Does Europeanisation weaken the Left?  
Changing coalitions and veto power in  
Swiss decision-making processes

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February 2009

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Abstract
Drawing upon four detailed case studies of decision-making processes in Switzerland, this paper argues that Europeanisation does not necessarily contribute to weakening the Left in policy processes as argued by widespread political economy arguments. Since Europeanisation contributes to a reconfiguration of cleavages – and possibly to a greater fragmentation of the Right –, policy outcomes depend instead on veto points the Left is able to exploit and on coalitions it is able to build. We show that Europeanisation does not coincide with a weaker position of the Left; the latter can even be stronger in Europeanised issues than in strictly domestic issues.

Keywords
Globalisation, European integration, social democracy, trade unions, Switzerland
Introduction

Globalisation and European integration, understood mainly as vectors of ever further integration of markets, are often believed to weaken the Left (social democratic parties and trade unions) since market opening tends to favour the interests of capital over those of labour. European integration in particular has been characterised above all by a dynamic of "negative integration" which fosters an ever increasing integration of markets and deregulation (supported at a general level by the liberal Right), whereas measures of "positive integration" that should regulate or balance the negative impact of market liberalisation (supported by the Left) have played a significantly smaller role (Scharpf 1999). In such a view, the consequences of European integration are similar to those pointed out by the literature on the impact of "globalisation" or "economic internationalisation" upon domestic politics (Garrett and Lange 1991; Milner and Keohane 1996). Economic globalisation and European (negative) integration – although differing in their geographic reach and institutional form – deploy convergent effects, as they are deemed to lower the costs linked to capital mobility and thus, concomitantly, to enhance the "exit" options of owners of this form of capital. This, in turn, increases their bargaining power vis-à-vis governments and other domestic actors who lack "exit" options, most notably workers and the collective organisations that represent them. According to this picture, one should observe a weaker position of the domestic Left forces in internationalised policy issues.

Drawing upon detailed case studies of policy processes in Switzerland, this paper argues that this is not necessarily the case, and it therefore delineates the mechanisms behind the durability, or even the strengthening of the influence, of the Left in "Europeanised" policy cases in comparison with more strictly "domestic" cases. We argue that this is mainly linked to the reconfiguration of domestic coalitions in strongly "Europeanised" policies in combination with a favourable domestic institutional architecture. The Left can take advantage of them and successfully use existing veto points to come to policy outputs that are favourable to its constituencies, but only if it can mobilise a broader coalition of "modernisation losers" (Kriesi and Lachat 2004; Kriesi et al. 2006). In the first section which follows, we outline existing interpretations of the impact of internationalisation on the power of the Left. In the second section, we propose a model according to which the domestic impact of internationalisation is influenced by the cleavage structure and the role of institutions. After presenting the principles guiding our research design, case selection, and the methods we employ,
we proceed to a systematic presentation of the empirical policy cases. We conclude with a synthesis of our findings as well as critical remarks.

Internationalisation, Europeanisation and Left Power

According to common arguments of the political economy literature on the impact of internationalisation on domestic politics, processes of economic opening – be it globalisation or to a large extent European integration – are negative factors for left-wing political forces, whose social basis heavily relies on interests more tightly anchored in national settings than those of the Right (Garrett and Lange 1991; Scharpf 1999; Berger 2000). In the context of this article, the Left is defined as the political forces (both political parties and organised interests) who advocate a strong role for the state in economic regulation, as well as measures of economic redistribution. Traditionally, they are closely linked to the labour movement. By contrast, right-wing parties are defined as those parties who advocate freer markets, less regulation and a lowering of the tax burden. They are often closely linked to employers’ interests and therefore partly represent the interests of capital (i.e., seeking to be less and less restricted by national barriers). Although the left-right positioning of parties surely varies across different national political constellations, we stick to this minimal definition for reasons of clarity.

If internationalisation is understood as “a process generated by underlying shifts in transaction costs that produce observable flows of goods, services and capital” (Milner and Keohane 1996: 4), it should significantly alter domestic power relationships to the advantage of the Right through an alteration of the opportunity structure for capital. During post-war’s “embedded-liberalism” (Ruggie 1999), cross-class compromises could be seen as a rational solution in a context of limited capital mobility and interdependence between domestic actors; capital needed local labour to thrive. However, increased economic openness changes this configuration by increasing the bargaining power of capital over labour thanks to improved “exit” options. This evolution of the economic sphere also translates into the political sphere, because capital’s incentives for cross-class compromises are lowered by the growing asymmetry of power between labour and capital. If business can more easily move its assets from one country to another in order to escape – amongst others – the tax burden, its bargaining capacity over other domestic actors such as unions and governments increases as well. What is important here is not the effectively increased
mobility of capital, but rather the credibility of a threat that becomes more effective in a more globalised environment. Policy strategies traditionally advocated by social democratic parties, such as higher taxation or increased social spending, become no longer viable in an environment where capital can flee more easily. As argued by Berger (2000: 51), “globalisation shrinks the state by reinforcing the political resources of those in society who desire limitation of the use of state powers to redress outcomes in the market.”

Mechanisms similar to those identified by the literature on the impact of globalisation on domestic politics are likewise seen as relevant with respect to the impact of European integration. According to Scharpf (1999), the major triggering force of European unification is “negative” integration (policies aimed at creating and extending market rules, mainly measures of liberalisation and/or privatisation). Positive integration (market correcting measures such as the establishment of common social or environmental standards) faces higher hurdles than negative integration. Not only is it bound to face higher transaction costs, but its redistributive dimension is an additional obstacle. Visible redistributive measures across member states as well as harmonisation of social standards face great resistance from member states, because they are considered to create winners and losers and possibly bias competition, whereas market creation based on regulatory rules is seen as a measure that benefits everyone. Despite the recent development of EU social policy since the 1990s (Falkner 1998) – notably through the Open Method of Coordination –, the largest part of European integration measures has thus far been aimed at creating and extending the rules of the Single market.

If the EU is mainly a producer of rules aimed at creating and extending markets, its domestic impact should be fairly similar to that predicted by the literature on internationalisation and domestic politics. Market integration and deregulation in the domains of labour relations, utilities and others are – at least theoretically – in contradiction with policies traditionally advocated by the Left. It may therefore be argued that the strength of the Left in “Europeanised” policy sectors should be weaker than in policy domains without European regulation such as social policy. Indeed, social policy is usually a crucial matter for left-wing parties and for trade unions, and it is a topic for which issue ownership on the part of the Left is frequently the rule. Considering that measures of negative integration are in principle mainly supported by right-wing parties, Europeanisation should mainly benefit them, and policy options advocated by the Left should become less credible. More generally, actors whose
preferences are *in line* with European decisions should be in a better position of influence in political processes through Europeanisation. For instance, drawing upon analyses of domestic decision-making in regulatory reforms in Switzerland, Mach, Haeusermann and Papadopoulos (2003) highlight how the segments of the national administration that were most in favour of adaptation to EU rules have been able to reconfigure the policy process. Such an adjustment was possible thanks to an alliance between the administration and the most internationalised segments of big business which would benefit to the greatest extent from liberalisation and market opening. The Swiss Left played a marginal role in the adjustment process, and it took them some time to oppose measures of liberalisation driven by European developments. Despite this, we argue that the weak political capacity of the Left should be tempered by the impact of domestic veto points and by the role of new political cleavages generated by Europeanisation.

**Europeanisation, veto power and new political coalitions**

The view according to which Europeanisation leads to a loss of power on the part of the Left tends to neglect the role of institutional factors as mediating mechanisms of empowerment. Firstly, political economy approaches predict evolutions based on a materialist conception of politics, where class or economic interests directly determine political outcomes. However, material interests do not transform automatically into political preferences, and the political sphere is not only defined by an economic dimension. Therefore the empowerment of capital owners which results from internationalisation may not directly translate into political empowerment, or at least not in the same form. Moreover, internationalisation or Europeanisation do not only affect economic cleavages, but may even result in new cleavages in the political sphere. As argued by Kriesi and his collaborators (Kriesi and Lachat 2004; Kriesi et al. 2006), processes of de-nationalisation (globalisation, European integration) generate a new structural cleavage between (objective or subjective) *winners* and *losers* of these processes that does not coincide with the traditional class cleavage. In fact, it may even crosscut with it. Partly contradicting the argument of the political economy literature, the emergence of social groups that perceive themselves as *losers* – threatened both economically and culturally – of internationalisation, may create further potentials for political mobilisation either through existing political parties or – most importantly – under the banner of political outsiders. These may be able to politicise
this new cleavage and to challenge the political hegemony of winners (Kriesi and Lachat 2004: 5-9). For instance, national-populist or eurosceptic parties appear as important beneficiaries by resorting to arguments against the “side effects” of globalisation such as immigration, unemployment or an assumed loss of political sovereignty and cultural identity. Through this process, they can claim to represent the “losers” of globalisation processes (Kriesi and Lachat 2004: 8). Their emergence on the domestic scene may provide new opportunities for political alliances since the xenophobic/populist Right does not always coalesce with the established market-liberal right-wing parties on issues related to Europeanisation.

In this paper, we maintain that Europeanisation as negative integration does not necessarily coincide with a weaker position of the Left in political processes. As mentioned above, for reasons of clarity, we assume here that left-wing parties and trade unions basically share the same policy preferences in favour of stronger state intervention. In non-majoritarian polities where the agreement of multiple political groups is necessary for decision-making, an agreement with left-wing parties and trade unions may become decisive to gather majorities in Parliament if the market-liberal and populist right diverge on Europeanised issues. In these circumstances, the domestic strength of the Left and its bargaining power can at least be preserved in Europeanised issues in contradiction with the claims of the political economy literature.

We then have a different interpretation of the impact of Europeanisation at the level of agency (coalitions and power relationships) which is also based on a different assessment of the role of structure (i.e. of domestic institutions that may constitute obstacles to European adjustment), because they can be used as weapons for opponents to Europeanisation. Political competition does not happen in a vacuum, and institutions strongly structure and determine its outcomes, even when it comes to internationalised issues in national democracies. Indeed, institutions favour a specific distribution of resources, costs and benefits (Hall and Taylor 1996), and as argued by Börzel and Risse (2003: 64), they can provide decisive resources for domestic actors who resist Europeanisation because they expect to lose from it. Figure 1 summarises the causal mechanisms discussed here.

Figure 1 about here
This line of reasoning will be tested empirically on four important decision-making processes in Switzerland, a country that is not a member of the EU but is nevertheless strongly influenced by it. The strength of the Left is assessed in terms of its policy influence, that is, the convergence between their preferences and actual policy outputs. Comparing policy cases allows us to assess the influence of the Left in relative terms with respect to other actors involved in the policy process and with respect to cases for which the international dimension is missing.

**Research design and case selection**

In the next section, an analysis of four recent decision-making processes in Switzerland provides insights as to the effect of internationalisation on the policy influence of the Left and the reconfiguration of coalitions. These case studies rely on the method of process tracing (George and Bennett 2005; Gerring and Thomas 2007), which allows researchers to highlight causal mechanisms in policy-making. Given the detailed analysis required to investigate decision-making processes, and more precisely the complex mechanisms of empowerment that lie within, we opted for a thorough analysis of a limited number of cases. The case selection relies on the logic of *control cases*. Although it remains difficult to isolate the impact of Europeanisation, it is assumed that it will deploy its effects more strongly in policy domains that are formally or informally subjected to the sphere of competence of the EU than in domains that remain more strictly in the domestic realm. Regarding the specific cases at hand, we first look into two Europeanised cases: one that is part of the bilateral agreements between Switzerland and the EU and one case of “autonomous adaptation” (i.e., horizontal (voluntary) Europeanisation). Following Haverland (2006), we also studied two additional cases with no (or weak) domestic influence of EU developments, namely cases in the domain of social policy in order to control for the impact of Europeanisation.

All policies under scrutiny were considered very important reforms. The two Europeanised cases were concluded by popular referendum that was preceded by intensive voting campaigns; they were salient issues. In like manner, the two non-Europeanised cases dealt with major policy reforms in the context of welfare state retrenchment. Pension policies are probably the most important field of social policy, affecting a majority of the population and enjoying therefore generally strong support from it. Hence, reforms are considered difficult, generating strong opposition (Bonoli
Revision of unemployment insurance may seem easier to achieve, as only a minority of the population is concerned with such change. However, the recent reform in Switzerland was highly contested, and the Left succeeded in organising a referendum vote on the issue.

**Table 1: Case selection: Europeanisation and variation in the strength of the Left**

<table>
<thead>
<tr>
<th>Degree of Europeanisation</th>
<th>Referendum and outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free movement of workers:</td>
<td>Referendum (populist right)</td>
</tr>
<tr>
<td>enlargement (2003)</td>
<td>→ bill accepted</td>
</tr>
<tr>
<td>strong: bilateral agreement</td>
<td></td>
</tr>
<tr>
<td>Electricity market liberalisation (2000/2002)</td>
<td>Referendum (Left)</td>
</tr>
<tr>
<td>strong: autonomous adaptation to European directive</td>
<td>→ bill rejected</td>
</tr>
<tr>
<td>3rd Revision of unemployment insurance (2002)</td>
<td>Referendum (Left)</td>
</tr>
<tr>
<td>weak</td>
<td>→ bill accepted</td>
</tr>
<tr>
<td>Revision of occupational pension schemes (2003)</td>
<td>No referendum</td>
</tr>
<tr>
<td>weak</td>
<td></td>
</tr>
</tbody>
</table>

This table shows the degree of Europeanisation of policy processes as well as the final outcomes related to the use of the most important veto point in Switzerland, namely the referendum. As shown, the Left is not necessarily weakened by Europeanisation. In the following, we present the four cases and the role of the Left in each of them in greater detail.

**Case Study Analysis**

*Europeanised case 1: EU enlargement and free movement of workers*

In 2000, the Swiss government concluded a bilateral agreement on the free movement of workers with the EU-15 as part of a first package of bilateral agreements with the EU (Fischer, Nicolet, and Sciarini 2002). On the EU’s request, Switzerland agreed to open its labour market for EU workers and abolish its restrictive system based on yearly immigration quotas. As a condition for their support for the bilateral agreements, trade unions asked for “flanking measures” that were supposed to prevent wage dumping given the important wage differentials between Switzerland and surrounding EU countries. From the outset, the populist Swiss People’s Party (SVP) opposed the
agreement as part of its anti-immigration and eurosceptic agenda. Given the importance of bilateral agreements for the Swiss economy, government and employers could not afford the risks of a referendum of the Left, which would join forces with the populist right against the free movement of workers. Consequently, trade unions obtained a package of measures to protect the labour market against wage dumping (Fischer et al. 2002). After a referendum launched by the populist right, the bilateral agreement on the free movement of workers entered into force in 2002, and transitory quotas were lifted in June 2004.

EU enlargement imposed a renegotiation of this issue between the EU and Switzerland in order to extend free movement to the accession EU countries. On the one hand, the EU could not accept Switzerland handling the new EU countries differently by submitting their nationals to restrictive immigration rules while free movement prevailed for nationals of the "old" EU countries. On the other hand, Switzerland asked for a long transitory period so that nationals of eastern countries could not access the Swiss labour market before those of other member states who had maintained limitations, which was the case for most (Gajewska 2006). On the domestic front, once again, unions asked for side-payments to guarantee their support to this extension. They considered that little had been provided for the implementation of the flanking measures in the framework of the first bilateral agreements and that the risks of wage dumping had become greater with the extension of free movement to countries whose wage levels were significantly lower than the EU-15 average (Interview FM3 ; Interview FM7; Interview UI2). Originally, the Government and the administration (with some internal differences between departments) were willing to extend free movement to eastern countries without amending the existing regulatory apparatus (Interview FM2). At this point, unions actively used the media to put the issue of wage dumping on the agenda, thereby making their referendum threats credible (Interview FM7). From the outset, it was clear that the eurosceptic SVP would launch a referendum against the bilateral agreement. For employers (for whom the bilateral agreement was of the utmost economic importance) and the government, it was therefore too risky to face the opposition of unions as well, especially given the fears within the population generated by immigration issues. At this point, the Government decided to set up a tripartite (employers, unions, state) working group to envisage the possibility of reinforcing the existing flanking measures following the procedure that had worked for the first flanking measures (Interview FM2 ; Interview FM7).
Negotiations within the tripartite working group were somewhat tougher this time, because employers argued that the existing protection measures were sufficient (Interview FM2). Partly prompted by the Government, however, employers soon understood that a referendum could not be won without the trade unions, again given the fears on immigration issues exacerbated by the SVP. It was thus necessary to give guarantees to trade unions as to labour market protection, but employers were determined to make as few concessions as possible (Interview CH8). In the end, even though employers had declared themselves absolutely opposed to more stringent flanking measures, they nevertheless eventually agreed on two measures to improve the implementation of labour market control. Specifically, the quorum of employers required to make collective agreements compulsory was abolished, thereby facilitating the extension of collective labour agreements to entire economic sectors even more as well as the hiring of work inspectors by the cantons – partly subsidised by the federal state – was decided in order to provide a means for tripartite commissions to control the labour market more effectively.

The report provided by the tripartite working group constituted the backbone of the bill proposed by the Federal Government to Parliament (Conseil Fédéral 2004). Both Chambers modified very little of this bill despite the hostility of some representatives of right-wing parties who were, however, strongly encouraged by employers not to challenge the compromise forged by the social partners. At the end, all parties except the Swiss People’s Party and fringe parties of the extreme-Right and Left supported the bill “for the sake of the Swiss economy” in the final vote (even one-third of the SVP supported it as well), which was adopted by a majority of 142 to 40. At a general level, the parliamentary process was unusually quick due to the agenda imposed by the EU (Interview FM1). After its acceptance in Parliament, the Swiss Democrats, a small extreme-right party, launched a referendum supported by the SVP. The bill was approved on 25 September 2005 with a majority of 56% of citizens. The “yes” was supported by employers, right-wing parties, trade unions and left-wing parties alike, which considered it to be a significant advance for employee rights in Swiss politics, which had thus far been guided by a rather strong market-liberal orientation. Overall, this case can be considered a case of successful corporatist policy-making with the Left obtaining significant concessions “in the shadow of the referendum.”
Europeanised case 2: Electricity market liberalisation

Electricity liberalisation aims at introducing competition in a market hitherto monopolised so that consumers could freely choose their supplier. Therefore, all electricity suppliers, public or private, need access to the high-voltage network, which remains a (natural) monopoly. The organisation of this high-voltage network and its access are crucial aspects in liberalising the electricity market. Other points to be decided were the pace of the opening process, the handling of investments made in the context of a monopoly (so-called stranded investments), and social and ecological measures such as renewable energies and supply security.

While the Ministers in the European Union were still discussing the directive on electricity liberalisation (adopted in 1996), the Swiss Government decided to already study the feasibility of electricity market liberalisation in Switzerland in 1994. A working group composed of representatives of the electricity sector, business (large consumers) and civil servants – all supporters of electricity liberalisation – was set up, publishing a positive report (Cattin 1995). Subsequently, a second working group, completed by representatives of the cantons and of environmental and consumer associations, elaborated a first draft for enacting into law (Kiener 1997).

The Left, which in principle was not opposed to the idea of electricity market liberalisation at the outset, played only a minor role in the pre-parliamentary process. Trade unions were excluded from both working groups and the social democrats (SPS) were present in the second group with a single representative. In the consultation procedure, the concerns of the Left (supply security, public service, public control and renewable energies) were also largely ignored. In addition, a divide appeared within the Left. While the SPS – at least the party elite – was in favour of liberalisation, the trade unions were somewhat more sceptical (BfE 1998). Even though they were not opposed to the principle of liberalisation itself, they did not agree with the proposed project and asked for a more balanced bill which would consider the social, ecological and economic consequences of liberalisation (SGB 1998). Eventually, the outcome of the consultation procedure was a bill corresponding even more to the preferences of business, right-wing parties and the Government than did the one submitted to consultation (faster opening up, less measures regarding renewable energies) (Conseil Fédéral 1999). This quasi-exclusion of the Left from the pre-parliamentary process corresponds to expectations regarding the effect of internationalisation within the political economy literature. However, it should also be considered that at the
beginning, the large majority of the Left, both within the social democratic party and the trade unions, did not oppose liberalisation. Moreover, during the entire pre-parliamentary process, the trade unions devoted little attention to the project, considering it of minor importance (Interview EL1; Interview EL2; VPOD 2002).

In Parliament, the divide within the Left became more pronounced, with a small minority opposing liberalisation as a whole and a large majority favouring liberalisation in combination with social and ecological measures. This majority was successful in introducing ecological measures (support for renewable energies), thanks to a cross-chamber alliance with representatives of cantons representing mountain areas, largely present in the second Chamber of the Federal Parliament and actively involved in water power production. Yet other demands of the Left, in particular public ownership of the high-voltage electricity network, were clearly rejected in Parliament by the majority of right-wing parties. Despite the announcement of a referendum by some Left MPs close to the trade unions, a large majority of the SPS voted in favour of the bill in the final vote in Parliament, thus leading to the acceptance of the bill with little opposition.

Soon after the vote in Parliament, trade unions decided to launch a referendum against the law, and to the surprise of many, they succeeded in collecting the required number of signatures. During the referendum campaign, the majority within the SPS changed on the side of the opponents of electricity liberalisation, while consumers and the majority of the environmental associations supported the law. Despite the large majority of organisations in favour of the bill and the fact that the opponents had only limited resources at their disposal, the legislation was rejected in the popular vote held in September 2002.

As shown later by the analysis of voting results, the explanation for this vote can be found again in an "objective" coalition between the majority of the Left that organised the referendum, together with the electorate of the conservative Swiss People's Party and those from the small trade and the electricity sector. Particularly in the latter sector, scepticism against liberalisation became widespread, although the umbrella organisation was in favour of the law (Interview EL1; Interview EL3; Mahnig and Milic 2002).

This case likewise demonstrates that institutional factors such as the referendum obviously are important, but they are not sufficient to explain the success of the Left against liberalisation of the electricity market. The increase of political fragmentation
strengthened and weakened the Left at the same time. On the one hand, and unlike the previous case involving the free movement of workers, political fragmentation at the level of elites did not affect the Right, but instead the Left. The latter was divided between those supporting liberalisation as a chance for renewable energies and those opposing it, fearing a loss in supply security and working conditions in the sector. On the other hand, we observe a fragmentation in the Right as well, not between parties or organisations, but between the party and organisational elite and their basis. This offered an opportunity for an objective alliance between the Left which organised the referendum and conservative voters who did not follow the pro-liberal position of their organisation or political party. Therefore, we found that the part of the Left opposing liberalisation was able to veto it by using veto points and a convergence of views with the "losers of modernisation."

Control Case 1: Unemployment insurance policy

Unemployment policy is a domain within which the EU plays a weak role in Switzerland. As a non-member, policies like the Open Method of Coordination (OMC) which aim at harmonising labour market policies across member states do not apply to this country. Unemployment in Switzerland increased to unseen levels from 1991, whilst it had been a virtually unknown phenomenon in the past. This contributed to a very important increase in the debts of the unemployment insurance fund. In order to cope with this, contributions on wages were raised from 2 to 3% through an exceptionally urgent governmental bill. The 1995 unemployment insurance revision prolonged the duration of benefits (up to 2 years) to cope with long-term unemployment while at the same time enhancing control mechanisms on the unemployed to ensure they were actively seeking work. A “solidarity contribution” was set up on high wages to contribute to the long-term financing of the unemployment system. In spite of these measures, the insurance fund remained indebted, and the Federal Government had to invest public funds to ensure the sustainability of the system.

With these provisional, emergency measures coming to an end, the Parliament drafted a motion prompted by right-wing parties in 1998 that commissioned the Federal Government to revise the law on unemployment insurance as part of a larger package designed to reduce state deficits. The mandate was to reduce contributions on wages from 3 to 2% and make the insurance scheme financially sustainable by itself without state contributions (i.e., direct taxes). In the meantime, unemployment decreased
significantly (from 206‘000 unemployed in 1997 to 65‘000 at the beginning of 2001). An
expert committee comprising members of the federal administration, representatives of
the cantons, employers and trade unions as well as academics was set up to advise
the State Secretariat for Economics on a revision of unemployment insurance
(Interview UI2; Interview UI3). Compromises were difficult to find, as the stringent
mandate provided by the Parliament made cuts in expenses necessary to ensure self-
financing with a reduced contribution rate, which was opposed by trade unions.

The Federal Government came up with four major modifications believed to balance
the project, although they did not enjoy the explicit support of unions and employers.
First, compulsory contributions were reduced from 3 to 2% of wages as demanded by
right-wing parties and employers. Second, the solidarity contribution on high wages
was maintained despite the opposition of employer representatives, however with a
lower contribution ratio. Third, the period of contribution required to claim
unemployment was extended from 6 to 12 months, thereby making it more difficult to
draw benefits. Finally, and this was considered the most important measure, the
maximal duration of benefits was reduced from 520 to 400 days. Hence, these were
essentially retrenchment measures, although the maintenance of the solidarity
contribution on high wages was thought to balance the project at least to some extent
(Conseil Fédéral 2001).

Before the parliamentary phase began, both employer associations and trade unions
strongly criticised the bill. Unions particularly denounced the reduction of the period
during which the unemployed could receive benefits as well as the decrease of the
solidarity contribution rate (Gaillard 2001). Employers criticised exactly the opposite –
they agreed on the reduction of the length of benefits, but found it still too long, and
they did not accept the maintenance of the solidarity contribution, which they perceived
to be a sort of supplementary income tax (Hasler 2001).

The right-wing parliamentary majority, and especially the Upper Chamber (Council of
States) which is even more dominated by right-wing parties, agreed with employers’
demands and opposed the Government on the question of the solidarity contribution.
Moreover, many representatives of bourgeois parties claimed that the project of the
Government was trying to give a permanent status to emergency measures that had
been set up for periods of high unemployment and was therefore breaking a promise
made to Parliament. In opposition to the will of the Government, the Council of States
lifted the solidarity contribution, though with the possibility to reintroduce it in periods of
economic downturn; it accepted the reduction of benefit duration and the increase in the contribution period (Interview UI4). The National Council (Lower Chamber) was somewhat closer to the position of the Government, but rallied with the Council of States on the most important measures, only introducing the possibility to prolong the period of benefit for cantons whose unemployment level is high (Interview UI1). Given the predominantly right-wing composition of Parliament, the bill was accepted in the National Council with a majority of 114 to 58. The Swiss Union of Trade Unions launched a referendum against the bill, but Swiss voters nevertheless accepted it by a majority of 56.1%.

Control Case 2: Occupational pension policy

The occupational pension scheme based on contributions collected on wages and managed by capitalisation has a long tradition in Switzerland and was introduced in the constitution in 1972 as part of the "three-pillar system" (Leimgruber 2008). It was concretised by a law in 1982, which established mandatory occupational pension schemes for employees whose income surpasses a set ceiling. The law itself envisaged several further revisions over the following 15 years, and the elaboration of a first revision started immediately after its coming into force in 1985. This first revision was embedded in the context of three developments: changes in society and in the labour market (increase in women's participation in the labour market, flexibility at work, as well as part-time work, while the law was based on a 'male breadwinner'-model), the ageing of society, and a difficult economic context.

Although the Left was originally sceptical towards occupational pensions, favouring instead the expansion of the AHV (the universal pension scheme based on repartition), they participated in the reform process and replaced their blockade by claims for expansion of the second pillar to employees with a low income. A first reform proposal was elaborated in the permanent extra-parliamentary commission on occupational pensions, which comprised representatives of the social partners, the federal administration, the cantons and pension funds. Despite an increasing Left-Right polarisation in social policy, the Left was rather successful, and the report presented in 1994 included slightly improved provisions for low income earners and part-time workers as well as the adaptation of retirement benefits to price increases (IDA FiSo 1996: 184; Conseil Fédéral 2000: 2648).
Due to a difficult economic situation, however, the Government postponed the revision to the legislative period 1995-1999 (Année politique suisse 1998; Conseil Fédéral 2000: 2647). In 1997, the responsible administrative unit elaborated a new proposal, largely ignoring thereby the propositions of the permanent commission. When this new proposal was discussed in the permanent commission, polarisation had increased due to the uncertain economic context of the second half of the 1990s, and the preferences of the Left were outvoted by the majority of employers and pension funds representatives (or, if exceptionally accepted, ignored by the Government) (Interview OP1; Interview OP2). As a result and in contrast to the initial proposal of the commission, which included a slight expansion of coverage, the new proposal focused much more on financial consolidation. It contained two parts: a first, more detailed part regarding consolidation and technical improvements and a second part which was vaguer and only “presented for discussion,” with aspects of expansion such as the decrease of the minimal income required for eligibility for the second pillar and the adjustment of allowances to inflation.

In the consultation procedure, reactions were divided among two camps. On the one hand, employers, right-wing parties, pension funds and the cantons were in favour of consolidation and against expansion to employees with lower income because of costs and negative consequences for the economy. On the other hand, the social democrats, trade unions and women’s organisations were sceptical about “consolidation” (in fact, retrenchment) and in favour of expansion of coverage to lower incomes and part-time workers, which concerns mainly women (DFI 1999). Finally, the message submitted to Parliament only contained the first part of the proposal, namely the measures of consolidation and technical improvements. As a result, no expansion was planned (Conseil Fédéral 2000: 2653). It therefore corresponded to the preferences of the right-wing parties and employers and was opposed by the left-wing parties and trade unions, which were slowly marginalised by the strategy of the Government to postpone the revision and to set up a new project.

In Parliament, however, the debate about consolidation/retrenchment and expansion was relaunched within the commission of the National Council on Social Security and Health. Under the influence of a coalition between social democrats and liberals (Haeusermann 2006), a sub-commission elaborated a compromise. On the one hand, it contained an expansion to lower income and part-time earners, and on the other hand a decrease of the minimal conversion rate. The compromise, which was clearly presented as such, was supported by a large majority of the commission (SGK-N
Hence, the Left succeeded at reintroducing its main request thanks to a coalition with mainly female MPs from the Liberal Party. The plenary of the National Council modified this compromise, opting for a less far-reaching inclusion of low income earners, and the Council of States – although more reluctant toward expansion – adhered to this proposition. Only the conservative Right and a minority of the Liberals continued to vote against this limited expansion. They remained in the minority, however, and the bill was accepted by a large majority. At the end, the trade unions decided not to launch a referendum, because they considered the adopted reform to be better than the initial proposal of the Government (SGB 2002).

Overall, this case of “purely” domestic policy-making yielded outcomes more favourable to claims of the Left than the previous one on unemployment policy. Interestingly, compromise was not achieved through the threat of the referendum, but again through coalition-building. This time, the Left did not coalesce with the “losers of modernisation,” but instead mainly with culturally progressive MPs of right-wing parties.

Conclusion

Drawing upon a focused comparison of the policy cases outlined above, we claim that the strength of the Left in Switzerland, namely left-wing parties and trade unions, did not prove to be significantly weaker in Europeanised cases than in control cases. The contrary can even be argued; it indeed proved to be most notable in the strongly Europeanised case of free movement of workers, in which trade unions were able to impose labour market regulation that would probably have been impossible to impose in a strictly domestic context given existing domestic power relationships. By contrast, it proved weakest in the domestic case of unemployment insurance. In this latter case, the lack of balance between retrenchment and expansion measures did not undermine the bill despite the presence of multiple veto points, contradicting the findings of the literature on welfare state reform in Switzerland (Bonoli 1999).

Table 2 about here

Hence, we were not able to confirm causal inferences which suggest a weakening of the Left resulting from Europeanisation. In the two Europeanised cases, the Left proved to be rather strong, albeit in a somewhat different manner – it was strongly
integrated in the decision-making process in the case of free movement and was marginalised but won the referendum in the case of electricity market liberalisation (see table 1). For control cases, no systematic pattern can be observed, the Left being able to obtain concessions in the case of occupational pensions but not in the case of unemployment insurance.

Following the theoretical argument set out above, one can observe a similar mechanism in both Europeanised cases as to the determinants of the strength of left-wing parties and trade unions in a context of Europeanisation, namely the split between losers and winners of globalisation. In the case of electricity market liberalisation, the Left was able to mobilise an important proportion of potential “losers” of liberalisation processes (employees of small businesses and residents of peripheral regions) in the referendum phase despite a relative marginalisation in the decision-making process. Interestingly enough, these groups are the core constituencies of the Swiss People’s Party, whereas the elite of the party supported liberalisation. However, the successful use of domestic veto points by the Left took place at the end of the process and was essentially translated into a blocking power. In the case of free movement of workers, we observed an “objective coalition” (or an “unholy alliance”) between trade unions and the populist right, as both threatened not to support extension. A crucial point here is the division within the bourgeois camp between the liberal right and employers on one side and the populist right on the other side. Trade unions in particular used this divide to obtain side-payments, which would have probably been impossible to obtain from Government and employers outside the context of Europeanisation. Hence, the internal divisions of the Right was a common point of both policy issues which contributed to empower the Left, be it between elites and the electorate in the case of electricity market, or between the populist and the liberal right in the case of free movement of workers. In both issues, the cleavage between the winners and losers of Europeanisation was of central importance, although it took different forms and manifested itself politically in different arenas – in the pre-parliamentary or corporatist arena in the case of free movement, and in the referendum arena in the case of electricity liberalisation.

In the domestic control cases, however, no such opposition could be observed, the lines of conflict following essentially the traditional Left-Right divide. In this kind of configuration, the Left has a much weaker position because of its minority position in Swiss politics. This was particularly the case for unemployment insurance reform, with the preferences of liberal right-wing parties, employers and the populist right
converging on retrenchment measures. Therefore, in the Swiss case at least, Europeanisation has not weakened the Left, but rather reinforced it by dividing the right camp along a winner/loser cleavage. In other words, the reconfiguration of cleavages resulting from Europeanisation has increased the policy influence of the Left. This is a counterintuitive result when compared with political economy interpretations. The causal mechanism identified in this article is a joint effect of coalition-building and utilisation of veto points. Each of them is a necessary condition for the Left's influence, and both operating jointly seem sufficient for it.

The generalisability of the results presented here are subject to a set of limitations, though. On the one hand, cross-class coalitions can be built in all countries affected by internationalisation. It may be argued that the new structural cleavage between winners and losers triggered by globalisation and Europeanisation affects all national political systems. Hence creating – and taking the leadership of – a wide front of losers may be a viable strategy for the Left in several countries. Of course, in quite a few cases, the Left is increasingly challenged in this task by national-populist parties. In the absence of the referendum device, it may be harder to build coalitions with parts of the Right in the pre-parliamentary or the parliamentary arena, and it is impossible after the adoption of the law in parliament. In any case, the actual impact of internationalisation on domestic political systems is very often counterintuitive.

List of Interviews

Interview CH8. Member of Direction, Swiss Employer's Union.
Interview EL1 "Representative of the trade union of public services (VPOD), proponent of the referendum ".
Interview EL2 "Social democrat MP, proponent of the referendum ".
Interview EL3 "Liberal MP, close to business associations ".
Interview FM1. MP Council of States, Social Democratic Party.
Interview FM2. Former Head of Sector Labour Relations, State Secretariat for Economics.
Interview FM3. President of the Swiss Trade Union Federation.
Interview FM7. Central Secretary, Swiss Federation of Trade Unions.
Interview OP1 "Liberal MP, Member of the Commission of Social affairs, president of the sub-commission, National Council".
Interview OP2 "Representative Trade Unions (SGB), responsible for social policy and social security".
Interview UI1. Social Democratic MP.
Interview UI2. Former central secretary of the Swiss Trade Union Federation.
Interview UI3. Deputy head of project unemployment insurance reform, State Secretariat for Economics.
Interview UI4. Social Democratic MP and former vice president of Social Democratic Party.

Literature


Figure 1: Causal Scheme

Europeanisation

Left weakened through capital empowerment

search for new alliances of the left

emergence new cleavage

political fragmentation of the right

institutional veto points

objective and subjective political alliances
<table>
<thead>
<tr>
<th>Case Study</th>
<th>Pre-parliamentary phase</th>
<th>Parliamentary phase</th>
<th>Referendum phase</th>
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<tbody>
<tr>
<td><strong>Europeanised I:</strong></td>
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<tr>
<td><strong>Europeanised II:</strong></td>
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<tr>
<td><strong>Control Case I:</strong></td>
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<tr>
<td>Revision of unemployment insurance (2000/2002)</td>
<td>Commissions: Trade unions involved, but no compromise reached with employers.</td>
<td>Consultation procedure: Government stuck to main measures of project elaborated by the administration.</td>
<td>Referendum phase: Right-wing majority imposed retrenchment measures, opposition by the Left.</td>
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<tr>
<td><strong>Control Case II:</strong></td>
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<tr>
<td>Revision of occupational pension schemes (2003)</td>
<td>Commissions: Left present in specific commission, compromise, but ignored by the government.</td>
<td>Consultation procedure: Crucial modification: only measures of ‘consolidation' remained, measures of expansion were excluded.</td>
<td>Referendum phase: Compromise between the Left and liberal MPs: partial extension to lower incomes.</td>
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