Europeanisation, New Political Cleavages and Policy Concertation in Switzerland

ABSTRACT • This paper investigates the impact of europeanisation on corporatist policy concertation in Switzerland by emphasizing the mediating impact of political cleavages. The analysis shows that europeanisation has tended to strengthen policy concertation in labour market issues related to EU-matters, whereas this type of policymaking procedure has tended to fade out in ‘strictly domestic’ social and economic issues in recent years. European integration creates a divide within the Right which prompts employers to collaborate with trade unions in order to gather sufficient political support. By contrast, the Right is mostly united in strictly domestic issues, and therefore does not need to cooperate with trade unions.

Keywords: europeanisation, political cleavages, policy concertation, Switzerland

Introduction

After the Single European Act, the deepening of European Integration was thought to lead to an overall demise of corporatism as a mode of economic regulation and policymaking in which the state, capital and labour jointly negotiate public policy (Compston, 1998). On the economic front, the EU as an area of deepened economic integration was perceived as an accelerator of global forces that undermine the structural base of corporatist policymaking: the transition from an industry-based to a service-based economy and increased labour and capital mobility. On the institutional and political front, the development of a system of ‘multi-level decision-making’ and the thereby resulting shift of power from national to supranational arenas was believed to severely restrain access to decision-making for interest groups, thereby ‘cutting the currency of national power resources’ for the social partners (Grande, 1996; Streeck and Schmitter, 1991: 148).

Yet, despite these pessimistic predictions, national corporatism does not seem to have disappeared as a result of deepened European integration (Baccaro and Simoni, 2008). It has survived in many countries where it played an important role in policymaking and economic governance, though with variations as to its form and sectoral strength. New forms of corporatism (social pacts, ‘competitive corporatism’) have even emerged in countries that did not share a corporatist tradition (Schmitter and Grote, 1997). In contradiction with former predictions, the emergence of these new forms of corporatism has been said to be mainly caused by the EU, social pacts being for instance established to respond to the political and economic constraints set in the framework of the Economic and Monetary Union (Hancke and Rhodes, 2005). However, the causal link between the EU and the demise or persistence of corporatism
remains difficult to assess if one stays at a macro-level, since patterns of decline or emergence may very well vary between policy sectors and issues (Ebbinghaus, 2005). Besides this, the influence of the EU is entangled in a variety of other processes that may have an impact on corporatism, like tertiarisation, social heterogeneisation, or globalisation.

This paper starts from the assumption that the maintenance, reinforcement or decline of corporatist policymaking may be sector or issue specific. Therefore, in order to grasp the influence of the EU, one needs to disentangle different components of this influence and opt for comparative designs between sectors. More precisely, this paper aims at assessing the impact of the EU on the process dimension of corporatism (policy concertation) by taking the case of Switzerland, a non-member, but which has established a dense network of bilateral agreements with the EU. To do so, it compares a policy domain where the EU played an important role (the opening of the labour market for workers from Eastern EU countries) with another in which its influence was negligible (the revision of unemployment insurance), as well as other control cases based on secondary literature, in order to control for the ‘net’ impact of the EU on policy concertation.

The paper is structured as follows. The first section outlines existing theories as to the likely impact of the EU on domestic policy concertation. The second puts forward a neglected form of impact focusing on new political cleavages caused by europeanisation, and outlines methodological tools to assess these likely impacts. The third presents the results of two case studies, as well as complementary evidence from other policy domains. The concluding section sets out the limits of the analysis.

The contested influence of the EU on policy concertation

Policy concertation can be conceived as a system of policymaking which involves ‘government representatives and representatives of peak employer and/or trade union organisations about the formation of government policy in areas including fiscal policy, monetary policy, industrial policy, trade policy, labour market policy, employment law, social welfare and regional policy’ (Compston, 2002: 4). By contrast to conceptions of corporatism which emphasise the structural characteristics of organised interests, this article is more concerned with corporatism as a process of policymaking (for a review, see Molina and Rhodes, 2002).

Several countries in Europe resorted to policy concertation as a way to elaborate and implement public policies, most notably in the domain of social and labour market policies, be it in order to ensure the compliance of actors in implementation, access social partners’ expertise in specific domains, or avoid blockade strategies when these enjoy veto power (Ebbinghaus, 2005: 5). Whereas the earlier corporatist literature focused on ‘macro-patterns’ of policymaking (statist, corporatist, pluralist), more recent research has begun to address the sectoral dimension of policy concertation, turning to concepts like ‘policy networks’ or ‘policy
communities’ to grasp possible differences in patterns of policymaking in different policy sectors (Kriesi et al., 2006a; Schmidt, 2006). In the framework of this article, a difference is made between macro- and sectoral levels of concertation, assuming that the degree of involvement of interest groups may vary between policy sectors. The following table aims at grasping possible differences in patterns of involvement of interest groups in policymaking with respect to sectoral patterns of interest group involvement, that are the main focus of attention of this paper.

Table 1 about here

Since its heydays in the 1970s, policy concertation has been faced with a variety of challenges that have been thought to lead to its irremediable weakening: globalisation, social differentiation, tertiarisation, emergent social needs, such as gender equality or the coupling of work and family life, that traditional organised interests could not take into account. Among these multiple challenges, the emergence of the European Union as a political and economic entity has been said to significantly influence domestic policy concertation, although its precise influence remains somewhat uncertain.

The EU as a challenging factor to policy concertation

Broadly sketched, European integration can be said to involve two main components, deepened economic integration and political integration, both of which may have an impact on policy concertation. Whereas economic integration is generally believed to strengthen capital over labour, political integration can be believed to strengthen governments over social partners.

Firstly, *deepened economic integration* mainly takes the form of ‘negative’ (market-making) integration (Scharpf, 1999), which decreases the costs of transactions across national borders (Milner and Keohane, 1996). The consequences of this processes for policy concertation are fairly similar to the alleged effects of «globalisation» on industrial relations, to the extent that they are believed to undermine the structural bases of corporatist policy concertation (Compston, 1998). Firstly, whereas national corporatism was based on a certain balance of power between trade unions and business within domestic economies, the shift of power resulting from increased economic openness to the advantage of the latter provides fewer incentives for companies to engage in corporatist political exchange at the domestic level. Secondly, more open markets which increase the ‘exit’ options of companies are believed to decrease incentives to organise at the domestic level (Streeck et al., 2006). Thirdly, the efficiency of domestic policy deals aimed at macro-economic management is severely weakened if those deals can be easily bypassed by ‘exit’ options allowed by more open markets.

Secondly, *supranational political integration* involves the creation of a ‘multilevel decision-making structure’ in which national competencies are
supplemented by supranational decision-making powers (Grande, 1996: 321). This process has been believed to provide national governments with additional power resources vis-à-vis other domestic actors, including parties, parliament and, interestingly regarding domestic policy concertation, interest groups. The liberal-intergovernmentalist argument sustains for instance that European integration strengthens governments and the bureaucracy over parliaments and domestic interest groups because state executives can play a ‘two-level game’ (Putnam, 1988). Shifting decision-making procedures from national to supranational arenas frees them to some extent from the pressure of national interest groups, because these groups only enjoy limited access to those supranational arenas. Hence, international cooperation is said to redistribute political resources to the advantage of governments (Moravcsik, 1994). Interestingly in this context, governments can use what Grande (1996: 328) calls a ‘paradox of weakness’: they can use their lack of autonomy vis-à-vis other governments in systems of joint decision-making to increase their domestic autonomy vis-à-vis interest groups, notably through strategies of blame shifting (‘Brussels made me do it’). Drawing on this, this redistribution of resources resulting from European integration is likely to challenge corporatist patterns of policymaking that were characterised by a certain balance of power between actors. Indeed, this process increases the asymmetry of power between actors who are involved in two-level games (mainly national executives) on the one hand, and other domestic actors (Parliaments and domestic interest groups) on the other. However, arguments linked to the redistribution of resources to the advantage of governments draw on the assumption that governments are willing to increase their autonomy vis-à-vis interest groups, which should not be taken for granted. Indeed, as outlined above, policy concertation also performs important functions for governments that they may not be willing to give up on to increase their power.

Towards a revival of policy concertation under the influence of the EU?

The argument according to which the European Union tends to foster domestic policy concertation has first revolved around Rhodes’ argument about «competitive corporatism» (Rhodes, 1998). This idea was somewhat similar to Katzenstein’s (1985) argument about «democratic corporatism» in small European States: increased economic interdependence creates incentives for governments, business and labour to come up with negotiated solutions at the domestic level in the domain of labour market regulation, social and welfare issues, most notably in order to keep a grip on market processes in a context of increasing liberalisation. In this context, social policies can appear as compensation measures for labour commitment to greater wage moderation and labour flexibility imposed by increased competition for business. The EMU, with its set of budgetary targets, has also been thought to act as a more direct incentive to strike deals that address export competitiveness and the Maastricht criteria regarding inflation and budget equilibrium (Hancke and Rhodes, 2005).

Besides these economic factors providing indirect incentives for coordination, more direct ‘political’ institutional mechanisms may also foster policy concertation at the domestic level. These can notably be observed in the implementation of EU social
directives. In this domain, some EC social Directives contain provisions that encourage the participation of the social partners in implementation. In a less explicit way, the existence of a « corporatist policy community » in the domain of labour law-making at the EU level (i.e. Social Dialogue) can act as a « best practice » model for member states, europeanisation being envisaged here as a process of ‘socialisation and learning’ (Falkner et al., 2005). In a slightly different perspective, Vivien Schmidt (2006) argues that the EU and its form of ‘semi-pluralist’ policymaking is more disruptive to ‘statist’ countries like France or Britain than to more ‘corporatist’ countries like Germany or Italy, the misfit between domestic and EU-level policymaking patterns being smaller in the latter countries. Hence, the likely impact of the EU on domestic policy concertation is the opposite of that predicted above: europeanisation tends to reinforce corporatist patterns rather than to challenge them.

Although these theoretical perspectives all address the potential impact of the EU on domestic policy concertation, they display theoretical as well as methodological gaps if one wants to test them empirically. First, at a theoretical level, they largely ignore domestic politics as a mediating factor regarding the impact of the EU on policy concertation. The influence of the EU is perceived in a somewhat functionalist way. Second, if one wants to assess if the EU really causes domestic developments, it is necessary to take control cases as to the impact of the EU. As outlined in the next section, this can be done through comparative research between policy sectors.

**Taking politics on board: new political cleavages and policy concertation**

At a theoretical level, this section outlines how europeanisation as a vector of new political cleavages can impact on policy concertation. At a methodological level, I draw upon recent literature on methodological aspects of europeanisation research to put forward a research design aimed at assessing the ‘net’ causal impact of the EU on policy concertation.

The study of the impact of the EU on domestic policy processes and structures has tended to adopt so far a somewhat depoliticised or ‘technocratic’ view of processes at work (Mair, 2004: 343-5). Hence, it rather addresses institutional fit or misfit, administrative traditions and policy styles rather than political parties and cleavages, and oppositions to europeanisation. This dimension is not only interesting per se regarding the changes it may undergo under the impact of europeanisation, but may also act as a mediating factor regarding policy concertation.

Processes of « de-nationalisation » such as globalisation or, precisely, europeanisation lead to the creation of a new structural cleavage in Western countries that tends to join the « older » class conflict as a structuring element of national political spaces (Kriesi et al., 2006b). This new conflict opposes those who, subjectively at least, benefit from internationalisation and those who rather perceive it as a threat, both on economic and cultural terms. This new cleavage tends to cut across the traditional left-right cleavage along the market-state continuum. This new opposition between potential ‘winners’ and ‘losers’ of internationalisation is better suited to
grasp political oppositions to European Integration than the traditional left/right divide (Hooghe et al., 2002).

This new conflict is believed to create a potential for political mobilisation along new lines. At the level of party systems, this new divide has fostered the emergence of new parties whose main concern is to oppose internationalisation or the reorientation of existing parties towards opposition to internationalisation. Concretely, this new structural cleavage has tended to foster, in some countries, the tripolarisation of party systems between a ‘left’ pole, a ‘right’ pole and a ‘populist right’ pole. At a general level, this additional line of cleavage can be believed to introduce more fragmentation in party systems, thereby increasing the number of actors whose support is necessary to pass on political decisions. This may be especially true in consociational rather than majoritarian democracies, where electoral institutions (proportionality) are more favourable to the emergence of new political actors using this new potential for political mobilisation.

So far, the policy implications of this new structural cleavage have been weakly addressed by the literature. In this paper, I argue that this new political fragmentation resulting from European integration tends, somewhat paradoxically, to foster policy concertation because of the uncertain political support EU-related policies may gather at the domestic level. Firstly, the new cleavage outlined above can be believed to be more conspicuous in EU-related issues. Whereas it may appear easier to seek political support from either the left or the right in traditional issues, it becomes more complex to seek political support and win majorities in a configuration where there are more players (left, right, eurosceptic right) due to European integration, none of these forces being able to gather political majorities alone. Secondly, EU-related issues can be especially controversial and risky because of the possible lack of legitimacy from which they benefit at the level of citizens even if there is widespread political support among parties. Hence, if they want to pass on measures are susceptible to be unpopular, especially in domains related to welfare or economic issues, Governments will seek support from the social partners in order to gain legitimacy for these measures (Baccaro and Simoni, 2008, Baccaro and Lim, 2007):

Governments are especially disposed towards policy concertation when they are too weak to pass reform on their own; when a unilateral strategy risks provoking an electoral backlash from which the opposition is likely to benefit; when the government is unable to depoliticize the issue through the construction of a grand coalition involving the opposition; and when there is no better way to overcome trade unions’ veto power (Baccaro and Lim, 2007 : 42).

The argument here is that the political oppositions and political uncertainties resulting from European integration tends to put Governments in a weaker position. They will therefore try to seek political support through policy concertation.

Disentangling EU effects

In order to assess the impact of the EU on policy concertation, one has to assess if observed changes are due to the EU or possibly to other factors. As outlined above, a wide variety of factors are susceptible to impact on policy concertation, including
globalisation, industrial decline and the rise of the service sector, or the emergence of post-materialist values. As already argued by Haverland (2006), one of the major biases of existing studies on the domestic impacts of European integration is the lack of variance on the independent variable:

Quite often only cases are chosen where potential EU pressures, incentives or ideas are present. Hence selection is based on the key independent variable, which - depending on the unit of analysis - is operationalised, for instance, as EU membership, EU treaty competencies in a certain area, EU funds, or discourses emanating from the EU. Hence research is typically confined to EU member states; with regard to policy studies, typically those policy sectors are studied where EU competencies exist; when the EU is theorised as agent of new ideas, typically areas are selected where the EU promotes a new idea. This case selection implies that the independent variable we are most interested in, the EU, shows no variation (Haverland, 2006: 35).

Indeed, advocates of a ‘pure’ method of inference would argue that many pieces of research on the impact of the EU display ‘indeterminate’ research designs, that is, that no causal inference can made out of those studies since the independent variable, the European Union, shows no variation. Hence, following King, Keohane and Verba (1994: 118ff.), one could argue that one cannot deduce that specific domestic developments are due to the European Union if one does not take into account countries that do not belong to the European Union, or policy domains that are not ‘Europeanised’. If the same developments in policymaking are observable in Europeanised and non-Europeanised policy domains, the causal impact of Europeanisation on policymaking is difficult to assess (Sciarini et al. 2004).

The case selection analysed in the empirical section aims at providing such a variance regarding the independent variable (Europeanisation). It takes two cases from Switzerland, a country that does not belong to the European Union, but that has concluded a series of bilateral agreements on a series of issues, that are functionally equivalent to EU membership in these domains at least. The first case is the extension of free movement of workers to the new EU 10 countries, which is a case of ‘negative integration’. At the institutional level, this issue is included in a bilateral agreement jointly negotiated between the Swiss Government and the EU, which has then to be ratified by Parliament and then possibly by citizens in a referendum. As a control case, I analyse decision-making in unemployment policy, in which the influence of the EU is weaker. As argued by Scharpf (1999), the main achievements of European integration have revolved around ‘negative integration’ (market-making) processes, whereas its influence in ‘positive integration ‘ (market-correcting measures) have been rather modest. This remains true despite the development of ‘soft’ instruments regarding positive integration, namely the Open Method of Coordination, in which Switzerland is not involved. Hence, unemployment policymaking appears as an appropriate control case as to the impact of the European Union in the Swiss context.

The analysis essentially relies upon the method of process-tracing, which aims to ‘identify the intervening causal process - the causal chain and causal mechanisms – between an independent variable (or variables) and the outcome of the dependent variable’(George and Bennett, 2005: 206). It draws upon 12 expert interviews
conducted between March 2007 and June 2008\textsuperscript{2}, as well as extensive document analysis (commission reports, grey literature, parliamentary debates).

**Europeanisation and policy concertation in Switzerland**

Switzerland has been traditionally seen as a coordinated economy in which policy concertation has played an important role in the elaboration of public policies, but in a somewhat different way from countries that have been considered typical incarnations of corporatism in Europe, like Austria or Sweden (Armingeon, 1997). Regarding common features, one can outline typically centralised and powerful interest groups (more so on the employer side), compromise-oriented policymaking, and strong links between interest groups and political parties (Armingeon, 1997; Oesch, 2007). Regarding differences, one can mention the absence of Keynesian policymaking all over the post-war period, the late development of the welfare state (which in other corporatist countries often served as a quid-pro-quo for union cooperation in wage restraint), and a specific institutional framework allegedly able, according to Armingeon (1997) to prevent the decline of corporatism observable in other countries. In this respect, the two major features of Swiss corporatism that should be borne in mind here are the *fragmentation of policy concertation* on the one hand, and the veto power conferred by direct democracy.

Unlike in other corporatist countries, a centralised tripartite institution of macroeconomic steering, that could also have acted as an institutional forum for policy concertation, has never existed in Switzerland due to the fragmentation of power between national and subnational (cantonal) political units in the area of fiscal and economic policy. However, there exists functional equivalents to such institutions in the form of pre-parliamentary ad-hoc expert committees and consultation procedures in which the social partners are invited to take part. Hence, typical Swiss decision-making processes in the areas of economic and social policy, at least as described for the 1970s, would generally consist of a long pre-parliamentary phase where ‘expert committees’ constituted by the social partners, experts and the state would elaborate legislation, the parliament limiting itself to validating it with minor modifications (Kriesi, 1980; Papadopoulos, 1997; Sciarini, 2004). However, contrary to tripartite institutions found elsewhere, expert committees were constituted on an ad-hoc basis, and concertation would normally take place *within* rather than *across* policy sectors. In this sense, Switzerland displayed a form of meso- or sectoral corporatism rather than the macro-corporatism found elsewhere (Mach, 2006).

Second, the possibility to launch a popular referendum against any decision passed in Parliament gives an important veto power to interest groups whose demands have not been satisfied in the pre-parliamentary or parliamentary phase. This has been said to have fostered the involvement of the social partners in policymaking: integrating them in the pre-parliamentary phase allowed avoiding costly and uncertain referendum battles (Neidhart, 1970). Generally speaking, the Government also prefers to strike compromises in the pre-parliamentary phase because of the greater political
control it has on it, the parliamentary and referendum phases being subject to greater uncertainty regarding outcomes.

Beyond these ‘ideal-typical’ decision-making features in Switzerland, I shall now assess the sectoral impact of Europeanisation by comparing the regulation of free movement of workers after EU enlargement (strongly Europeanised) with unemployment insurance regulation (weakly Europeanised).

**EU enlargement and free movement of workers: policy concertation revived**

The opening of the Swiss labour market towards the EU is inscribed in a process of europeanisation of Swiss immigration policy (Fischer et al., 2002). This opening was negotiated in two steps. Firstly, the Swiss labour market was opened for workers of the EU 15 in the framework of a first bilateral agreement on the free movement of workers accepted in 2000 by Swiss citizens (Fischer et al., 2002). Then, through an additional agreement negotiated in the wake of the EU enlargement of 2004, this agreement was extended to the new member states (NMS) which joined the EU in 2004. On the EU’s request, Switzerland agreed to gradually open its labour market for EU workers and abolish its restrictive system based on yearly immigration quotas (Fischer et al., 2002). From the outset, the eurosceptic SVP (*Schweizerische Volkspartei/Swiss People’s Party*) announced that it would support a referendum against this agreement.

In order to gain their support for the bilateral agreements, the peak trade union SGB (*Schweizerischer Gewerkschaftsbund/Swiss Federation of Trade Unions*) asked for ‘flanking measures’ that were supposed to prevent wage dumping. They were particularly worried about the suppression of prior control of work and wage conditions to deliver work permits, which was an important means to prevent the hiring of foreign workers at wages below usual standards in the system of quotas. This was a strong concern on their side given the low level of regulation of the Swiss labour market in comparative perspective (no national compulsory minimum wage, low level of coverage of collective labour agreements, wide disparities regarding regulation between economic sectors) (Fluder and Hotz-Hart, 1998). Since the Government and employers could not afford the risks of a referendum of the left, which would join forces with the populist right against free movement of workers, unions obtained a set of side-payments regarding labour market protection: the establishment of tripartite commissions in each canton to observe the labour market and sanction cases of wage dumping, the facilitation of the extension of collective labour agreements to whole economic sectors if repeated abuse was observed, as well as the establishment of minimum wages if dumping could be observed in sectors where no collective agreement existed (Fischer, 2002). Free movement entered into force in 2002, and transitory quotas were lifted in June 2004.

From 2003 on, EU enlargement imposed a renegotiation of this issue between the EU and Switzerland. On the one hand, the EU could not accept Switzerland to handle differently the 10 new EU countries by submitting their nationals to restrictive immigration rules while free movement prevailed for nationals of the ‘old’ EU
countries. On the other hand, Switzerland asked for a long transitory period, so that nationals of eastern countries could not access the Swiss labour market before that of other member states that had maintained limitations, which was the case of most (Gajewska, 2006).

On the domestic front, once again, unions asked for side-payments to guarantee their support for the extension of free movement to the NMS. They considered that little had been provided for the implementation of the flanking measures in the framework of the first bilateral agreements, and that the risks of wage dumping had become greater with the extension of free movement to countries whose wage standards were significantly lower than the former EU countries.

Originally, the Government and the federal administration were not favourable to further regulation of the labour market, and were ready to extend free movement to NMS without amending the existing regulatory apparatus. At this point, unions actively used the media to put the issue of wage dumping on the agenda, making their referendum threats credible. From the outset, it was clear that the SVP would oppose the bilateral agreement in a referendum. It was thus too risky to have unions opposing it as well, especially given the fears within the population generated by immigration issues. At this points, the Government decided to set up a tripartite (employers, unions, state) working group to envisage the possibility of reinforcing the existing flanking measures, following the procedure that had worked for the first bilateral agreement. The support of social partners was perceived as a sine qua non condition to win a popular referendum.

However, negotiations were somewhat harder this time since employers claimed that unions were trying to abuse their position and that the existing protection measures were sufficient. However, partly prompted by the Government, employers soon understood that a referendum could not be won without the unions, especially given the fears on immigration issues exacerbated by the SVP. It was thus necessary to give guarantees to trade unions as to labour market protection, but employers were determined to make as few concessions as possible. In the end, even though employers had declared themselves absolutely opposed from the outset to a greater regulation of the labour market, they nevertheless agreed on two measures to improve the implementation of labour market control: the quorum of employers required to make collective agreements compulsory was abolished, thereby facilitating even more the extension of collective labour agreements to whole economic sectors, and the hiring of ‘a necessary number’ of work inspectors by the cantons, partly subsidised by the federal state, was decided in order to provide means for tripartite commissions to control the labour market more effectively.

To some extent, unions also took advantage of internal divisions within the employer side on labour market protection. Whereas the export economy (above all the machine industry) was strongly opposed to protection measures, the domestic economy (construction) had a strong interest in protecting the internal market from cheaper foreign competitors. The administration also performed an important facilitating function by providing extensive expertise on legal issues related to labour market regulation and EC competition dispositions (protection measures could only be
implemented as long as they were not discriminatory vis-à-vis foreign workers and companies’).

The report provided by the tripartite working group constituted the backbone of the bill proposed by the Federal Council to Parliament. Both the *Nationalrat* (lower house) and the *Ständerat* (upper house), that enjoy equal powers, modified little to this bill despite the expressed hostility of some representatives of right-wing parties:

I have to tell you: I feel in a situation that one could describe as blackmail. We are blackmailed with the idea that the social partners are united about this subject, and that we should ‘eat’ it as it is. If this were the case, we would be a notary’s office and not a Parliament anymore. MP Carlo Schmid (CVP), Minutes Council of States, Winter session 2004, p. 734 (my translation)

In the end, however, all parties supported the bill ‘for the sake of the Swiss economy’ apart from the SVP, the *Schweizer Demokraten*, a small extreme-right party, and the radical left. In parliamentary commissions, further protection measures were even introduced in the domain of temporary work, mainly as a result of an alliance between social democrats linked to trade unions and right-wing MPs linked to the construction industry. After the acceptance of the law in Parliament, the *Schweizer Demokraten* launched a referendum supported by the SVP. The bill was accepted on 25.09.2005 with a majority of 56% of citizens.

Figure 1 about here

In this case, the decision-making process took an ‘ideal-typical’ corporatist shape, this being a clear case of ‘concertation’ (type 3 of the table above). This is especially remarkable in Switzerland given that truly tripartite ad-hoc expert committees are rather rare. The social partners are usually included in pre-parliamentary expert commissions, but these tend to be more pluralist, academic experts or representatives of non-economic interest groups supplementing the state and social partners. Here, the deal was struck in an exclusively tripartite working group. This case would thus suggest that Europeanisation tends to foster corporatism in policymaking, especially if one considers the declining trend outlined in the next section.

Unemployment policymaking as a control case: declining corporatism and parliamentary power

In many respects, existing evidence suggests that domestic policy concertation, even if it is far from collapsing, has become less stable in social policy issues in Switzerland in recent years. Building on four cases of social policymaking in the 1990s, Mach, Häusermann and Papadopoulos (2004) highlight a series of factors to account for this: increasing ideological polarisation between the social partners induced by greater competitive and financial pressures, the inability of social partners to represent postmaterialist » interests and increased mediatisation which reduces the margin of maneuver of social partners to make compromises. According to their analysis, the
weakening of the corporatist arena has tended to reinforce the parliamentary arena, which is notably more able to incorporate « new » social demands than the corporatist arena. Without being able to corroborate all their claims about the decline of corporatism, the ‘domestic’ control case as to the effects of europeanisation analysed here, the third revision of unemployment insurance (2001-2002) provides further evidence of greater difficulty to strike deals between the social partners in the neocorporatist arena in « strictly domestic » policy issues, and of a more active role of the Parliament.

Before the 1990s, unemployment was a virtually unknown phenomenon in Switzerland due to a combination of factors ensuring a strong level of flexibility of the labour market: no compulsory unemployment scheme at the national level until the beginning of the 1980s, little public regulation of the labour market to the advantage of more flexible sectoral collective agreements, and a large proportion of foreign workers in the workforce acting as an ‘industrial reserve army’ (Flückiger, 1998). Foreign workers who lost their jobs often had to leave the country because their stay permits were not renewed (Flückiger, 1998). From 1991 onwards, however, unemployment increased to unknown levels (from 1 to 5% between 1991 and 1994), the factors of flexibility of the Swiss labour market proving themselves not as efficient as before. The regulatory instruments of unemployment policy, notably low contribution rates on wages, proved inadequate, and unemployment insurance soon faced important debts. Emergency measures were taken to cope with this. Contributions on wages were notably raised from 2 to 3% through an exceptional urgent governmental bill. The 1995 unemployment insurance revision notably prolonged the duration of benefits (up to 2 years) to cope with long-term unemployment, while at the same time enhancing control mechanisms on the unemployed. A ‘solidarity contribution’ on high wages was set up to contribute to the long-term financing of the unemployment system. Despite these measures, the insurance fund remained indebted and the Federal state had to invest public funds to ensure the financing of the system.

The provisional emergency measures coming to an end, in 1998 the Parliament drafted a motion commissioning the Federal Council to revise the unemployment insurance bill so as to reduce contributions on wages from 3 to 2%. In the meantime, unemployment decreased significantly, the number of unemployed decreasing from 206’000 in 1997 to 65’000 at the beginning of 2001 (Conseil Fédéral, 2001). An expert commission comprising the federal administration, representatives of the cantons, the social partners and academics was set up to advise the State Secretariat for Economic Affairs on a revision of unemployment insurance. A certain number of measures were agreed upon, notably an improvement in the handling of maternity and sickness leave, but no compromise could be found on the crucial issues of the reduction of entitlement to benefits and the solidarity contribution on high wages. Whereas employers were strongly opposed to it, trade unions and the Government were in favour of maintaining it in order to ensure a more secure funding of the insurance system.
At the end of the pre-parliamentary phase of the decision-making processes, the Federal Council came up with three major modifications. First, regarding contributions, compulsory contributions were reduced from 3 to 2% of wages. The solidarity contribution on high wages was maintained, although with a lower contribution rate. Second, regarding benefits, the period of contribution required to claim for unemployment benefits was extended from 6 to 12 months. This measure was justified by the will to adapt to the free movement of workers that was to come into force, although it did not derive from any European regulation; it was aimed at preventing ‘social benefits tourism’. Third, the maximal duration of benefits was reduced from 520 to 400 days. Hence, these were essentially retrenchment measures, although the maintenance of the solidarity contribution on high wages was thought to balance the project (Conseil Fédéral, 2001).

Before the parliamentary phase began, both employer associations and trade unions strongly criticised the bill. Unions particularly denounced the reduction of the period during which the unemployed could receive benefits, as well as the reduction of the solidarity contribution rate (Gaillard, 2001). Employers criticised exactly the opposite: they agreed on the reduction of the length of benefits, but thought it was still too long (they wanted it to be reduced to 260 days with possible exceptions), and did not accept the maintenance of the solidarity contribution, which they perceived as an intolerably disguised income tax (Hasler, 2001). When the Parliament began to examine the bill, employers encouraged it to strengthen retrenchment measures, to drop slight expansion measures (relative to maternity benefits) and above all, give up on any solidarity contribution on high wages.

The Parliament, and especially the Upper house, converged with employers’ demands, and opposed the Government on the question of the solidarity contribution. In this, a tougher stance on welfare issues was prompted by SVP MPs, whose representation in Parliament had increased to an impressive extent after the 1999 elections. In opposition to the will of the Government, the Ständerat suppressed the solidarity contribution altogether, whereas it accepted the reduction of benefit duration and the increase in the contribution period. The Lower house was somewhat closer to the position of the Government, but rallied the Ständerat on the most important measures, only introducing the possibility for cantons whose unemployment level is high to prolong the period of benefit. In the final vote in the Nationalrat, Liberals, Christian Democrats and the SVP supported the bill, whereas Socialists and Greens opposed it, in a typical left-right opposition. Given the predominantly right-wing composition of Parliament, it was accepted by a majority of 114 vs. 58 in the Nationalrat. After its acceptation in Parliament, the SGB launched a referendum against the bill, but the Swiss People nevertheless accepted it by a majority of 56.1%.

- Figure 2 about here -
This case confirms the trend observed by Mach, Häusermann and Papadopoulos (2004) regarding the weaker role of the corporatist arena in domestic social policymaking in Switzerland, although some of their claims cannot be corroborated. Although the social partners did participate in policymaking in the case of unemployment insurance, they did not support the bill elaborated by the federal council, and the Government went forward with its initial proposals. The bill was then substantially revised in Parliament. It is difficult to speak of typical corporatist concertation since social partners were consulted, but an agreement could not be observed in the corporatist arena. Ideological polarisation between the social partners acted as a strong barrier to the elaboration of a compromise in the neocorporatist arena. In this case, compromises were found neither in the corporatist arena, nor in Parliament (despite some adaptations concerning cantons with high unemployment rates). It was rather a typical opposition between left and right, the parliamentary and electoral strength of the latter being able to impose employer-friendly solutions, especially after the increase in the representation of the SVP in Parliament. This has tended to push centre-right parties (CVP and FDP) towards tougher positions on welfare issues. In this regard, employers could somewhat afford not to find a compromise in the corporatist arena, because they could anticipate that a Parliament with a strong right-wing majority, especially under the influence of the SVP, would be a favourable terrain for their retrenchment claims. On this issue, employers agreed with the SVP, which was not the case when it came to the free movement of persons. This difference explains to some extent the differences regarding policy concertation in the two domains, and is fairly specific to issues related to European integration.

Conclusion

Drawing on the cases analysed here, it seems that europeanisation has had a strengthening effect on policy concertation in Switzerland. This confirms to some extent previous research on the impact of the EU on policymaking in Switzerland (Sciarini et al., 2004), but delves more deeply into the causal processes at work. This trend has been observed in a policy domain closely influenced by the EU, where typically concertation procedures have been used to cope with EU enlargement and free movement of workers, whereas the analysis of a weakly Europeanised case rather showed a declining influence of policy concertation in policymaking. One can also observe a stronger role of the Parliament, thereby partly confirming the findings of previous research on this topic. At a broader level, these findings tend therefore to give credit to theories emphasising a fostering effect of europeanisation on policy concertation. However, existing theories on the impact of europeanisation on policy concertation, even if they account for observed outcomes, fail to account for all aspects of the processes at work.

A particularly important factor that existing theories tend to miss is the importance of political coalitions in the political arena for policy concertation in the corporatist arena, thereby providing further evidence of the strong interdependence
between the two arenas. In a domain where majorities are harder to win because of the political fragmentation on the right and the opposition of an anti-European Party, the Government sought the support of the social partners, and especially trade unions, to be able to concretise the opening of the labour market to eastern European workers. By contrast, in domestic welfare state reforms, employers faced few incentives to engage in policy concertation in the corporatist arena. Their retrenchment claims found stronger support in the parliamentary arena, where liberal and populist right alike were keen on reducing the costs of labour. The central factor thus appears to be the diverging coalitions formed in europeised (left and liberal right vs. populist right) and non-europeised (left vs. right) issues.

The generalisation of these findings is subject to a set of limitations. Firstly, Switzerland’s specific institutional setting (direct democracy) may have had an impact on the specific decision-pattern encountered in both policy areas. However, on the one hand, the domestic decision-making process analysed here did not conform to the ‘standard’ predicted effects of the referendum threat on policy concertation in Switzerland. Indeed, the possibility of a referendum provides strong incentives to find compromises in the corporatist arena, but in this case one can observe a sharp difference between the europeised and the non-europeised case. Secondly, Switzerland is not a member of the European Union, and each bilateral agreement concluded between the EU and Switzerland is possibly subject to a popular vote if it is challenged by a referendum. This may provide greater incentives for social partners to find compromises than in a EU member, where Europeanised policies are more like ‘domestic issues’ whose implementation can be incomplete or delayed without risking to challenge all aspects of relationships with other countries. However, other factors such as the Maastricht criteria, may also act as similar incentives in member states as well. Finally, patterns of policymaking, rather than policy specific as argued here, may also be issue-specific: recent research tends to show different patterns in welfare state issues involving ‘new social needs and demands’. It is, however, relatively realistic to expect similar patterns of policymaking in the same, or similar, policy areas as well.

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Notes

1 Sciarini et al. (2004) use a similar research design, though with a different methodological apparatus (network analysis).
2 Semi-directive interviews were recorded and conducted on an individual basis with 4 members of Parliament, one former minister of Economy, 2 senior public servants from the state secretariat for
economy SECO, 3 members or ex-members of the executive committee of the Swiss trade Union Federation SGB, one member of the executive committee of the employer association SGV, and one member of the direction of the employer association Arbeitgeberverband SAV.

3 Liberal right: FDP, CVP, Parti Libéral; Populist Right: SVP; Left: SP, Greens; Other (not part of a parliamentary group): Evangelicals, Swiss Democrats, Swiss Workers’ Party, other.

References


Figures

Table 1: Forms of interest group involvement in labour-law decision making (Source: Falkner et al. (2005: 235))

<table>
<thead>
<tr>
<th>Policy concertation mode</th>
<th>Interest group involvement</th>
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<tbody>
<tr>
<td>1. No or insignificant involvement</td>
<td>Absent or not heard</td>
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<tr>
<td>2. Consultation</td>
<td>Accepted only as lobbyists</td>
</tr>
<tr>
<td>3. Tripartite concertation</td>
<td>Joint process of decision-making</td>
</tr>
<tr>
<td>4. Complementary legislation</td>
<td>Social partners negotiate, then the state legislates/implements</td>
</tr>
<tr>
<td>5. Autonomous corporatism</td>
<td>Labour and industry decide and implement on their own</td>
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Figure 1: Flanking Measures to extension of free movement of workers, Final Vote in National Council
Figure 2: Third Revision of Unemployment insurance, Final Vote in National Council