

**The Production of Ideas and Expert Knowledge in
OECD
The OECD Jobs Strategy in contrast with the EU
employment strategy**

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The OECD Jobs Strategy in contrast with the EU employment strategy*

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Abstract

This report studies the production of expert knowledge and policy advice in the labour market field, focussing in particular on the OECD but also contrasting with the EU. The report compares the OECD Jobs Strategy with the EU employment strategy, both in terms of their respective working methods but also in terms of the content of the labour market policy agenda. An organisational perspective is applied, where we attempt to explain the differences in content as well as the differences in strategy by the varying organisational properties. We argue, *inter alia*, that the EU is characterised by a more pragmatic knowledge-use, while the OECD can be characterised as a 'truth-seeker' and 'truth-teller' with a more dogmatic relationship to knowledge (in the sense of believing firmly in one orthodoxy and attempting to put aside political considerations and values when assessing economic situations, based on that orthodoxy). This has implications for their respective implementation strategy, where the OECD strategy is characterised by decontextualised policy advice addressed to other actors 'from a distance' while the EU strategy is characterised by a more contextualised strategy negotiated among a wide range of stake-holders. Put at its head, while the EU attempts to adapt knowledge to fit reality, the OECD attempts to adapt reality to fit existing knowledge. In both cases, knowledge is translated and filtered to fit the overall strategy.

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Abbreviations

CEC: The European Commission

DELSA: Directorate for Employment, Labour and Social Affairs

DG: Directorate General

ECOFIN: Economic and Finance

EPC: Economic Policy Committee

EDRC: Economic Development and Review Committee

EEC: European Economic Community

EES: European Employment Strategy

EFTA: European Free Trade Area

EMCO: Employment Committee

EMPL: Employment

ELSAC: Employment, Labour and Social Affairs Committee

GATT: General Agreement on Trade and Tariffs

EU: European Union

JEP: Joint Employment Report

MC: Ministerial Communiqué

NAP: National Action Plan

OECD: Organisation for economic co-operation and development

OEEC: Organisation for European Economic Co-operation

SPC: Social Policy Committee

Introduction¹

OECD is the organisation for economic co-operation and development. Ever since it was inaugurated in 1961 it has assessed the performance of its member countries. For four decades peer review and best practise have been refined instruments to influence national policy-makers. The in-house capacity of the organisation is extensive and the quality of its analysis well reputed. The organisation has members from Asia, South America, USA and EU. Any type of cross-country, cross-continental, cross-sectoral analysis could be realised in the OECD. The organisation is presumably well placed to make complex analysis, for instance of the interrelation between globalisation, employment and social progress. Yet, the organisation is facing a new serious challenge. The OECD dominance in the production of ideas and expert knowledge could be in question. EU, once a dwarf, has become a major player in the game where OECD used to play unchallenged. Moreover, 15 out of 30 OECD countries are European, which could result in a europeanization of OECD. The OECD surroundings are not at all the same today as 20 years ago. Thus, surprisingly, keeping up pace with a rapidly changing world seems in organisational terms to be a great challenge for OECD in the 21st millennium.

This report will study the production of expert knowledge and policy advice in the labour market field, focussing in particular on the OECD but also contrasting with the EU. The report has the limited scope of analysing one OECD programme – the Jobs Study. It was the key OECD programme to reduce unemployment developed in the early 1990s. It aims at policy change through soft regulation. Being deprived of legal instruments or formal sanctions, OECD has to use alternative methods, such as production of knowledge and ideas, delivery of general or specific recommendations, peer-pressure and other means of soft regulation.

The OECD use of soft regulation and peer review will be contrasted with that of the EU in its employment strategy. In the 1990s the EU has developed its own agenda and strategy for labour market policy reform. We will compare the two strategies in terms of their respective working methods but also in terms of the content of the labour market policy agenda. The report will apply an organisational perspective on the two strategies, aiming to explain the differences in content as well as the differences in strategy by the

¹ This research is part of the research programme ‘The new regulation’ at Score, funded by the Bank of Sweden Tercentenary Foundation. We are grateful for comments from colleagues at Score.

varying organisational properties. What characteristics of OECD as an organisation influence its production of ideas and knowledge? What means does OECD dispose to influence policy-making in member countries, and how have they been used? And how does this differ from the EU?

There are a number of reasons why it is interesting to compare the OECD Jobs Strategy and the European Employment Strategy: 1) Both have been mandated by ministers intergovernmental; 2) Both are created in almost the same time period (1997 and 1994); 3) Both strategies depend on soft law for its monitoring and implementation; 4) Even though both have access to the same facts and figures their analysis occasionally result in very different recommendations.

Yet, the main emphasis in the study is on the soft regulation in the case of the OECD Jobs Strategy and to lesser extent on the European Employment Strategy (for in-depth analysis of the EES, see Jacobsson 2001, 2002, forthcoming). In particular, we will focus on the role of knowledge in the regulation of this field, which also includes looking at the role of peer-pressure, the social culture of meetings in the OECD, together with other discursive (ideational or cognitive) mechanisms, which may influence actors' ways of conceptualising problems, ideas and values.

Analysing the OECD and the EU as organisations is vital for understanding how knowledge is produced, translated and diffused to the Member States. One way to look at this is to discuss how the OECD, seen as an 'expert organisation', differs from the EU, seen as a 'political organisation' and as such more coloured by, and constrained by, political bargaining. We will argue that the EU is characterised by a more pragmatic knowledge-use, while the OECD can be characterised as a 'truth-seeker' and 'truth-teller' with a more dogmatic relationship to knowledge (in the sense of believing firmly in one orthodoxy and attempting to put aside political considerations and values when assessing economic situations, based on that orthodoxy). This also has implications for their respective implementation strategy, where the OECD strategy is characterised by decontextualised policy advice addressed to other actors 'from a distance' while the EU strategy is characterised by a more contextualised strategy negotiated among a wide range of stake-holders. Put at its head, while the EU attempts to adapt knowledge to fit reality, the OECD attempts to adapt reality to fit existing knowledge. In both cases, knowledge is translated and filtered to fit the overall strategy.

The two organisations can be seen as competitors in the production of ideas and soft rules in the labour market field. At the same time they also have co-operation. In fact, co-operation has increased in the last years in the field of

labour market policy. Has the OECD's relation to the EU influenced a change in approach or in substance in OECD labour market policies? Or, to put it more bluntly, is it realistic for OECD to maintain a strong position in the production and diffusion of ideas when facing EU as adversary? We can try to keep this question in mind when we return to the functioning and organisation of the OECD.

The first part of the report provides a historical perspective to the environment in which the OECD has developed as an organisation. After that, OECD is described in organisational terms with a view to understand the hierarchical structure. The following section examines the Jobs Study and its operational phase, which is the interpretation and delivery of individual recommendations to member countries, the so-called Jobs Strategy. This is then contrasted with the EU employment strategy. The remaining part of the report discusses the specific characteristics of the 'expert organisation' versus the 'political organisation', and the impact on how ideas and knowledge are developed and diffused.

Historical background

The Organisation for Economic Co-operation and Development, OECD, was created in 1961. Its predecessor Organisation for European Economic Co-operation, OEEC, served the purpose of distributing the Marshall plan. The American Foreign Minister George C. Marshall urged in a speech 1947 the European counterparts to organise a co-operation to restructure Europe after the Second World War. The French and British foreign ministers swiftly arranged a meeting in Paris to find a practical form for the co-operation. The 16 of April 1948 OEEC was inaugurated in Paris and consisted of a Council of ministers, executive committee, Secretariat and Secretary-General and subcommittees.

During 1948 and 1952 the economies of Western Europe were restructured by the American aid. In exchange United States expected to see an opening up of economies. The US was dictating the conditions since democratic traditions for international economic co-operation had not emerged in the OEEC (Marcussen 2002:12). Recipient countries were obliged to undergo an examination by OEEC economists. It resulted in a reform programme, which had to be carried out by the Member States. Political pressure via the OEEC Council amounted if a country failed to liberalise its economy. In case of non-compliance, for example if quantitative import

restrictions were not lifted, the country could expect to get less financial assistance.

When the Marshall plan reached the end in 1952, the original idea of maintaining OEEC became obsolete. What use was there to keep the organisation running? Initially it is important to understand the climate in which the organisation existed. The tendencies in the 1950s headed for more global or inter-continental forms of co-operation, as for example the establishing of GATT and the IMF. The predecessor to the EU, the Coal and Steel union, a regional organisation (an exception to the tendency) aimed at integrating France and Germany in order to build peace and stability in Europe. The Rome Treaty in 1957 established the European Economic Community, EEC. The founding fathers of EU Konrad Adenauer, Robert Schumann and Paul-Henry Spaak developed an idea of a European union to unite the peoples of Europe.

The Benelux countries wished to create a European free trade area within OEEC. England opposed this idea. But the question was raised once again by the Benelux countries, this time in a meeting between the countries of the Coal and Steel union (England was not a member at that time) at a meeting in Messina 1955. Next, the EEC, with the consent of US, agreed to cut its tariffs. Then, suddenly OEEC found itself in a peculiar situation with some EC members, which were also OEEC members. France proposed a plan to give the same treatment to OEEC member states, in the attente for a free trade area. USA proved to be against the plan, subsequently it died. USA urged for a liberalisation on a global scale. Subsequently, the EC tariff reforms were incorporated in the GATT agreement.

The foreign policy of France changed when General de Gaulle came into power in 1959. France entered an era of isolation, less supra-national co-operation and increased anti-liberalisation. Its resistance to create a free trade area made the other OEEC Member States ('excluding the six') discuss flexible solutions. A new form of co-operation, European Free Trade Association, EFTA, was established. Neither the EC nor France did approve of this sidetrack. USA supported the idea of more liberalisation i.e. supported EFTA under the condition that it was in line with GATT agreements, but it was against the regionalisation of interests in Europe and new competing organisations.

In the context of the iron curtain dividing Europe, America wished to make allies with Europe. At the same time as the future of OEEC was discussed, NATO was subject to reform. How should the military allies further integrate towards an economic co-operation? In 1959 a motion in the

American Congress proposed an enhanced co-operation in NATO. What type of economic co-operation could be possible? The USA proposed to create a new organisational construction, in which in addition to the European countries, Canada and the USA would be members. After the OEEC had achieved its mission to liberalise the post-war economies the new economic co-operation should have a global focus. The draft text from 1960 for the new organisation had a twofold objective; on the one hand to create growth in the Member States, on the other to give way to economic development in the developing world.

The new organisation OECD was founded in 1960. For the first time in the post-war era the Western Europe and the USA could sit down and discuss on equal footing. OECD lacked in the beginning the authority of OEEC since the latter had the competence to sanction Member States.² Member countries in the OECD could keep their sovereignty and still become full-fledged members. The strict regulation for liberalisation of trade was replaced by non-binding objectives as for example to contribute to the world trade. One of the organisation's main objectives is to promote the highest possible economic growth while maintaining financial stability. To this end multilateral surveillance and peer-review has been used to influence policymaking in member countries. The new organisation aimed at policy convergence through arguments, negotiations and persuasion (Marcussen 2002).

OECD organisation

OECD was inaugurated 1961 and is situated in Paris. Each Member State is represented by an OECD delegation consisting of high national officials. The delegation is headed by an OECD ambassador. The general secretary of OECD is appointed for a 5 years mandate, which can be prolonged. Donald Johnston is the present Secretary-General and has held this post since 1999. His role is important both for developing new policies as well as steering the agendas of ministerial meetings. The main bodies of the OECD are the Council, the Secretariat, the Executive Committee and subcommittees, etc.

The Council is the highest decision-making body presided by the Secretary-General. The OECD ambassadors at the meetings represent the Member States. The European Commission has a representative in these

² Despite the fact that OECD is an intergovernmental organisation, more binding rules for member countries have developed in some OECD fields, for example legal framework for capital flows. Yet, employment and labour market in OECD are clearly intergovernmental.

meetings. The Council takes decisions on the budget, on taking in new members and observers, as well as on the comprehensive OECD policy. Once a year, the council meets at ministerial level. In these meetings finance-foreign-, and trade ministers participate. The results of Council meetings with ministers are published in a communiqué, which in general terms outline the priorities for the coming year.

Below in hierarchy there are numerous committees. There are some 200 committees, each one representing a topic. Each committee has a subgroup or working team dealing with specific questions. The executive committee is highest in ranking. The counsellors of Embassy are preparing the decisions for ministerial meetings, much like the COREPER in the EU committee system. Decisions are usually taken unanimously, but if difference of opinion within the committee has not been overcome in the exchange of arguments, the issue is put on the agenda for discussion at the ministerial level. Also here decisions are made by unanimity.³

Every year 40,000 national officials participate in committee meetings. The core activities of the OECD are pursued in and through committee discussions. Learning processes, exchange of experience, policy documents, which only occasionally need formal adoption by the Council, are prepared and decided upon.

It is worth specifically mentioning a few committees, which are especially powerful and acquiring high status in the OECD internal structure. Economic Policy Committee (EPC) is a base for discussion of two internationally reputed report series Economic Outlook and Economic Surveys. Top officials from Member States participate in EPC meetings, which assess the macroeconomic situation and potential policy changes. The Economic Development and Review Committee (EDRC) is in detail analysing, discussing and assessing the economic policy in each Member State. The result of an extensive peer review (on peer reviews, see below) of a country is published in so-called country reports. While the EPC is meeting biannually the EDRC can meet up to 30 times a year. Both committees are linked to the Economics Directorate (Walters 2000: 21). Other important committees are the Trade Committee, Agricultural Committee, Employment, Labour and Social Affairs Committee and Development Aid Committee.

³ OECD has discussed reforms of its decision-making system. Proposal have covered both abandoning the right to veto and making recommendations binding to Member States, see for example OECD Annual Yearbook 1996. However, Member State resistance to abandon the veto has stalemated reform of the decision-making process (authors' interview, OECD, Paris).

The Secretariat gives administrative and analytical support to the committees. 1900 OECD officials are divided into directorates assisting the committees. In addition, the Secretariat contributes with numerous analytical studies outside of the committees for which OECD takes a responsibility in the role of the organisation. Most publications are therefore published under the authority of the General Secretary, which essentially means that no member country is bound by its content.

The Jobs Study⁴

The beginning of the 1990s was characterised by increasing unemployment, economic turmoil in the wake of the Gulf crises and war. Against this background, the Council of Ministers 1991 called upon the organisation to further develop and deepen its work on structural issues (Ministerial Communiqué, MC, 1991). The worsened employment situation in Europe, and no prospects of improvement, stimulated an environment in the OECD, which was open to new approaches and ideas. Consequently, in 1992 the ministers gave the green light to elaborate a comprehensive study, making use of the organisation's interdisciplinary potential. The explicit motivation was to track down the reasons and remedies to the disappointing progress in reducing unemployment (Ministerial Communiqué, 1992). The Jobs Study collected and systematized existing knowledge about the labour market and labour market problems (authors' interview, Ministry of Finance, Stockholm).

It is unusual in the OECD to conduct an interdisciplinary study of this magnitude. It is complicated to have people representing different interests, such as environment and economy etc., to arrive at a common roadmap. To solve possible tensions there was a special structure built into the group. Somebody from the General-Secretary's cabinet, the highest decision making body, was in charge of the co-ordination of work in the group.

The Directorate for Employment, Labour and Social Affairs, DELSA, is not always arriving at the same priorities or policy recommendations as the Economics Department. This conflict of interest exists in many different settings. The same rivalry tends to exist between the labour ministry and the financial ministry in a government or between DG employment and DG Ecofin within the European Commission. Labour ministers' preoccupation is to create more jobs and also to provide adequate social protection to people,

⁴ The main sources of information are interviews with civil servants at OECD and EU during the spring of 2003.

whereas the preoccupation of Ministers of Finance is the national budget. Finance ministers tend to measure hard facts more relevant than societal factors, such as income distribution and social inclusion. From another point of view, this economic perspective is too narrow when measuring growth-oriented policies. Often so-called 'soft measures' are much more difficult to relate directly to growth and employment and are therefore neglected by most economists. For example, it is a widely held view in the EU that improved child-care facilities would make it easier for women to enter the labour market. However, according to OECD officials, there is little evidence found on a correlation between improved child-care and higher participation rates of women in the labour market (authors' interviews). Yet, the narrow approach risks overlooking variables that do count but that are seen as soft or obscure, but which could play an important role in creating employment.

The OECD interdisciplinary study was a pioneering work. When experts from different directorates get together the outcome is unpredictable and explorative. 12 officials from different directorates were taken away from their usual workplace and housed together. Peter Swansee, head of the labour market division at the time, was in charge of the study. The so-called Jobs Study soon became the key project of the OECD in which every directorate wanted to have its say. After a few months work the end result was presented in 9 broad economic orientations and general recommendations to all OECD member countries.

A cross-fertilisation process?

Was the Jobs Study a cross-fertilisation process in which all directorates could exert influence over the finished product? Interviewees in the economics directorate argue that the outcome was a well-balanced product. An official of OECD stated: 'the great thing about the Jobs Study is that it was a horizontal thing, it also included science, technology and industry and some other directorates.' This view is not entirely shared by staff in the Directorate for Employment, Labour and Social Affairs, DELSA. They argue that some recommendations are not empirically sustained, one example is that there is no solid evidence that for saying that tax policy can explain levels of unemployment (authors' interview). Some directorates thus were more influential than others. Interviewees from DELSA seem to have expected its influence on the recommendations to be greater than its final outcome. Moreover, the analysis of the unemployment problems became somewhat

overloaded to satisfy all stakeholders. It can explain far-stretched recommendations, such as successful telecommunication is vital for the employment strategy.

The 1993 year Ministerial Communiqué endorsed that the work on structural issues would be stepped up and multilateral surveillance and peer review was necessary. Subsequently, in 1994 the ministers agreed to implement the employment strategy recommendations 'within the context of their particular economic circumstances' (MC 1994:2). The main cause of 'serious structural deficiencies' identified, as a common feature among member countries, was the sluggish adjustment to the rapid changes associated with technological progress, competition and globalisation.

After 1994 the joint directorate was dissolved. People went back to their former work. A similar interdisciplinary undertaking by the OECD has not been repeated ever since. The broad guidelines or principles were underpinned by several volumes of analytical work and endorsed by the ministers. The next step was to make the process operational. The follow-up to the Jobs Study is called the Job Strategy and entered into force in 1995. The Jobs Strategy is designed to implement the recommendations. That involved essentially reinterpreting the Jobs Study into individual country situations.

The Economics department's ownership of the Jobs Strategy

Almost without exceptions the OECD publications are published under the authority of the General-Secretary, which means that no Member State is politically committed to its content. But recommendations issued under the Jobs Study have another status. They are politically binding for member countries in the sense that ministers have committed themselves to implement the Jobs Study recommendations. Furthermore, before a Country Survey can be published the reviewed country has to give its approval of the report as such. Almost without exceptions the reports are accepted without reservations. Yet, there are no sanction mechanisms. It is a clear case of soft law. It can still be expected that OECD recommendations will exercise pressure over economic and social policies in member countries. Since the Member States agreed themselves to the strategy it is difficult to argue against it when one member country is examined through peer-review. Thus, the department or directorate within OECD, which would be charged with assessing the progress in Member States, would be in a privileged situation. It has a legitimate ground for asking or recommending them to change their policy agenda. Often

this is not the case for other programmes in the OECD. On the contrary, in many other cases OECD makes recommendations which are ignored by Member States. Now, in the field of labour market, OECD has gained self-confidence and at least some 'muscles'. Member States cannot just ignore recommendations; they would at least have to argue to defend their cause and explain why recommendations have not been followed.

Against this background it is understandable that different directorates in the OECD showed an increasing interest in the Jobs Study. The economics department was very keen to become the principal actor. It regarded the Jobs Study as a vehicle to carry recommendations to individual countries. From an organisation point of view the Economics department was the most appropriate to assess the Jobs Study. It has most resources, both financially and in terms of personnel. It is by tradition the macroeconomic 'power house' in the OECD.

Consequently, the economics department became the sole responsible. In a way it was unquestioned by the other directorates, since the Economics department alone had sufficient economic and personal resources to make a country study each 18 months. But it is also mentioned by interviewees that the bargaining position of DELSA was not strong since Peter Swansee, the DELSA director who led the Jobs Study, and would probably have had a strong say in this decision, had by then left the OECD.

The EDRC identified in 1995-1996 country specific recommendations for structural reform, which were included in the OECD publication Economic Surveys. The Economics department will check if a country has followed the recommendations. The drafts of new recommendations are also done by the Economics department to be presented and discussed in EDRC. To this end the peer-review process and peer-pressure are fundamental (see below).

Historically, before the 1990s, the Country Survey publication has to a great extent been macroeconomic in character. But it shifted in the first years of the Jobs Strategy to take much more into account also structural policies. Each country review had a separate thematic chapter on labour market issues. Originally it followed the themes and the structure of the Jobs Study. Today about 80% of a Country survey is structural and only 20% is macroeconomic (Vinde 2002:67).

However, there are at present only a few pages in the so-called structural surveillance chapter on labour market issues. Moreover, the terminology used in the Jobs study has been abandoned and the surveillance chapter, beyond labour market issues, also covers product markets and financial markets. In the economics department one official explains the shift:

‘the jobs study was not just labour market, but also other issues, such as macroeconomic policies’. Indeed, the growing interest for structural issues has led to much more focus on education, environment, demographic challenges and migration etc. At DELSA, the broadened perspective is regarded as a clear change of priorities: ‘Now there is an interest in a lot of things, and less attention and less in-dept chapter than before on labour market issues.’

In conclusion, the interdisciplinary project resulting in the Jobs Study gave DELSA an influence in the follow up procedure. But it was not substantial and it has decreased over time. In other words, working together in the interdisciplinary project together with the Economics department gave DELSA some margin for manoeuvre to influence the follow up process. As a result, the economic analysis was opened up for new aspects. Especially the addition of the thematic chapter on labour market issues highlighted new concerns, not to have been seen before, in the OECD Country Survey. During this period the DELSA could give significant input. However, as the chapter on labour market issues shifted to a structural chapter, new findings on labour market were less in focus. There is a clear discrepancy between the interdisciplinary project and the individual recommendations: ‘If you read the recommendations from 1994 you would not see that employment protection should be suppressed or reduced everywhere, but it does say that employment protection should be reformed in countries where it is important to do so’ ... ‘You need a balance between a certain level of flexibility and security, now in the follow-up analysis of the Jobs study the balance was broken, it went only in one way [flexibility]’ (interview with official at OECD, Paris). The Economics department's ownership of the follow-up has stressed a deregulation discourse. As pointed out by Walters (2000: 16), even if the Jobs Strategy was an exemplary case of the OECD's ‘horizontal method’, that is an approach to problems which brings together expertise from a number of directorates, the fact that the responsibility for reviewing and overseeing the national attempts to implement the strategy came to rest with the EDRC under the economics directorate meant that the ultimate source of assessment was a neoclassical economic perspective.

The components of the Jobs Strategy

The Jobs Study is an action programme, a mix of macroeconomic and structural policies. These are designed to improve the abilities of economies and societies both to cope with and benefit from change. The Jobs Study aims

at enhancing employees' potential to adapt to an increasingly technological society with rapid changes. It is supposed to increase the capacity of countries to create knowledge and to innovate. The programme sets out principles and benchmarks, carries out quantitative analysis and ranks countries according to their performance in reducing unemployment. An important element is the multilateral surveillance with the peer review, which takes place in the Economic Development and Review Committee (EDRC). The Jobs Study consists of 10 general guidelines to member countries. These are specified for each country in so-called country specific recommendations. In total there are about 70 specific guidelines. These country-specific recommendations form the basis for assessing progress made by individual countries, and which form the so called Jobs Strategy.

The Jobs Study Recommendations
1. Set macroeconomic policy such that it will both encourage growth and, in conjunction with good structural policies, make it sustainable, i.e. non-inflationary
2. Enhance the creation and diffusion of technological know-how by improving framework for its development
3. Increase flexibility of working-time (both short-term and lifetime) voluntarily sought by workers and employers
4. Nurture an entrepreneurial climate by eliminating impediments to, and restrictions on, the creation and expansion of enterprises
5. Make wage and labour costs more flexible by removing restrictions that prevent wages from reflecting local conditions and individual skill levels, in particular of younger workers
6. Reform employment security provisions that inhibit the expansion of employment in the private sector
7. Strengthen the emphasis on active labour market policies and reinforce their effectiveness
8. Improve labour force skills and competence through wide-ranging changes in education and training systems
9. Reform unemployment and related benefit systems – and their interaction with the tax system – such that societies fundamental equity goals are achieved in ways

that impinge far less on the efficient functioning of labour markets

10. Enhance product market competition so as to reduce monopolistic tendencies and weaken insider-outsider mechanisms while also contributing to a more innovative and dynamic economy⁵

Below is a brief overview of the ideas, which lie behind the headings in the table.⁶

1. Set macroeconomic policy such that it will both encourage growth and, in conjunction with good structural policies, make it sustainable, i.e. non-inflationary

The macroeconomic guideline is to some extent similar to the stability and growth pact for the EU. It contains measures to attain sound public policies, control of inflation and price stability. It is calling for a non-inflationary growth, but it is not setting quantitative targets for member countries, as is the case in the EU.

2. Enhance the creation and diffusion of technological know-how by improving framework for its development

Rapid technologic development is recognised as having potential employment benefits. Liberalisation will ensure market efficiency in which firms will be innovative. To this end OECD recommends member countries to 'getting rid of subsidies to firms (...) they discourage rather than encourage innovation' (OECD 1994: 34).

3. Increase flexibility of working-time (both short-term and lifetime) voluntarily sought by workers and employers

OECD takes the position that legislation on working-time and collective agreements hinder labour market flexibility and indirectly, job creation. The best way to resolve this problem would be through negotiated solutions at decentralised levels.

⁵ This recommendation was added after the OECD Jobs Study was presented in 1994, and therefore decided by the Economics department alone.

⁶ Below is a short summary of the main points in the OECD Jobs Study 1994 and Implementing the Strategy 1995.

4. Nurture an entrepreneurial climate by eliminating impediments to, and restrictions on, the creation and expansion of enterprises

Member countries are recommended to enhance the prospects of a dynamic environment for private firms. In terms of policies this means to 'remove the red-tape, regulations and controls that discourage new and expanding enterprises' ... 'Dynamic entrepreneurship thrives when there is a highly trained and flexible labour force, good physical infrastructure, modern telecommunications, a comprehensive network of business services, and easy access to universities and centres of technological expertise and research' (OECD 1994:35).

5. Make wage and labour costs more flexible by removing restrictions that prevent wages from reflecting local conditions and individual skill levels, in particular of younger workers

OECD wants fewer barriers to hiring; either the non-wage labour costs be decreased, which in Europe represent a large proportion of the cost of labour, or wages themselves have to fall. Employment is expected to grow faster if wages are more market-oriented (OECD 1994:35). However, it is added, societies have different views about the acceptable degree of inequality i.e. if they accept low incomes resulting in 'working poor'.

In addition, employment protection legislation can hinder job creation. 'At the same time legislated employment security, along with job guarantees negotiated by collective bargaining also bring benefits. Employment security through long-term contracts can encourage employment to meet their needs for greater work-force flexibility' (OECD 1994:36).

6. Reform employment security provisions that inhibit the expansion of employment in the private sector

Barriers to hiring and firing are considered by the OECD to be a burden of firms with could harm the flexibility of the labour market. Again, labour market legislation is recommended to take place at decentralised level. In addition, mandatory restrictions on dismissals should be loosened where appropriate and regular contracts could be kept relatively 'light', as not to stand in the way for fixed-term contracts.

7. Strengthen the emphasis on active labour market policies and reinforce their effectiveness

The general idea is to have more activation policy and less of passive provision of income support. It has proved efficient if targeted to particular groups. Young people and the long-term unemployed are the best targets.

8. Improve labour force skills and competence through wide-ranging changes in education and training systems

Life-long learning must become a central element in a high-skill, high-wage job strategy. The cost for education and training shall be shared between individual, business and the public purse.

9. Reform unemployment and related benefit systems – and their interaction with the tax system – such that societies fundamental equity goals are achieved in ways that impinges far less on the efficient functioning of labour markets

Make work pay! ‘Temporary income support systems...have drifted towards quasi-permanent income support in many countries, lowering work incentives’ (OECD 1994:48). The recipe to resolve this malfunctioning is to decrease the levels of benefits for unemployed, strengthen the control on eligibility, make long-term benefits on participation in active labour market programmes conditional, lower income tax and social security charges on low-earnings etc. The OECD interpretation of ‘make work pay’ is undeniable favouring a ‘market clearing’ view on labour markets. EU makes partly a different interpretation of the same concept. The EU interpretation acknowledges that the market itself contains an exclusion mechanism. This is stressed in the enforced EU policy on social inclusion. The exclusion mechanism of the market is in contradiction with the inclusive objectives of society. The active labour market policies are created to prevent social exclusion (Larsson 1998:412).

10. Enhance product market competition so as to reduce monopolistic tendencies and weaken insider-outsider mechanisms while also contributing to a more innovative and dynamic economy

OECD recommends action to tighten competition legislation and enforcement.

The OECD Jobs Strategy illustrates that the traditional emphasis on OECD of macro-economic policies has been complemented with increased attention to micro-economic factors, such as training and education, competition policy, social security and labour market policy, i.e. structural policies. As for labour market policy, the main conclusion was that the high and persistent unemployment in many European countries is structural in character rather than being cyclical or caused by globalisation of technological change per se. The policy message was that both societies and individuals must become more flexible (Walters 2000; Jacobsson 2003). This has led some observers to consider the Jobs Strategy as neoclassical and neo-liberal (e.g. Walters 2000).

Assessment and monitoring

The revision of recommendations in the OECD Secretariat has been guided by a learning-by-doing approach. The Secretariat works in close contact with experts in member countries. But only in a few cases recommendations have been changed after their first examination. In the comprehensive 1999 'Assessing, Performance and Policy' report countries are reviewed as to whether action has been taken; to what extent and if further need for more action is needed.⁷

Peer review is the main tool for multilateral surveillance in the OECD. It is frequently used in the EDRC to assess country performance in view of the Jobs Strategy recommendations⁸. Peer review is described by the OECD as the systematic examination and assessment of the performance of a State by other States (OECD 2002a: 4), with the ultimate goal of helping the reviewed State to improve its policy making. In the case of the OECD the Secretariat plays a crucial role, which must be stressed in relation to the narrow OECD definition of peer-review. The ownership of the multilateral surveillance, including the peer review, is to a great extent that of the Secretariat.

⁷ Actions on recommendations are graded as follows: X=new recommendation, N=no action has been taken on previous recommendation, R=policy moved in the opposite direction of previous recommendation, F=some action taken along previous recommendation but more action is needed, M=action taken; monitor situation to identify any need for further action.

⁸ Country performance is assessed in relation to several principles; broad economic policy principles and best practices, the policy orientations of the OECD Growth Project (OECD 2002a:8).

Peer review in the OECD

Peer review has been used in the OECD for a long time. The effectiveness of peer review depends on many things. Since there are no judicial sanctions to punish badly performing countries, 'peer-pressure' has evolved as a major source of influence. Peer-pressure as a tool for enforcement is related to, for example, 1) the level of scrutiny of a country during peer-review 2) public scrutiny, ranking of countries according to their performance 3) domestic public opinion reaction to the media coverage of OECD publications (OECD 2002a).

Peer review is a joint effort by the reviewed country, the examiner countries and the OECD Secretariat. It takes place on a 12-18 months cycle, and the result is published in the country surveys. Usually two other countries review a country. Who peer-reviews whom? The choice of examiners is based on a rotation system. But it follows some informal rules (authors' interview):

- 1) If country A examines country B, B cannot examine A. According to a senior official it is a way to avoid coalitions.
- 2) A big and a small country should be peers of a review.
- 3) Very similar countries should not examine each other.
- 4) To the extent it is possible, a Non-European country and a European country should be peers of a review.

The multilateral surveillance process can be split into six consecutive stages.

1. Planning phase. The Secretariat decides a focus of the review. Which topics should be dealt with in the subsequent assessment phase? Economists in the Secretariat collect ideas, impressions and plans from their immediate institutional environment (Marcussen 2003). They come up with a plan how to proceed with the specific country.

2. Consultation phase. The Secretariat collects data from the reviewed country. Participation by member country implies a duty to co-operate with the Secretariat. The reviewed country must make documents and data available, respond to questions and requests for self-assessment facilitate contacts and host on-site visits (OECD 2002a: 9).

Relevant ministries are sent *questionnaires* in which the Secretariat can pose more than a hundred of detailed questions as well as request for assessments, supporting analysis for national statistics etc. The questionnaires can cover all sorts of macroeconomic issues as well as structural surveillance. Far from everything can be directly related to the Jobs Study. An official working in the EDRC explains: ‘the questionnaires are done in relation to what the Secretariat considers to be key issues for the country, and where we are short of information’. Questions may also raise issues such as important political events, for example general elections, and its influence on specific policies or plans to change legislation.

Field missions are then conducted. At an initial stage, a series of national civil servants have been asked by the Secretariat to answer a set of questions in advance. This serves the purpose of steering the subsequent interviews towards specific themes. The field missions are useful to make informal contacts with senior officials who will participate in the forthcoming peer-review. The missions to member countries also involve interviews with representatives from interest groups and country experts (Marcussen 2003, authors’ interview, Ministry of Finance, Stockholm)

3. Secretariat’s draft phase. Taking into account the previous country survey (that has been agreed upon) and the findings from the consultation phase the Secretariat makes a draft country review. As stated by an official in the Economics department: ‘The Secretariat knows roughly the essential gravity of the committee on most issues. Sometimes we will write something that we think is economically logical and analytically correct knowing that it is probably not going to fly’.

4. Peer-review phase in EDRC. A full day is spent on each country review, regardless of the country size or population. The Secretariat divides the review into three parts, in which three broad areas are discussed. Macroeconomic discussions dominate. Labour market issues are often a part of one of the broad areas for review. The peers who are officials in the relevant policy field from other countries are involved in the evaluation process. They have a duty to examine the documentation from the reviewed country. But the division of labour between the Secretariat and the examiners is not always well defined (OECD 2002a). Furthermore, they are lead speakers in the debate, even though all countries are encouraged to speak. The European Commission participates as an observer in the committee. But its representatives are active in the discussions and contribute with a cross-country perspective on issues.

Small states are said to be given equal time to speak as bigger states. But some statements in interviews point in the direction of an informal ranking system. According to an OECD official the smaller states need strong integrity and intellectual resources to have an influence: 'At the margin maybe, a major country can force a smaller country. But a small country with very good economists and delegation can have an important input in the committee'.

The day of the peer-review the committee becomes more formal than usual because of the visiting team from the examined country. Senior officials or advisors to ministers come to the OECD only once every 18 months which means that they are not known to the committee: 'We use family names in the meeting to show courtesy to the visitors' (interview with OECD official, Paris). However, the Secretariat knows them well from its country missions.

The draft is the basis of a discussion in the EDRC, which leads to the final set-up of recommendations. The country review has to get accepted by all countries. It is not just any Secretariat draft, which will be published under the authority of the General-Secretary. And since the country being reviewed has accepted the previous recommendations it is committed to implement them. An official explains: 'This is a wonderful situation to be in, the ministers have agreed to a communiqué that endorses the Jobs Study, both the nice policies and the less nice policies. There was also an endorsement to start a process of doing country reviews'. Countries are putting pressure on the country being reviewed. 'When we find that a country has not implemented a recommendation we will come back to it at the next review: Why have you not made more progress in this area?' 'Sometimes the examined country does not like the report, it feels like the committee puts pressure on it to do thing it does not want to do. It can get a bit confrontational', especially if a country has not lived up to reform in lines with recommendations. 'The country will be extremely defensive, and the committee then turn to be more aggressive' (authors' interviews, OECD, Paris).

However, in most cases there is a fairly consensual atmosphere in the committee. An official at OECD stated: 'everybody knows that in the end of the day we are going to arrive at a report'. The report will be issued under the responsibility of the committee, which means that the peer-reviewed country has accepted the publication, i.e. the recommendations. The sensitive part of the draft is essentially the assessment and recommendations, which constitute only a few pages of the about 200 pages altogether. As put by an OECD Economic department official: 'In many cases the Secretariats recommendations sails through pretty smoothly'.

Sometimes the delegates agree with policies, but the politicians back home will not change the policies: "Logically you have a very good argument, but because of X or Y, my minister or government do not want to change their policy" or "if you recommend it in the report my government will not act on it". (The same phenomenon is reported from the economic committees in the EU, see Jacobsson and Vifell 2003).

If the reviewed country is not agreeing to the publication it can use its veto. But in practice it does not happen. One OECD official explains that journalists would start to ask questions as to why there is no country report. Only once since the start of reviews has a country disagreed to accept the majority opinion of the committee. France refused to accept a recommendation, resulting in a reservation explicitly mentioned in the Country Survey. A country that disagrees with the draft version will have to convince the committee of the unfounded-ness or misguided-ness of the Secretariat's draft report. In the end of the day, minor changes to the draft will be made: 'The final version is the committee's, not the Secretariat's, we are aware of that some things will be amended or taken out, but we are only talking of one or two sentences or conclusions in the assessments and recommendations part' (authors' interview).

5. Draft amending period. After the actual EDRC meeting a period of intensive consultation begins. The Secretariat makes a revised draft version, which includes the changes that were unanimously accepted in the peer-review. It is put on a computer network which all delegations around the world have access to, and member countries are invited to check if the Secretariat has made a correct revised version. It is also an occasion for member countries to comment on the things that were not discussed during the peer-review. For example, a country makes a proposition of an amended text and put it on the network. Instantly, it will be accessible to all members at the same time. If no one reacts to it, it is accepted by silent assent. In more difficult cases, the Secretariat is responsible to propose compromise amendments until agreement is reached. The reviewed country sometimes makes amendments to soften or tighten the language of recommendations and gives proposals for changes. The Secretariat has direct contact with officials in the reviewed country during the amending process which lasts about one month, but it is possible to extend. Most important is that all countries sign the report.

6. Publication of economic survey. After unanimous adoption in the EDRC, the report will be presented to the media at a press conference. Media coverage is very important for continuing the peer-pressure on the country to implement recommendations decided upon.

Implementation and non-implementation of recommendations

The Jobs Study entails a comprehensive set of structural policy actions, combined with macroeconomic policy settings towards growth and stability (OECD 1999:11). In an assessment report from 1999, the OECD Secretary-General gives the Jobs Strategy outstanding grade. ‘...it has been one of the most extensive and successful projects the Organisation has carried out in the 1990s...has had a significant influence on politics...the available empirical evidence suggests that the OECD Jobs Strategy works’ (OECD 1999 foreword). The OECD is thus taking policy change in OECD countries as a justification for a success of the Jobs Strategy. Independent researchers seem not to be all that convinced. Countries, which have succeeded in their economic performance, have not followed a consistent OECD package of reforms. Would OECD member countries be worse off today if the Jobs Strategy had not existed? One official at the OECD points to the fact that a country could have made other progress than OECD recommendations or that would run contrary to the recommendations. But these reforms are not accounted for in the assessment of a country. Not surprisingly, the European Union argues that the reduction in unemployment is due to its strategy (see below). Recommendations by one of the organisations may have spill-over effect on the other. Cause and effect correlation is not easily being measured. Furthermore, it is reasonable to assume that the cyclical economic upswing is responsible for some decrease in the number of people unemployed.

Countries that approved to have been most determined to implement the recommendations were UK, Denmark, Ireland, the Netherlands and New Zealand. Big countries tend to ignore recommendations much more than smaller countries. Mr Thygesen, chairman of the EDRC, states that the biggest countries are the least inclined to accept policy recommendations (OECD 2002b). One reason given by a senior official in the EDRC was that smaller countries get less analysis from outside and therefore the OECD is quite important in the political debate.

The OECD official reason for members not carrying out reforms recommended by the Jobs Study is ‘differences in judgement about potential

conflicts between better labour market performances and concerns for equity and social cohesion' (1999:10). Many of the interviewees on OECD endorsed this conclusion. A DELSA official stated: 'Recommendations are tough within the country. For example, one of the biggest strikes in the history of the Netherlands was over a cut of disability benefits recommended by the OECD'. In comparison, the European Union labour market strategy, as one official from the economics department puts it, 'is basically about "do good" policies', and therefore not criticised.

A second reason is that recommendations are not always clear-cut. On the contrary, they are open to interpretation. As one official puts it: 'there is a lot of scope for arguing what recommendations really mean, a bit like the bible'. Ambiguities in the drafting of a recommendation could also be a means to get acceptance by member countries: 'the most difficult issues are sometimes resolved through some clever draft administrator who finds an ambiguous language that everyone can agree with'.

A third problem is the complex diversity of labour markets among the 30 member countries. The set of recommendations is not equally relevant to all members. Some countries can only use fractions of recommendations. 'It is impossible to draft recommendations that are accurate for all members. In the field of labour market policies a lot of our work is about interaction between unemployment benefits and the social security system. But we have a couple of member countries that do not have unemployment benefits. They need a different set of recommendations, but they do not get it' (interview with official at OECD, DELSA, Paris).

An OECD assessment report from 1999 states that the recommendations are flexible and adaptable to country specific situations. It argues that successful countries have adopted different approaches to the implementation of reforms in their labour and product markets, depending on their social, cultural and institutional characteristics, but in all cases reforms have followed the main thrusts of the Jobs Strategy (OECD 1999:41). In addition, in order to bring significant improvements in the labour market OECD stresses that the Jobs Study must be applied in a comprehensive and sustained way. Thus, OECD urges member countries to implement *all* recommendations ('comprehensive') *and* for a longer period of time ('sustained manner'). 'Comprehensive reform strategies work better than piece-meal actions' (OECD 1999:54). If the set of recommendations is only implemented in a pick and choose manner the Jobs Strategy can entail side effects. One striking example is Spain; a country that deregulated fixed term contracts but left the employment protection legislation for permanent workers

largely unchanged. It resulted in an extreme increase in temporary contracts. A follow-up survey shows that almost all-temporary employees desired a permanent job over temporary contracts (OECD 1999:83).

OECD Jobs Strategy has been criticised for its decontextualised benchmarking insisting on achieving perfectly free labour markets (Hemerijck and Visser 2001). It means that regardless of which country it assesses the recommendations favour a labour market with as few rigidities (employment protection, strong trade unions, relatively high employment benefits etc.) as possible, i.e. a perfectly free labour markets. The OECD policy conclusion is that countries with high levels of workers rights should change their systems, reducing workers rights in order to create jobs (Larsson 1998:412). Following this assumption, it would be impossible to adapt recommendations to the individual country context when assessing a country since some countries has a tradition that favours the presence of 'rigidities'. Hemerijck and Visser (2001. 21) comment: 'The problem with the decontextualised benchmarking approach of the OECD Jobs Study is that it is rather unhelpful for policy-makers to be asked to follow a policy prescription available from contemporary economic science with its dogmatic insistence on the need to achieve perfectly free markets. This can be traced back to the failure of OECD analysts to understand the domestic context in which reforms are to be implemented'.

A forthcoming book, analysing the impact of OECD policies on member countries policy-making, endorses this conclusion. OECD recommendations have been highly consistent between countries and also over time. The book in resume is basically saying the OECD offers one-size-fits-all recommendations, not taking into account national differences, and this is the reason why it has failed to influence policy-making (Armingeon and Beyeler 2003). Furthermore, interviews at the Economics department indicate that the official OECD version is a flaw. 'Perhaps we too much tried to ensure consistency across countries; in some countries the message was too strong. As a result it was more a less archived' (authors' interview with OECD official, Economics Department, Paris).

Governance by persuasion

OECD is an intergovernmental organisation. Member countries do not subscribe to a treaty or other legal framework on employment issues. The OECD is dependent on developing good arguments in order to have an intellectual influence on policy-makers. The committee meetings themselves are key arenas to create a convergence of opinions among representatives of different member countries (Vinde 2002:47). The Secretariat analyses the question and puts it on the agenda for discussion in EDRC. At these meetings persuasion and group pressure during the peer-review are instruments to find a common position that all member countries can support. All in all, the phases of multilateral surveillance involve numerous possibilities for communication between the Secretariat and the reviewed country. Besides the actual output, i.e. the Economic Survey, the process involves various forms of soft regulation. Regulation we take to mean measures used by OECD to govern the political behaviour of member countries, notably by means of setting of rules (soft rules i.e. recommendations) and establishing a system of monitoring.

As mentioned earlier in this chapter, the Secretariat's ownership of the procedure and the EDRC meeting itself may have a substantial influence on actors' ways of conceptualising problems, ideas and values. Yet, the OECD is of the view that the revising and approving of the draft survey still gives some ownership by the country to the final report (OECD 2002b). The meetings in EDRC are a learning process.

According to research by Marcussen (2003), the EDRC multilateral surveillance, particularly the EDRC meeting itself and the actual release of the survey to the public are components for influence, is important and is not paid enough attention.

Examples of possible mechanisms of influence in the OECD Secretariat's ownership are:

- *Questions* posed to national civil servants can be a means to help them direct their attention to a set of problem areas that the OECD finds interesting. The questions also provide a vocabulary introduced by the OECD, which conceptualise problems and limit the margin of manoeuvre for member countries when discussing and dealing with the topics in their day-to-day work.
- *Missions* to member countries establish personal contacts between senior officials and OECD staff that once more stress the OECD views

on certain issues. The senior officials who will participate in the forthcoming peer-review become well known to the Secretariat. These interviews with policymakers could entail an element of 'responsibilization', if agreements are reached for example, interviewees would be expected to remember this at the EDRC peer-review meeting. The chairman of EDRC Mr Thygesen confirm that the advice given to policy makers in the course of the review exercise are important elements of peer-pressure, not just the publication phase of the final report (OECD 2002 b). It can serve as a stimulus to incremental change and framing of new policies in member countries.

- *Draft survey.* The Secretariat alone drafts the first draft survey, on the basis of questions and interviews etc. Indeed, it makes a difference for the end results what kind of priorities of themes, emphasis on various issues, what empirical findings are used in the survey etc.
- *Agenda of the EDRC meeting.* One full day to examine one country is split up into three parts. Not more than a few selected topics can be raised during the review. The Secretariat decides what themes to be discussed for each country, even if the country is consulted. In addition, the agenda and the documents for the peer review meetings are confidential and there is a lack of transparency in these meetings.
- *OECD and the media coverage.* There exist regular contacts between OECD officials and national media. Media tend to place certain issues on the national political agenda. Typically the native person in the country desk is often referred to as an international expert by national media. In response, high-level politicians get a leverage to comment on those things.

Having said this, the Secretariat is of course bound by Ministerial communiqués, policy guidelines by the Secretary-General and the frames set by the EDRC itself.

The multilateral surveillance process of OECD is a very thorough examination process with a long preparation period, and plenty of occasions for dialogue between the OECD secretariat officials and the country officials. Despite the above mentioned factors that function as forceful devices for persuasion in relation to the countries, there is also an element of dialogue where the countries can have a say and an input on the issues to be discussed and the recommendations directed to them. For instance, the themes to focus in the country examinations, which may vary between countries and between years, are discussed between the OECD Secretariat and the member country,

and a country may be asked by the secretariat what theme would be most helpful for the country (authors' interview, Ministry of Finance, Stockholm). This is also true in relation to the final evaluation of the country. In the view of this Swedish official, the OECD is 'a consensus organisation' and neither the OECD secretariat nor the country chooses to defend its line in absurdum. There is also an understanding that different countries may make different choices, based on political values. In these cases the role of the OECD peer review is to clarify the consequences of the various choices rather than to press a country to act against its political values (authors' interview, Ministry of Finance, Stockholm). The OECD peer review serves to 'responsibilize' the Member States by encouraging them to be transparent, to accept to make justifications and explanations and to become self-critical (Walters 2000). The recurrent and systematic dialogue between the OECD secretariat and national officials, but also the dialogue between country officials in the EDRC-committee, most likely fill an important socialising function, fostering common outlooks and problem descriptions, as well as responsabilizing function.

The European Employment Strategy – Challenging the OECD Jobs Strategy?

In the beginning of 1990s OECD was the principal *ideational artist* (Marcussen 2001, 2002) in the international community with regard to inventing new ideas in the field of employment. It had a monopoly-like situation since OECD was the only player on the market. For new ideas to be spread worldwide they had first to pass the OECD filter. When EU developed its strategy for employment this changed the situation for the OECD rather fundamentally. Competition became the rule of the game (Marcussen, 2003). The notion of an idea-game derives from research on OECD by Martin Marcussen. An idea is chosen over other, empowered and diffused. The idea-game refers to how actors strategically behave in order to make an idea dominant while playing with adversaries. Though, we will argue that while there are elements of competition between the EU and the OECD, they are also in some respects mutually dependent in the field of labour market and that there seems currently to be more co-operation than competition between the organisations.

EU – a New Player in the Idea-Game

In 1993 during Jacques Delors' presidency in the European Commission the first step was taken towards an EU model for employment policy (CEC 1993). The model came to be called the European Employment Strategy (EES). The economic integration of the EU had gone far in the late 1980s. But the European single market for goods, services, capital and people could not thrive if the social agenda lagged behind. What is the use for a single market if people are unemployed and unable to consume its products? As the unemployment figures turned bad in the early 1990s this question needed a profound answer. The European Commission proposed to strike a new balance between economic and social issues. If EU Member States had been fully satisfied with the Jobs Strategy, why then go about creating something new? The Jobs Strategy approach, which already existed, was conceived insufficient to meet the needs of EU Member States. Indeed, the relatively narrow treatment of employment issues in the Jobs Strategy was conducive to the creation of the EES (CEC 1999 December).

The historic step to launch the EES was formally taken at the Amsterdam summit in 1997. In the Treaty of Amsterdam, the Member States committed themselves politically to co-ordinate their employment policy. But already at the European Council in Essen in December 1994 a number of common employment policy objectives had been established and also a system for monitoring the employment policies, according to which the Member States were to make annual reports on their progress to the European Council. This was a weak monitoring procedure, but the policy coordination model was some years later further developed and institutionalised in the Treaty of Amsterdam. The formal policy coordination procedure was even specified in the treaty (see below). The next step in the integration phase was the Employment Pact in 1999 which co-ordinates employment guidelines with structural reforms in the capital market and the so-called macroeconomic dialogue, which is a dialogue between the European Central Bank, representatives of Finance Ministries, and the European Social Partners. Presently the EES integrates several policy areas, covering life long learning, vocational training, social security systems, labour market policies, competition, and tax policies.

The main instruments are common European policy guidelines in turn to be responded to in National Action Plans (NAP), drawn up by government officials. European employment guidelines, being politically but not legally

binding, are thus supposed to be integrated in national labour policy. The NAPs are submitted to the Commission for cross-national comparison and evaluation. Also the implementation of the guidelines is to be reported. Moreover, the Member States are reviewing each other's results in the Employment Committee, a form of country examination and peer-review. The results of the cross-national comparisons are published in an employment report to be approved jointly by the Commission and the Council in the EU. The report includes benchmarking of the countries and the identification of best practices. The formal task of supervising Member State implementation of guidelines rests with the Council, which can on a qualified majority vote make recommendations to Member States to adapt their policies according to the guidelines. The Member States are thus monitored through peer review and also by comparisons and benchmarking of best practice on the basis of common indicators.

The process with annual guidelines and NAPs has been criticised by the Member States to be too bureaucratic and time-consuming. At the Brussels summit in 2003, the detailed guidelines were replaced by three overarching objectives: full employment, social inclusion and quality of jobs, however still with a number of more detailed guidelines connected to them. These goals are points of reference for Member States to which they must relate themselves when reporting the NAPs to the EU Commission. But each country decides the means for itself – the way it will embark upon to reach these goals. The ideal is a kind of European management by objectives. In practice, however, the recommendations to the Member states of how to live up to their commitments have proved to be quite detailed also regarding the means to achieve the goals. Yet, with this model of policy coordination, the formal competence of labour market policy is still in the hands of Member States.

The policy coordination method based on common European guidelines, national reporting of progress, and monitoring through peer review and benchmarking has been developed also for other areas than EU employment policy. The Lisbon summit of 2000 coined the term the 'Open Method of Coordination' (OMC) for this type of policy coordination and soft regulation. The method has been developed with slight variations for a number of areas, including social inclusion policy, pension reform, information society policy, asylum policy, education, research and innovation policy (on the OMC in general, see Borrás and Jacobsson 2004).

The idea of peer review, peer pressure and benchmarking bears obvious similarities with the OECD practices. However, the peer review in the EU is a less ambitious exercise. Each country is given about two hours instead of a

full day in the country examination but more importantly, it is not preceded by the type of data collection and country visits as in the OECD case. The bilateral communication element is present in the bilateral dialogue and negotiations between the Commission and the member government preceding the country-specific recommendations. The first year of the EES, the General-Director of DG Employment Mr Larsson made visits in all the capitals to discuss with the government the need for labour market policy reform. The dialogue and the information collection preceding the OECD peer review are much more extensive.

In terms of content, the Delors White Paper (CEC 1993) which initiated the new European employment agenda bears similarities with the OECD Jobs Strategy, not least in the emphasis on measures to 'make work pay'. Like the OECD analysis, the White Paper regarded the unemployment to be a structural problem that could be solved by economic growth alone, and it pointed, *inter alia*, to the lack of flexibility in labour markets.⁹ Yet, in the EU approach a complementarity of preventive and active policies *and* revisions of benefit systems has been sought. Moreover, in the EU view, the problem of unemployment is not that of the labour market alone and employment problems are not seen as caused by excessive labour market regulations. The EU employment strategy builds on a combination of growth-oriented policies and structural reforms. Moreover, in the EU agenda in the late 1990s and in early 2000s there is a clearer focus on quality aspects, e.g. *better* and not just *more jobs* (Jacobsson 2003). Thus, there are similarities but also differences in emphasis and analysis between the two organisations.

The Economic Split between Jobs Strategy and European Employment Strategy

'It has always been a significant overlap; the EU employment strategy was drawn up years after the OECD Jobs Strategy. They [EU] obviously did not start from zero; they started by looking at our process' (authors' interview). This OECD perspective is to some degree supported in DG employment. An EU official stated: 'Culturally there may have been a carry-over effect, this is beyond doubt'. The EES and the Jobs Strategy both address economic policy, social protection as well as employment policy. As mentioned, the 'Making work pay' concept, originally springing from the Jobs Study founding

⁹ According to EU research estimates, about 60 per cent of total unemployment is structural, rather than the 85 per cent reported by most other research, including the OECD (OECD, 2000: 8).

principle – if work does not pay, people are reluctant to work – has exercised a substantial influence over the EES. Some EU officials in DG employment point to this concept as the main foundation of the EES.

While overlapping exists there are also differences of emphasis on specific items. Gender equality is not paid much attention to in the 1994 Jobs Study. Furthermore, the social partners are not referred to when it comes to wage negotiations or in the field of working time flexibility. There seems to be common understanding among OECD officials that the EES is mostly about ‘do good’ policies. As they see it, EES is downplaying issues connecting to wage setting, structural wages, and structural employment protection legislation. Indeed, recommendations about wages are sensitive in the EU. The reason is that EU has neither the competence to decide about wages nor about levels of social security in Member States. There is also a difference in the view of the relationship between flexibility and job security (CEC 1999 December) as discussed below.

The present main objective of the EES is full employment (since the Lisbon summit 2000). This implies the possibility of achieving full employment and a manageable inflation at the same time. A package of preventive economical and structural measures can in this view provide for protection against high levels of inflation. The Jobs Study is ambivalent to this idea. The OECD is strongly committed to the concept structural unemployment or the ‘natural’ or ‘non inflation accelerating’ rate of unemployment (NRU or NAIRU). Below the NAIRU any expansion of demand would merely lead to higher inflation (Watt, 2000). Full employment will be achieved only if one lets the level of inflation rise to unsustainable high level. That puts OECD in a position in which full employment is not desirable. The NAIRU concept considers price stability and budgetary control more fundamental than anything else. The EU, on the other hand, is rather critical to the concept of NAIRU. ‘We have criticised OECD for the NAIRU and that the European Central Bank for having an inflation target but not an employment target’ (interview with official in EU, DG employment). Former General-Director Allan Larsson is strongly criticizing NAIRU and asks for an ‘...adaptation of the NAIRU concept, or the development of quite new tools, more forward looking and better reflecting the improvement brought by structural policies’ (1998:410).

Growing empirical evidence contests the accuracy of the NAIRU argument. For instance, the period of full employment and low inflation in the USA during the late nineties has not resulted in a revision of this fundamental economic principle, which has guided the OECD for decades. Sweden is an

example of a country, which has recently been criticised for its high level of employment.¹⁰ The empirical cases allow for price stability to go hand in hand with concerns for economic growth and employment. Thus, full employment is one policy split between two economic paradigms. EES, on the one hand, seems to emanate from the idea that it is the political arena that influences the creation of new economic paradigms, whereas OECD on the other hand, regards economic assumptions and models to be the guiding principles and limitations for political policies.

A second economic theory split is about the causes of unemployment. It is related to the concept in both OECD and EU to combine flexibility and security. EES is influenced by the Scandinavian model and takes a preventive and activation labour market approach. A key assumption here is that employees are willing to accept change if society provides a sufficient safety net. Thus, labour law that gives protection to workers from easily being hired and fired, vocational training to increase geographic and job mobility, activation programs for unemployed, an advanced childcare system and modern means of transportation are necessary preconditions to reach this end. Security thus refers to a good safety net, but is also to be derived from giving people sufficient assets to enable them to defend themselves individually in the labour market (interview, European Commission), i.e. to improve their employability (see Garsten and Jacobsson 2003 on 'employability security' vs. 'job security'). The message of the EES is, simply put, that people are willing to participate towards full employment if you only give them a fair chance.

One central assumption of the Jobs Study, however, is that the employees may be unwilling to take up a job. In practice, the unwillingness assumption is transformed into a policy mix with recommendations to promote an increase in the level of risk for employees with reference to labour law protection and trade union influence at the workplace:

'Loosen mandatory restrictions on dismissals in countries where current provisions appear seriously to hinder economic restructuring and the hiring chances of new labour force entrants';

'Refocusing sectoral collective bargaining to framework agreements which leave enterprises free to respond flexibly to market trends, provided they adhere to overall standards';

'Introducing 'opening clauses', which allow higher-level collective agreements to be renegotiated at a lower-level';

¹⁰ 'Increase the level of unemployment!' headline in a article which reported on a OECD country report for Sweden, published in the biggest Swedish Daily Newspaper, DN, 2002-05-04.

**‘Remove obstacles in labour legislation which impede the emergence of flexible working-time arrangements, and encourage employer-employee negotiations on flexible working hours and part-time work’;
‘Introduce a upper limit to the employment benefits’ (OECD 1994).**

Furthermore, the EES has, unlike the Jobs Strategy, committed itself to a social agenda - extending the focus on growth through job creation to activation and prevention measures to fight social exclusion and improve the quality of jobs. ‘We have to strengthen our social model...we can see that social protection does not hamper growth...the purpose is to offer equal opportunities, and equal access to key services - health, education, childcare, elderly care. And this helps to *prevent* people from drifting into social exclusion and poverty...workers skills and commitment are more important than wage-flexibility or low hiring and firing costs’ (Speech by Odile Quintin, Director General EMPL, European Commission, 2000).

To sum up, there are two substantive economic theory splits:

1) Whether or not one is dedicated to full employment and 2) the acceptance or not of the unwillingness assumption. The two strategies represent a fundamental difference of opinion on the main objectives of strategy.¹¹ The unwillingness assumption seems to be decisive for how to apply the concept of combining flexibility and security which both strategies subscribe to. In the implementation phase the OECD concept has often been interpreted in individual recommendations according to the principle – the more flexibility the better (authors’ interviews). Allan Larsson, the former Director-General of DG employment, states that OECD is wrongly seeing flexibility as a zero-sum game in which greater flexibility for enterprises can be created only at the expense of the security of workers. In addition, Mr Larsson concludes that the OECD model is based on the premise that the mere fact that unemployment exists means that wages or labour standards are too high (Larsson, 1998:412), whereas in the EES the flexibility-security concept is more ambiguous. As an EU official puts it: ‘Nobody knows exactly what it means, it flashes areas of concern’. The commitment to social inclusion is one such area.

In the Jobs Strategy one way to increase the employees readiness to change (take a job, or quit a job) is to make his or her situation more unsafe.

¹¹ However, some recommendations in the EES and Jobs Strategy are of the same nature, for example to lower the tax on labour, to make the social security benefits more employment promoting by providing incentives to work. Yet, "employment friendly" is a more broad term in the EES covering both preventive measures and rehabilitation (Bosco 1998)

As an EU official puts it: ‘OECD ideological image is that people would be eager to get a job if they really have nothing to live on when they have not got a job’. Following this argument, union influence at the workplace, guarantee for income maintenance and strong trade unions are the very cause of structural problems. OECD would like to remove these ‘obstacles’ since they presume employees are predestined to use them to hinder change. Indeed, the unwillingness assumption rests on shaky ground. There is no support for evidence for the argument that an increase of the security of employees undermines the individual's willingness to adapt to structural changes (Furåker et al., 1999). Sometimes an empirical shortcoming of this kind even finds expression in statements by the OECD.¹²

Yet, it should also be stressed that OECD views are prevalent also in parts of the Commission, e.g. at the DG Ecf. Moreover, even if ‘full employment’ is placed high on the political agenda in the EU it has not been made an objective of the monetary policy, where low inflation is still the sole goal. Furthermore, the EU stability and growth pact, which sets the level of national budget deficit and public spending for Member States, has been criticized for overstating price stability at the expense of policies that facilitate growth. But as an overall political strategy the EES is still more complex and balanced. While the OECD can rely on an expert – often neo-classical economist – consensus, the EU has to moderate many other interests, including the two sides of industry and various national and political interests.

What can explain the disagreement on fundamental assumptions?

The expert organisation vs. the political organisation

Both organisations have access to the same facts and figures but their policy recommendations are sometimes far from being the same. Despite often sharing analytical research the organisations obviously do not draw the same conclusions. How can that be? We must turn to the organisations themselves for an answer. Do the character and/or way of working of an organisation filter or in other ways affect the production of knowledge? The basic assumption legitimising OECD recommendations is that the production of

¹² Cf ‘the OECD’s work on economic growth, while not being able to point at a direct link between structural policies and growth per se, does indicate areas where Sweden might need to concentrate on improvements in order to raise its long-term economic growth’ (OECD Economic Survey Sweden, 2001:86).

knowledge is an objective process, and that policy advice can easily be inferred from the analytical work. But, as we will see, the 'knowledge work' and 'recommendation work' of organisations is a much more complex process than that.

The two organisations, despite both are having national states as their members – and partly overlapping membership, are of different character. We will make a distinction between the 'expert organisation', illustrated by the OECD, and the 'political organisation', illustrated by the EU, both understood as ideal-types. In the following, we will describe the main differences.

The OECD does not have a clear political centre giving continuous political direction to its staff. The Council meets once a year at ministerial level, resulting in a ministerial communiqué outlining the priorities for the coming year. Much discretion is given to the Secretary-General and to the Secretariat. As mentioned, much of the analytical work is published in the name of the Secretary-General and the fact that the Jobs Study was politically sanctioned was rather exceptional. But in the follow-up and implementation of the Jobs Study, i.e. in the Jobs Strategy, the OECD civil servants have got the leading role. As we have seen, they make the main preparatory work in the peer review and country reports and their drafts are in practice very influential. The OECD experts do not have to – in fact should not – take political considerations, when making their analyses, and they do not have to consult other parties, such as the social partners or other societal interests. They are largely free to search for, or produce data and invent new ideas. In the committees, national civil servants are represented, but the role and function of the OECD is perceived, even among them, much more to be to give policy advice based on shared knowledge rather than to bargain among national interests. The authority of the OECD rests in its analytical capacity and knowledge production, and in the OECD being a seeker of, not only knowledge, but 'truth'. Being 'independent' both colours the self-perception of the organisation and is in much the way it is seen by others. However, giving so much to authority to research and analysis also, as we will see, gives intra-scientific values, including currently fashionable labour market paradigms, a guiding role.

In contrast, the EU has a clear political centre or rather several. The European Council meets several times a year to give overall political direction for the coming period. The Council is the decision-making authority, in collaboration with the European Parliament, which has increasingly left its status as a merely advisory body. The European Court of Justice has the last say in interpreting the *acquis communautaire* (although in the EES the court is

excluded from the process). Most importantly in our case, the Commission is much more political in character than the secretariats of international organisations usually. The Commission gets directions from the European Council and the Council, but it is also free to take its own initiatives. Yet, it is here to serve the treaties of the European Union rather than to develop an agenda based on independent analysis. The Commission has a cabinet of commissioners, which give political directions to the Directorates-General and their staff. (In areas where the EU has exclusive competence, the Commission has exclusive right of proposing initiatives, i.e. possesses the drafting power.) In contrast to the OECD, the EU is not merely an intergovernmental body but has supranational authority in an increasing number of areas, albeit not in employment policy. The EU being a policy-making organisation, the Commission must all along make sure political support is gained by consulting other parties (e.g. social partners), negotiating between, but also within the various bodies in the EU decision-making system – a concern that the OECD Secretariat simply does not have. Both the Jobs Study and the EES have been politically sanctioned by the ministers. But the EES is to a much greater extent on ongoing political process. At the European summits progress is evaluated, and in Lisbon 2000 it was decided that a special spring summit with the European Council was to be held every year to assess the reform progress, including that of the employment strategy. Monitoring the EES was thereby lifted to the level of Heads of State, in stark contrast with the monitoring of the Jobs Strategy.

The ‘political organisation’ and the ‘expert organisation’ are ideal types. Obviously, the ideal types are without doubt very different from the actual organisations. It is still our view that using these concepts can facilitate clarifying some important differences. We argue that the type of organisation influences the types of recommendations given to the member countries in EU and OECD. The expert organisation should ideally be free from political considerations, other than the political mandate given by ministers, for example to develop the Jobs Study. It is supposed to be the truth-teller, no matter what is at stake and no matter what are the consequences. OECD is mandated in quite general terms to conduct the Jobs Strategy, which should reduce unemployment. Thus, OECD is not bound to follow specific political priorities when developing its own strategy. That offers officials in OECD a considerable margin of manoeuvre. Should they choose a neoclassical perspective in the Jobs Study the implicit objective will be to create growth through perfect labour markets (see section on hard economics below). In order to fully understand which labour market paradigm that dominates we

will have to learn more about the power structures that govern in OECD (more on this below).

As a contrast to the OECD, the 'political organisation' would find it very difficult to make a strategy without clear political objectives. The large number of stakeholders in the process makes decision-making complicated and sometimes non-transparent. Indeed, the Heads of States politically decide the development of the EU employment strategy. Yet, the decisions remain fruitless if they will not be carried out in Member States. In this regard the process preceding European Council meetings are important for the final setting of political objectives. The social partners, EMCO (Employment committee), the Commission's different General Directorates negotiate new objectives and policy. Also the European Parliament, The Committee of the Regions and the Economic and Social Committee are consulted. The commitment of stakeholders to fixed objectives is vital for carrying out the strategy effectively. Thus, negotiations are extensive among stakeholders already months before European Council meetings. An alternative approach would be to leave the political objectives to be set only by the Commission, a political bureaucracy. Of course this would be doubtful from a democratic point of view, but also, taking efficiency into consideration, it would substantially decrease the acceptance among Member States to implement the strategy. Member countries could choose not to take the strategy into account when planning national policies (which they are entitled to since the competence for employment is national and not European). Thus, a political organisation that seeks successful implementation is ultimately dependent on values and common interest among relevant stakeholders as source for their legitimization.

The recommendations produced are different in an expert- and a political organisation, both in terms of the scope of recommendations and the way they are formulated. If we apply the ideal type 'truth-teller' identity on OECD, it may formulate recommendations which will be considered as 'tough' or disregarding concern for social cohesion. This follows from the fact that the source of legitimization of an expert organisation is precisely its ability to be an expert and produce expert knowledge. Should OECD become sensitive to political circumstances in member countries it would lose its credibility. Therefore, it is not surprising that ministers gave an open mandate to OECD in developing the Jobs Study. It seems as if it was clear to everybody that any explicit political/ideological stand taken by the OECD officials was ruled out.

Against this background, formulations of OECD recommendations are and should be tough and to the point. It is therefore not surprising that, as mentioned, one of the biggest strikes in the Netherlands was due to an OECD recommendation to lower the benefits for disabled people. However, a similar recommendation within the EU would be an act of political suicide. Thus, if the expert organisation issues tough recommendations, it is in a way doing its job. If a political organisation does the same thing, it will be regarded a political decision. It will be understood by citizens as a part of a larger political program. The recommendations are not, as in the case for the expert organisation, understood as the only possible way to improve growth and reduce unemployment. Recommendations in the EU are reflecting the values which should build the society. The political decisions are the very means to create, borrowing the EU terminology, 'an inclusive society'. Politicians from Member States negotiating in the political organisation have to consider a self-survival aspect. For example, a serious cut down in the social security systems, which will almost certainly receive criticism from important stakeholders as well as voters nationally, must be extraordinarily well motivated and communicated to citizens. A loss of confidence among citizens could result in a loss of power in the coming general election. Politics is the difficult job of bridging the visions of a better society with concern for making it come true i.e. to be elected and re-elected.

Also the scopes of recommendations are different in the expert organisation. As already mentioned OECD can cover almost anything in its analysis as long as it could lead to more growth and reduced unemployment. Thus, the scopes of OECD recommendations are only limited by the contemporary research and by the labour market paradigm that dominates the OECD. In addition, OECD is the sole stakeholder of the Jobs Study. It explains why the organisation may issue recommendations for decentralised wage bargaining or detailed tax cut programs. In EU, tax policy and wage setting are politically sensitive issues. Yet in reality, EU sometimes embarks on these strictly national issues. Still, a difference is that politicians often publicly complain that EU is failing to respect national sovereignty. OECD, on the contrary has a much wider scope for recommendations, and is without risk for being put politically into question by its member countries.

Thus, the EES is much more a political process than the Jobs Strategy. In a political process facts and figures are used to develop policies. In contrast, 'OECD does not make policy analysis in order to make policy, which is the working method in EU, OECD makes policy to better understand the world' (interview with official at OECD, Paris). Or, as put by another official at

OECD: 'The OECD makes no decisions, we make analyses. It would sound very differently if there were politicians formulating policies, as is the case of the EES' (authors' interviews). Marcussen has described OECD's most important characteristic to be precisely that *no decisions are taken* (in legalistic terms). The argument is that OECD is important for the *decisions it prepares*. Ideas from OECD are formalised and carried out in other organisations or within its Member States (Marcussen 2001:2). Indeed, OECD has no right to impose recommendations on Member States. It cannot appeal to a court of justice to have a member country condemned for not living up to its commitment. However, as we shall see below, soft regulation contains many elements, which could have a more or less de facto binding result on Member States.

The OECD is an organisation centred on production, collection and diffusion of knowledge. It makes reviews of existing knowledge and it conducts its own studies with the aim of finding out what is the current state of knowledge and where there is a 'reasonable consensus', for instance what is known about labour market problems. This is also shaping the self-understanding of the organisation. A Swedish official who has served two years in the EDRC committee of the OECD in an interview explicitly drew the parallel to medicine: 'the OECD deals with evidence-based politics'. It deals with 'knowledge, not points of view' (authors' interview), in contrast to the EU, it was implied. This is a view which sees knowledge as something unproblematic. Indeed, the self-perception of the OECD is very much that it is telling truths, some of which may be uncomfortable for countries to hear but which they actually need to hear. Whether they listen or not is eventually beyond the scope of the OECD to ensure.

Indeed, from the very beginning the role of the OECD was to develop policy thinking, i.e. to develop ideas (Marcussen 2002: 9ff). This is also the expectation that the Member States have of the OECD, even if, at times, a member government may not agree with the advice it is given. 'I do not think that the OECD delegates see themselves as missionaries of OECD recommendations in their countries, but they can get a net-benefit of extra ideas which they can use at home. That is also the major reason why to come to OECD meetings' (interview, OECD official). In contrast, the expectation of the EU is probably much more to be a policy-maker.

It is also important to see how the EU and OECD gather information and make analysis. The main source for the OECD in economics is OECD itself, since a lot of empirical work is being done from within the organisation. Current literature, research and academic studies are carefully followed. In

addition, OECD sometimes work with expert consultancies, member countries supply information through answering OECD questionnaires, etc. DG employment is working in quite the opposite way. The areas to cover for DG employment have grown rapidly in recent years. Often only one person is in charge for a separate policy area, for example social inclusion or social dialogue etc. It is therefore a necessity to employ many external consultancies. An OECD official points to the setbacks with this strategy. 'Their work [DG employment] is mainly done by consultancies; it takes them forever to do some work. It has been so difficult because they delegated it to the consultancies rather than having a strong in-house capacity themselves to oversee the work'.

Furthermore, DG employment has to devote time and resources, which could have been used for improving its analytical capacity, on the political process. For example, a proposal from the Commission on the new Employment Guidelines for Member States is discussed in various political bodies. DG employment is not self-sufficient. As mentioned, new policies have to be negotiated within the Commission, in particular with DG Ecofin, within EMCO and the equivalent economic committees, the European Parliament and the Council. DG employment must invest a lot of resources in building alliances to have its political agenda for employment accepted. The 'political organisation' needs to devote more resources on external power struggles while the 'expert organisations' is more likely to spend its efforts on internal, including inter-paradigmatic, power struggles. We should keep in mind that these categories are ideal-types. In practice, there are also internal and inter-paradigmatic power struggles also in the EU and political struggles in the OECD. However, not to the same extent and with the same consequences.

In our view, the difference between the 'expert organisation' and the 'political organisation' can largely explain why, in the OECD, *one* particular perspective can dominate to such an extent, while this is not possible in the EU. We will now look at, and try to explain, the substantial disagreements on policy itself, turning to the knowledge production process, and the internal power relations, within the organisations.

Hard economics vs. soft economics

The Economics department, which has the leading role in the Jobs Strategy, is composed of economists who are advising policies to the Finance Ministers in

member countries (through assessment of a countries' performance in the Country surveys). Logically, their first priority is a budgetary preoccupation.

DELSA is contributing to the structural surveillance chapter in the Country surveys. But its role is minor and has decreased over time since the start of the Jobs Strategy. The assessment of countries is principally accomplished with economic theory, methods and instruments. This becomes evident if comparing the interdisciplinary Jobs Study with the Economics department's Jobs Strategy. In the Jobs Study the wording is to have a balance between flexibility and security on the labour market. But in the time that followed, security has never been a priority (authors' interview). In conclusion, it has caused a theoretical bias in favour of deregulation and the flexibility of labour force. In OECD unemployment is understood in that wages or labour standards are too high (Larsson, 1998:412). According to other perspectives, there is weak empirical evidence to support the unwillingness assumption (for example Furaker et al. 1997). In addition, many so-called labour market 'rigidities' may be productivity enhancing in that they offset market imperfections (Watt 2000, 49-50).

In a historical perspective, until the late 1970s OECD has been the promoter of Keynesianism. Thereafter a gradual shift in ideology took place, which favoured another macroeconomic economics (Marcussen 2001:8; see also Korpi 2002). The pre-Keynesian orthodoxy was reformulated. The old 'perfect' labour market, understood as full employment, was replaced by the NAIRU. The idea of the concept of aggregate demand has even become 'taboo' in Europe (Watt 2000:46). The new OECD framework focuses on low inflation, budgetary discipline, the medium-term perspective, and structural adaptation (i.e. starting out from the unwillingness assumption when analysing labour market problems: reducing workers rights in order to create jobs etc). This economic perspective will from now on be called *hard economics*.

From another perspective, using this approach may be rational but it is insufficient to provide a broad understanding of labour market problems. 'The difference between the EES and the Jobs Strategy is that the Economics Department relates to the labour market as an economic market' (authors' interview with official in OECD, Paris). This is exemplified in many drawbacks of the 'unwillingness assumption'. The assumption that people are unwilling to take a job is neglecting the fact that people are different from other goods. They feel safe or unsafe depending on their wage prospects and prospects for regular employment contract etc., and make choices about family and children in accordance with these feelings. Thus, there exists an alternative approach to the OECD approach, namely the EES. The

deterministic view that there is only one way to achieve growth and prosperity is currently being seriously challenged.

DG Employment is in charge of EES. This strategy for employment clearly manifests elements of *soft economics*. But it is an easy mistake to make to oversimplify reality. For the sake of clarity, the EU has both so-called employment guidelines and economic guidelines. These instruments should be mutually supportive and reinforcing, but staying autonomous and on equal footing. The employment guidelines give specific attention to labour market problems, which can make them a precise instrument. But also the economic guidelines deal with the labour market, particularly addressing 'welfare traps' and disincentives to work and mobility. Macroeconomic considerations are mainly covered by the economic guidelines. Still, it should be noted that the employment guidelines are considered by EU Heads of State to have the leading role in employment policy co-ordination (EU summit Brussels conclusions 2003). This priority provides soft economics a fairly strong position within the EES. This is the current trend. But there is a constant struggle between soft and hard economics in the EES, which is far from settled.

Furthermore, when EU ministers meet to discuss employment it is usually ministers for employment and social affairs that get together, and in the EU Employment Committee (EMCO, the national officials usually come from labour market ministries. Since their portfolio is to improve labour market and targeting social questions, the debate will be quite different from the EDRC in the OECD, where the finance ministries are represented.

We can conclude that OECD is an expert organisation with an economic bias. How does this influence the production of knowledge? OECD issues recommendations on tax policy, wages and other straightforward messages to member countries without taking political considerations. Governments and social partners are told in detail which reform programs they ought to perform. According to an EU official: 'The Jobs Strategy can speak about wages as much as they want, possibly because nobody listens'. Along the same lines, OECD is criticised for not paying attention to social partners. 'Jobs strategy is perceived by Member States to be a strategy for Finance ministers to push the others to making reforms. If there is no negotiation with the ones who are most affected [social partners] by the reforms the recommendations will not be carried out. EES is more politically realistic; a process involving the social partners will provide lasting result'. The EU is clearer about the political division of competence between EU level and Member State level. Wages and taxes are exclusively a question for

Member States to decide. It is therefore politically sensitive for the European Commission to touch these issues in detail.

There is also a bottom-up approach in the DG employment, which could be influential to the production of knowledge. A single policy officer can have a certain impact on the policy making process, since he/she is probably more informed about the subject than the average staff. Still, the cabinet of the Commissioner for Employment and Social Affairs is giving the political guidance to its staff in the General Secretariat. Nevertheless, due to the level of detail and information overload, the policy officer will find himself with some margin for manoeuvre. Since OECD is not charged with making policy analysis the scientific research is presumably more important.

In conclusion, it can be argued that the OECD process is more scientifically oriented or fact-driven than the EES where political considerations and social considerations must constantly be taken into account, which could impede on arguments on economic efficiency. The internal division of labour and resources and the informal authority structure of the OECD, with the key role given to the Economics department in implementing the Jobs Strategy, mean a bias towards hard economics. The soft economics, which potentially could be developed by DELSA, is not breaking through.

As far as this study shows, the OECD choice to apply hard economics has favoured some policy research over others in the assessment of the Jobs Strategy, and in the end, some recommendations over others. In conclusion, the OECD filters soft economics labour market arguments and gives priority to hard economics. The filter itself is the *approach* to understand labour market problems. If you put on your hard economics glasses, it is difficult to even consider how equity policies could be growth oriented. Meanwhile, the EU and DG employment in particular has approached labour market problems with more soft economics.

Figure 1

The ideal type political organisation and expert organisation, exemplified by the Jobs Study in OECD and the European Employment Strategy in the EU.

	Political Organisation, EU	Expert organisation, OECD
Mandate:	Intergovernmental: Employment chapter in the Amsterdam Treaty 1997. EU heads of state develop continuously the process and content of the European Employment Strategy.	Intergovernmental: 1994 OECD Ministerial Communiqué mandated the OECD to develop an independent study, the so-called Jobs Study. It should lead to growth and to reduction of unemployment. No revision of the Jobs Study has been done.
Resources:	Political process: Member States decide the political priorities and monitor the process on a yearly basis. They decide on recommendations with qualified majority voting. EES is an ongoing political process.	Truth seeking experts. Based on their independent analysis, officials at OECD issue recommendations to Member States every other year. The Jobs Study has institutionalised routines for monitoring the Jobs Study.
Political centre:	Several political centres. Member States, the European Council, The Commission and the European Parliament. Both external and internal power struggles: Interest conflict between as well as within EU institutions, between Member States and between EU policy-makers and social partners.	No political centre. OECD officials are given free hands. Internal intra-scientific power struggles between DELSA and Economics Department.
Knowledge work:	Policy analysis (frequently use of external consultants). Pragmatic knowledge use.	Explorative analysis (strong in-house research capacity). Dogmatic knowledge use.
Stakeholders:	EU institutions, Member States, Social partners	OECD

Regulation: Type of recommendations:	1. careful wording (compromise of interests) 2. limited scope (closed mandate)	1. direct wording (truth-teller) 2. wider scope (open mandate)
Source of legitimization:	Political objectives; values, common interests	Expert knowledge. (Self identity of the OECD being the truth-teller)

Competition and Co-operation

EU and OECD Develop Closer Co-operation 1996 – 2002

In the following sections, we will look at the interaction between the two organisations, and also discuss whether the two models are really competing with one another or complementary and/or whether there has been established co-operation. Has a growing co-operation between OECD and EU lead to convergence of policy, i.e. in what way has the production of knowledge changed? Interviews and documentation from meetings between the EU-Commission and representations of OECD form the basis for the comparison below.¹³

Twice a year, alternately in Brussels and Paris, senior officials meet (Director-General and Directors of DG Empl. and depute Director-General of OECD and Director in DELSA) to review and explore avenues for future co-operation. In 1996 DG Employment expressed an interest in increasing co-operation with committees within OECD that cover employment, social policy and issues of equal opportunities. The two committees of main concern in the OECD are (Employment, Labour and Social Affairs Committee (ELSAC) and the Working Party on Social Policy, both placed in the Directorate Education, Employment, Labour and Social Affairs (DELSA).

In 1996, EU and OECD stated that there was scope for improved co-operation. For example, EU did not regularly attend committee meetings in ELSAC. As a result, the EU nominated persons to be responsible, ‘chef de file’, for each one of the committees. This would be important, as the Commission puts it ‘not least for the valuable contacts made outside the meeting both with members of the OECD Secretariat and with representatives of Member States’ (CEC 1996 October). It was also decided that the present

¹³ Documentation has been collected for 1996,1999, and 2002.

state of affairs for co-operation should be reviewed and what further steps of co-operation could be developed. Director-General at the time Allan Larsson actively promoted strengthened and improved contacts between the two organisations. In the discussion both the EU and the OECD underline the importance of avoiding duplication of work. Collaboration could be identified at five levels:

- Participation in meetings
- participation in conferences
- participation in ministerial meetings
- exchange of views between officials
- possible joint projects

Discussions were also going on, as to how the DG Empl, EUROSTAT and OECD could co-operate in the field of labour market statistics. Though, until then (1996) OECD had not been particularly active in this endeavour due to lack of human and financial resources.

The ELSAC shifted focus with regard to social policy at this time, from purely economic labour market related issues to a more integrated approach in terms of social and economic cohesion. Mr Lönnroth, Director in DG employment at the time, stated that 'the OECD still had a fairly luke-warm attitude to social policies' and that more contribution by the DG employment in the ELSAC was desirable (CEC 1996 September). The Commission argues that the new approach to social questions reflected the arrival of a new Secretary General, Mr Johnston in 1999. A key question for the new Secretary General was to examine by the OECD how to create social stability in conditions of fiscal austerity and deregulation.

The Commission welcomed this new priority: 'In the light of this possible development of the OECD it seems that co-operation between DG V (previous name of DG empl) and the OECD should be looked into and possibly further developed' (CEC 1996: October). It was pointed out than no regular labour and social policy ministerial meetings took place in the OECD. In any case, the Commission's representation should be at highest possible level should such a meeting take place. With the new General Secretary followed a re-organisation of the OECD into a slimmer body. A tightening-up of the OECD budget was deemed necessary. For the DELSA it resulted in a serious setback, which had to cut ten percent in meetings, translations and books.

Meeting documents from 1999 confirm that new routines and patterns of co-operation on employment and social policy had been established (CEC 1999 December). OECD and EU brief each other on the latest publications and forthcoming papers, studies, priorities. There exists an exchange of expert views from the Commission to the OECD's Employment Outlook and vice versa for the EU's Employment Report. DG Empl officials regularly participate in both technical meetings organised by the OECD and in the twice-yearly sessions of the OECD's DELSA committee. Constantly, OECD and EU are seeking to deepen and broaden the co-operation. For example, they even agree on a common policy orientation for further co-operation. *The central issue, enforced by both DG Empl and DELSA, would be to find ways of translating the work done on labour market reform into arguments that would convince macro-economic policy makers that a more growth-oriented policy is feasible* (CEC 1999 July). Thus, the common strategy for labour market experts in OECD and EU is to find a counterbalance to economic policy makers.

Ongoing projects for co-operation were in 1999:

- Frequent exchange of views on the contents of the Employment in Europe and Employment Outlooks
- Identification of common obstacles to employment creation and increased co-operation on these issues; for example the link between structural and macro-economic policies
- Trilateral discussion between the Commission, ILO and OECD on Employment in Europe, World Employment report, and Employment Outlook
- OECD constructed an index of labour market flexibility; EU-Commission invited the OECD to a workshop on labour market index in order for the OECD to present informally their findings.
- Joint seminar on Tax-Benefit Systems
- Exchange of views on how to assess structure of wages and unemployment in Europe
- Co-operation on the programme for local development
- Joint conference on 'Global challenges' which would bring together high-level officials in a technical workshop, focussing on structural unemployment, making work pay, youth unemployment and wage formation processes in US, Japan and Europe.
- EU is launching a series of tenders for studies in which OECD will be briefed informally and formally through joint workshops etc. The

studies cover wages and job quality, policies to combat undeclared work, labour market adaptability index, employment enhancing growth, sectoral productivity capital-labour substitution, unemployment and public health, and job potential in cultural sectors.

In 1999, the OECD Secretariat conducted a review of the implementation of the recommendations of the Jobs Study. It was prepared by the Economics and Employment sections of the Secretariat. It reconfirmed the Jobs Study but broadened its scope by paying much attention to gender equality and to the groups at the margin of the labour market. Employment Outlook would continue to explore specific issues of the Jobs Study. The future work would devote greater attention to study on growth with consideration of the employment aspects, as well as equity issues (CEC 1999 July).

Furthermore, in the field of social security and social integration issues frequent contacts have advanced. The OECD has decided to review its social indicators from the 1970s. In 1999 OECD and EU had a similar agenda – a focus on making social protection systems sustainable and more employment friendly; preparing for an ageing society; and working for an inclusive society, in particular in favour of people with disabilities (CEC 1999 December). In this respect the European Commission was planning a high-level Conference, with participation by OECD, on the theme of social protection as a productive factor. In 2000, a joint conference was held resulting in the report Policies towards Full Employment (OECD 2000), which illustrates some of the differences in analysis and policy conclusions, but also the ongoing dialogue on the topic.

An example of one area in which co-operation had not been successful concerned the OECD International Life Skills Survey (ILSS). The project aim was to gather country-comparable data on people's skills at work. The Commission was partly funding the project but did not consider receiving a reasonable trade-off between financial means and influence. 'Bilateral contacts, especially through EUROSTAT, had shown that we [the Commission] appear to be granted a very limited room for an active collaboration in its technical design, beyond merely our funding of them' (CEC 1999 July). If technical co-operation could not be improved EU was ready to launch an own initiative with a European-driven focus.

Until 2002 more policy fields have been added to the list of EU-OECD co-operation, notably economic migration, older workers, disability and health. One decision was made to 'comparing notes' on various topics including pensions, disability and health (CEC 2002 March).

Who is leading whom - competition rules?

As we have seen, the co-operation between the OECD and the EU in the labour market field has thus increased for every year, and takes place both at the higher and lower levels of civil servants. Sometimes joint conferences are organised. According to EU officials, the OECD is more interested in co-operation now than earlier and OECD officials have realised that the EU is an actor who cannot be ignored. Since the OECD is in a financial crisis it is often the EU who pays for the conferences (authors' interview).¹⁴ Who, then, is leading whom?

This question is answered very differently depending on whom you ask. Officials in DG employment are convinced that the EU has replaced OECD as the intellectual leader in political debate on employment. From highest official level in the OECD, even the idea of the EU as a leader is rejected. 'I do not see any leadership role to be honest with you, it just does not seem like plausible to me, in any way, I worry very little about this' (interview with official in OECD DELSA, Paris). At lower level in OECD hierarchical structure, interviewees straight out accept the statement of the EU being the new leader.

Interviewees in the EU claim that EU initiated the policy agenda for equity issues, quality in work, social inclusion and sustainable development and focus on disadvantaged group. And that OECD is a follower rather than a leader. OECD officials are not subscribing to this description. An official at OECD stated: 'I do not see any strong new policy trust that has come out of it [EES]. All the analytical work on quality on jobs has essentially been done here [OECD]'.

In addition, OECD denies that EU is the innovator for the approach 'social policy as a productive factor'. According to a high OECD official: 'Social policy as a productive factor is a very old slogan. We developed the

¹⁴ The US, which is the largest member state and financial contributor of the OECD, has declared that it will not pay its contribution unless major reforms are undertaken. Not only is the OECD in a financial crisis, the present General Secretary, Donald Johnson, has stated that the OECD also suffers from an identity crisis (quoted in Marcussen 2002: 225). Marcussen has argued that this has made the OECD more sensitive and open to the concerns of the important member states, such as the US (Marcussen 2002: 150). According to Marcussen, the OECD is not (any more) a meeting place between equals, but plays the role as ideational agent of some member countries. In our view, this is less obvious in the field of labour market policy, where the policy message of the OECD has remained largely the same for three decades, however with the exception of a greater interest in social concerns since the arrival of the new Secretary-General in 1999.

term “an employment oriented social policy” in 1998. Social policy as a proactive factor is fine as a slogan but you need to put some meat on it. I do not see any meat on it, in any sense’.

Our hypothesis is that EU in some areas takes advantage of OECD work and makes it its own. The argument is as follows: DELSA produces quality analytical work. But given the situation that the hard economics rules in the Jobs Strategy, most of its ideas will not be formulated and diffused – they will be caught in a filter. DG employment, which has not yet developed competitive analytical capacity to the OECD, gratefully receives the second-hand ideas and turns them into EU policies. If this argument can be sustained, the EU is dependent on OECD to be the leading policy making authority.

The hypothesis raises some questions about the idea of ideational artistry. Is it in fact EU or OECD who is the ideational artist? The OECD makes the analysis and EU turn the ideas into policy and diffuses them to member countries. Insofar the ideational artistry seems to be a joint project between EU and OECD. However, this may be a transitory phase. If EU one day assumes a full responsibility for analysis it will become the sole ideational artist. For all what it is worth, EU may in the future be diffusing ideas, not originally deriving from the OECD, but from the EU itself. But as long as DG employment can influence the OECD research agenda why bother to change a convenient division of labour? OECD is not against this division of labour if EU gives recognition for the work being done. As an OECD official puts it: ‘I would be happy if they used our material, then we make a good service to the international community’...’Some member countries complain that OECD is becoming too European, it is a real challenge’.

It is interesting to see how ideas developed within the OECD, which are picked up and diffused by the EU, now seem to return to be used in the OECD, the organisation, which did not embrace them in the first place. The very title of the OECD ministerial meeting in September 2003 is ‘more and better jobs’. ‘More and better jobs’ is now typical EU language (conclusions from the EU summit in Lisbon 2000 where more emphasis was put on the qualities, not just the quantities, of jobs created and on the link between productivity and quality in the work). If DELSA succeeds in spreading its analytical work on quality jobs to such a high degree, EU Member States would like to launch the same ideas within OECD. The assumption is that the analytic work in DELSA in this case has resulted in an *idea-boomerang*, ideas are going from OECD-EU, being enforced by EU Member States and then coming back to OECD.

To borrow a concept from Sahlin-Andersson (1996) the EU thus functions as an 'editor' of ideas and knowledge produced elsewhere. The Commission collects data from various sources and packages it in a politically realistic and feasible way. Likewise, the interaction processes between the two organisations, but also within the respective organisation between different departments, can be understood as 'translation processes' (Czarniawska and Sevón 1996) where knowledge is filtered to be acceptable for the organisation in question but also for its political environment. It is also clear that the interaction between the two organisations is important.

Is competition the rule of the game? It seems as EU and OECD share the role of ideational artistry and even authority. However, there exists some competition in diffusing ideas. Once policy ideas are institutionalised as guidelines in a system of rules, they become powerful motors of future policy developments (Armingeon and Beyeler 2003). The individual recommendations of the Jobs Strategy are not always the same as the recommendations issued in the EES. And here national policy-makers may have some leeway to choose to which they will respond.

The future of the OECD Jobs Strategy

Nearly a decade has passed since the Jobs study was launched. Is it still up-to-date with new empirical findings or has the policy development caught up with old truths? The Employment Outlook 2002 speaks of new challenges and policy strategies, which are now ripe for refinement. In September 2003, for the first time in 6 years, Employment and Labour Ministers came to Paris for a ministerial meeting. The theme of the meeting was 'Towards more and better Jobs' and would take stock of progress made and examine emerging challenges (OECD Draft outline of ministerial meeting in 2003). The meeting was a timely occasion to discuss the policy agenda for the coming decade. The challenges, as the DELSA at OECD saw them (Employment Outlook 2002), include:

- A large portion of persons of working age is not in the labour market, in particular older workers and low-skilled workers. The new challenge would be to find ways of bringing people to work, *and* remain in employment, and moving up the job ladder.
- The quality of the employment relation must be given priority with a view to hinder spells of unemployment. Flexible forms of employment

(short-term contracts, temporary jobs etc.) have in some countries led to an increased risk of in-work poverty.

- ‘Make work pay’ by giving money to low paid workers or reducing the cost of hiring has got people into work. But more focus must be put on the substitution effects, i.e. the decrease of tax revenue for schemes, which might have negative effects on employment.
- Make work pay policies could be more efficient as a part of an employment-oriented social policy. (Conditional employment benefits, a support system of labour market services, transport facilities, job-readiness skills etc. In addition the individual’s behaviour should be monitored with sanctions).
- Inclusive labour market and welfare support that does not discourage participation and comprehensive life long learning.
- Equity policies as a productive factor – efficiency and social consideration are more interconnected than we have believed it to be (interview with senior official in OECD, Paris).

The OECD seems divided on the issue of the future of the Jobs Strategy. Interviews with officials in the Economics department and in the DELSA give a mixed message. The prevalent view of interviewees in the DELSA supports a revision. The future challenges above are produced by DELSA. However, interviewees in the Economics department are less convinced that the Jobs Study needs a revision.

A DELSA official comments the ministerial meeting: ‘I am not too sure how far the line of quality in jobs will go, it might to a long way and become predominant, but it could still be the outcome that the OECD focuses on unemployment and employment rates, which are measurable hard facts’. The DELSA is even discussing an emerging new approach, which takes into account social problems and equity issues when formulating policies. One interviewee speaks of the mental barriers to deal with these issues since it is not the way economists are educated. Traditionally first there is efficiency and afterwards it is worthwhile to talk about distribution. ‘But maybe the two are much more related than we think (...) [the] bridge between efficiency consideration and social consideration may be part of the new approach’. The OECD has been forced to address the question of equity, partly because the policy message of the Jobs Study has proved not acceptable for social and political reasons in many Member States. Even if it is still believed that ‘improving the skills and competences of all workers can enhance, in the longer term, both labour market efficiency and equity’, it is recognised that in

the short term there may be problems of trade-off between efficiency and equity (OECD, 1996: 18f). However, it is seen to be "necessary to see the equity issue in a dynamic perspective" (ibid.), where mobility of workers in and out of employment and across income scales means that groups are not confined to the same position throughout the work career, which is a re-definition of equity with less emphasis on re-distribution of income (Jacobsson 2003).

The Economics department is more sceptical to the need to review the Jobs Study. An official at OECD stated: 'Doing a review of whether the recommendations make sense would be like wasting resources'. In the view of the Economics department, things are not so different that it motivates a revision of recommendations. A critical comment to the possible bridge between equity and efficiency by Economics Department: 'I would not over say that message; there is nothing as a free lunch'. Furthermore, if there were a decision to reassess the Jobs Strategy at the ministerial meeting, would it need to be endorsed by the Finance ministers? On this specific point there is no clarity today. DELSA thinks there is no need, but Economics Department seems to be divided to what status a decision of social and labour ministerial meeting would have.

In our reading of the communiqué from the meeting with employment and labour market ministers in Paris, 29-30 September 2003, it seems as if DELSA will increase its role in the Jobs Strategy considerably in the coming years, even though it is to share the responsibility with the Economics Department. The communiqué states that: 'Over the next two years the Employment, Labour and Social Affairs Committee (ELSAC) works in close collaboration with the Economic Policy Committee (EPC) to reassess the recommendations of the OECD Jobs Strategy, in the light of past experience and the challenges posed by structural and demographic changes. Bearing in mind country-specific circumstances, the reassessment will consider recommendations to lower barriers to labour market participation, promote career developments and reduce structural employment. The ELSAC, as part of its regular work, should convene as a Policy Forum to review progress on what works, what doesn't and for whom in policy areas of a cross-cutting nature, such as labour and training policies, employment-oriented social policies and migration policies' OECD 2003). While no review of the Jobs Study conclusions is announced in the communiqué, it is worth noticing the stress on country-specific circumstances, which indicates that the strategy must become more contextualised in the future.

Moreover, the social partners have no role in the Jobs Strategy. They do, however, regularly attend meetings in ELSAC. As mentioned, this committee, which has had a marginal influence since the start of the Jobs Strategy, seems to strengthen its position. Against this background, the social partners could potentially develop into important advisory bodies in ELSAC. In fact, the social partners already participated in a joint consultation with the Employment and Labour Ministers preceding the actual ministerial meeting. Both the Trade Union Advisory Committee (TUAC) and the Business and Industry Advisory Committee (BIAC) supported a review of the Jobs Strategy (BIAC and TUAC statements to the meeting of the OECD Employment and Labour Ministers, 29 - 30 September, 2003). This could be interpreted as a first step in increasing their contribution to the future Jobs Strategy.

In a TUAC statement presented at the joint consultation, it encouraged the new approach to raising the levels of employment. TUAC even suggested the EES to be taken as a starting point for the reassessment of the Jobs Strategy, with particular attention given to the issue of success and failure of labour market reform. It also urged the Ministers to use key indicators of the labour market to address labour market and employment policy changes. Thus, TUAC promoted changes of the Jobs Strategy, which is much in line with the recent reform of the EES. BIAC, on the other hand, in its position paper did not have any reference to the EES. It recommended Ministers to analyse the contribution of labour market and social affairs reforms to the productivity and the growth of companies.

Could an increased contribution from the social partners undermine the legitimisation of recommendations? The OECD, as an expert organisation, is not expected to consider special interests, represented by the social partners. At the same time, it is now widely recognised (see ministerial communiqué) that the Jobs Strategy needs to be more adapted to country-specific circumstances. Clearly, one very influential country-specific factor is the role of the social partners in the national context. Thus, the challenge for OECD seems to be to find a balance between its independent status as an expert organisation and the organisational interests of different stakeholders representing various interests. It is difficult to draw a line at what point an input by social partner to the preparation of decisions overshadow other influences based on analytical research findings. A politicisation of decision making would undermine the OECD status as expert organisation, and any ambiguity as to whether the social partners are mere advisors or more active participants in pursuing the Jobs Strategy would be problematic. The future Jobs Strategy would have to accomplish the sensitive task of arriving at a

balance between a better implementing of recommendations, which could be facilitated by involvement of the social partners, and to issue recommendations based exclusively on expert knowledge.

Conclusions

Soft regulation and knowledge work in the OECD and the EU

This report has studied the OECD and its strategy for labour market reform, the Jobs Strategy. It has also contrasted this with another international organisation, the EU, and its Employment Strategy. Both organisations produce labour market policy recommendations. Both have to rely on soft regulation and the ability to create commitment among the member governments (since the EU lacks legal capacity in this field). We have argued that an organisational perspective, highlighting the different characteristics of each organisation, can explain the various strategies and also the relative success and the limits of each strategy.

Jacobsson (2002) has identified a number of 'discursive regulatory mechanisms', some of which are relevant to understand the regulatory work in the two organisations. They are all related to 'knowledge work' in a broad sense. One such mechanism is the *standardisation of knowledge* (also Jacobsson 2001). We have argued that the OECD is best understood as an expert organisation, which derives its authority from its knowledge production. It works as a consensus organisation which collects and produces knowledge and tries to find a common knowledge base, derived from academic studies, where there is relative consensus. But we have also argued that knowledge, which does not fit the prevailing labour market paradigm of the OECD economists, is filtered away.

Also the EU works on standardising knowledge. For the EU, being a much more political organisation, an important element has been the development of a common labour market policy discourse (Jacobsson 2001, 2003) which has been able to find political support. Key concepts have been *employability, adaptability, flexibility, life-long learning, entrepreneurship, activation, social inclusion* and more lately *quality in work* and even *full employment*. Important notions have been the need to defend but also reform the 'European social model', to strike a 'new balance between flexibility and security' and to see social protection and economic performance as compatible and mutually supporting ('social protection as a productive factor'). The

concepts and notions have been vague enough to allow for a certain interpretative flexibility, which in turn has facilitated the political backing of the strategy. Most likely, the key concepts are translated, and the policy guidelines thus implemented, somewhat differently in different contexts. However, the Commission has tried to prevent national divergences in interpretation by introducing common definitions and clarifications of guidelines (CEC 1999). Systematic attempts have also been made to make some of the key concepts operational in the form of common indicators, in turn used to measure progress. In the EU, the work to develop common indicators is a highly political work (Thedvall 2002). Both organisations work with trying to standardise statistics to make comparisons possible.

Another type of regulatory mechanism is related to practices of *persuasion* prevalent in both organisations albeit in partly different ways. In the OECD, the substantial peer review of each country, taking place every 18 months, is the most notable practice here. It is preceded by in-depth studies of the countries in question, country visits with discussions with national civil servants as well as the collection of information from alternative sources, such as research institutes. The analysis and the subsequent policy recommendations usually are ascribed a high credibility even if they may eventually not be politically acceptable and therefore not implemented. Also the EU has developed its form of peer review, however less ambitious in terms of the preparatory analytic work. An element of bilateral consultation, in this case between the European Commission and the Member State, is taking place in the EU, for instance regarding the country-specific recommendations to be decided by the Council. But compared to the OECD practice, this is quite marginal.

Both organisations use strategies for dissemination and diffusion of knowledge and ideas. The OECD produces a large number of studies, the Economic Surveys and Economic Outlooks being the most influential reports evaluating country performances. The OECD relies heavily on media reporting in the Member States. For the EU, the Joint Employment Report (JEP) and the Employment in Europe are the most important policy document used to diffuse knowledge about the state of the labour markets in the Member States. Studies have shown that the publication of the employment policy documents receive little attention in the media (Meyer 2003) and the OECD country reports is likely to receive much more attention in the Member States.

The production of soft rules and norms for the labour market is in both cases supplemented by refined systems of monitoring, including various practices to make these politically or morally binding. The OECD can exert its

influence mainly by trying to ‘responsibilize’ the Member States by its peer review and benchmarking practices which encourage the countries to be transparent, to accept justifications and explanations and to become self-critical (Walters 2000). The policy advice is rooted in an ‘external’ authority, namely academic knowledge accumulated, yet filtered, in a long collection process. The EU, with a more complex set of actors, and a more explicit political dimension (cf. interest conflict between as well as within EU institutions, and between Member States and between EU policy-makers and social partners) has to lean more towards a pragmatic knowledge use and politically feasible solutions. The monitoring of the strategy is also done at the political level in the case of the EU, even at the level of Heads of States at the spring summits. In OECD, the monitoring work is much less politicized.

As we have argued, the EU and the OECD are different types of organisations with partly different roles and functions, and they accordingly have different strategies for gaining power, authority and legitimacy. The OECD, as an expert organisation, can use science as a strategy for gaining authority and legitimacy. It does not need to devote as much resources to managing the implementation process as such. The peer review process follows strict routines and is not questioned by the members. For the EU, which does not have the same status as ‘expert’, managing the process becomes much more important. The process also includes a more complex set of actors, both within the EU system and in relation to external interests, than in the case of the OECD. In the EU, allying with external interests, such as the social partners, is also a strategy to gain support for its policy line. This is very clear in the case of DG Employment and the trade unions. It must seek political acceptability for its proposal. A ‘political organisation’ must ultimately legitimize its policy recommendations by reference to values and interests, while the ‘expert organisation’ does so with reference to knowledge or even truth.

Both organisations serve as meeting places for civil servants. The regular interaction fosters *socialisation* into a sense of community as well as common cognitive frames. The EDRC meets 30 times a year, more than any other OECD committee (OECD 2002). The EMCO has met 6-7 times a year with the full committee, but its sub-committee (the indicators group) meet more often (Jacobsson and Vifell 2003). In the case of the OECD, the recurrent and systematic dialogue between the OECD secretariat and national officials, but also the dialogue between country officials in the EDRC-committee, fill an important socialising function, fostering common outlooks and problem descriptions. Research on EU committees (Jacobsson and Vifell

2003) has shown that similar phenomena is true of the EU committees, but more so in the economic committees (EPC and EFC) than in the employment or social policy committees (EMCO and SPC). The economic committees are more closed to other actors and moreover the fact that almost all participants are economists, trained much in the same theoretical tradition, means that a pre-political consensus often exists (cf. epistemic community). However, in the EU policy process as a whole the perspective of other actors must also be taken into account.

The strength of the OECD is also its limit: The strength is its knowledge production. It can with high credibility advise national governments on the need for policy reform. However, it lacks a politically realistic strategy for implementation. Its recommendations may be seen as ideal for the country from one particular – and theoretical – point of view – against the standard of a perfect (labour) market, but if they do not meet acceptance among policy-makers in the Member States little will happen. In fact, operating at a distance from domestic politics, OECD's recommendations are not likely to receive political support to a very high extent (Hemerijck and Visser 2001). Most of the failures of the Jobs Strategy can thus be derived from the prevailing hard economics perspective on labour market problems in the Economics department. Recommendations are usually not adapted to individual circumstances of each country. Furthermore, recommendations are not sensitive for social and political concerns among people, for instance for equity and social cohesion.

Conversely, the weakness of the EU may also be its strength. The EU does not have the analytical capacity and/or authority and the 'independence' of the OECD, but its dependence on finding political solutions also provides for the making of 'realistic policy', that is a policy that find acceptance among policy-makers, and including a strategy for implementation of policy. As political strategies, the OECD is a top-down process while the EES includes also bottom-up dynamics, such as the mobilisation of local or regional actors, social partners and civil society actors, which may be important for the actual implementation of reforms. Moreover, in the EU, labour market ministers meet regularly, in contrast to the OECD case. The EU also disposes of a wider arsenal of instruments, including harder instruments such as directives in certain areas but also the social dialogue where the social partners can negotiate European framework agreements. These instruments can thus sometimes complement the use of soft law, while the OECD has to rely on its knowledge production and recommendations. The use of soft law in the European employment strategy has allowed the EU to develop concrete

targets, such as specified targets for employment rates. However, the Member States have most often not responded to the invitation to set national targets. Still, the EES is here more precise than the Jobs Strategy, which has not been able to develop any concrete targets for its recommendations.

A bridging of the hard vs. soft economics divide?

This report shows that the characteristics of an organisation matter in developing ideas. The hard economics (low inflation, budgetary discipline, the medium-term perspective and structural adaptation i.e. starting out from the unwillingness assumption when analysing labour market problems: reducing workers rights in order to create jobs etc.) superiority over the soft economics (full employment, complementarity of preventive and active policies *and* revisions of benefit systems, starting out from the willingness assumption: a sufficient social safety net provides for flexibility in the labour market i.e. people becomes willing to change) can be explained by Economics Department's dominant position with regards to resources, personnel and authority in the OECD. It has restrained alternative points of view to gain ground. Internal power relations thus explain which doctrine that 'wins' in the internal power game at the OECD, but it does not explain why one single doctrine can at all win. Here we have argued that the OECD's character of an 'expert organisation' in turn explains why one such 'pure' doctrine can survive. Political acceptability does not need to be taken into account in the production of advice, the legitimacy base being knowledge rather than political values or interests. This means that intra-scientific values, rather than explicit political values and objectives, are the determining ones.¹⁵

The dominance of economists, trained within a similar paradigm, has facilitated the framing of a common theoretical understanding of economic problems. EDRC members and staff in Economics Department seem to be neglecting elements of soft economics, not deliberately, but by the frame of reference, including common values and perceptions, which unite them. Sometimes this 'framing of concepts' made interviewees from DELSA and Economics department seem to be members of the same family, the OECD, but speaking with a very different voice and tone. Both are seeking to reduce unemployment and to be growth oriented. Yet, they have a considerable difference of opinion on a number of issues.

¹⁵ The dominating doctrine in the OECD in the 1960s was Keynesian and possibly in the future this may change again (see Korpi 2002 for a historical perspective).

The differences on substance are expressions of differences in fundamental assumptions. The Economics department in OECD is starting out from the unwillingness-assumption – it assumes that unemployed people are not willing to take a job unless they are given a difficult situation with regard to employment benefits, etc. Yet, according to another perspective, people are adaptable to change, without being punished for being jobless, if they are given a sufficient safety net and good training (willingness assumption).

The OECD understanding of flexibility does not act on the observation that the goods *are* the people in a labour market who have concerns for safe employment conditions and planning for family life. Soft economics, presently growing stronger in DELSA, also fundamental to the EES, offer an alternative approach. The ‘willingness assumption’ as described above, proves to be both human and efficient since it prevents social exclusion. However, the future of soft and hard economics is uncertain in both OECD and EU. It should be remembered that there are disagreements among EU Member States and between different Directorate Generals within the European Commission whether EES policies should emphasise more the soft or the hard economics. Thus, it is still an open question how social the ‘European social model’ really shall become.

According to DG employment officials, the OECD attitude on hiring and firing is subject to a change. ‘I speak to people in the OECD who are not so convinced that you have to put people on a diet to get them running around and finding a job’. The meeting between labour ministers on the 29-30 of September is a decisive moment for OECD. It could result in a revision of the Jobs Strategy. Though, it takes a lot to create a paradigm change in OECD. DELSA must become an important actor not only in the revision of the Jobs Study, but also in the Jobs strategy, i.e. in the important process of issuing specific recommendations to member countries. The Economics department is the traditional ‘power house’ in OECD and will be reluctant to give up its position.

Has the EES and the Jobs Study converged? The EU argues that the enhanced co-operation between OECD and EU has led to some convergence of the Jobs Strategy and EES. ‘...the same overall concern now pervade the work of the OECD and the Commission – notably employment but also, increasingly, social inclusion’ (DG empl website, July 7th 2000). The European Commission is eager to continue the entered course: ‘The Commission hopes to continue the fruitful exchanges with the OECD on comparisons and points of convergence between the EES and The OECD Jobs Study’ (CEC 1999 December).

Many arguments speak against a convergence. The Jobs Study has not been reviewed since 1994 and the Economics department is still the main actor to assess the implementation of the recommendations. DG employment is emphasizing soft economics and it has established contacts with DELSA, not with the more influential Economics department. The division between hard and soft economics runs through both organisations: ‘The ECOFIN has the contact with Economics department and we [DG Employment] have kept the contacts with DELSA’ (interview with official, DG employment). ECOFIN is the EU equivalent to Economics department in the OECD. Both are emphasizing hard economics and both work closely together with finance ministers.

How can there be any convergence if the most influential actors in EU (DG employment) and OECD (Economics department) do not co-operate? We have found that DELSA, which is subordinated to the Economics department in the OECD, has produced important knowledge on ‘quality in jobs’. Yet, it has left no trace in the Jobs Strategy recommendations. Our hypothesis is that DELSA has communicated these findings to DG employment through established contacts, and meetings between high officials, described in this report. DG employment later edited this analysis on quality in work to fit the EU agenda. Finally DELSA work has found its outlet in EES policies. Interestingly, presently the ideas on quality jobs seem to be returning to OECD, in what we refer to as an *idea-boomerang*. The September OECD ministerial meeting of labour ministers has the title ‘more and better jobs’. As mentioned, according to the communique from the meeting there will be some changes in the Jobs Strategy in the coming year. In conclusion, there could be convergence without co-operation of the main actors. Instead we have seen co-operation between the main actor in EU and the subordinated actor in OECD. This co-operation between actors, which both represent soft economics, seems to become more fruitful than anyone might have expected, especially if the EES’ diffusion of ‘quality of work’ will have repercussion for the OECD meeting in late September on policy change. All in all, the EU may still be dependent on the OECD for the development of policy thinking, while the OECD, in turn, being dependent on the EU for implementation of policy change.

In summary and putting things at its head, we can characterise the OECD as a ‘truth-seeker’ which tries to adapt reality to knowledge, while the EU is a ‘pragmatist’ trying to adapt knowledge to reality. Yet, both imply a filtering of knowledge in the work to produce and implement policy recommendations. Moreover, we have argued that, given the partly different

roles, the relation between the two organisations are characterised by co-operation and resource dependence. But they are also competitors. The European Member States cannot at the same time follow the advices of both.

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