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## Summary

There are various concepts of governing modes in the existing literature. In this paper we provide an overarching scheme to classify these concepts and discuss how this scheme may help improve the understanding of policy-making at both the EU level and the national level. Our classification scheme builds on concepts drawn from the study of domestic politics, which also apply to the EU level. In the existing literature, governing modes are conceived as coordination and steering both at a general societal level and in specific dimensions of polity, politics, and policy. As far as general governing modes are concerned, the literature frequently refers to the triad of hierarchy, network, and market. Specific governing modes describe certain aspects of the process of policy-making. They are conceived as modes of interaction (polity), forms of interest intermediation (politics), and types of policy instruments (policy). General governing modes cannot be observed directly but we argue that observable specific governing modes reflect general modes of coordination and steering. Empirically, we describe the governing modes as classified in our scheme in two European policy areas: EU social policy and EU environmental policy.

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## I. Introduction

In a recent article which formed the introduction to a symposium on European governance in the *Journal of European Public Policy*, Caporaso and Wittenbrinck stated that “[i]ronically, to understand the new modes of governance, the term ‘governance’ is not a good place to start, since it has meant too many things” (Caporaso/Wittenbrinck 2006: 471). They recapitulate a statement which Rhodes made almost a decade ago: “[Governance] has too many meanings to be useful” (Rhodes 1997: 15). Nevertheless, the term “governance” is widely used and the authors just mentioned do not abandon it either. Basically, at a general level, governance can be conceived as societal steering and coordination. Then, hierarchy and market constitute the opposing ends of a continuum of governance modes. The triad of hierarchies, networks, and markets is frequently referred to as modes of governance (Schneider/Kenis 1996; Mayntz 2005; Peters 2005: 70-74). However, there are also studies that use the term “governance” at a lower level of abstraction. In this more specific sense, the open method of coordination (OMC), intergovernmental bargaining, or social dialogue are conceived as governance modes.

Among others, one task of cluster one of the NEWGOV project is to map and classify governing modes (NEWGOV 2004: 68) in order to illuminate characteristics of various specific governance modes. Following Kooiman (2003) and Scharpf (2006a: 847; 2006b: 7), we use the terms „governing modes“ and „governance modes“ synonymously. In a first article, we proposed a conceptual clarification and argued that the term “governance” should be restricted to one of the dimensions of polity, politics, or policy in order to separate cause and effect of empirical phenomena in different analytical terms (Treib/Bähr/Falkner 2007). In this paper, we further extend this both analytically and empirically. Analytically, we argue that governing modes in the respective dimension of polity, politics, and policy reflect the general modes of societal steering and coordination, namely hierarchy, network, and market. Although this paper is restricted to the European level, we would argue that governing modes at the European level should and could be analysed according to classificatory schemes applicable to modes of governance at the domestic level. Hence, we follow Scharpf’s (2001: 4-5) argument that concepts which have been developed in the context of the nation state can be used to analyse policy-making in the EU. Therefore, our classificatory scheme builds on concepts established in the study of domestic politics: institutions governing decision making, different forms of interest intermediation, and various types of policy instruments. Empirically, we map the governing modes in two policy areas of the European Union (EU), social policy and environmental policy.

The argument is structured as follows: Section 2 is devoted to the polity dimension of governance. We distinguish different “modes of interaction”, defined as institutional arrangements that structure the way political decisions are being taken. On this basis, we discuss the different modes of interaction prevalent in EU social policy and in EU environmental policy. This empirical analysis is based on the cited secondary literature and on expert interviews conducted with representatives of the main organisations involved in the process of EU policy-making in both policy areas. The following two sections are structured in the same manner. Section 3 deals with different forms of interest intermediation, which refer to the politics dimension. Section 4 then turns to the policy dimension of governance, discussing different policy instruments and their empirical relevance in the two EU policy areas under scrutiny. Section 5 concludes by providing an overarching scheme to classify governing modes developed in the paper and discusses how this scheme may help improve our understanding of policy-making at both EU and national levels.

## II. Modes of Interaction

Governing modes can be conceived as modes of interaction. Modes of interaction are institutional arrangements that shape the constellation of actors and specify the decision rules under which policy-outputs are adopted. They determine the degree of autonomy of individual actors on the one hand and the capability of collective action on the other. Mayntz and Scharpf (1995: 60-62; Scharpf 1997: 46-47) identify four modes of interaction: unilateral action, negotiated agreement, majority vote, and hierarchical direction. In unilateral action, actors chose among political alternatives without coordinating their actions with other actors. In negotiated agreement, actors jointly agree about policies. The agreements may be of different permanence and may oblige actors to different degrees. In majority vote, the majority of the actors adopt decisions that also apply to those actors who have voted against it. Finally, in hierarchical direction, a single authority possesses the power to make collectively binding decisions and to employ collective resources.

Scharpf (2001; 2006a: 847-854; 2006b: 7-14) adapts these four general modes of interaction to the European level in order to describe the relation between the EU and the member states. He arrives at four governing modes in the EU, which correspond to the four general modes of interaction. First, in unilateral adjustment, member states react to political decisions, innovations, and actions in other member states while European institutions are not involved. This is, for example, the case when nation states compete for internationally mobile capital. Second, in intergovernmental negotiation, member states coordinate and standardise their actions. Each member state has the capacity to block a decision, as is the case in Common Foreign and Security Policy. Third, in joint decision-making, both member states and European institutions are involved in the process of policy formation. Characteristics of intergovernmental negotiations are combined with a central role of the European Commission and the European Parliament. Finally, in supranational centralisation, competence is either delegated to supranational organisations, which thereby determine policies in the member states, or policy measures can be directly derived from the Treaty establishing the European Community (EC Treaty) and be enforced by the European Court of Justice. The clearest example is the European Central Bank, which, according to Article 105 of the EC Treaty, has the sole responsibility for monetary policy and, in implementing this policy, is set to pursue the primary goal of maintaining price stability. In his more recent contributions, Scharpf (2006a; 2006b) has abandoned unilateral adjustment as a major governing mode in the EU. Bulmer and Padgett (2005) have drawn on Scharpf's modes of interaction in their analysis of policy transfer. They also identify three modes of European governance, which correspond to the modes of interaction intergovernmental negotiation, joint decision-making and supranational centralisation.

Each of these modes of interaction refers to a specific mode of general societal steering and coordination. Supranational centralisation is related to hierarchy. Single organisations, like regulatory agencies or the European Court of Justice, make decisions that other organisations and citizens have to obey. The actors to whom the measures are addressed do not have the opportunity either to influence the decision or to elude the consequences of the decision. In unilateral adjustment the actors are not systematically connected and react autonomously. The political arena in which they act can be described as a market. Both in intergovernmental negotiation and in joint decision-making there is neither a hierarchical subordination nor an autonomous mutual reaction of actors. Rather member state actors and European supranational actors are interconnected and form a network. This does not mean that hierarchy and market are absent but that they are not essential to these modes of interaction.

The modes of interaction prevalent in a particular policy area mainly depend on the provisions made in the Treaties. If the Treaties give member state governments exclusive competence to

determine, unanimously, the direction of common action, without the Commission or the European Parliament playing a decisive role in decision-making, the interaction mode is intergovernmental negotiation. This applies to the Common Foreign and Security Policy and to parts of Justice and Home Affairs. The same mode prevails in the first pillar in all those areas where decisions in the Council have to be taken by unanimous agreement. Although the supranational institutions have a more prominent role to play here, the member state governments still form the centre of decision-making. If one of them objects common action, no European policy can be adopted. Joint decision-making applies if policies depend on the Commission's exclusive right of initiative, the Council's agreement by majority and, increasingly, on an affirmative vote by the European Parliament.<sup>1</sup> This mode nowadays prevails in many areas of the first pillar. Supranational centralisation occurs if the competence to make collectively binding decisions is delegated to an autonomous agency or the EC Treaty sets down policy goals which are directly applicable in the member states and may thus be enforced directly by the Commission and the European Court of Justice.

## II.1 Modes of Interaction in EU Social Policy

EU social policy mainly covers the field of employment regulation. Traditionally, most of the decisions in this area had to be taken on the basis of unanimity in the Council. Due to successive Treaty amendments, the areas characterised by the interaction mode "intergovernmental negotiation" nowadays is restricted to anti-discrimination, collective interest representation and codetermination, social security and protection of workers, as well as funding for employment policy (Falkner 2006: 80-82).

In contrast, many social policy measures may now be adopted on the basis of the co-decision procedure, with qualified majority voting in the Council and the European Parliament acting as co-legislator. The field covered by the joint-decision mode in EU social policy includes health and safety in the workplace and working conditions in general, information and consultation of workers, integration of persons excluded from the labour market, and equal treatment of women and men with regard to labour market opportunities and treatment at work. The joint-decision mode also applies to those social policy measures which also contribute to the completion of the common market and are passed on the basis of Article 94 of the EC Treaty.

Further areas where decision-making is based on the joint-decision mode, with the Council deciding on the basis of qualified majority voting, include employment policy, social exclusion, the modernisation of social protection systems and incentive measures to combat discrimination. In these issue areas, however, the Community may not adopt binding legislation but may act only on the basis of soft law, like in the European Employment Strategy or in the OMC on pensions or social inclusion. Thus, the core of national welfare states, which consists

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<sup>1</sup> The distinction between intergovernmental negotiation and the joint-decision mode is based on our own (re-)interpretation of Scharpf's writings, as the line he draws between the two modes is not quite as sharp as it could be. In our view, it is unclear whether Scharpf sees the type of decision rule applicable in the Council as the decisive criterion, as we suggested above, or whether the role of the Commission, the Court and the European Parliament is more important. At any rate, he is unclear about whether those areas within the first pillar where the Council decides by unanimity belong to the mode of intergovernmental negotiation, as the decision rule is the same as in the second and third pillars (Scharpf 2001: 9; 2006a-13), or whether these areas have to be subsumed under the joint-decision mode, as the role of the Commission and the European Parliament are much more important here than outside the first pillar (Scharpf 2006b: 12). We have opted for the first alternative as we think the actual negotiation dynamics are determined much more by the decision rule in the Council than by the formal role of the supranational institutions.

of social security systems to combat risks related to ageing, illness, invalidity, unemployment, and poverty, is only affected by soft, non-binding EU policies. Furthermore, a number of particularly contentious areas of industrial relations are explicitly excluded from any European intervention. These include the right to strike or to impose lock-outs, the right of association and the determination of wages and salaries.

An agency to which regulatory powers are delegated is absent in the area of EU social policy. Supranational centralisation in the EU is largely restricted to market-making measures that remove tariffs, quantitative restrictions, and other barriers to free trade. One of the few examples of supranational centralisation in other policy areas is to be found in the field of social policy. Article 141 of the EC Treaty stipulates equal wages and salaries for women and men, thus enabling the European Court of Justice to act against pay discrimination in the member states (for an overview, see also Shaw 2001; Scharpf 2006b: 9).

## **II.2 Modes of Interaction in EU Environmental Policy**

In contrast to EU social policy, EU environmental policy is as encompassing as environmental policy in the member states. According to Article 174 of the EC Treaty, EU environmental policy aims at preserving, protecting, and improving the environment, which also includes the protection of human health and the sustainable utilisation of natural resources. Environmental measures should be taken in order to achieve a high level of protection in the EU. Furthermore, Article 6 of the EC Treaty states that environmental concerns have to be considered when regulations are passed in other policy areas. After the European Single Act had introduced qualified majority voting for those areas of environmental policy that also affect the completion of the common market, the Maastricht Treaty extended qualified majority voting to almost all measures in environmental policy. Hence, joint decision-making is the predominant governing mode in EU environmental policy. There are only few exceptions that are still subject to unanimous decision making. Policies are formulated in the mode of intergovernmental negotiation if measures concern fiscal provisions or affect town and country planning, the quantitative management of water resources, or land use not related to waste management. Finally, those measures remain subject to unanimous decisions which affect the mix of energy supply from different sources in the member states.

Supranational centralisation is of minor relevance in EU environmental policies. In 1994 the European Environmental Agency was founded. However, in contrast to the Environmental Protection Agency in the USA, which has legislative and executive powers, the European Environmental Agency's functions are restricted to collecting and analysing information. It does not have any regulative competences. The European Court of Justice is not directly involved in adopting environmental policy outputs but its interpretations of the Treaty's competence clauses had a certain impact on policy formation in environmental policy. This was particularly important before the Single European Act, when there was no explicit legal competence to adopt EU environmental legislation. The ECJ repeatedly confirmed that environmental legislation could be passed on the basis of two clauses that allowed Community action deemed necessary for the effective functioning of the common market or for the achievement of the Community's general objectives (now enshrined in Articles 94 and 308 of the EC Treaty, see Knill 2003: 98-101). Albeit not directly involved in policy formulation, rulings of the European Court of Justice also affected the relative weight of economic and environmental principles in the EU's activities. In cases based on Article 28 of the EC Treaty, which prohibits quantitative restrictions on imports, the Court, under certain conditions, considered environmental aims as relevant to justify restrictions on trade (Notaro/Poli 2001-2002: 503-509).

### III. Interest Intermediation

The term governance is not only related to the institutions that shape the political contest and the search for solutions to political problems. Governance also refers to the political process itself. In democratic countries the political process consists of both the interaction between political elites and between citizens and those elites. The actors involved in this process have particular interests, preferences, opinions and beliefs as well as different resources in order to participate in the formulation of certain policies. Citizens and groups of citizens participate in the political process in various ways by feeding their interests into the political system. Citizens take part in democratic elections, parties recruit members of parliaments and governments, and associations represent the interests of sections of society like employers and employees as well as diffuse societal interests like the environment and consumer protection. In different political systems and different sectors, different styles of interest intermediation have developed. These systems of interest intermediation can also be regarded as governing modes.

The literature usually distinguishes two main types of interest intermediation: pluralism and corporatism. In pluralism societal groups interact in a non-hierarchical competition in order to get their interests reflected in public policies. These groups are founded on a voluntary basis. State authorities do not intervene in the organisation of societal groups and they also do not guarantee privileges for certain groups (Truman 1951; Dahl 1961). In corporatism there is a limited number of associations which are internally organised in a hierarchical manner and externally bound by functional aspects. They are equipped with a monopoly of interest representation guaranteed by state authorities. As a reciprocal gesture, associations support agreements with the government and other associations vis-à-vis their members (Schmitter 1974). In pluralism the principle of coordination and steering is the market: autonomous actors or groups of actors compete for political influence. The other end of the continuum of governance modes is represented by the state. In the state legitimated political institutions and public organisations exert hierarchical control. Interests are incorporated into the political system by legitimising political institutions, mainly by the way of democratic elections. Corporatism is situated between market and hierarchy. Governments, trade unions, and employers' associations engage in tripartite concertation. A further important governing mode in the politics dimension is policy networks. Policy networks denote a horizontal constellation of interdependent actors. In contrast to markets, actors in policy networks are systematically interlinked but hierarchical subordination is absent. A policy network is described as both a hybrid and an intermediate type between hierarchy and market. Basically, policy networks are defined by actors, their linkages, and the boundary which specifies who is part of the network (Streeck/Schmitter 1985; Kenis/Schneider 1991).

Kohler-Koch (1999) conceives governance modes at the EU level as forms of interest intermediation. In this view, the essence of governance is the translation of divergent preferences of citizens and societal groups into effective public policies. Public policies are thus the result of the process of interest intermediation and represent a mixture of preferences of different actors according to their influence and power. However, once having been adopted, public policies are effective, i.e. they are universally valid in society and have to be accepted also by those actors who do not agree with the substance of the policy. In order to describe the political system of the EU, Kohler-Koch identifies four modes of governance: statism, corporatism, pluralism, and network governance. The four modes are rooted in the different types of domestic interest intermediation described above. In the statist governance mode, the majority within political institutions determines which interests are transformed into public policies and which interests remain unconsidered. As in national political systems, corporatism and pluralism are opposing modes of interest intermediation. While corporatism includes both

public and private actors which seek to reach consensus about common concerns, pluralism reduces public actors to the role of an arbiter, which means that public policies are the result of the struggle between private actors. Finally, network governance describes a system of interwoven negotiations. Kohler-Koch argues that network governance is the predominant governance mode in the EU. However, interest intermediation in the EU cannot be described by a single mode of governance. Rather, governance modes vary between different policy areas (Falkner 2000b). As the following sections will show, the patterns of interest intermediation in EU social policy differ from those in EU environmental policy.

### **III.1 Interest Intermediation in EU Social Policy**

Interest intermediation in EU social policy evolved from a type of network governance into a mixture of network governance and a quasi-corporatist governing mode (Falkner 1999). While the ultimate power to adopt social policy proposals traditionally lay firmly in the hands of member state governments, it was already in the early 1970s that trade unions and employers' associations were given the opportunity to actively participate in the process of policy formation. In 1974, the first of a series of Tripartite Conferences brought together representatives of the Council, the Commission and labour and industry from both the national and the European levels. Due to employer opposition, however, these conferences remained a talking shop without tangible results, which is why the unions finally pulled out of the talks (Gorges 1996: 130). In the mid 1980s, Jacques Delors as President of the Commission started a new initiative to institutionalise corporatist governing modes in EU social policy by launching the so-called 'Val-Duchesse social dialogue' between the European umbrella organisations of labour and capital.

However, it was only the Social Protocol of the Maastricht Treaty that finally gave way to the creation of a corporatist mode of interest intermediation in EU social policy. According to the new procedures laid down in the Protocol, the Commission has a legal obligation to consult both sides of industry twice before submitting proposals in the social policy field. Management and labour may, on the occasion of such consultation, inform the Commission of their wish to initiate negotiations in order to reach a collective agreement on the matter. This would bring conventional decision-making to a stand-still for at least nine months. Such agreements can, at the joint request of their signatories, be incorporated in a directive, which transforms the social partner text into binding EU legislation to be implemented by the member states. Alternatively, the signatory parties may also take care of the implementation of their agreements through their own member organizations. Since Maastricht, the EU-level social partners have thus become formal participants in the making of social policy legislation. In fact, the new procedure fits the classic formula for corporatist concertation, that is 'a mode of policy formation in which formally designated interest associations are incorporated within the process of authoritative decision-making and implementation' (Schmitter 1981: 295). Since the Amsterdam Treaty revisions, this corporatist 'bargained legislation' procedure forms part of the EC Treaty (Falkner 1998, 1999; Treib/Falkner 2007).

Although the new bargaining track has been used successfully several times, traditional policy formation through the Council, the Commission and the European Parliament was not replaced by this new social partner procedure. Instead, network governance in the legislative arena and corporatism in the social partner arena co-exist and even influence each other (for an overview, see Falkner 2000a; Treib/Falkner 2007). Given the general scepticisms of employers' organisations towards Europe-wide social standards, the most important factor determining whether the European peak associations of management and labour choose the bargaining track is the likeliness of legislation in the absence of negotiations. There is no doubt

that, so far, social partner negotiations on social policy measures at the EU level took place ‘in the shadow of the law’ (Bercusson 1992: 185). There are many indicators that a high probability of Council action on a matter represents a spur for industry to actively look for a compromise with labour. If the governments and the Commission put pressure on management by expressing their readiness to otherwise adopt social regulation themselves, the employers are visibly and admittedly more ready for compromise. Just like at the national level, corporatist negotiations thus need some backing from ‘the state’. Moreover, the possible scope of collective bargaining at the European level is limited as not all issues are considered suitable for collective bargaining by the social partner organisations. If a proposal does not belong to the issue areas frequently subject to collective bargaining at the domestic level, the EU-level social partners are unlikely to enter into negotiations on that issue. This was demonstrated by several cases where both sides of industry refused to enter into negotiations for exactly these reasons.

Despite the availability of a corporatist bargaining track, network governance is thus still the dominant mode of interest intermediation in EU social policy. Since the Maastricht Treaty, there have been only three social partner agreements that were actually transformed into legally binding directives – on parental leave (1995), part-time work (1997) and fixed-term work (1999). Recently, the social partners reached two further agreements, on telework (2002) and on work-related stress (2004). However, they did not request the incorporation of these accords into binding legislation, but decided to implement them through their own member organisations. Given the heterogeneity of interests among both sides of industry in many countries and the lack of hierarchical oversight of the European peak associations, however, it is questionable whether the two agreements will have much of an impact at the domestic level. The remainder of the social policy initiatives were adopted on the basis of the traditional law-making procedure. In quantitative terms, therefore, network governance is much more important than the corporatist mode of interest intermediation in EU social policy.

### **III.2 Interest Intermediation in EU Environmental Policy**

When environmental policy emerged as a separate policy area at the EU level in the 1970s, a distinct type of interest intermediation was absent. However, since the mid 1980s governing modes have changed and evolved towards network governance. The emergence of network governance was spurred by the principle of horizontal environmental policy integration laid down in different Environmental Action Programmes and in the EC Treaty. Mainly the Fifth Environmental Action Programme (1993-2000) put great emphasis on horizontal environmental policy integration, and the Single European Act established a legal basis for the realisation of this principle (new Article 6 of the EC Treaty). The principle of horizontal environmental policy integration states that measures in other policy areas must take environmental concerns into account. Several dialogue groups were set up composed of both public and private actors from different policy areas like agriculture, consumer protection, environment, and industry. Furthermore, the Commission integrated societal actors into the process of policy-making to a larger extent. In addition to funding for environmental NGOs, the Commission increasingly met with civil society representatives and created fora for consultation and cooperation and a facilitated exchange of information. Network governance in EU environmental policy is characterised by blurred horizontal policy boundaries and intense interactions of public authorities and societal actors (Lenschow 1999: 44-48).

Despite the salience of network governance, there are also characteristics of pluralism and corporatism in environmental policies. The European Environmental Bureau is the umbrella organisation at the European level of both national and sectoral environmental associations.

Nevertheless, interactions of environmental interest groups display properties of pluralism. There are a large number of environmental groups engaged in policy formation at the European level. They are rooted in different cultural and political traditions and often compete with one another (Eichener 2000: 285). Furthermore, employers' associations also have strong interests in environmental policy because environmental standards may impose costs on enterprises. In contrast to social policy, however, there is no institutionalised process along the lines of the social dialogue to settle conflicts between environmental concerns and capital interests. Employers' associations have a structural advantage in pushing through their goals because they are able to organise their interests more easily and have more resources than environmental groups. The funding of environmental groups by the Commission has to be seen in this context (Knill 2003: 101-103). Besides pluralist patterns of interest intermediation there are also traces of corporatism in EU environmental policy. When the directive on the conservation of natural habitats and of wild fauna and flora was formulated, for example, the Commission gave privileged access to two environmental organisations, the Royal Society for the Protection of Birds and the WWF, in order to cope with the wide variety of input by environmental interest associations. The two organisations coordinated and bundled up the interests of environmental groups throughout Europe (Eichener 2000: 285-286).

#### **IV. Policy Instruments**

Besides modes of interaction and interest intermediation, governing modes also cover the policy dimension and may thus take the form of different policy instruments. Policy instruments are means and techniques applied by political actors in order to attain policy goals (Howlett 1991: 2). Policy instruments represent forms of political steering. Regardless of different theoretical perspectives, political steering can be defined as intentional intervention both into society and into the political system (Burth/Görlitz 2001). In the 1970s, theories of political steering assumed that a public authority purposefully controls the behaviour of societal actors or public administrations. Political steering was conceived as unilateral intervention of a public subject of steering into the behaviour or the situation of private or administrative addressees of steering. In the present governance perspective this sharp confrontation is diluted. Moreover, the governance perspective puts more emphasis on institutional structures of coordination and control, whereas the perspective of political steering focused on political and societal actors (Mayntz 2005). Nevertheless, the idea of intentional intervention is still part of the governance perspective (Rosenau 1992: 4-5).

In earlier studies of political analysis which focused on the nation state, policy instruments were also aptly termed tools of government (Hood 1983). Policy instruments have not only been described and analysed at different levels of governance but also from different disciplinary perspectives (König/Dose 1993). Mainly four types of policy instruments can be identified. First, public authorities may adopt legal provisions which prescribe desirable actions or forbid unwanted behaviour. If people do not comply, these orders can be legally enforced. The ability to steer by command and control measures is based on legal power. Second, governments may set incentives to the addressees of political steering in order either to encourage or to prevent a certain behaviour. Incentives are closely related to financial measures. They can be either positive like subsidies or negative like taxes. Third, suasive instruments employ neither legal force nor financial incentives. They provide information to the addressees of political steering and try to persuade them with arguments. Legal threats and positive and negative financial incentives may be used additionally but measures have to be complied with voluntarily. Finally, public organisations may provide goods and services. They may influence societal conditions due to utilisation of physical assets and skills of employees.

The first three types of policy instruments are also relevant at the European level. Only the public provision of goods and services is a policy instrument that is not used by EU institutions. However, also national public authorities have been withdrawing from this area, mainly in sectors like energy, telecommunications and railways. Financial incentives are rare in most European policy areas. They are available in agricultural policy and regional policy and the European Social Funds provides funding for a part of social policy. Taking these exceptions into account, European policies are to an overwhelming extent regulatory in nature (Majone 1996). Yet, regulatory policies may still be based on different policy instruments and may thus represent different modes of governance in the policy dimension. Using the typology of regulation modes of Knill and Lenschow (2003) as a starting point, we have distinguished four European governing modes in the policy dimension: coercion, framework regulation, targeting, and voluntarism. Coercion corresponds to rigid command and control measures. Legal acts prescribe standards that the addressees of political steering have to obey. If they do not comply, they face sanctions. Framework regulation also consists of legally binding provisions. However, these provisions give more leeway to the actors involved in implementation. The opposite of framework regulation is targeting. Targeting entails precise and detailed but non-binding recommendations. Finally, voluntarism only defines broad and non-compulsory goals. Measures of coercion and framework regulation take the form of hard law, i.e. regulations and directives. Both targeting and voluntarism are based on soft law and regulatory instruments of the OMC, like monitoring, benchmarking, peer review and peer pressure, codes of conduct, and best practice. In contrast to directives and regulations, soft law is not legally binding but nevertheless has certain legal and practical effects (Senden 2004: 111-113). The specific design of the respective OMC defines whether it belongs to targeting (precise goals) or voluntarism (broad and flexible goals). Different OMCs vary in respect of the determination of policy goals and of the role of actors involved (Borrás/Greve 2004: 330).

If command and control instruments are applied, the implementation of policy goals is attained through hierarchy. The addressees of political steering do not have the opportunity to adapt measures even if they regard it as necessary. Measures of framework regulation cannot be evaded by member states and involved public actors either. However, since they are granted flexibility in implementation, European actors have to interact with national, subnational, and private actors in order to effectively reach the desired policy goals. This form of political steering is more akin to an interactive, network-like structure than to hierarchical steering. The network type of political steering applies even more to targeting because the lack of legal bindingness has to be compensated for by information and persuasion. Finally, measures that completely rely on voluntary compliance reflect the market mechanism. Actors implement policy goals autonomously because they expect political or economic advantages.

#### **IV.1 Policy Instruments in EU Social Policy**

Policy instruments in EU social policy reflect the salience of social policy in the member states. Welfare states derive much of their legitimacy from national social policy. Hence, national governments are reluctant to adopt market-correcting measures at the European level and prefer voluntary provisions that do not bind member states (Streeck 1996). Nevertheless, some of the earliest Community legislation referred to social policy, although these early measures were closely related to the creation of the common market. 1958 saw the adoption of a regulation that aimed at facilitating the migration of workers. Discrimination of workers who migrate between member states was set to be prevented in order to guarantee the free movement within a common labour market. Further regulations and directives as well as several legislative amendments were passed in this issue area during the subsequent decades (Hantrais 2000: 194-196). The governing mode of coercion may be found in other issue areas

of social policy as well. Provisions for the entitlement to funding from the European Social Funds and the way the funding is distributed are established in EU regulations.

Coercive policy measures, which leave member states little flexibility in implementation, are also to be found in the more technical areas of occupational health and safety. Directives 83/477/EEC on the protection of workers from risks related to asbestos, 90/269/EEC on the health and safety requirements for the manual handling of loads or 2000/54/EC on the protection of workers from risks related to exposure to biological agents belong to this category. The same is true for some of the older directives on general working conditions, such as directive 75/129/EEC on collective redundancies, which is also a relatively straightforward piece of legislation with few exemption or derogation possibilities.

The remainder of the directives on general working conditions, especially the directives adopted since the early 1990s, belong to the category of framework regulation. Due to the high level of political controversy associated with their adoption, directives such as those on working time (1993), young workers (1994), parental leave (1996) or part-time work (1997) offered member states a raft of opportunities to exempt or derogate from specific standards (Falkner/Treib/Hartlapp/Leiber 2005). The directive on European works councils (1994) also represents a good example for this mode of governance (Streeck 1997).

Targeting may be found mainly in employment policy, which operates on the basis of legally non-binding policy goals that are, however, clearly defined and include tightly specified targets. This contrasts sharply with some other OMCs, especially the ones on pensions and social inclusion. They do not define any goals nor do they make any recommendations but seek to initiate a debate among political and administrative experts. As a result of best practice and mutual learning, the problem-solving capacity of national policies should be enhanced (Wincott 2003: 540-541). These two OMCs thus belong to voluntarism. Non-binding policy measures are not only found in areas in which the EC Treaty does not provide a basis for the adoption of legislation. They also add to binding legal acts in issue areas in which the governing modes of coercion and framework regulation are widespread.

## **IV.2 Policy Instruments in EU Environmental Policy**

In EU environmental policy, binding legal acts are the predominant form of policy instruments. Environmental policy instruments have been concurrently described by several authors (Golub 1998; Bailey 2003; Jordan/Wurzel/Zito 2005). The governing mode of coercion is represented by directives and regulations that lay down clearly specified environmental standards. These standards are usually emission standards oriented towards technological progress, namely the best available technology (BAT). Emission standards may pursue a sectoral approach or an integrated approach. Sectoral standards seek to protect a single environmental medium, air, water or soil. There are several directives that refer to the protection of air and water, e.g. the directive on air quality standards for nitrogen dioxide and the directive concerning the quality of bathing water. In contrast to sectoral environment protection, integrated measures examine the negative effects on the natural environment as a whole in order to prevent a relocation of emissions and quality standards from one environmental medium to another. An integrated approach is realised by the directive on the assessment of the effects of certain public and private projects on the environment and the directive on integrated pollution prevention and control (IPPC). While the former makes provisions for the building of constructions and plants, the latter regulates their operation. Furthermore, there are command and control instruments which refer to a specific environmental problem like the packaging waste directive and the heavily discussed and recently adopted REACH regulation establish-

ing a European system for the registration, evaluation and authorisation of chemical substances.

Measures of framework regulation may either define broad goals and perspectives for further legislation or make legal provisions that admit flexibility during the process of implementation. Broad goals, limit values, and alert thresholds have been laid down by framework directives that have been subsequently specified by daughter directives. There are framework directives in the already mentioned issue areas of air and water, namely the framework directive on ambient air quality assessment and management and the directive establishing a framework for community action in the field of water policy. Legal provisions that allow for flexibility in implementation are represented by economic instruments. Economic instruments use market mechanisms in order to make actors behave in an environmentally friendly way. The most prominent example of an economic instrument in European environmental policy relates to tradable permits for climate protection, which were introduced in the EU by a directive on emission trading. The emission-trading scheme sets up a quantitative limit for the emission of greenhouse gases. A plant may exceed their limit. Then, however, the operating company has to buy pollution permits from other operating companies that emit less than they are allowed to according to the established limit. Hence, the price mechanism is responsible for flexibility in implementation.

Eco-labels are a form of the governing mode of targeting. Private enterprises and public authorities are not obliged to take part in such an audit scheme. If they take part, however, they have to meet the specific requirements and targets of the audit scheme in order to be allowed to use the eco-label. Eco-labels are found on food packaging but labels also certify production processes, investment goods and public services like hospitals and public transport. Eco-labels provide information to consumers. They should be designed so as to ensure that consumers prefer labelled products and, hence, that meeting the label criteria constitutes a market advantage (Jordan/Wurzel/Zito 2003: 11-12). Further examples of targeting in environmental policies are a blacklist for banning ships from EU harbours if they do not meet safety criteria, indicators to limit noise, an emission register which specifies emission limits under the IPPC-Directive; and monitoring levels which assess the exposure of the population to radioactivity (Héritier 2002: 191). Finally, voluntarism in EU environmental policy is represented by voluntary agreements. In voluntary agreements the addressees of political steering agree among themselves to achieve a certain policy goal. Public authorities take this commitment into account and abstain from legislation. Although voluntary agreements are often negotiated in the shadow of hierarchical legislation, targets are agreed and implemented voluntarily (Skjaereth 2000: 59-61). One of the few examples of voluntarism in EU environmental policies is the voluntary agreement of the automobile industry. In 1999 European car producers committed themselves to reducing the carbon dioxide emissions of new cars to a level 25 per cent lower than that of 1995 by 2005.

## V. Conclusion

In this paper we have argued that governing modes can be conceived in a general and in a specific sense (Figure 1). General governing modes are very broad styles of societal steering and coordination. They refer to fundamental properties of political systems such as the way political problems are generally solved and how societal values are distributed and redistributed. In the literature, the most prominent governing modes in this general sense are market, network, and hierarchy. Governing modes in a specific sense are restricted to one of the individual dimensions of polity, politics, and policy. The polity dimension consists of institutions that affect the mode of interaction among political actors in the process of policy formation.

In the politics dimension, modes of interest intermediation describe the way societal interests are incorporated into the shaping of public policy. The policy dimension comprises different policy instruments, i.e. the means and techniques to achieve policy goals. Specific governing modes entail characteristics of general governing modes. General governance modes cannot be observed directly but are mirrored by specific governing modes, as shown in Figure 1. The interrelation between general governing modes and specific governing modes is also expressed by the fact that names of specific governing modes entail references to general governance modes, like “hierarchical direction” or “network governance”.

**Figure 1: Governing Modes**

Specific Governing Modes General Governing Modes	Modes of Interaction (Polity)	Interest Intermediation (Politics)	Policy Instruments (Policy)
<b>Market</b>	Unilateral Adjustment	Pluralism	Voluntarism
<b>Network</b>	Intergovernmental Negotiation	Corporatism	Targeting
	Joint Decision-Making	Network Governance	Framework Regulation
<b>Hierarchy</b>	Supranational Centralisation	Statism	Coercion

By using this classification governing modes can be described precisely and made subject to further analysis. On this basis, phenomena like the Community Method or the OMC may be better understood. On the basis of our typology, the Community Method may be considered a form of policy-making that is based on joint decision-making in the polity dimension, network governance in the politics dimension, and coercion in the policy dimension. Operating with the same classification, the OMC combines network governance or intergovernmental negotiation at the policy formation stage, mostly pluralist forms of interest intermediation, and non-binding policy instruments of voluntarism or targeting. This should demonstrate that the scheme to classify governing modes developed in this paper should help scholars identify more precisely the exact characteristics of policy-making both at the European and at the national levels.

Certainly, classifying is not an end in itself. Instead it is a necessary task in order to proceed with further research. The classification scheme presented in this paper aims to bring together, in a systematic way, existing concepts of governing modes. Concepts try to grasp classes of empirical phenomena by identifying characteristics that are essential to these phenomena. By using concepts, empirical observations in different political systems and different policy areas, at different state levels and different points in time, may be compared and set in relation to each other. Concepts precede theories that make statements about cause and effect (Sartori 1970; Rose 1991). Establishing a classification scheme to distinguish modes of governance is thus a pre-condition for further empirical and theoretical investigation into the causal relationships between different governing modes. It may be asked, for example, which factors gave rise to the emergence or to a certain type of evolution of governing modes. Further questions

may address the legitimacy or effectiveness of particular modes of governance. If governance is used as an analytical term in order to answer such questions, specific governing modes as described above have to be kept separate, because it is likely that, in addition to further factors, one specific governing mode is relevant for the explanation of another. The emergence of voluntarist policy instruments, for example, may be explained by heterogeneous interests of member state governments in conjunction with an institutional decision-making structure that involves intergovernmental negotiation as a mode of interaction. Using specific governing modes as analytical term thus prevents intermingling cause and effect within a single expression.

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