore, no additional resources were allocated to this new policy field; instead the European Social Fund was put into service.<sup>16</sup> As regards other supranational

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<sup>12</sup> Ardy, Brian/Umbach, Gaby (2003): *Employment Policies in Germany and the United Kingdom – The impact of Europeanisation* (Synthesis Paper of a Research Project of the European Institute, South Bank University, London and the Institute for Political Science and European Studies, University of Cologne), London/Cologne, p. 4.

<sup>13</sup> Moravcsik 1997, pp. 211-269.

<sup>14</sup> "Soft law relates to rules of conduct that are not legally enforceable but none the less have a legal scope in that they guide the conduct of the institutions, the member states and other policy participants." (Bulmer/Radaelli 2004, p. 7).

<sup>15</sup> Jacobsson, Kerstin/Vifell, Åsa (forthcoming): "New Governance Structures in Employment Policy-making? Taking Stock of the European Employment Strategy", in: Linsenmann, Ingo/Meyer, Christoph/Wessels, Wolfgang (eds.): *Economic Governance: A Balance Sheet of New Modes of Governance*, Basingstoke: Palgrave Macmillan, p. 13.

<sup>16</sup> Ziegler, Astrid/Breuer, Tanja (2001): *Mehr Beschäftigung durch Europa? Umsetzung der europäischen Beschäftigungsstrategie in Ostdeutschland*, Diskussionspapier Nr. 96, Düsseldorf: Hans-Böckler-Stiftung, p. 3.

actors, the European Commission is seen as mere facilitator of the procedure whereas the European Parliament and the European Court of Justice do not play any formal role in the policy-cycle.

For an analysis of the domestic processes in the framework of the European Employment Strategy and the involvement of local authorities, the intergovernmental theory can be applied as follows. It would assume an almost exclusive role of national governments and their responsible ministries in drawing up the National Action Plans and thus, a full completion of their role of keeping control over the participation of other domestic actors in this process.<sup>17</sup> In general, it would be supposed that the federal government's general interest in the European Employment Strategy and especially in fulfilling the European criteria is not very distinctive. Concerning the local dimension of the EES, this has three consequences. Firstly, it is assumed that the local level is generally not well informed on the European Employment Strategy. Secondly, it is not given any important role in the set-up of the NAP.<sup>18</sup> And thirdly, as the implementation phase is neither of any major importance, the inherent role of local authorities as implementers of European and national policies is limited, too.

## 2.2. Multi-level-governance

In contrast to the intergovernmental theory, the multi-level-governance approach claims that "[s]tates are an integral and powerful part of the EU, but they no longer provide the sole interface between supranational and subnational arenas, and they share, rather than monopolize, control over many activities that take place in their respective territories."<sup>19</sup> Due to an increasing legal, institutional and sectoral differentiation of the European polity,<sup>20</sup> a non-hierarchical and multi-layered political system has emerged. Growing interdependencies of policy arenas determine the policy-making process, and formal rules are becoming less important than (formal and informal) interactions of actors in the diverse decisive arenas.<sup>21</sup>

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<sup>17</sup> Schäfer, Armin (2002): *Vier Perspektiven zur Entstehung und Entwicklung der ‚Europäischen Beschäftigungspolitik‘*, MPIfG Discussion Paper, 02/9, pp. 25-32; Scharpf, Fritz W. (2002): "The European Social Model: Coping with the Challenges of Diversity", in: *Journal of Common Market Studies*, 40:4, p. 652.

<sup>18</sup> As the federal government does not take the general EES guidelines very serious, it neither does it with the special guideline on the involvement of the regional and local actors in the EES.

<sup>19</sup> Marks/Hooghe/Blank 1996, p. 347.

<sup>20</sup> Maurer, Andreas/Wessels, Wolfgang (2001): „National Parliaments after Amsterdam: From Slow Adapters to National Players?“ in: Maurer, Andreas/Wessels, Wolfgang (eds.): *National Parliaments on their Ways to Europe: Losers or Latecomers?* Baden-Baden: Nomos, pp. 426-427.

<sup>21</sup> Wessels, Wolfgang/Maurer, Andreas/Mittag, Jürgen (2003): „The European Union and Member States: analysing two arenas over time“, in: Wessels, Wolfgang/Maurer, Andreas/Mittag, Jürgen (eds.): *Fifteen into one? The European Union and its Member States*, Manchester: Manchester University Press, p. 13.

The supranational institutions, such as the European Commission, as initiator of legislation and as 'norm entrepreneur', are key players. With the aim of strengthening its role, legitimising its actions and ensuring an effective implementation, the Commission involves subnational and non-governmental actors in its activities. These actors gain access to information and to financial means and they mobilise in order to if not circumvent the national governments, at least achieve a stronger role in the policy-making process and a certain autonomy vis-à-vis the governments. Hence, various actors share the responsibility for policy-making and implementation in the European Union and in its Member States and blur the dividing line between the supranational, national and subnational levels.<sup>22</sup>

Regarding the European Employment Strategy, this new European policy field can be seen as one example of the interdependency of sectoral policy fields<sup>23</sup> and of decisive arenas. In the EES, actors co-operate closely to solve common problems such as high unemployment rates, insufficiently qualified employees or their unequal access to the labour market. Through benchmarking exercises and the exchange of best practices, a policy-learning process is being launched in which many actors of different levels take part and share their experiences and problem solving capacities. The European Commission not only plays a crucial role itself by preparing the Employment guidelines and adequate indicators for the benchmarking-process or by proposing recommendations to the Member States,<sup>24</sup> it also enables the subnational and non-governmental actors to play a major role by providing them with information and financial resources from the European Social Fund.<sup>25</sup> In this way, the Commission tries to maximise its influence in a new policy field, gains alternative information on the employment situation of the Member States and promotes the problem-solving capacity of actors 'on-the-spot'.<sup>26</sup>

Thus, with regard to local authorities in the EES, this would mean that these actors use the opportunities which the Commission proposes them by firstly creating

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<sup>22</sup> Marks/Hooghe/Blank 1996; Jachtenfuchs/Kohler-Koch 1996; Grande 2000.

<sup>23</sup> The European Employment Strategy combines economic, social, structural and educational approaches to address the employment and labour market problems in Europe (Committee of the Regions (2002): *Regional and local powers in Europe: employment, social policy, environment, transport and vocational training*, CoR-studies E-1/2002, Luxembourg: Office for Official Publications of the European Communities, p. 107).

<sup>24</sup> De la Porte, Caroline/Pochet, Philippe (2002): "Supple Co-ordination at EU Level and the Key Actors' Involvement", in: De la Porte, Caroline/Pochet, Philippe (eds.): *Building Social Europe through the Open Method of Coordination*, Brussels: PIE Lang, p. 29; De la Porte, Caroline/Pochet, Philippe (2004): "The European Employment Strategy: existing research and remaining questions", in: *Journal of European Social Policy*, 14:1, p. 72; see as well Schmid, Josef/Roth, Christian (2000): "European labour market policy and national regimes of implementation", in: Klemmer, Paul/Wink, Rüdiger (eds.): *Preventing unemployment in Europe: a new framework for labour market policy*, Cambridge: Cambridge University Press, p. 220.

<sup>25</sup> De la Porte/Pochet 2002, pp. 28-29.

<sup>26</sup> Schäfer 2002, pp. 32-39; Jacobsson/Vifell (forthcoming), p. 13.

strong vertical links to both the Commission and the national governments in order to influence the national NAP-process and the EES as a whole, and, secondly, by building up horizontal networks at subnational level. Hence, the multi-level-governance approach would assume the emergence of a bottom-up process in which subnational and non-governmental actors mobilise and participate actively in this new policy area.

### 2.3. An Europeanisation of German local authorities?

Having presented the two theoretical approaches of intergovernmentalism and multi-level governance and their opposed assumptions with regard to the role of local authorities in the European Employment Strategy, it is however important to note that responses of domestic actors to particular developments at European level are not uniform. An actor reacts neither in the same way as other actors within a Member State nor as the same type of actor in another Member State.<sup>27</sup> To analyse the effects of the European Employment Strategy on a special group of actors – local authorities in Germany – the concept of ‘Europeanisation’ can be used as an analytical structure.

The term of Europeanisation reveals already the basic assumption that ‘Europe matters’ for Member States and their domestic actors. Thus, it is about “[...] the *impact* of European policy within member states”<sup>28</sup> and entails “[...] adapting national and sub-national systems of governance to a European political center and European-wide norms”<sup>29</sup>. One aspect of this concept is its time dimension; thus, Europeanisation of domestic processes, policies and institutional actors does not occur suddenly but is a process which has to be looked at over time. Another aspect is that Europeanisation can differ with regard to its intensity, as Börzel and Risse argue.<sup>30</sup> Firstly, there can be a low degree of Europeanisation, thus a mere “absorption”<sup>31</sup> without significant changes in domestic political structures and processes. Secondly, modest changes occur when Member States adapt their institutions and processes “[...] without changing their essential features and the underlying collective understandings attached to them.”<sup>32</sup> And thirdly, Börzel and

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<sup>27</sup> Börzel, Tanja A. (1999): “Towards Convergence in Europe? Institutional Adaptation to Europeanization in Germany and Spain”, in: *Journal of Common Market Studies*, 37:4, pp. 574-575.

<sup>28</sup> Bulmer/Radaelli 2004, p. 4. With this definition, the analysis is restricted to a top-down approach of Europeanisation. However, the author is aware of possible ‘feedback loops’ from the national to the European level.

<sup>29</sup> Olsen 2001, p. ?.

<sup>30</sup> Börzel/Risse 2000, p. 10.

<sup>31</sup> Börzel/Risse 2000, p. 10.

<sup>32</sup> Börzel/Risse 2000, p. 10.

Risse speak about “transformation”<sup>33</sup> as a high degree of change when “member states replace existing policies, processes, and institutions by new, substantially different ones [...]”<sup>34</sup>

For an analysis of the Europeanisation of an institutional actor within domestic policy processes, one can focus on several mechanisms and factors. The main argument of Risse, Cowles and Caporaso is that of the “goodness of fit”<sup>35</sup>. This fit or misfit between developments at European and national level determine whether adaptational pressures on domestic actors exist and at which intensity: “The lower the compatibility between European and domestic processes, policies, and institutions, the higher the adaptational pressure.”<sup>36</sup> In addition, three factors can be identified at domestic level which can be seen as determinants for a possible Europeanisation of an actor. Firstly, the competencies and power allocated to this actor and, in general, its position in the constitutional set-up of the Member State are the starting point for its Europeanisation. Secondly, institutional capacities such as financial and administrative resources determine whether the actor can use the new opportunities provided by the European level. And thirdly, the existence of change agents is crucial to persuade and to mobilise an actor in this regard.<sup>37</sup>

When it comes to the German local authorities and their Europeanisation within the European Employment Strategy, the described mechanisms and factors can be used for an empirical analysis. However, the argument of the ‘goodness of fit’ still deserves a closer look with regard to the EES and especially the Open Method of Co-ordination. Originally, this argument is based on a vertical, top-down approach of regulative policy-making at the European level.<sup>38</sup> National competencies are transferred to the European level where legally binding policies are negotiated and decided, and whose implementation can then be enforced by the European Court of Justice. This can cause adaptational pressures at domestic level both with regard to the distribution of power between national institutions and within policy fields.<sup>39</sup> The Open Method of Co-ordination in the European employment policy, however, neither entails a significant shift of power and competencies to the European level nor results in enforceable legislation but is a mere co-ordination mechanism of national employment policies based on soft law and on an explicit exclusion of sanctions. This means that no misfit nor any adaptational pressures in the original

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<sup>33</sup> Börzel/Risse 2000, p. 10.

<sup>34</sup> Börzel/Risse 2000, p. 10.

<sup>35</sup> Risse/Cowles/Caporaso 2001, p. 6.

<sup>36</sup> Börzel/Risse 2000, p. 5.

<sup>37</sup> Börzel/Risse 2000, pp. 7-9. The authors identify the political culture as a fourth factor. However, this factor will be left aside in the present analysis because it is very difficult to verify empirically.

<sup>38</sup> Bulmer/Radaelli 2004, p. 9.

<sup>39</sup> Börzel/Risse 2000, p. 4.

sense will occur.<sup>40</sup> Rather, this co-ordination procedure can lead to horizontal policy-learning processes and peer review between national governments at European level and – used as policy instrument also at lower levels – between different subnational actors such as the local authorities. Policy-learning can create new policy opportunities for actors through learning from experiences of others and exchanging best practices whereas the setting of benchmarks and peer review can cause light adaptational pressures by ‘naming and shaming’ bad performing actors.<sup>41</sup>

This leads to two questions concerning the Europeanisation of German local authorities in the EES. Firstly, did these processes of policy-learning and peer review at the European level result in a greater awareness of the German federal government with regard to the local dimension and in a stronger involvement of local authorities in the German NAP-process? Among the three determining factors mentioned above – the competencies and powers of an actor, its institutional capacities and the existence of change agents – the last one is the most relevant in this context. Change agents can be here the European Commission or any other supranational actor as well as agents at national level which advocate a stronger role of local authorities.

Secondly, did the local actors themselves use the new opportunities provided by the European Employment Strategy, and how did this Europeanisation of the local authorities take place? Here, all three factors are pertinent. The status of local authorities in Germany in general and their specific power and competencies in the employment policy constitute the framework for their activities. Their institutional capacities, thus, their financial and administrative resources, determine their practical ability to adapt and to respond to European incentives and demands. In this context, European funding plays an ambivalent role as it can provide for additional financial resources but also requires a commitment of resources for the application procedure. The existence of change agents is also crucial to mobilise local authorities to engage in the European Employment Strategy.

The assumed answer of intergovernmentalists would be that a national government is not interested in incorporating a local dimension into the EES and that it does not give the local authorities any important role in the national NAP-process. In addition, local bottom-up initiatives are unlikely to emerge. Thus, no Europeanisation of local authorities will occur. In contrast to this, the multi-level-

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<sup>40</sup> Bulmer/Radaelli 2004, p. 11.

<sup>41</sup> Bertozzi, Fabio/Bonoli, Giuliano (2002): *Europeanisation and the convergence of national social and employment policies. What can the open method of co-ordination achieve?* Paper prepared for the workshop “Europeanisation of national political institutions”, ECPR Joint-session, Turin, 22.-27.03.2002, p. 5. Here, a misfit between European policy elements such as indicators and benchmarking and the existing ways of policy evaluation in Member States is possible.

governance approach would suppose an active role for local authorities at all levels and the use of the new opportunities of the EES and, thus, their strong Europeanisation. However, on the basis of the deliberations on the 'goodness of fit' argument and adaptational pressures in the European employment field, the main hypothesis for the following analysis will be that, even with all the factors being favourable, at most a 'soft' form of Europeanisation of the German local authorities in the employment policy will occur. 'Soft' refers here to both its intensity and its way as a process of policy learning based on soft law and voluntary co-ordination. And, to stay within this terminology, only changes in the 'software' of the German political system (for example in policy instruments or relations between actors) are likely to happen but its 'hardware' (its constitutional and institutional structure) remains resistant.

### 3. *The local level in Germany*

#### 3.1. **Local authorities as a quasi-third level**

The organisation of the German local level belongs to the “politically and functionally strongest types of local government”<sup>42</sup> compared to other Member States of the European Union. Local authorities in Germany have a right of ‘local self-administration’ (*kommunale Selbstverwaltung*), guaranteed by the German Basic Law.<sup>43</sup> They consist of an elected parliamentary body and a local government, and are thus fully democratically legitimised. In addition, they have own financial means coming from their revenues, from a local business tax (*Gewerbesteuer*) and other taxes, and from financial transfers of the Länder, often designated to special activities. The competencies of local authorities in Germany can be bundled into three categories: executive tasks where the local authorities have to implement federal or regional legislation, mandatory powers which have to be fulfilled but with a certain scope of action, and optional powers in fields where local authorities can develop their own policies. Although the local authorities do not have a constitutional status but are legally part of the Länder, they nevertheless can be seen as a quasi-third level of political importance within the federal system of Germany.<sup>44</sup> However, the constitutional ‘non-status’ of the German districts, cities and municipalities has the consequence that they only have a right of consultation but no further institutionalised participation rights at the Bund or Länder levels.<sup>45</sup>

#### 3.2. **Employment and labour market policy**

The competencies in the field of employment and labour market policy lie principally at federal level. There, the Federal Employment Agency is the main body responsible for advice and placement of the unemployed, vocational training, the creation and security of jobs and the payment of unemployment benefits. The agency has a right of self-administration but is bound by policy instructions from the federal ministry of economics and labour.<sup>46</sup> Its revenues are contribution-based

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<sup>42</sup> Wollmann, Hellmut (2002): “Is Germany’s Traditional Type of Local Self- Government Being Phased out?”, in: *German Journal of Urban Studies*, 41:1, p. 1.

<sup>43</sup> Art. 28 GG: “The communes must be guaranteed the right to regulate, on their own responsibility, all the affairs of the local community within the limits set by statute. [...] The right to self-government also encompasses the foundations of financial accountability; part of this foundation is the communes right to raise their tax shares according to local economic performance.”

<sup>44</sup> Stöß, Angela (2000): *Europäische Union und kommunale Selbstverwaltung. Die Handlungsspielräume deutscher Kommunen unter Einwirkung der Europäischen Union aus ökonomischer Perspektive*, Frankfurt: Peter Lang, p. 27. See also Wollmann 2002, p. 2.

<sup>45</sup> Stumm 2002, pp. 48-49; Stöß 2000, pp. 24-30.

<sup>46</sup> A consequence of this is a dependency on the politically motivated influence of the federal government which make it difficult to follow an own long-term strategy (Interview VI: Official of the City of Offenbach/Main, Office for employment promotion, statistics and European Affairs;

and it is decentrally organised with regional and local sub-agencies. Until January 2004, the management committees of each level were composed in a tripartite way with the employers, the trade unions and representatives of the respective administrative level. Thus, the local authorities participated in each local management committee of the Employment Agency. A current reform process dissolves this structure but gives the local agencies themselves more operational power whereas the federal office only keeps the overall strategic competency.<sup>47</sup> Whether this reform will lead to a stronger decentralisation of the Agency will have to be seen.<sup>48</sup>

The Länder do not have explicit competencies in employment and labour market policy but they have exclusive or shared responsibilities for education and professional training, the promotion of the economy and spatial planning. The main basis for Länder employment programmes and support measures for special target groups are the European Social Fund (ESF) contributions. Compared to the budget of federal programmes and those of the Federal Employment Agency, the Länder themselves do not spend much on an active labour market policy.<sup>49</sup>

The local authorities are the responsible bodies for social welfare and youth welfare issues including the payment of social assistance.<sup>50</sup> Within that context, they are in charge of the so-called 'Assistance for Work'<sup>51</sup> where they can, for example, create provisional jobs in the community service sector. Through their 'optional power' of promoting local economic activity and their function as major local employers, they can play also an important part in the employment and labour market policy in Germany.<sup>52</sup> In addition, many German cities created local employment companies

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Chairperson of the CEMR Working Group on Employment and Social Policy (telephone interview), 07.04.2004).

<sup>47</sup> At this level, a link between the national employment policy and the pillars or objectives of the European Employment Strategy can be made (Interview VII: Representative of the German Federal Employment Agency, Brussels, 23.03.2004).

<sup>48</sup> Groupe Bernard Brunhes Consultants/Economix (2003): *Renforcer la dimension locale de la stratégie européenne pour l'emploi: étude de faisabilité sur les indicateurs destinés aux niveaux régional et local et à l'économie sociale*, (rapport final d'étude, commandé par la Commission Européenne, DG Emploi et Affaires sociales), Paris/Munich, p. 14.

<sup>49</sup> Groupe Bernard Brunhes Consultants/Economix 2003, p. 16.

<sup>50</sup> The current reform process on the basis of the so-called 'Hartz-Acts', which will result in a merging of the unemployment and social assistance, will be left aside in the present paper as the discussion still goes on concerning the concrete form of these innovations and the share of the financial burden between the different levels in Germany. See for further information Siemon, Hartmut (2003): Germany: The Challenge of Taking an Integrated Approach in a Centralised Framework, in: OECD (ed.): *Managing Decentralisation. A New Role for Labour Market Policy*, pp. 89-92; Schmid et al. 2003, p. 245.

<sup>51</sup> §§ 18-20 BSHG.

<sup>52</sup> Harks, Thomas (2003): *Kommunale Arbeitsmarktpolitik. Rechtliche Vorgaben und Grenzen*, Stuttgart: Kohlhammer, pp. 62-95; Schulze-Böing, Matthias (2000): *Teilhabe, Qualifizierung und Aktivierung – lokale Beschäftigungspolitik in europäischer Perspektive*, Vortrag auf der Tagung „Wissenschaft im Schloß 2000“ des PROSOZ-Instituts in Herten (Westf.) vom 07. bis 09. November 2000, pp. 1-2.

in which they hold company shares. These enterprises can carry out different employment measures in order to bring the unemployed into work.<sup>53</sup>

The obligation to pay social benefits is one of the strongest motivations for local authorities to engage in employment matters.<sup>54</sup> This duty creates a huge burden on the local public budget, a matter which resulted in a financial crisis of many German local authorities and in a near insolvency of some of them in the last years. Thus, already in the 1980s, they had started their local employment initiatives in order to reduce the number of welfare recipients.<sup>55</sup> Today, about 400 000 people in Germany are employed in local job creation schemes which were set up and funded by local authorities.<sup>56</sup>

In general, local authorities have a high level of autonomy in local employment promotion due to a relatively wide (or in a negative sense: not well defined) legal framework and due to their own financial means. This creates an advantage for them in being able to react more flexibly to special local needs in the employment field, but it often results also in a strong differentiation and fragmentation of their activities and in ad-hoc initiatives which lack an overall strategic approach.<sup>57</sup> In addition, the link between their financial resources and the number of social assistance beneficiaries causes a lack of financial capacities in periods of economic decline and in bad employment situations, a handicap for an active local employment policy in those times.

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<sup>53</sup> For more details on these *Beschäftigungsgesellschaften* see Harks 2003, pp. 199-227.

<sup>54</sup> Schmid, Josef et al. (2003): *Vergleich der aktiven Arbeitsmarktpolitik der westdeutschen Bundesländer in 2001*, Endbericht Dezember 2003, im Auftrag der Europäischen Kommission, Beschäftigung und Soziales, p. 219.

<sup>55</sup> Interview VI, 07.04.2004.

<sup>56</sup> Interview VI, 07.04.2004.

<sup>57</sup> Schmid et al. 2003, p. 221.

#### *4. The European level and the 'local dimension' of the EES*

At European level, the awareness of the problem-solving capacities of local actors in the employment policy developed only gradually. The issue of a 'local dimension' of the EES was first raised by the European Parliament and non-governmental actors, especially of the third sector, which lobbied actively in this regard. Their propositions were taken up by the then European Commissioner for employment and social affairs, Pádraig Flynn, who came from an Anglo-Saxon background where the local level is an important component of a successful employment policy.<sup>58</sup> Thus, in the first Employment guidelines already, the regional and local potential for job creation was mentioned. Nevertheless, "[...] the member governments have all along been concerned to remain in control of the process."<sup>59</sup> And even though the European Commission itself had a functional interest of gaining additional information on the employment situation from local actors and of assuring an effective implementation of the EES objectives, it initially lacked a clear conception of how this local dimension should be realised. As one Commission official stated, his institution was not well prepared for this task when the EES was set up. Inside the Commission, a general working document on the issue existed, but there was no strategic approach for its concrete implementation.<sup>60</sup>

Therefore, in 2000, the Commission launched in co-operation with the Council of European Municipalities and Regions (CEMR) and the Committee of the Regions a broad consultation process with regional and local actors. The starting point was its Communication "Acting Locally for Employment. A Local Dimension for the European Employment Strategy",<sup>61</sup> where it analysed the potential for local job creation, named important actors at local level – besides the local authorities it named enterprises, the third system (social economy), the local offices of the public employment services and the social partners – and raised a number of questions for further discussion. In the following six months, a series of conferences was organised to stimulate the consultative process, which closed with a conference in Strasbourg in December 2000, organised by the French presidency.<sup>62</sup>

At the same time, the Commission came up with the idea that local authorities could create Local Action Plans in the style of the National Action Plans. However,

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<sup>58</sup> Interview I: Official of the European Commission, DG Employment and Social Affairs, Brussels, 31.03.2004; Interview II: Official of the European Commission, DG Employment and Social Affairs, 15.04.2004.

<sup>59</sup> Jacobsson/Vifell (forthcoming), p. 5.

<sup>60</sup> Interview I, 31.03.2004

<sup>61</sup> European Commission (2000): Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions: Acting Locally for Employment. A Local Dimension for the European Employment Strategy, COM (2000) 196, Brussels, 07.04.2000.

<sup>62</sup> COM (2001) 629, p. 3; Jacobsson/Vifell (forthcoming), p. 14.

this caused much resistance from the side of the Member States which feared a violation of the principle of subsidiarity.<sup>63</sup> In the debate of the Employment Committee on the draft of the second Commission Communication “Strengthening the local dimension of the European Employment Strategy”, it became obvious “[...] that Member States are staunchly opposed to a Commission action plan and timetable for the preparation of local action plans. The Commission therefore, in order to respect Member States’ competencies, reviewed its preliminary position [...]”<sup>64</sup>

Nevertheless, an increased awareness of the role of local actors in the EES can be observed at that time. Thus, the promotion of local employment became a horizontal priority of the European Social Fund mainstream in the new funding period. And the Member States in the Employment Committee agreed on a strengthening of the subnational level in the Employment Guidelines of 2001. The preamble to these guidelines notes that “the regional dimension and regional disparities will be taken into account in terms of differentiated policies or targets [...]”. But the real innovation in terms of regional and local involvement in the EES was the introduction of a special Guideline (number 11) on ‘regional and local action for employment’ under pillar II with the following content:

“All actors at the regional and local levels, including the social partners, must be mobilised to implement the European Employment Strategy by identifying the potential of job creation at local level and strengthening partnerships to this end.

11. Member States will:

- take into account, where appropriate, in their overall employment policy the regional development dimension;
- encourage local and regional authorities to develop strategies for employment in order to exploit fully the possibilities offered by job creation at local level and promote partnerships to this end with all the actors concerned, including the representatives of civil society;
- promote measures to enhance the competitive development and job creation capacity of the social economy, especially the provision of goods and services linked to needs not yet satisfied by the market, and examine, with the aim of reducing, any obstacles to such measures;
- strengthen the role of the Public Employment Services at all levels in identifying local employment opportunities and improving the functioning of local labour markets.”<sup>65</sup>

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<sup>63</sup> As one Commission official reported, this was partly the result of a misunderstanding. Thus, many Member States feared that they have to pass all LAPs to the Commission which would have created a huge bureaucratic burden. However, this was not the intention of the Commission (Interview II, 15.04.2004).

<sup>64</sup> European Court of Auditors 2002, p. 39.

<sup>65</sup> Council of the European Union (2001): Council Decision of 19 January 2001 on guidelines for Member States’ employment policies for the year 2001 (2001/63/EC), in: *Official Journal of the European Communities*, 24.01.2001, p. 23.

The efforts of the European Commission with regard to a better involvement of local actors culminated in its Communication “Strengthening the local dimension of the European Employment Strategy” in 2001. There, it summarises the contributions and results of the consultation process, asks the national governments to better involve the regional and local actors in the NAP-process and proposed various measures and instruments to the local level in order to support them to build up a real local dimension. The understanding which the Commission gained from the consultation process was that many obstacles for the local involvement still persisted and that the overall problem seemed to be a lack of information for local actors on the existence and opportunities of the European Employment Strategy. Therefore, the proposed measures aimed at disseminating information, at enhancing the vertical link between the local, regional, national and Community levels and at strengthening the horizontal co-operation between local authorities and other local actors. Besides an increased support for the development of local employment strategies and Local Action Plans which should be taken into account in the national process of drawing up and implementing the NAPs, the Commission emphasised the role which local networks in the national and transnational context could play by highlighting and exchanging examples of best practice with the help of local indicators and benchmarks. One example of this kind of network-building were the Territorial Employment Pacts, launched as pilot projects in 1997 and included in 2000 in the ESF mainstream. In general, the financial means of the ESF, its art. 6 on innovative actions and the Community Initiative EQUAL were mentioned to support employment initiatives at regional and local level.<sup>66</sup>

During the reform process of the EES which followed a review of the first five years of the strategy, the European Commission asked, among other things, a better inclusion of regional and local actors in the next phase of EES.<sup>67</sup> “In response to criticism from sub-national governments, NGOs, and the European Parliament, the Commission proposed that ‘all main stakeholders’, including civil society and local and regional actors, ‘should play their full part’ in the next phase of the EES.”<sup>68</sup> However, the Member States were opposed to this formulation and only agreed to include that “relevant actors in the field of employment at national and regional level have important contributions to make.”<sup>69</sup> This was inserted in a new chapter on “Good Governance and Partnership in the Implementation of the Employment

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<sup>66</sup> COM (2001) 629.

<sup>67</sup> COM (2002) 416, pp. 20-21.

<sup>68</sup> Zeitlin, Jonathan (2003): *Social Europe and Experimental Governance: Towards a New Constitutional Compromise?* Revised draft of a paper presented to an International Conference of the Hellenic Presidency of the European Union, Ioannina, Greece, 21-22 May 2003, p. 4 (footnote 3).

<sup>69</sup> Council of the European Union (2003): Council Decision of 22 July 2003 on guidelines for the employment policies of the Member States (2003/578/EC), in: *Official Journal of the European Communities*, 05.08.2003, p. 21; see also Zeitlin 2003, p. 4 (footnote 3).

Guidelines”<sup>70</sup> which made clear that the task of the subnational level was only seen in the implementation phase of the EES but not with regard to own initiatives and an input into the NAP-process.<sup>71</sup>

In general, one can say that, even though the national governments were rather reluctant to give regional and local actors a stronger role in the EES, the European Commission succeeded in promoting this issue at European level. In doing so, it was supported by the European Parliament and by NGOs from this field. Firstly not well prepared, the European Commission then started own initiatives such as a consultation process and two Communications on the ‘local dimension’. In addition, it seems that the awareness of national governments increased in this respect which led to a special guideline ‘regional and local action for employment’. Thus, the European Commission – and to a certain extent the European Parliaments and lobby organisations – can be clearly seen as change agents at European level. However, the governments showed their limits with regard to an active involvement of local actors already at the European level. Now, it has to be analysed whether the German federal government realised this ‘local dimension’ of the EES at national level.

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<sup>70</sup> Council of the European Union 2003, p. 21.

<sup>71</sup> Jacobsson/Vifell (forthcoming), p. 11.

## *5. The national level and the 'local dimension': National Action Plans*

In its Communication of 2001, the European Commission stated that the local level plays an increasing role in achieving the targets of higher employment and a lower unemployment rate in the Member States. This fact should be taken into account by national governments and should result in a stronger partnership between the different levels of EU countries. Therefore, the Commission proposes a two-way-process: on the one hand, the governments provide the local actors with better information on the European Employment Strategy and the Guidelines to follow, and on the other hand, local actors participate in the NAP-process not only by implementing the measures but also by contributing to the drafting of the plans. This could be done by including results of Local Action Plans or other local initiatives in the NAP.<sup>72</sup>

Thus, when looking at the local dimension in the German NAPs, one has to look first at the involvement of local authorities in the NAP-procedure and second, at descriptions of local initiatives or even LAPs in the contents of the NAPs.

### **5.1. The procedure**

Concerning the involvement of local authorities in the setting up of the NAP, the German document only mentions in 2001 for the first time that “[t]he Länder and local umbrella organisations were included in the establishment of the employment policy action plan.”<sup>73</sup> This can be seen as related to the new 2001 Employment Guideline on ‘regional and local action for employment’ as well as to the campaign of the European Commission, having raised a certain awareness of the involvement of local actors.<sup>74</sup> In the 2002 German NAP, it is indicated that “[t]he National Action Plan for Policy on Employment was drawn up by the Federal Government together with all other parties with a decisive influence on the implementation of employment policy.”<sup>75</sup> Then, the participation of the local umbrella associations is mentioned.<sup>76</sup> In 2003, the NAP states that “[t]he local level was considered by including local umbrella organisations”.<sup>77</sup> Thus, from 2001 on, representatives of the German local authorities have been involved in the NAP procedure.

In practice, however, this involvement seems to be more a formal procedure without any real impact. After having drafted the National Action Plan, the Federal

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<sup>72</sup> COM (2001) 629, p. 9; Interview II, 15.04.2004.

<sup>73</sup> NAP 2001, p. 6.

<sup>74</sup> Interview II, 15.04.2004.

<sup>75</sup> NAP 2002, p. 4.

<sup>76</sup> NAP 2002, p. 4.

<sup>77</sup> Federal Republic of Germany (2003): National Action Plan for Policy on Employment 2003 (submitted pursuant to Art. 128 EC Treaty, p. 35).

Ministry of Economics and Labour as the responsible body<sup>78</sup> sends it to different actors such as the Federal Employment Agency, the Länder or the local umbrella organisations before the cabinet adopts the document. The representatives of the local authorities then have the possibility to read the draft and to state their position.<sup>79</sup> But as the period of time for this is very short – often less than one week – the local umbrella organisations are not able to comment on it in depth and cannot involve their member authorities in the consultation process. Furthermore, the whole NAP process suffers from time pressure so that this consultation is not taken very seriously and has no impact on the NAP document. Thus, the information of local authorities on the European Employment Strategy remains superficial, and neither a partnership for the elaboration of the plans exists nor mechanisms to conciliate different positions and to balance the employment policy activities of the different levels.<sup>80</sup>

As a result, “[t]he local, administrative level takes a rather reserved position towards the EES and the OMC in general being afraid that the EU gains influence through these processes in areas where it does not have competencies. They are also opposed to the government taking further decisions which cannot be influenced by the local level but which have to be carried out by this level.”<sup>81</sup> This reveals a general strained relationship between the federal government and the Länder on one side and the local level on the other side. Local authorities often perceive the policies of the higher levels as hostile to local needs. Indeed, they see themselves in a position where they have to fulfil more and more tasks without being financially compensated. And the representation of their interests at federal or European level is claimed to be done by the Länder to which the local authorities belong constitutionally.<sup>82</sup>

However, one main reason for the unwillingness of the federal level to engage other actors in the set-up of the NAP could also be its overall reservation with regard to the EES in general. “[...] the whole NAP/empl.-process does not enjoy a very

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<sup>78</sup> The responsibilities for the drawing up of the NAP changed several times and lie now with the Ministry of Economics and Labour (Büchs, Milena/Friedrich, Dawid (2003): *Surface-Implementation: Dealing with the EES and the OMC/incl. in Germany*, Paper presented at the Workshop “Opening the Open Method of Co-ordination” of Saltsa, Observatoire social européen and University of Madison-Wisconsin, Florence, 4-5 July 2003, p. 5).

<sup>79</sup> Interview VII, 23.03.2004.

<sup>80</sup> Engender ASBL (2002): *Review of the Implementation of the Guidelines on Local Development in the Employment NAPs from 1998 to 2001 across the EU* (Synthesis Report, carried out on behalf of the European Commission), Brussels, p. 23; Büchs/Friedrich 2003, p. 7; Interview I, 31.03.2004; Interview VI, 07.04.2004.

<sup>81</sup> Büchs/Friedrich 2003, pp. 10-11. However, this problem arises not only with regard to the EES but in every policy field where measures are decided at higher level but have to be implemented and financed by the local authorities.

<sup>82</sup> Interview IV: Official of the City of Cologne, Office for European Affairs, Cologne, 02.04.2004; Interview VI, 07.04.2004.

important status within the overall policy making process in Germany. It is mainly perceived as a rather bureaucratic process, obliging them to deliver information and material [...] to the EU. This process is not regarded as functioning as a policy planning tool.”<sup>83</sup> And as there are no sanctions to be feared when ignoring the EES guidelines on regional and local involvement, only symbolic efforts are made in this regard.

## 5.2. The substance

Concerning the contents of the NAPs, the local level is mentioned under many of the guidelines. From 1998 to 2003, an increase in the involvement of local authorities in employment measures (or at least an increase of mentions in the NAPs) can be recognised. However, one can observe two points. Firstly, in most of the cases, the local authorities are simply regarded as executors of federal and Länder programmes in the employment policy and not as initiators of their own local employment measures. Almost no local project is mentioned in the NAPs. Secondly, a distinction between employment activities in the framework of the EES and mere national or regional policies which were planned and implemented independently from the EES is often not possible.

In 1998, the German NAP reported on local authorities only in the context of vocational training for young people where the local governments implement and partly finance federal and Länder programmes.<sup>84</sup> One year later, the local level played a role under guideline 6 on life-long learning,<sup>85</sup> and again on vocational training for young people leaving school and especially on training and integration of young foreign nationals.<sup>86</sup> Guideline 12 of 1999 (on small and medium-sized enterprises, SMEs) mentioned also the role which local authorities can play in the employment policy by promoting new and existing SME. Here, it was referred to the joint programme ‘Improvement of the Regional Economic Infrastructure’ of Bund and Länder for the regional and local level.<sup>87</sup> Additionally, local authorities were involved in the service sector, especially in social services such as the care of the elderly<sup>88</sup> or with regard to child care facilities, also an aspect for equal opportunities for men and women.<sup>89</sup> In 2000, the NAP generally noted that “[t]he fight against long-term unemployment is considered to be one of the most

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<sup>83</sup> Büchs/Friedrich 2003, p. 11.

<sup>84</sup> Federal Republic of Germany (1998): National Employment Action Plan, April 1998, p. 11 and p. 17.

<sup>85</sup> Federal Republic of Germany (1999): Employment Action Plan 1999, June 1999, p. 35.

<sup>86</sup> NAP 1999, p. 38 and p. 43.

<sup>87</sup> NAP 1999, pp. 48-49.

<sup>88</sup> Guideline 13, NAP 1999, p. 50.

<sup>89</sup> NAP 1999, p. 61 and p. 68.

important tasks of a preventive active labour market policy also at the regional level and is implemented in particular by means of qualification measures in the context of the Länder programmes and activities of the local authorities (with support from the ESF)<sup>90</sup> but no concrete activities or projects were listed here. Besides the repeated role of local governments in terms of youth unemployment via education and training programmes,<sup>91</sup> the 2000 NAP reported for the first time explicitly on the capacity of local authorities in carrying out an active labour market policy in their function as social assistance providers. This aspect of 'Assistance for Work' was listed under guideline 3 on the transition from a passive to an active labour market policy.<sup>92</sup>

In 2001, the first year of the guideline 11 on 'Creation of Jobs at Local and Regional Level', the NAP mentioned that "[j]ob creation in the regions is a result of the initiative of those involved locally."<sup>93</sup> Then, the document listed federal or Länder measures such as again the 'Improvement of the Regional Economic Infrastructure' programme or a new initiative to reform the organisational structures in the employment field at regional and local level ('Regional Management'). These measures were aimed at supporting the regional or local creation of jobs, but they showed a clear top-down approach of the federal government. No local initiatives were mentioned under this guideline. The only aspect was again the task of the local authorities of providing 'Assistance for Work' where the NAP mentioned a doubling of financial resources between 1994 and 1999 but it did not mention any projects at local level in this field. But one main focus was on the public employment services and their reform in the framework of the 'Organisational Concept Employment Office 2000'. As the local authorities were still part of the management committees of the local employment agencies at that time and as new pilot projects were established to co-ordinate the measures of the agencies with those of the social welfare offices of the public authorities, this could be seen as an element of active involvement of local governments in the overall concept of the national employment policy.<sup>94</sup>

In addition, a more general part of the NAP 2001 on 'regional dimensions' stated that "[t]he inclusion of local authorities in the labour market policy is of great importance to the Länder, whereby the form of participation and organisation may vary widely depending on specific requirements of the Land."<sup>95</sup>

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<sup>90</sup> Federal Republic of Germany (2000): National Employment Action Plan 2000, p. 14.

<sup>91</sup> NAP 2000, p. 55.

<sup>92</sup> NAP 2000, p. 16.

<sup>93</sup> Federal Republic of Germany (2001): National Action Plan for Policy on Employment 2001, p. 45.

<sup>94</sup> NAP 2001, pp. 45-47 and p. 70.

<sup>95</sup> NAP 2001, p. 6.

Indeed, in the National Action Plan of 2002, where the Länder had for the first time their chapters to describe their approaches in the employment policy, this varying role of local authorities according to the Land became clear. Here, only Baden-Württemberg, Bremen (as a city-state), Mecklenburg Western Pomerania, North Rhine-Westphalia and Schleswig Holstein mentioned the local level at all. Whereas Baden-Württemberg only highlighted the importance of decentralised approach in the employment field<sup>96</sup> and Bremen alluded to a close financial co-operation between the Land and the city,<sup>97</sup> Mecklenburg Western Pomerania reported on its 'Labour market and Structural Development Programme' which supplemented the efforts of the public employment service by "[...] helping the administrative districts and towns to facilitate the return into employment for citizens who receive social assistance."<sup>98</sup> Here, the local level was permanently included in the planning and implementation of this mainly ESF funded programme.<sup>99</sup> A special feature of North Rhine-Westphalia's employment and labour market policy was a strongly decentralised approach with regard to ESF labour market programmes in which 30 regional conferences work out their own development plans and conclude target agreements with the Land.<sup>100</sup> In Schleswig Holstein, the programme 'Employment for Schleswig Holstein' presented the framework for a close co-operation between the Land governments, the local authorities and other local stakeholders in the employment and labour market field. Yet, how this co-operation functioned concretely remained unclear.<sup>101</sup>

In its general part, the NAP 2002 mentioned the local level in many of the guidelines as destination for federal or Länder employment programmes. One example, where local authorities became actors in their own rights, was under guideline 8 (reduction of the administrative burden for businesses). Here, the NAP presented a research project called 'Good Practice at the Interface between Business and Local Authorities' where 150 examples of good practice were examined. These projects which had been initiated by local authorities introduced pro-business measures for the support of local company start-ups and could be seen as part of the explicit local authorities' 'optional' power to promote local economic activities.<sup>102</sup>

The National Action Plan of 2003 already included the new structure of the European Employment Policy where the pillars and guidelines were replaced by 10 broad objectives. Some new elements are worth mentioning here.

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<sup>96</sup> Federal Republic of Germany (2002): National Action Plan for Policy on Employment 2002, p. 101.

<sup>97</sup> NAP 2002, p. 104.

<sup>98</sup> NAP 2002, pp. 107-108.

<sup>99</sup> NAP 2002, p. 109.

<sup>100</sup> NAP 2002, pp. 109-110. A more detailed description of this approach can be found in chapter 6.4.1. on the European Social Fund.

<sup>101</sup> NAP 2002, p. 116.

<sup>102</sup> NAP 2002, p. 50.

Thus, under the new objective 10 on regional employment disparities, the federal government stated that it was elaborating a long-term strategy for employment. "The approach contains both the promotion of private investment and infrastructure-related measures and investment in human capital as well as a target-oriented labour market policy and local activities."<sup>103</sup> Interestingly, the NAP then mentioned mainly programmes and initiatives which had been already presented in the NAPs of the previous years such as the programme 'Improvement of the Regional Economic Structure' or the 'Regional Management' project.<sup>104</sup> Still, one new programme for the local level was introduced, named 'Local Capital for Social Purposes'. It was funded by the European Social Fund and targeted micro projects in areas which had become victims of the 2002 floods in Eastern Germany as well as projects in the framework of the joint programme 'The Social City' of the federal and the Länder governments. These projects aimed at including immigrants and disadvantaged and old workers into the labour market and foresaw initiatives to support young people and women in (re-) entering the labour market.<sup>105</sup>

Noteworthy is also the fact that the new horizontal chapter on good governance and partnership was missing any reference to local authorities as actors in the German employment policy. Only the participation of the local umbrella organisations in the procedure of setting up the NAP was mentioned here (see above on the procedural aspects of the NAPs).<sup>106</sup>

Having analysed the 'local dimension' in the German National Action Plans, it becomes obvious that, in the perception of the federal government, the local level is an almost mere level of implementation for federal or Länder policies and is hardly recognised as autonomous actor in this field. When mentioning local initiatives, the NAPs only enumerate them without analysing their evolution over time, their real impact or the problems which arose. In addition, an overall lack of clarity on responsible actors and the financial aspects of projects characterises the German NAPs.<sup>107</sup> In general, one can say that the Länder got a much stronger role over time with even own chapters on the Länder policies and programmes, compared to a small increase of recognition of the local authorities in the German employment policy. However, even there, the question remains whether this is an effect of the European Employment Strategy.

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<sup>103</sup> NAP 2003, p. 33.

<sup>104</sup> NAP 2003, p. 33.

<sup>105</sup> NAP 2003, p 34.

<sup>106</sup> NAP 2003, pp. 35-38.

<sup>107</sup> Ziegler/Breuer 2001, p. 10; European Court of Auditors 2002, p. 30.

## *6. The different EES measures and instruments at local level*

### **6.1. Local employment strategies/Local Action Plans**

When it comes to the local level and its own employment initiatives, the Commission highlighted in its Communication of 2001 a need for more strategic approaches of local authorities to tackle the problem of unemployment. Therefore it suggests the drawing up of local employment strategies which should be consistent with the pillars and objectives of the European Employment Guidelines as well as with the national priorities formulated in the NAPs.<sup>108</sup> These 'Local Action Plans' (LAPs) should be composed of several steps: "[...] targeting a local area; establishing a local diagnosis of strengths and weaknesses; identifying potential actors and developing mechanisms to co-ordinate their inputs; analysing opportunities and threats regarding employment in the targeted territory; and involving regional and national authorities, drawing from the relevant National Action Plan for employment."<sup>109</sup>

To support the creation of those Local Action Plans in the framework of the EES, the European Commission launched in 2000 and 2001 two preparatory measures (budgetary line B 5 5030) and then two pilot projects as innovative measures (Art. 6) of the European Social Fund.<sup>110</sup> These two strands of support were criticised by the Court of Auditors because of their overlapping characteristics.<sup>111</sup> While bearing this in mind, only the preparatory measures will be described in the present chapter whereas the Art. 6 measures will be set into context of the overall ESF funding in chapter 6.4.2.

The impulse for the preparatory measures for Local Action Plans came from the European Parliament whose members have close links to the local actors 'on the spot' in the Member States.<sup>112</sup> The European Commission took up the idea and launched a call for proposals for a first phase where 33 projects were selected for a 9 months period, funded with 5-6 million Euro. Of these 33 projects, only 13 were set up to work out a Local Action Plan whereas the others were more widely aimed at identifying and disseminating examples of best practice in the local employment field. Of the 13 LAP-projects, 5 were transnational, the others focused on specific local territories in one Member State. What concerns German local authorities is that no mere national project was established but 6 German cities (twice Berlin, Leipzig, Hanover, Heidelberg and Osterholz) participated in four of the transnational initiatives: the European network of Cities and Regions for the Social Economy

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<sup>108</sup> COM (2001) 629, p. 9.

<sup>109</sup> COM (2001) 629, p. 9.

<sup>110</sup> Interview II, 15.04.2004.

<sup>111</sup> European Court of Auditors 2002, p. 24.

<sup>112</sup> Interview II, 15.04.2004.

(REVES) which brought together nine local authorities in its project TEELA, (Translating EES at Local Level); the Local Agenda Network for Employment (LANE) project of the International Council for Local Environmental Initiative ICLEI which was aimed at transforming the Local Agenda 21 methodology on sustainable development into a tool for the setting up of employment LAPs; the Local Employment Promotion - Net (LEP-NET) of the German section of the Council of European Municipalities and Regions (CEMR) which involved six local authorities from Austria, Germany, Greece, France, Spain and Ireland; and as the fourth transnational project with a German participation the project called CITIES, Cities' Initiatives Towards Employment Strategies, initiated by the transnational organisation Eurocities, a network of major European cities.<sup>113</sup>

This CITIES project which run from January to September 2001 supported the participating local authorities in developing Local Action Plans in the field of employment which are based on the four pillars of the EES. First, mapping and profiling of the situation of a city helped to understand its wider context for the subsequent SWOT analysis, highlighting the strengths, weaknesses, opportunities and threats which the city faces in its labour market. This SWOT analysis was developed along the four pillars of the EES. The clear structure facilitated a regular exchange between the project partners. Thus, four workshops and conferences were organised in the project phase in order to discuss issues like horizontal partnerships with other local actors in developing the LAP or their strategic approach with respect to the broader context of 'eEurope', or to exchange examples of good practices. At the final conference in Brussels in November 2001, a framework for producing a LAP was presented and policy recommendations vis-à-vis the European and national institutions were formulated. These recommendations included demands for a 'contract' between the regional and national authorities and the higher levels of government on local employment strategies in order to guarantee flexibility and financial support for the local initiatives.<sup>114</sup>

Leipzig, along with Berlin one of the two German participants in the project, used the CITIES framework to establish a working group with other local stakeholders to formulate the objectives of the LAP process. Inside the local administration, another inter-departmental working group was created to support the consultation process by drawing up policy proposals for discussion and by organising a major conference at the end of 2001 where a "broad political and practical basis for the action plan"<sup>115</sup> was established. Here, with Wolfgang Tiefensee, the mayor of

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<sup>113</sup> INBAS (2002): Acting Locally for Employment. Findings of the Preparatory Measures for a Local Commitment to Employment 2001 (summary report, carried out on behalf of the European Commission, DG Employment and Social Affairs), Brussels.

<sup>114</sup> <http://www.eurocities.org/cities>, 24.04.2004.

<sup>115</sup> INBAS 2002, p. 7.

Leipzig and current president of Eurocities, a person of high political calibre dedicated himself to the idea of linking local employment efforts to the European Employment Strategy and can be seen as a change agent in this regard.

In general, “[t]he EES message on the need for improved co-ordination and collaboration between policies and agents apparently correspond well to perceived local needs.”<sup>116</sup> Existing European networks of local actors were activated to engage in the European Employment strategy and to make use of the funding of the preparatory measures provided by the European Commission. However, at least in the case of Germany, no new network was set up for this purpose.

And although the mentioned projects can be regarded as rather successful examples of drawing up Local Action Plans in the employment field, they still had to face major challenges. Hence, the co-operation not only between different local actors but also among different sectoral departments within the public administration turned out to be difficult.<sup>117</sup> Another problem was the availability of data for the EES indicators which were used to compare the labour market situation of the participating cities. In particular, in cases where data collections of public employment services did not correspond with the territory of a city, the statistics remained incomplete.<sup>118</sup> In general, it became clear that the EES pillars were appropriate for the local level but not the guidelines and the indicators, and ‘management by objectives’ reached its limits in Member States like Germany where this method was rather unknown.<sup>119</sup> The evaluation report of the first round of the preparatory measures stresses the point that “[t]ailor-made information and guidance on processes, methods and tools are required [...]”<sup>120</sup> in order to adapt the European instruments to local purposes.

With regard to the low German participation in the LAP projects, interviews with responsible people in this field showed that either the Commission programme was unknown or the capacities of German local authorities would have been overstretched with this task. In addition, a reflex of defence of the local autonomy against instructions from higher levels – whether European or national – can be seen in this regard.<sup>121</sup>

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<sup>116</sup> Jacobsson/Vifell (forthcoming), pp. 14-15.

<sup>117</sup> INBAS 2002, p. 15; Schulze-Böing, CEMR conference “EQUAL – Challenges for Local Authorities”, Brussels, 19.03.2004.

<sup>118</sup> INBAS 2002, pp. 5-6.

<sup>119</sup> Interview VI, 07.04.2004.

<sup>120</sup> INBAS 2002, p. 25.

<sup>121</sup> Jacobsson/Vifell (forthcoming), pp. 14-15; Interview I, 31.03.2004; Interview III: Representative of one local umbrella organisation, Brussels, 18.03.2004; Interview VI, 07.04.2004.

Whether the acceptance of these preparatory measures for LAPs have increased with the second round, will have to be seen. Its evaluation is currently underway and will be published in autumn 2004.<sup>122</sup> This second round was launched for 24 months in 2001-2002 and included 19 projects. Seven out of these were focused on the drawing up of Local Action Plans. Here, Germany was represented in four transnational projects by Schwerin, Dortmund, Munich, Bremen and Oberhausen. However, not all of these projects addressed local authorities but also for example consultancies which set up training schemes for the creation of LAPs.<sup>123</sup>

## **6.2. Local benchmarking and exchange of best practices**

The European Commission regards the identification and dissemination of good practices and innovations in local employment policies as a major factor for the success of the local dimension of the EES. Through the exchange of information and ideas and the resulting peer review between local authorities within or across EU Member States, an important element of the Open Method of Co-ordination shall be applied also at the local level.<sup>124</sup>

In order to create the conditions for those horizontal initiatives, the Commission came up with the suggestion to broadly inform local actors on the EES and its new opportunities for local employment initiatives by starting national campaigns in each Member State. Yet, this idea was “[...] strongly objected by some member governments in the EMCO. The proposal was rejected by a majority of the Member States and no joint campaign was launched [...]”<sup>125</sup> However, the Commission has taken other kinds of actions. It set up a local development website on the DG Employment and Social Affairs homepage to provide the local actors with information and a better access to Community programmes and their requirements.<sup>126</sup> As shown in the previous chapter, it also supported national and transnational networks in the development of Local Action Plans and local employment strategies. The idea of Territorial Employment Pacts or the transnational dimension of the Community Initiative EQUAL also have to be mentioned within this objective of creating horizontal co-operation between actors at local level.

One major event in this regard was the Local Development Forum, organised by DG Employment and Social Affairs in May 2003 on the Rhodes islands in Greece. Under

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<sup>122</sup> Interview II, 15.04.2004.

<sup>123</sup> European Commission (2001): Preparatory measures for a local commitment to employment (VP/2001/015, short summary of projects), Brussels.

<sup>124</sup> COM (2001) 629, p. 16.

<sup>125</sup> Jacobsson/Vifell (forthcoming), pp. 8-9.

<sup>126</sup> [http://europa.eu.int/comm/employment\\_social/local\\_employment/index\\_en.htm](http://europa.eu.int/comm/employment_social/local_employment/index_en.htm), 25.04.2004.

the title 'European Forum on Local Development and Employment - Acting together at local level: more and better jobs, better governance', approximately 900 representatives from local authorities, local development agencies, EU and national authorities, NGOs and representative organisations exchanged local employment practices, discussed problems with regard to the involvement of the local level in the national NAP process, and made propositions for the further evolution of the European Employment Strategy. Five Workshops on specific topics of the local dimension of the EES, among others on the setting up of LAPs and on the role of the social economy or on equal opportunities, were held. Background papers and a final report of the Conference were made available on the especially for this purpose established Forum website.<sup>127</sup>

However, the success of such an event is difficult to assess as well as the effective use of the information offers by local actors.<sup>128</sup> A certain awareness-rising of local authorities which participated in the Local Development Forum and a kind of policy-learning by exchanging ideas and examples of best practice might have taken place. Whether this single event created adaptational pressures via peer review and led to changes of employment policies at local level, is, however, unlikely but has to be left open.

In general, one major obstacle to local exchanges of good practices and of local benchmarking consists with regard to the indicators and the guidelines of the EES which could often not or not easily be applied by local actors. The sub-committee of the Employment Committee on indicators which has worked out around 100 national indicators for the follow-up of the Employment Guidelines in the Member States NAPs, proposed only one indicator on regional disparities which targets the subnational level in the Member States.<sup>129</sup> The European Commission stated in this context that the transformation or translation of national indicators and guidelines into local ones should be a task of the national or even the local level when setting up Local Action Plans.<sup>130</sup>

Nevertheless, the Commission became aware of the huge difficulties that existed, especially because local authorities could not expect any support from national governments. And the European Court of Auditors criticised the lack of data on local employment initiatives in the context of the EES.<sup>131</sup> Therefore, the Commission charged two independent consultancies with the task to find local employment indicators which are valuable Europe-wide. But as it has shown, only a few

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<sup>127</sup> <http://www.hp2003ledforum.org/eng/index.htm>, 25.04.2004.

<sup>128</sup> See chapter 6.3. for the horizontal dimension of the Territorial Employment Pacts and chapter 6.4.3. for EQUAL.

<sup>129</sup> Groupe Bernard Brunhes Consultants/Economix 2003, p. 7.

<sup>130</sup> Interview II, 15.04.2004.

<sup>131</sup> European Court of Auditors 2002, p. 29.

common general indicators could be found. The reason was that not only in comparison between Member States, the local level is very inhomogeneous, but this is true even within one country. Thus, the test-regions which were chosen in each Member State were not comparable to each other. As a consequence, in December 2003, the consultancies could only come up with a list of 37 indicators and some suggestions on methods of data-collection from which local actors can choose to draw up a Local Action Plan.<sup>132</sup> These indicators are grouped under three categories: performance indicators, context indicators and evaluation/follow-up indicators. Performance indicators are comprised of data on the strengths and weaknesses of a territory, the promotion of entrepreneurship or the equality between men and women. The Context indicators refer to economic structure, potential for the territorial development or partnership dynamics, and the Evaluation indicators relate to the financial means from European, national, regional and local level which are spent for local employment initiatives.<sup>133</sup>

With these indicators, the European Commission is planning to start an information campaign for national governments, regional and local authorities and local actors in order to provide help for a better adjustment of the national employment policies to special local needs. This could lead to a stronger mobilisation of all stakeholders at local level. In addition, the European Commission will use the indicators to evaluate and optimise its programmes designated to the local level.<sup>134</sup> Whether these indicators will be accepted and used at the different levels of the Member States will have to be seen. However, as no benchmarks exist even at national level in Germany, it might be difficult to introduce them at local level.<sup>135</sup>

### 6.3. Territorial Employment Pacts

Another instrument for local employment policies in the context of the EES are the Territorial Employment Pacts (TEPs), launched already at the Florence European Council in June 1996 as innovative measures of the EU structural policy (Art. 10 ERDF).<sup>136</sup> In its Communication of 2001, the European Commission announced that it will include the experience gained from these pilot projects and the instrument as

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<sup>132</sup> Interview II, 15.04.2004.

<sup>133</sup> Groupe Bernard Brunhes Consultants/Economix 2003, pp. VIII-IX.

<sup>134</sup> Groupe Bernard Brunhes Consultants/Economix 2003, p. XII; Interview II, 15.04.2004.

<sup>135</sup> Bertelsmann Stiftung/Hans-Böckler-Stiftung/Verband für kommunales Management – KGSt (eds.) (2001): *Benchmarking in der lokalen Beschäftigungsförderung. Recherche und Assessment bestehender Benchmarking-Ansätze*, Gütersloh: Verlag Bertelsmann Stiftung, p. 38.

<sup>136</sup> Gerlach, Frank/Ziegler, Astrid (2000): „Territoriale Beschäftigungspakte in Deutschland – neue Wege der Beschäftigungsförderung?“, in: *WSI Mitteilungen* 7/2000, pp. 1-2.

such into the framework for the 'local dimension' of the European Employment Strategy.<sup>137</sup>

When the first TEPs pilot projects were started, their aim was to introduce a more strategic and programmatic approach to local development in areas which face high unemployment rates by means of mobilising local actors to co-ordinate their efforts.<sup>138</sup> Therefore, the pact structure had to follow four principles. First, it had to be a bottom-up initiative, focussing on specific needs of the territory. Second, all relevant local actors had to be involved in the project: besides the public administration as initiator also the social partners, public employment services, companies, chambers, universities and research institutes, or private initiatives of the civil society.<sup>139</sup> Third, the project and instruments had to be new and innovative so that they could be used as model for other projects. And fourth, they had to establish links between different policy fields so that employment was understood as a cross-sectoral concern.<sup>140</sup>

The 1996 call for proposals of the European Commission resulted in the selection of 89 pacts facing high levels of unemployment in weak economic areas.<sup>141</sup> In Germany, nine TEP-pilot projects were chosen in Berlin-Neukölln, Hamburg, Bremen, Amberg-Sulzbach, Peine, Güstrow, Chemnitz/Erzgebirge, Zeitz and in the Ruhr area. Each project was funded with 200 000 Euro, and after the successful establishment of a strategic action plan, another 100 000 Euro were made available by the European Commission.<sup>142</sup> Each pact established a management office, and the *Zentrum für Innovation und Technik* in Mühlheim co-ordinated the activities of the pacts German-wide.<sup>143</sup>

Without any binding regulations except the four principles, and only small financial support, the TEPs were mainly meant as self-regulatory instruments on a voluntary basis, and they depended on the good-will of the project partners.<sup>144</sup> Benchmarking and policy-learning were fostered by regular pact meetings, by workshops with all the German pacts and by four conferences with pacts in other EU Member States.<sup>145</sup>

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<sup>137</sup> COM (2001) 629, p. 16.

<sup>138</sup> <http://www.inforegio.cec.eu.int/pacts/EN/index.html>, 03.02.2004; Committee of the Regions 2002, p. 112.

<sup>139</sup> Gerlach/Ziegler (2000), pp. 5-7.

<sup>140</sup> Gerlach/Ziegler (2000), pp. 2-3.

<sup>141</sup> Gerlach/Ziegler (2000), p. 3.

<sup>142</sup> <http://www.inforegio.cec.eu.int/pacts/EN/index.html>, 03.02.2004.

<sup>143</sup> Gerlach/Ziegler (2000), p. 3.

<sup>144</sup> Roth, Christian (2003): *Regionale Selbstorganisation im Rahmen der Territorialen Beschäftigungspakte. Europäische Arbeitsmarkt- und Beschäftigungspolitik jenseits von Regulation und (Re-) Distribution*, WIP Occasional Paper No 20, Universität Tübingen, p. 19.

<sup>145</sup> Gerlach/Ziegler (2000), p. 4.

Although the approach and the success of the nine German Territorial Employment Pacts differed considerably, they all encountered several problems. One of the difficulties of the projects was a lack of acceptance and co-operation between actors and between different administrative departments and policy fields.<sup>146</sup> It was in general not easy to find people changing their working methods and supporting the pacts actively. The most problematic aspect of the TEPs was the inclusion of private enterprises which were nevertheless essential for achieving the aim of creating new jobs. Thus, the Ruhr-TEP was dominated by public actors and no private company was willing to participate in the pact structure.<sup>147</sup>

Another challenge of many pacts was financial support. The federal government did not provide them with any funding and the Structural funds mainstream could only be used to a minimal extent because of differences, some exclusionary, between their criteria and those of the TEP-projects. In addition, private companies and banks were also reluctant with regard to financial contributions. The consequence was under-equipped pact offices which had to deal with a constant work overload, aggravated by the need for “a very difficult diplomatic balancing act”<sup>148</sup> in order to co-ordinate the work of the very heterogeneous pact partners.<sup>149</sup>

A further dilemma for the German TEPs was the quantification of their activities. As pilot projects are by definition new approaches which had to be realised in a rather short time, for example the Chemnitz-TEP and the Ruhr-TEP could not give any exact indication of the long-term results of the pacts. This then caused many problems in justifying the continuation of the projects. Nevertheless, a common perception among the TEPs partners was that the ‘climate’ of their relations changed via this form of co-operation. This can be regarded as a more qualitative form of success of the projects.<sup>150</sup>

But the main problem – also with respect to the continuation of the projects – was that the German federal and Länder governments showed only weak political support and recognition of the pacts and did not provide any funding.<sup>151</sup> Hence, the German National Action Plan of 2001 mentions that the ESF supports among other instruments also Territorial Employment Pacts but does not give any concrete example.<sup>152</sup> And in the NAPs of 2002 and 2003, only Berlin reports in its Länder

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<sup>146</sup> Gerlach/Ziegler (2000), pp. 3-4.

<sup>147</sup> Stumm 2002, p. 51.

<sup>148</sup> Stumm 2002, p. 53.

<sup>149</sup> Gerlach/Ziegler (2000), p. 4.

<sup>150</sup> <http://www.inforegio.cec.eu.int/pacts/EN/index.html>, 03.02.2004.

<sup>151</sup> <http://www.inforegio.cec.eu.int/pacts/EN/index.html>, 03.02.2004.

<sup>152</sup> NAP 2001, pp. 76.

chapter on the Neukölln-TEP which was extended to all other city districts at that time.<sup>153</sup>

At the beginning of the new funding period 2000-2006, the European Union decided to include the Territorial Employment Pacts into the ESF mainstream. The regulation 1784/1999 assured in Art. 2,2 “[...] support for local initiatives concerning employment, in particular initiatives to support local employment and territorial employment pacts”.<sup>154</sup> This had the consequence that it was then the federal and Länder governments respectively which were responsible for including the German TEPs into their Operational Programmes (OPs) for the ESF. And the TEPs had then to apply for funding not directly to the European Commission anymore but to the Länder governments.<sup>155</sup>

Thus, much depended on each Land and its support for this new approach whether the TEPs could continue after 2000. Hamburg and Bremen had here a special position because these two cities are city-states and their TEPs were de facto an element of the Land employment policy. In Bremen, the TEP office was even part of the Land administration. In these cases, the TEP structure was changed in 2000 and incorporated into other employment projects such as the Land ‘Pact for labour and apprenticeship’. Additionally, the experiences and contacts gained in Bremen entered into a project of the Community Initiative EQUAL.<sup>156</sup>

The pact in Berlin-Neukölln can be put forward as an example of best practice not only in the success of its pact structure but also with regard to the inclusion into the ESF mainstream. In 2000, the TEP was included in the Operational Programme of the Land Berlin and was even extended to the other districts of the city.<sup>157</sup> The original pact in Neukölln provided them with technical assistance, and the Berlin Senate created a strategy with incentives for ‘District Employment Alliances’, later renamed into ‘Pacts for Economy and Employment’. The continuation of these pacts, however, depends much on the current financial situation of Berlin as a whole.<sup>158</sup>

In Sachsen-Anhalt, the Zeitz TEP served as a model for the new initiative PAKTE which was established at Land level as one of five priority areas for the Operational Programme of the Structural Funds. Here as well, the Zeitz TEP office provided

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<sup>153</sup> NAP 2002, p. 141 and NAP 2003, p. 44.

<sup>154</sup> European Communities (1999): Regulation (EC) No. 1784/1999 of the European Parliament and of the Council of 12 July 1999 on the European Social Fund, in: *Official Journal of the European Communities*, 13.08.1999, Art. 2, 2.

<sup>155</sup> See the whole ESF process in more detail in chapter 6.4.

<sup>156</sup> Stumm 2002, p. 54.

<sup>157</sup> Gerlach/Ziegler (2000), p. 8.

<sup>158</sup> Stumm 2002, p. 55.

PAKTE with technical assistance and set up the guidelines. The Land initiative will include 10 to 15 local pacts and can be seen as a further development of the TEP-idea.<sup>159</sup>

In contrast to this case, the Territorial Employment Pacts in the Ruhr area, in Bavaria (Amberg-Sulzbach), in Lower Saxony (Peine), in Saxony (Chemnitz) and in Mecklenburg Western Pomerania (Güstrow) ceased in 2000, yet because of different reasons. Whereas in Amberg-Sulzbach, no necessity for a continuation was seen because of the relatively good employment situation in Bavaria, the pacts in Mecklenburg Western Pomerania (Güstrow) and Saxony (Chemnitz) faced insurmountable problems to find funding as the TEPs were not included into the Land OPs. The Peine TEP was firstly anchored in the Land operational programme for the objective 2 area, but as the territorial definition of the region changed, Peine was not eligible anymore.<sup>160</sup> In the Ruhr area, again, the TEP was explicitly mentioned in the OP for objective 2 but it ended because of a lack of commitment from the side of the pact partners themselves.<sup>161</sup>

In general, one can say that the German federal government and many of the Länder paid no attention to the EU pilot projects, and despite some successful TEP approaches, it was neither possible to include this concept into the general national employment policy nor to disseminate it widely at the local level. The very heterogeneous situation of the TEPs can be explained by this lack of a common national approach and the different priorities in the Länder. And as one Commission official affirmed, except the above mentioned examples of good practice, the TEPs are now “dead” in Germany.<sup>162</sup>

#### **6.4. European Social Fund**

The European Union decided in 1999 that the European Social Fund will be integrated into the overall context of the European Employment Strategy. In Article 1 of the ESF Regulation 1784/1999, it is stated that “[...] the Fund shall support measures to prevent and combat unemployment and to develop human resources and social integration into the labour market in order to promote a high level of employment, equality between men and women, sustainable development, and economic and social cohesion. In particular, the Fund shall contribute to the actions

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<sup>159</sup> Stumm 2002, p. 55; Ziegler/Breuer 2001, p. 20.

<sup>160</sup> Stumm 2002, p. 55.

<sup>161</sup> Stumm 2002, p. 90.

<sup>162</sup> Interview I, 31.03.2004.

undertaken in pursuance of the European Employment Strategy and the Annual Guidelines on Employment.”<sup>163</sup>

During the negotiations on the European Employment Strategy, it became clear that the Member States were not willing to extend the EU budget for this purpose.<sup>164</sup> The link between the ESF and the EES, however, proved to be a difficult one. While the ESF already existed since 1957 and comprised more a bottom-up approach, the EES was a new strategy which still had to find its way.<sup>165</sup> Problems with synergies arose because of different time frames and objectives, and it often seemed that actors were more concerned with the criteria for eligibility than with the real needs of their local labour markets.<sup>166</sup>

However, this problem has to be left aside in the present analysis. Instead, the different funding opportunities which the ESF provide for local development, and at the role which the German local authorities played in the different phases of the funding procedure will be examined. As ‘local employment initiatives’ are one of the three horizontal themes of the ESF for the funding period 2000-2006,<sup>167</sup> the fund can provide assistance for local activities in the mainstream of objectives 1, 2 and 3 as well as via Art. 6 on Innovative Measures and via the Community Initiative EQUAL.

#### **6.4.1. ESF mainstream**

The principle of partnership has been viewed as a major element of the Structural Funds mainstream. It says that all relevant actors should be involved in the planning, programming and operationalising process of the funding programmes. However, when one looks at the funding procedure, the national level is still of high importance. In the planning period, the national government, in Germany in co-operation with the Länder governments, sets up a Development Plan where it analyses the situation and the needs in the specific regions which is then the basis for negotiations with the European Commission. These negotiations result in the adoption of a Community Support Framework which fixes the priorities and

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<sup>163</sup> European Communities 1999: Regulation 1784/1999, art. 1.

<sup>164</sup> Ziegler/Breuer 2001, p. 3.

<sup>165</sup> Jacobsson, Kerstin/Schmid, Herman (2002): “Real Integration or just Formal Adaptation? – On the Implementation of the National Action Plans for Employment”, in: De la Porte, Caroline/Pochet, Philippe (eds.): *Building Social Europe through the Open Method of Coordination*, Brussels: PIE Lang, pp. 82-85.

<sup>166</sup> Interview II, 15.04.2004. For a detailed analysis of the relationship between the ESF and the EES see Hartwig, Ines (2002): *Incremental Synergies or Growing Fragmentation between the Luxembourg Process and EU Cohesion Policy?*, Working Paper Nr. 2002/W/1, Maastricht: EIPA.

<sup>167</sup> However, the European Court of Auditors criticised this aspect because no concrete mechanisms were foreseen to implement this horizontal objective (European Court of Auditors 2002, p. 30; Interview I, 31.03.2004).

strategic approach for the territorial objective 1 and 2 programmes and for the horizontal objective 3 programmes.<sup>168</sup> The Community Support Framework is then translated into concrete operational programmes for each Land. At this stage, all measures, their respective means and participating actors are fixed and an implementation schedule is set up.<sup>169</sup> Until that moment, each Land can decide whether to consult local authorities or not. Although it can differ from Land to Land, in general, there is no real involvement in the planning phase.<sup>170</sup>

Only in the implementation phase, the partnership principle is consistently extended to the local level. Here, local authorities implement agreed projects and participate in the monitoring committees in which the Land, the social partners, and other non-governmental organisations monitor and evaluate the ongoing projects and their financial means. Many actors participate in these committees, and thus, the local authorities do not have an exclusive role<sup>171</sup> and as the role of the committees is rather limited and often only has an 'alibi function' for fulfilling the criteria of the ESF regulation, local governments do not have any qualitative influence.<sup>172</sup> Moreover, even in the implementation phase, the federal government still has an important role as the single managing authority and as the main co-financer of the projects.<sup>173</sup>

With regard to the substance of the ESF mainstream programmes, few of them are assigned directly to the local level. The German National Action Plan of 2001 mentions that the ESF supports local employment initiatives but no concrete projects are given and in the finance overview, no money is allocated to this category.<sup>174</sup> The ESF co-funding is instead used for Länder programmes in which local governments either have to execute Länder projects, or do not play any role at all.<sup>175</sup> In total, Germany receives ca. 11 billion Euro of the ESF for the funding period 2000-2006.<sup>176</sup>

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<sup>168</sup> European Court of Auditors 2002, p. 27.

<sup>169</sup> In order to simplify the funding procedure, since 1993, the Member States have got the possibility to combine the Community Support Framework document and the Operational Programmes in a Single Programming Document per Objective which is then negotiated at once at EU level.

<sup>170</sup> Schultze, Claus J. (1997): *Die deutschen Kommunen in der Europäischen Union. Europa-Betroffenheit und Interessenwahrnehmung*, Baden-Baden: Nomos, pp. 49-50; Interview VI, 07.04.2004.

<sup>171</sup> Bollen, Frank (2001): *Managing EU Structural Funds. Effective Capacity for Implementation as a Prerequisite*, Maastricht: EIPA, pp. 22-24.

<sup>172</sup> Ziegler, Astrid (2000): *Die Europäischen Strukturfonds 2000-2006. Zu den Einflussmöglichkeiten der Sozialpartner in der Bundesrepublik Deutschland*, Diskussionspapier Nr. 86, Düsseldorf: Hans-Böckler-Stiftung, p. 10.

<sup>173</sup> Interview VI, 07.04.2004.

<sup>174</sup> NAP 2001, pp. 75-76.

<sup>175</sup> Interview VI, 07.04.2004.

<sup>176</sup> [http://europa.eu.int/comm/employment\\_social/esf2000/documents/de\\_esf\\_en.pdf](http://europa.eu.int/comm/employment_social/esf2000/documents/de_esf_en.pdf), 29.04.2004.

In general, one can say that the ESF regulation emphasises the partnership principle but gives freedom to the Member States to decide which partners to include in which phase of the funding procedure. "In other words, the Member State authorities (at central level) have maintained their traditional gatekeeper's role during the preparation, implementation and monitoring stages."<sup>177</sup> In Germany, the federal government promoted a stronger role of the Länder, but this went at the expense of the local authorities whose activities are highly controlled by the Länder.<sup>178</sup> Concerning the partnership principle, "[i]t appears that its practical application is by and large determined by the particular political and administrative context of each individual Member State, as well as their tradition of dialogue between levels of government and with the other partners."<sup>179</sup> Here, the more conflictual relationship between the local authorities and the higher levels of government in Germany plays again a role.

However, one exception to this minor role of local authorities and an example of a culture of dialogue between the Land and the local level is North Rhine-Westphalia (NRW) where the Land/ESF programmes are managed by a decentralised and participative structure. Within that structure, the Land provides automatically the co-funding for all ESF programmes.

At the centre of this decentralised policy are thirty regional conferences, the so-called 'consensus rounds'. Their territorial area corresponds to the city borders in bigger cities or to local districts or an aggregation of those in the rural areas. In regular meetings, representatives of the local administration (mostly the heads of department) discuss with representatives of the chambers, the local public employment offices, the social partners and people from diverse private initiatives of the third sector and education institutions which employment strategy to follow and which projects to support. Therefore, the regions set up their own framework conceptions with an analysis of the local labour market situation. After that, negotiation between the regional conference and the Land ministry take place where targets and financial means are determined per policy area in an annual target agreement. The decision on and implementation of concrete projects as well as their controlling and evaluation are then conducted by each regional conference, and the results are integrated in the next framework conception of the region. For this purpose, each conference has established a regional secretariat which prepares the meetings and establishes links between the conference and applicants for project funding. This decentralised approach guarantees effective management of the ESF

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<sup>177</sup> Bollen 2001, p. 25.

<sup>178</sup> Schultze 1997, p. 50; Bollen 2001, p. 44.

<sup>179</sup> Bollen 2001, p. 25.

projects and fosters a broad regional partnership within the employment and labour market field. However, the NRW labour ministry decided to reform this structure and centralise the decision mechanisms. Thus, from August 2004 on, the labour ministry will have the final say with regard to the selection of the projects.<sup>180</sup>

Baden Württemberg also adopted a more decentralised but not as far-reaching approach with regard to the management of the ESF. The Land has created permanent working groups at district or city level (thus, local monitoring committees) in which local authorities participate together with the local employment offices, the social partners, welfare and education organisations, the chambers and other actors of the employment policy. These working groups assist project applications and assess them in order to provide the Land ministry with a basis for decision.<sup>181</sup>

#### **6.4.2. ESF innovative measures (Art. 6)**

Whereas the participative structures in the ESF mainstream in Germany are controlled by the Länder, Article 6 of the European Social Fund regulation of 1999 enables the European Commission to finance directly and independently innovative measures and technical assistance in the framework of the ESF and the EES. The Commission can publish calls for proposals among others on “operations of an innovatory nature and pilot projects concerning labour markets, employment, and vocational training”.<sup>182</sup>

In this context, the European Commission decided that the innovative measures for 2001 and 2002 are headed under two priorities, one of which is “local employment strategies and innovation”<sup>183</sup>. Under this topic, local or regional administrations could apply for funding in order to analyse their local labour market situation, to build up a partnership with local stakeholders in the employment policy and to establish, implement and evaluate local employment strategies or Local Action Plans. The goal was then to disseminate concrete examples of best practice so as to mobilise other actors for the idea.<sup>184</sup>

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<sup>180</sup> Interview V: Official of the City of Cologne, Regional Secretariat of the ESF Regional Conference, Cologne, 02.04.2004; Stadt Köln, Amt für Wirtschafts- und Beschäftigungsförderung, Arbeitsmarktpolitisches Regionalsekretariat (2003): *Neue Impulse für Beschäftigung. ESF-kofinanzierte Landesarbeitsmarktpolitik in Köln 2000-2006*, Köln.

<sup>181</sup> NAP 2002, p. 136 and NAP 2003, p. 43.

<sup>182</sup> European Communities: Regulation 1784/1999, art. 6, 1(a).

<sup>183</sup> European Commission (2001): Communication from the Commission on the implementation of Innovative Measures under Article 6 of the European Social Fund Regulation for the programming period 2000-2006, COM (2000) 894, Brussels, 12.01.2001, p. 6.

<sup>184</sup> COM (2000) 894, pp. 8-11. See also chapter 6.1. on preparatory measures for LAPs.

Two rounds were launched in this field, the first one with 44 selected participants started in 2002, and the second one with 41 projects in 2003. For each round which lasts for two years, the Commission made 40 million Euro available, and as these projects found the acceptance of other actors such as the European Parliament, they were extended for another round.<sup>185</sup>

For both project rounds, several seminars were and will be held to provide the project partners with information on the local development activities of the European Commission and on the new structure of the EES, to discuss and present the efforts, results and problems of the running projects and to give the local authorities the opportunities to establish contacts to Commission officials and to build networks with local actors from other Member States.<sup>186</sup>

In Germany, two local districts, four cities, and the Land of Thuringia were selected for the first round,<sup>187</sup> and three local districts and five cities were chosen for the second funding period.<sup>188</sup> These local (and Land) authorities could link directly with the European Commission but they had to become active for the application by mobilising project partners and additional financial means, and they had to coordinate with other German local or regional authorities in order to assure that only one administration of a region applies for funding.<sup>189</sup> Therefore, people were needed to take the initiative to participate in these EU projects, and qualified staff in the local administration was required to face the bureaucratic necessities.<sup>190</sup> Thus, for example in the City of Offenbach/Main as one of the participating German cities in the second round, one single department unites employment promotion, statistics and European affairs. And its head of department is very engaged in European projects not only at local level but also in the working group of the Council of European Municipalities and Regions (CEMR) on employment and social affairs.<sup>191</sup>

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<sup>185</sup> European Commission (2001): First Annual Report on the implementation of innovative measures under Article 6 of the European Social Fund Regulation during 2001, presented to the ESF Committee on 13 December 2001, Brussels, p. 5.

<sup>186</sup> European Commission (2003): Third Annual Report on the implementation of innovative measures under Article 6 of the European Social Fund Regulation during 2001, presented to the ESF Committee on 5 December 2003, Brussels, p. 28.

<sup>187</sup> Local district Breisgau-Hochschwarzwald, city of Augsburg, city of Berlin, city of Göttingen, city of Leipzig, local district Döbeln and Land Thuringia.

<sup>188</sup> Local district Elbe-Elster, city of Hamburg, city of Offenbach/Main, city of Braunschweig, local district Osterholz, city of Chemnitz, local district Burgenlandkreis and city of Magdeburg.

<sup>189</sup> Double applications were excluded from the funding (European Commission (2003): Third Annual Report on the implementation of innovative measures under Article 6 of the European Social Fund Regulation during 2001, Brussels, p. 26).

<sup>190</sup> Interview VI, 07.04.2004.

<sup>191</sup> Interview II, 15.04.2004, Interview VI, 07.04.2004.

Hence, this is an example for a local authority which set its priorities for the allocation of its resources on projects in the framework of the EES.

Whereas the second project turn is still going on, a provisional and very general evaluation of the first round was carried out and presented to the ESF Committee in December 2003. It is based on five common elements of the diverse projects. First, the regional context and the economic situation of each project were evaluated and classified in five different groups, depending on productivity, labour market and human capital indicators. The ESF co-funding was higher for the last two categories where the economic situation was less favourable than in the others. Second, the partnership principle was evaluated with regard to the size of the partnership and the range of co-operation, thus the diversity of the participating actors. The average size of these partnerships was 12 actors, the kind of co-operation was split half in low-range partnerships with three or less different actors, above all including public actors like local authorities, public employment services and development agencies, and half in partnerships of a high range with between 4 and 8 different partners, also involving social partners, civil society organisations, the business sector etc. Third, the projects were classified by their priorities and aims which they wanted to achieve. These objectives ranged from the overall aim to develop a local action plan by addressing all four EES pillars to more specific ones such as special targets, for example social groups, certain territories or economic branches. Most of the projects followed the overall priority of establishing a local action plan. The German projects, however, focused more on some special or one single objective like the ageing population (Augsburg), private-public partnership (Berlin and Göttingen) or the development of local indicators and benchmarks in order to be able to compare the own situation with that of other similar areas (Döbeln). A fourth element of their evaluation was a comparison of the expectations with the results. There can be two categories distinguished: positive labour market outcomes were expected by some of the projects whereas others aimed to develop more long-term instruments of active labour market policies. However, it was too early to evaluate the concrete results. Finally, the networking dimension was taken into account. Some projects have built up (trans-) national networks with other projects of the first round and in some cases already included the projects of the second round.<sup>192</sup>

One example for an innovative project is the Eastern German local district Döbeln. It aims in its project to compare its labour market situation with areas in Europe

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<sup>192</sup> European Commission (2003): Third Annual Report on the implementation of innovative measures under Article 6 of the European Social Fund Regulation during 2001, Brussels, pp. 17-25. The evaluation consisted of a summary of all findings. This is the reason why the author is not able to give more specific information on the German projects.

which have the same structural problems of industrial decline. Therefore, it finances empirical research on the local economic situation and on the problems which still persist after more than a decade of reunification. These studies shall identify comparable regions and establish common indicators in order to make use of examples of good practices of these regions for the development of a local employment strategy for Döbeln. The research is currently carried out, and the local authorities hope to be able to hold a final conference at the end of 2004 where the results will be presented and a basis for a local action plan will be established.<sup>193</sup>

### **6.4.3. Community Initiative EQUAL**

EQUAL is the main Community Initiative in the employment policy field. Financed by the European Social Fund, it aims at promoting innovative employment and social policy projects in order to combat unequal access to the labour market and discrimination. The target groups of the Community Initiative are mainly women, migrants and disadvantaged people in a broader sense (for example concerning their health, their social situation or their family situation). The funding of EQUAL is bound on certain conditions, the most important one being the establishment of a 'development partnership'. This means that, firstly, a project has to involve actors of different institutions and organisations such as local authorities, NGOs, the social partners or private partners and also has to create closer links between different administrative units of a city. And secondly, the partnership principle of EQUAL also includes the establishment of networks of projects at national and transnational levels. Thus, an EQUAL project has to co-operate with at least one partner project of another Member State. Another condition for being eligible for funding is the innovative aspect of the project. This is an opportunity for local authorities to test new concepts for improving their working practices in the employment policy. The aim of EQUAL is that not necessarily the project itself but the new innovative practices are then included into the local system of service provision and into existing local policy-networks. Another condition of the Community Initiative is, as with all ESF-funded projects, that the local actors co-finance their activities. In general, the EQUAL activities are linked to the four pillars of the European Employment Strategy and to the additional priority asylum seekers.<sup>194</sup>

In contrast to the ESF mainstream, the priorities and conditions of Community Initiatives are not negotiated between the European Commission and the Member

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<sup>193</sup> European Commission (2003): Third Annual Report on the implementation of innovative measures under Article 6 of the European Social Fund Regulation during 2001, Brussels, p. 23. For further information see <http://www.benchmarking-doebeln.de/>, 23.04.2004.

<sup>194</sup> EQUAL website: [http://europa.eu.int/comm/employment\\_social/equal/index\\_en.html](http://europa.eu.int/comm/employment_social/equal/index_en.html), 03.05.2004.

States but are set autonomously by the Commission. Then the national governments figure out the concrete needs and draw up a programming document with focus on the five pillars/objectives. This programming document has to be agreed by the Commission. All local authorities (also those not lying in an objective area of the Structural Funds) are eligible for the EQUAL funding and have to apply at the national level.<sup>195</sup> In the planning period and the setting of priorities, German local authorities are not involved, neither by the Commission nor by the federal government.<sup>196</sup> Here, the Commission points to the principle of subsidiarity.<sup>197</sup> But as one interviewee said, the local authorities themselves do not have any clear position or defined interest which they could bring in.<sup>198</sup> Thus, “[...] the consultation and participation of local and regional authorities and their associations in the development of programmes and their evaluation seems to leave some room for further development.”<sup>199</sup>

In Germany, the first programming document of the federal government was refused by the Commission because of many mistakes and lacking data, and only the second revised version was accepted. This was the reason why EQUAL could only start in 2002 in Germany.<sup>200</sup> The European Commission made 514.5 million Euro funding available for German projects in the period 2000-2006. In addition, 370 million Euro are co-financed by the federal government and 94.5 million Euro by the private sector. 109 German projects are funded which are located to all of the five priority areas. However, the employability pillar, including the (re-) integration of people into the labour market and the fight against racism, is clearly the main focus with 52 projects and 42 per cent of the funding. 16 projects are funded under the entrepreneurship pillar, 23 under the adaptability pillar, ten initiatives are grouped under the equal opportunity theme and eight projects deal with problems of asylum seekers.<sup>201</sup>

In Munich, an EQUAL project ‘Human Resources development in Greater region of Munich’ began in 2002. Therefore, the city established its own EQUAL office. The ESF funding is used for activities in three fields: the health care sector, the IT branch

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<sup>195</sup> Schultze 1997, pp. 52-53; Interview VI, 07.04.2004.

<sup>196</sup> CEMR conference “EQUAL – Challenges for Local Authorities”, Brussels, 19.03.2004.

<sup>197</sup> Hindemithova, Elena (European Commission, DG Employment and Social Affairs) (2004): Presentation at the CEMR conference “EQUAL – Challenges for Local Authorities”, Brussels, 19.03.2004.

<sup>198</sup> Interview VI, 07.04.2004.

<sup>199</sup> Council of European Municipalities and Regions (2004): *Community Initiative EQUAL: Challenges for Local and Regional Authorities*, Background note of the CEMR conference “EQUAL – Challenges for Local Authorities”, Brussels, 19.03.2004.

<sup>200</sup> Interview VI, 07.04.2004.

<sup>201</sup> EQUAL database: <http://equal.cec.eu.int/equal/jsp/index.jsp?lang=en>, 30.04.2004.

and the horizontal theme 'mobility' where Munich is implementing 15 model projects. The aim of the projects, which are headed under the adaptability pillar of the EES, is to adjust offer and demand in these sectors by developing organisational competencies of the involved companies and by training less qualified people such as migrants or women re-entering the labour market. The development partnership comprises 17 partners of the private sector, from NGOs and from the Federal Employment Agency, and a transnational network is set up with Bordeaux, Dublin and Naples.<sup>202</sup>

These EQUAL projects in Munich but also projects in other local areas faced many problems. One obstacle was the huge bureaucratic burden for applying and implementing an EQUAL project and the inflexible funding rules which often did not fit with the innovative aspect of a project. Another challenge was the partnership element. Many local authorities did not have the administrative capacities to manage both the local development partnership and the transnational networks with other EQUAL projects at the same time. And the latter ones proved to be difficult because of the differences in the project structures, the local situation and the philosophies and organisational cultures of the different administrations.<sup>203</sup> Another problem was sometimes the co-operation between sectoral departments within a local administration. Some of the project managers reported great difficulties in convincing the administrative staff of the value of innovative actions. However, this was also seen as an advantage of EQUAL because the Community Initiative also provided funding for training measures for administrative staff. With the financial support of EQUAL, the risk of using innovative instruments was minimised.<sup>204</sup>

To summarise the findings of the three strands of the ESF, one can say that although the involvement of local governments differs considerably between these three types of EU funding, some common elements can be observed.

Firstly, it became obvious that the involvement of local authorities in the planning phase is dependent on the responsible institution. In the case of innovative measures where the European Commission is in charge of the allocation of funding, an active participation of local authorities and direct links to the Commission exist not only in the application phase but during the whole project. In seminars and

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<sup>202</sup> Filgueiras-Rauch, Maria Joao (2004): *Equalmünchen: Human Resources development in Greater region of Munich*, presentation at the CEMR conference "EQUAL - Challenges for Local Authorities", Brussels, 19.03.2004.

<sup>203</sup> Schulze-Böing, CEMR conference "EQUAL - Challenges for Local Authorities", Brussels, 19.03.2004.

<sup>204</sup> Filgueiras-Rauch 2004; Schulze-Böing, CEMR conference "EQUAL - Challenges for Local Authorities", Brussels, 19.03.2004.

conferences, local authorities can formally and informally influence the process, and problems can be brought forward directly to the Commission. In the ESF mainstream as the opposite case where the federal government and the Länder are free to involve the local level or not, both the participation and the allocation of financial means to the local authorities are very limited.

Secondly, even though local authorities can supplement their financial resources through EU funding, they nevertheless need administrative capacities to tackle the bureaucratic burdens of the application procedure and to manage the projects and networks with other actors. This might not be given in many cases. Additionally, the need for co-funding can pose problems for local authorities. However, as even small cities and local districts as well as cities in areas with a bad economic performance succeeded in participating in the mentioned EU projects, it is also clear that it depends much on the priorities which local authorities set for their activities.

Thirdly, this leads to the importance of change agents at local level which are in favour of linking local activities to the European Employment Strategy and of using the new opportunities provided by the European level. These change agents persuade and mobilise the local administration to overcome old structures and processes and to develop innovative approaches in the local employment policy with the help of the instruments proposed by the European Commission.

## 7. Conclusion

The present analysis focused on the European Employment Strategy as a new form of governance and on the Europeanisation of local authorities in Germany. The innovation of the EES consists in a voluntary co-ordination of national employment policies at European level as opposed to a 'classical' command-and-control approach. Instead, it is based on 'soft law' and on policy-learning, benchmarking and peer review mechanisms.<sup>205</sup>

As set out in the theoretical chapter, the Intergovernmentalism<sup>206</sup> assumes that national governments are the 'winners' also with regard to the European Employment Strategy. They have an advantage in information and are able to determine both the European and the national policy-making process. They also control the access of other actors to the European arena such as the local authorities. In general, it is assumed that national governments do not have a strong interest in the EES, an aspect which also affects the role of local authorities. They are neither given any important role in the NAP-process nor are they Europeanised in any sense in their local employment activities.

In contrast to this, the multi-level governance approach<sup>207</sup> presumes an interdependency of the different levels of governance also in the European Employment Strategy. There, local authorities play a major role as actors 'on the spot'. They get mobilised within the EES and interact vertically with the Länder, the federal government and the European institutions as well as horizontally with other actors from their own and from other Member States. This strong Europeanisation of German local authorities in the context of the European Employment Strategy is supported by the European Commission via information, financial means and 'technical assistance'. Thereby, the Commission follows a functional interest in improving the implementation of the Employment Guidelines as well as an institutional self-interest in strengthening its position vis-à-vis the national governments.

However, the concept of Europeanisation<sup>208</sup> argues that there are no uniform responses of domestic actors to developments at European level. Instead, Europeanisation depends, on the one hand, on the adaptational pressures which result from a misfit between the European and domestic level, and, on the other hand, on three domestic factors: the constitutional set-up and distribution of power and competencies in a Member State, the institutional capacities of an actor, and the existence of change agents which persuade and mobilise the actor in order to adapt

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<sup>205</sup> Regent 2003; De la Porte/Pochet 2002.

<sup>206</sup> Moravcsik 1997.

<sup>207</sup> Marks/Hooghe/Blank 1996, Jachtenfuchs/Kohler-Koch 1996.

<sup>208</sup> Börzel/Risse 2000; Risse/Cowles/Caporaso 2001; Olsen 2001.

to new European incentives and demands. Yet, the first argument, the misfit and the resultant adaptational pressures, can only have a limited impact within the EES and the OMC. For this reason, it was hypothesised that at most a 'soft' Europeanisation can occur, both with regard to its intensity and to its manner as process of learning about alternative policy solutions and as light adaptational pressures via peer review and 'naming and shaming' of bad performing actors. No changes are expected in the constitutional structure of a Member State but possibly in the policy instruments and in the interactions of actors.

In the empirical analysis, two questions were to be answered: Firstly, did the European discussions and policy-learning processes result in an increased awareness of the German federal government with regard to the local dimension of the EES, and did the government translate this into a better involvement of local authorities in the National Action Plans? And secondly, did the local authorities themselves respond to the new opportunities provided by the EES by adapting their instruments in the employment policy and by increasing their vertical and horizontal interactions with other actors?

With regard to the first question, one can say that the European Commission, and to a certain extent the European Parliaments and NGOs, played a major role as change agent for a stronger 'local dimension' of the EES. Although in the beginning not well prepared for this task, the European Commission then started many initiatives in order to raise the awareness of national governments and of local actors in the Member States. Especially its Communications in 2000 and 2001 led to some changes at European level. Thus, the local development was included as a horizontal priority in the ESF mainstream; and in 2001, a special Employment Guideline on 'regional and local action for employment' was introduced. However, the national governments showed their reservations and even opposition to a stronger involvement of local actors on many occasions. And the German federal government demonstrated only limited efforts to include the local authorities in the NAP-process. Although, from 2001 on, the NAPs mention their participation, this remained superficial and symbolic in practice. And with regard to the programmes and projects listed in the NAPs, only few 'bottom-up' initiatives were cited without any further explanation and analysis. All this revealed that the federal government perceives the local authorities as almost mere implementers of federal and Länder programmes. However, a slight increase of the recognition of their role can be observed over time.

When it comes to the second question on the Europeanisation of German local authorities and their instruments and interactions with other actors, the first important finding was with regard to the constitutional set-up in Germany and the competencies and power of the local authorities. This factor showed a relatively

high level of autonomy for local governments through their right of 'local self-administration', their own financial means and their mandatory and optional powers in the field of employment and labour market policy. This provides them with flexibility in their policies and with the freedom to decide whether or not to take up the instruments of the EES which were proposed by the European Commission.

These instruments consisted in the creation of Local Action Plans, benchmarking exercises and the exchange of best practices among local authorities, the continuation of Territorial Employment Pacts, and the European Social Fund with its mainstream, its innovative measures under Art. 6 and its Community Initiative EQUAL. Here, the autonomy of local authorities in their decisions became obvious. While some German local authorities decided to participate in the proposed measures or to use some of the instruments at local level, many others did not respond at all to the incentives provided by the EU.

One of the major reasons for that was clearly a lack of information on the EES, as many interviewees stated.<sup>209</sup> Often, the European Employment Strategy did not 'arrive' at local level. This was partly caused by the national governments which were opposed to a broad campaign of the European Commission, targeted at the local level. Another explanation for an only minor Europeanisation might be protective reactions of many local authorities vis-à-vis top-down policies of all kinds. Also the EES was sometimes seen as an intrusion from the European and the national level.<sup>210</sup> A further argument of local authorities against the European measures and instruments was their limited financial and administrative resources.<sup>211</sup> This might be in general an obstacle to an engagement in EES projects, especially when considering the extensive budgetary problems which some of the German cities currently face. However, as examples showed, much depends on the preferences and priorities which local authorities set in this regard. Here, the existence of change agents became crucial for an 'Europeanisation' of a local government. They persuade their local administration of the advantages of taking part in Europe-wide activities or of establishing a long-term strategy for local employment under the guidelines of the EES.

On this basis, policy-learning processes and benchmarking exercises at European or transnational levels could be built up. However, this was rather a result than a reason for Europeanisation. Thus, not only the European Commission organised conferences and seminars where ideas and solutions for local employment problems could be exchanged. Network activities were also a core element of the Territorial

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<sup>209</sup> Interview III, 18.03.2004; Interview VI, 07.04.2004.

<sup>210</sup> Büchs/Friedrich 2003, pp. 10-11; Interview III, 18.03.2004.

<sup>211</sup> Interview III, 18.03.2004; Interview VI, 07.04.2004.

Employment Pacts and of the Community Initiative EQUAL. Yet, while EQUAL seems to be widely known and accepted in Germany, the TEPs faced major problems not only with regard to funding but also within the co-operation between different local actors.

In general, one can say that the success of the projects which were initiated in the light of the EES varies considerably. Some Local Action Plans were or will be set up, and some of the Territorial Employment Pacts will continue as well as many EQUAL projects. Others faced many problems of different kind and ceased after a while. Here, only two obstacles will be mentioned: firstly, the heterogeneous nature of local authorities with regard to their size, economic and budgetary situation, different administrative cultures and – with respect to transnational projects – the different constitutional position and competencies of local authorities, made horizontal comparison and co-ordination of local employment policies often very difficult. And secondly, with regard to the domestic situation of German local authorities, a lack of political and financial support of the Länder or the federal level often hindered the success of local initiatives. Here, it becomes obvious that despite their autonomy, local authorities can hardly act against the intension of the Länder and the federal government.<sup>212</sup>

Thus, regarding the involvement of German local authorities in the EES, one can find elements of both, the intergovernmentalist theory and the multi-level governance approach. The European Commission has advocated a stronger role of local actors in the EES and succeeded in raising certain awareness among national governments. And it addressed the local authorities directly by proposing them new policy instruments and by providing them with financial means. Some of the German local authorities took up these new opportunities, drew up Local Action Plans and got engaged in horizontal co-operation with other local actors in the national or transnational arenas. Additionally, they linked vertically to the European Commission, mainly in order to apply for funding. Here, a multi-layered system with multiple actors and diverse policy arenas can be observed. Yet, the relationship with the federal government changed only ‘symbolically’, regarding the participation in the NAP-process, or even remained conflictual, especially when it comes to funding. In general, the governments remained the ‘owners’ of the process at European and at national level. The German federal government was not very interested in promoting the idea of a ‘local dimension’ of the EES and did not inform nor support local authorities with their local employment initiatives. This

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<sup>212</sup> Schultze, Claus J. (2003): “Cities and EU Governance: Policy-takers or Policy-makers?”, in: *Regional and Federal Studies*, 13:1, p. 137; Wollmann 2002, p. 13.

often created problems for local initiatives, for example with the Territorial Employment Pacts. Thus, “[a]lthough political practice in most member states allows for some form of shared control over outcomes, there is clearly not enough scope for going against the political will of a member state [...] and to contend the notion of the member state as the gatekeeper of last resort.”<sup>213</sup>

To conclude, one can say that the hypothesis of a ‘soft’ form of Europeanisation was confirmed by empirical findings. However, this ‘soft’ Europeanisation did not result in a uniform picture of local activities. Instead, some local authorities in Germany responded to the incentives from the European Commission and adapted the instruments and measures of their local employment policy to the framework of the EES whereas others remained resistant towards the European developments. The European Employment Strategy did not become a main reference point for the employment activities of German local authorities and it did not change the structure of the German political system but, as one interviewee stated, it served some of them as a source of “inspiration”.<sup>214</sup>

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<sup>213</sup> Schultze 2003, p. 137.

<sup>214</sup> Interview VI, 07.04.2004.

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