The Mediating Impact of Corporatism on the Europeanisation of the Cypriot Labour Sector

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Abstract

In this article a domain-specific analysis of Cyprus' Europeanisation process is advocated. It is argued that the overall process of Europeanisation was governed by an instrumental logic that furnished a consciously promoted national strategy of EU accession. It is suggested also that this logic had a cross-sector impact. The Europeanisation of the labour sector is the crux of this discussion. The article concludes that the pre-existence of a deeply-rooted corporatist tradition in the field of industrial relations acted as the mediating mechanism that facilitated a smooth and speedy adjustment process.

Keywords: Europeanisation, industrial relations, corporatism, national mission, instrumental logic, mediating mechanism, norm-guided behaviour

Introduction[1]

In a seminal paper, Featherstone argues that Cyprus' Europeanisation process was inevitably top-down (Featherstone, 2001). As a small state, Cyprus was exposed to Brussels' pressure and *"forced a fulsome response"* (*ibid.,* p. 156). This was indeed an unprecedented situation for political elites and Cypriot society. The government had to pursue some fundamental structural, institutional and legal reforms in order to meet the requirements of the *acquis communautaire*.

In this framework, the objective of this paper is to show how exactly this pressure was perceived and internalised in the Cypriot context. The main argument advanced is that the process of Europeanisation was fundamentally governed by an instrumental logic that demanded a speedy reform process to enable the country to accede to the EU within an envisaged timeline. This, in effect, was the primary norm-guided behaviour upon which the Cypriot accession process was essentially based. In this spectrum, we examine the manner in which Cyprus internalised the external pressures and managed to deal with the relevant challenges associated with them, in an effective way.

It is vital, however, for the process of Europeanisation to be studied in a domain-specific fashion. In this respect, we focus here on the Cypriot labour sector, and analyse the way in which

1 The authors wish to thank Kevin Featherstone and Dimitris Papadimitriou for their constructive comments on a preliminary version of this paper that was presented at the 5th ECPR Conference.

certain established practices were used as a mediating instrument in order to deal effectively with the pressures and complete the process of harmonisation in the sector swiftly. More explicitly the corporatist practices that have successfully governed policy-making in the industrial field of the country for years are investigated. These practices have created a traditional 'way of doing things' in this sector and corporatist culture was thus seen as a readily available instrument that could be used to carry out reforms effectively, efficiently and within the anticipated time frame.

The discussion is organised in four sections. The first section reviews the relevant Europeanisation literature so that the peculiarities of the Cypriot experience can be illustrated. In the case of candidate countries, the Europeanisation process entails the transposition of a pre-existing body of laws, regulations, processes, models and paradigms. The EU, however, does not prescribe a particular mode or mechanism for transposition. It is thus necessary to explore the way in which the Europeanisation process is mediated by national mechanisms and political/social cultures in order to facilitate this change. The impact of Europeanisation, it is argued, cannot be explained independent of the national process of transformation.

In the second section the primary mediating factor of Cyprus' process of Europeanisation is explored, namely the emergence of a notion of a 'national mission' – in the period preceding accession – for a speedy adjustment process. The 'national mission' of Cyprus was governed by an 'instrumental logic' that embraced three expectations: (1) to Europeanise the Cyprus problem, and secure the EU's active involvement in the process of solution; (2) to use EU accession as a lever on Turkey, so as to improve the negotiating position of the Government of Cyprus *vis-à-vis* Turkey; and (3) to accede to the ranks of the EU as a whole, so that both the Greek-Cypriot and the Turkish-Cypriot community would form part of the Union and benefit from it. This instrumental logic furnished a norm, namely a consciously promoted political strategy in order to fulfil the 'national mission'. This strategy entailed a brisk reform process to show that Cyprus could be 'the best student in the class' (Vassiliou, 2005, p. xii). This norm-guided behaviour had a cross-sector effect as the *acquis* had to be quickly transposed in all the relevant policy domains. Hence, the actors involved in the process of adjustment had to manage two types of pressures: (1) the pressure that came from Brussels and involved the adoption of the *acquis* and (2) the pressure associated with the 'national mission' as explained above.

In the third section the traditional 'way of doing things' in the labour sector is explored, namely the well-embedded culture of corporatism. The operational grounds of the tripartite cooperation that governed policy-making in the industrial sector over the years are explicated. It is advanced that the process of Europeanisation in the industrial field was mediated by the pre-existing culture of corporatism as this was seen as the safest way to harmonise the sector expeditiously with the relevant *acquis*, without encountering many problems.

By advancing this argument, the fourth section illustrates exactly how corporatist culture was used as the mediating factor in the process of Europeanisation in the Cypriot industrial field. It is argued that the pre-existence, in the labour sector, of this deeply rooted tradition was ultimately

used in order to carry out the transformation process effectively, efficiently and speedily, thus meeting the goals of the 'national mission'.

SECTION 1

Europeanisation as a Conceptual Background

The concept of Europeanisation is highly contested, yet this concept enjoys considerable popularity in the literature. This article considers some perspectives on Europeanisation that illustrate the peculiarities of Cyprus' process of Europeanisation. An established practice in the literature can be followed, which takes the concept of Europeanisation as a *"starting point"* or as a *"conceptual framework"* (Maarten, 2002; Featherstone, 2003; Grabbe, 2006). The main idea is to juxtapose the 'transformative power' of the EU with the way in which Cyprus internalised certain rules, procedures and norms during the process of accession negotiations.

According to Radaelli (2000a, 2000b), Europeanisation refers to the transfer of the EU's political structures, institutional frameworks, practices, representational structures and cognitive structures to countries which aspire to join the EU, as well as to countries which are members of the Union. Radaelli *(ibid.)* puts forth a working definition of Europeanisation which is instructive:

> "Europeanisation consists of (a) constitution, (b) diffusion, and (c) institutionalization of formal and informal rules, procedures, policy paradigms, styles, 'ways of doing things' and shared believes and norms which are first defined and consolidated in the EU policy process and then incorporated in the logic of domestic (national and subnational) discourse, identities, political structures and public policies" (2000a).

Radaelli's definition of Europeanisation seems to be compatible with two strands of social inquiry, namely rationalism and constructivism (cf. Fearon and Wendt, 2002). On the one hand, the *process of transfer* of EU rules, procedure, policy paradigms, styles, *'ways of doing things'* and shared beliefs and norms, is governed by a notion of *instrumental rationality*. These elements of Europeanisation are constructed at a higher political level (i.e. at the EU level) and they are thus taken as unproblematic and given. States need to adopt and implement them at the national level, so that their policies, decision-making procedures, and institutional models are in line with EU standards. On this reading of Europeanisation, states' instrumental logic refers to their effort to 'work' with the 'external reality' of the EU in an effective and efficient way in order to be able to function as competent members of the Union, as well as to be in a position to further their national interest within the framework of the organisation.

Radaelli's definition has a second connotation. *The construction* of rules, procedures, policy paradigms, styles, *'ways of doing things'*, and shared beliefs and norms at the EU level, as well as their *transfer* to the domestic level, have both transformative and cognitive impacts. It is thus suggested that the impact of the EU's rules, norms, standards, models and paradigms, on national (and subnational) discourses, identities, political structures and public policies, is pertinent to

social constructivism (cf. Checkel, 2008). The constructivist element of the process of Europeanisation, however, must not be seen as a 'top-down' process that imprints certain rules, standards, norms and models on state and non-state actors, but as a dialectic process that illustrates the interplay between domestic, transnational, and supranational identities, discourses, structures and policies.[2]

On this account, the process of Europeanisation refers to two 'logics': (1) instrumental rationality and (2) complex learning. Furthermore, these two logics have different kinds of connotations for member states, candidate states and associated states. To begin with, a distinction may be drawn of the process of Europeanisation at three stages. The first stage refers to the *accession process*, the second to *membership*, and the third to an *interim period* whereby a country becomes a member of the Union, but still needs to adopt some aspects of the *acquis*[3] (e.g. Featherstone, 2008). Beyond these three stages there are many variations of Europeanisation that refer to the degree of participation as well as to some peculiarities of membership. Some countries may opt-out from certain EU policies (e.g. Denmark from the 'Euro-zone') or 'immunise' particular segments of their territory against Europeanisation (e.g. the status of the UK's Sovereign Base Areas in Cyprus). In this case, a member state may follow a two-track process of 'politicisation'; that is to say, some aspects of state-policy are subject to Europeanisation, whereas other aspects of state-policy are national-centric.[4] Last but not least, the process of Europeanisation refers to various types of associations between the EU and third countries and/or organisations (e.g. Telò, 2001). The EU's rules, procedures, policy paradigms, styles, *'ways of doing things'* and shared beliefs and norms seem to have an impact on the discourses, identities, political structures and public policies of third countries which are associated with the EU (e.g. the countries in the Western Balkans) and regional organisation which collaborate with the EU and draw on its norms, experience and practices (e.g. Mercosur).

These degrees and processes of Europeanisation imply different kinds of research agenda. In this article the authors are interested in a particular category of Europeanisation, specifically the Europeanisation process of candidate countries. Candidate countries are expected to constitute, diffuse and institutionalise pre-existing policies, norms, standards and models of the EU which must be taken as unproblematic and given. In other words, the adoption and implementation of the *acquis communautaire* must be seen as a process of Europeanisation that is 'enforced' upon candidate member states. Potential member states would need to abide by the so-called 'conditionality' of the EU. Nevertheless, the process of accession must not be considered as a

2 This facet of Europeanisation is essential for understanding the cognitive dimension of European integration, though we shall not pursue this issue here.

3 This applies to countries that have been granted derogations on certain issues.

4 We need to bear in mind, however, that there is a considerable degree of interaction between national, transnational, EU, and global policies and processes. The literature on Europeanisation acknowledges this interaction.

'deterministic' process, but as a voluntary process of a candidate country to adopt the pre-existing body of EU laws, regulations, norms, standards and institutional models, and the eagerness of the Union and its member states to negotiate the process of transformation with the candidate country and the steps of adaptation in line with a mutually agreed Negotiating Framework, on the basis of a National Strategy. The overall process of accession is supervised by the European Commission, but the actual negotiations take place within an intergovernmental conference.

Thus it is necessary to differentiate between 'transfer' and 'determinacy'. Candidate countries need to adopt the *acquis communautaire* and customise their institutional frameworks in accord with EU practices. The overall process of accession, however, (1) is mutually agreed and voluntary, (2) is supervised by the European Commission, and (3) proceeds in the framework of an intergovernmental conference. The focal point of the literature on Europeanisation is the impact of this process on the domestic (national and subnational) structures, institutions, discourses, identities and public policies. Seen from the vantage point of the (candidate) state as an organisational unit, its ultimate goal is to absorb the EU 'logic' and 'norms' into domestic politics, "so that the distinction between EU and domestic policy requirement disappears" (Grabbe, 2006, p. 51).

The process of Europeanisation at the stage of accession negotiations has some peculiarities that must be taken into consideration.[5] Firstly, there is an element of *power* in the overall process of (first-stage) Europeanisation. On the one hand the candidate country's degree of flexibility in negotiating the process of transformation with the EU, and on the one hand the EU's lever on the candidate country for speeding-up the process of reforms, or emphasising the necessity for accurate compliance with certain aspects of the *acquis*, dependent on their power-relationship. According to Featherstone (2001), the size and relative power of the candidate country is an important aspect of the process of Europeanisation. Furthermore, following Börzel (1999),[6] lesser candidate states have a minor impact on influencing the process of Europeanisation, whereas larger candidate states may affect the process even before joining the EU.

Secondly, political elites and/or private actors refer to the EU's 'conditionality' as an objective constraint in order to promote political, institutional, and/or structural reforms that would not otherwise have been accepted. In this sense, the process of Europeanisation refers to the emergence of a dominant discourse about national transformation as a result of EU pressures. According to Grabbe (2006), Europeanisation has the effect of empowering 'modernisers' to change specific policies and reform political institutions.[7]

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5 Although there is considerable overlap between them, theories of Europeanisation must not be conflated with theories of, or approaches to, enlargement.

6 Börzel suggests that large states have a considerable influence in the process of the so-called 'uploading' Europeanisation. Lesser states are more susceptible to the process of 'downloading' Europeanisation.

7 It should be noted here that it is beyond the scope of our analysis to delve into "goodness of fit" arguments (Börzel and Risse, 2000a,b), as the main concern here is the mediating factors of the adaptation process.

Thirdly, during the process of negotiations there is a constant interplay between EU-level and national-level mechanisms and cultures. Among others, Ruggie (1982) and Haas (1990) stressed that pre-existing norms and instructional frameworks at the national level mediate the impact of transformation during the process of adjustment. Political norms and procedures which are embedded in the political system of a candidate country mediate the process of adaptation to EU standards. Put this way, the process of Europeanisation is an empty vessel without the national mechanisms that mediate/facilitate the overall process of adjustment. This does not mean, however, that (pre-existing) national mechanisms remain unaffected. We have already stressed that the process of Europeanisation refers both to the instrumental logic of candidate states and the constitutional impact that accession negotiation has on national (and subnational) discourses, identities, institutions and policies. Hence, the process of Europeanisation anticipates the transformation or social elaboration of pre-existing institutional frameworks and 'ways of thinking and doing things'. Moreover, it is equally necessary to emphasise that the process of Europeanisation does not unravel in a political vacuum.[8] Europeanisation alone does not explain change.

Against this conceptual background the process of Europeanisation is explored in a specific sector of the Cypriot society, namely the transformation of the labour sector during the process of accession negotiations.[9] It is argued that the process of transformation in this sector was mediated by two national-centric factors: (1) a notion about the national mission of the country that created mounting pressures for a swift adjustment process and (2) the pre-existence, in the labour sector, of a deeply-rooted corporatist tradition that was used as the mediating mechanism in order to carry out the transformation process effectively, efficiently and speedily, thus satisfying factor 1 above. In other words, the super-imposition of the norm-guided behaviour, which was created by the national-centric notion of essentially using an expeditious EU accession as a political instrument, facilitated a smooth harmonisation process that was mediated, in the field of industrial relations, by the pre-existing corporatist mechanisms.

SECTION 2

The Concept of a 'National Mission'

The Cyprus problem has been the primary issue on the agenda of the country for over thirty years. Successive Governments of the Republic have sought a viable solution to the political dispute by engaging in constant and extensive negotiations with the Turkish-Cypriot leadership, mainly

8 This point is illustrated further in section 4 where we explicate the impact of the culture of corporatism on the process of transformation of industrial relations in Cyprus.

9 It should be clarified that this paper deals exclusively with the *acquis* transposition phase of the Europeanisation process. The implementation phase of the process lies beyond the scope of this paper.

under UN auspices. Grasping the magnitude of this political issue is vital to understanding the force with which EU membership had been anticipated and pursued by Cyprus.

The application for EU membership by Cyprus was made on behalf of the whole of the island. EU membership would help enhance the standing of the Government of the Republic of Cyprus as the sole legitimate authority on the island – internationally recognised – with sovereignty over its entire territory.[10] The island's application for membership was strongly resisted by Turkey and the Turkish Cypriot leadership.[11] The main grounds for this objection were that Cyprus should not join until the political problem is resolved. Yet, despite fierce Turkish protests, Cyprus proceeded with its application for membership, even in the absence of a settlement to the problem, and over time the island developed steady relations with the Union (until finally it became a full member on 1 May 2004). It is in view of both the critical dispute with Turkey and the Turkish Cypriot leadership over the country's EU accession and the on-going obstinate diplomatic struggle over the island's future, that the application of the country for EU membership cannot be disentangled from this wider political setting.

To all intents and purposes, the application of Cyprus for EU membership has predominantly been driven by political considerations. Cyprus has, for a long time, sought to 'Europeanise' its political problem as successive Governments viewed the EU as a 'hope' for the island's future and as a 'safe ground to stand on'. The idea that *'Cyprus is our homeland but Europe is our future'*[12] has almost become a 'dictum' in the minds of the political elite. In other words, the EU was largely perceived as the forum within which a solution to the political problem – likely to be propitious to the Greek-Cypriot side – could possibly be found. Effectively,

> "entry was seen as a foreign policy lever vis-à-vis Turkey, a means by which a settlement of the island's division, favourable to the Cyprus Government's stance, could be engineered" (Featherstone, 2001, p. 144).

Nevertheless, even in the absence of a negotiated settlement, it was still foreseen that EU entry could perhaps provide a solution to the long-standing dispute in a more indirect way. This was by

10 This point is also made by Featherstone. He argues that the rationale of the Cypriot Government was that EU entry would reinforce the status of the Republic of Cyprus as the only internationally recognised authority on the island (Featherstone, 2001, pp. 144-145).

11 Although in 1997 (during the Luxembourg European Council) some member states expressed their concern with regard to Cyprus' potential accession to the EU in the absence of a settlement to the island's political problem, two years later (in the Helsinki European Council) Cyprus was given the green light without solution to the problem constituting a prerequisite. Moreover, as a member state, Greece overtly stated that Cyprus must be treated on an equal footing with other candidate countries. Some commentators, at the time, stressed that the Greek Parliament would not ratify the accession Treaty of former Eastern and Central European countries in case Cyprus was not allowed to proceed with accession as a result of the Cyprus problem.

12 The phrase was first used in 2003 by a former spokesman of the Government of the Republic of Cyprus, Kypros Chrysostomides.

creating a climate of security, within which a compromise between the two sides could ultimately be facilitated:

> "The accession of Cyprus should benefit all communities and help to bring about civil peace and reconciliation [...] In this context, the European Council request[ed] that the willingness of the Government of Cyprus to include representatives of the Turkish Cypriot community in the accession negotiating delegation be acted upon" (European Council 1997).[13]

In other words, the perception was that the political problem of the country could be resolved in the context of the EU.

On its part, the Union would also like to see the problem resolved as the persistence of it would only threaten stability and security in its south-eastern borders:

> "As Cyprus cannot be considered separately from Greek-Turkish relations we can ask: Can the division of the country be solved in the context of the dynamic European integration process? 'When you change the context, you change the problem' (Jean Monnet). Accession of Cyprus to the EU and the needs to promote peace, stability and security in Southeastern Europe can be among the top priorities of the EU" (Freyer, 1999, p. 74).

Clearly in the event of a solution, but also in the absence of one, it was still believed that a number of advantages would accrue from EU membership, favourable to the country's political situation. As Nugent notes,

> "At a minimum, it [membership] would mean that the EU would assume some of the responsibility for trying to find a solution to the problem – as in practice it has. On the other hand – and this would be especially important if no progress was made with the Cyprus problem – membership would provide the Greek part of the island with, if no security guarantee, a measure of soft security in the form of a protective arm in respect of its relations with Turkey" (Nugent, 2000, p. 136).[14]

It was hoped in Cyprus that, once the country entered the EU, even in the absence of an actual settlement to the problem, Turkey would have to recognise the Republic of Cyprus and ultimately negotiate a mutually acceptable settlement of the island's political problem.

Apart from these goals that were to be pursued within the EU forum, and which were related to the hope of ensuring a settlement to the Cyprus problem, there was another underlying objective in Cypriot diplomacy, which related to the speed with which entry should eventually be achieved.[15]

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13 This request was turned down by the Turkish Cypriot community. Both the Government of the Republic of Cyprus and the EU expressed their regret over this development (European Commission, 1998).

14 It should be noted that it is hard to assess the impact of the Europeanisation process on the Turkish Cypriot community since its leadership refused to participate in the harmonisation process.

15 This was also related to Turkey's application for EU membership, and, according to Featherstone (2001), it involved the concern that should Turkey accede to the Union before Cyprus, it might block the entry of the latter. It was

The objective of the Cypriot Government was for the country to accede to the Union before the latter reached a decision on the opening of accession negotiations with Turkey. This was deemed vital for Cyprus in order to secure her input regarding the conditions that would govern Turkey's accession process.

It can thus be seen that the accession process of Cyprus to the EU was largely governed by a number of strategic concerns. In view of these anxieties the country sought an early accession to the Union and also worked to 'Europeanise' its political problem.

> "The accession of Cyprus to the European Union is not only the successful outcome of our strenuous efforts, but also a promising start to a new era in the historical, political, economic and social life of our country" (Papadopoulos, 2003, p. v).

In this respect, it is asserted in this account that EU entry was almost a 'vision' to Cyprus – something that had been anticipated with eagerness, and with great expectations for the shaping of its future political condition. This is indeed the key to understanding the adaptation process that was effected in the country. According to Nugent,

> "the approach of the government of the Republic of Cyprus to the Cyprus problem is inextricably part of its approach to the EU" (Nugent, 2000, p. 136).

It can, therefore, be clearly advanced that the 'national mission' of Cyprus, preceding the period of accession, was governed by an instrumental logic. The 'logic', as mentioned earlier, consisted of three expectations:

1. to Europeanise the Cyprus problem in order to secure the EU's active involvement in the solution process;
2. to use EU accession as a lever on Turkey so as to improve the negotiating position of the Government of Cyprus *vis-à-vis* Turkey, and
3. to accede to the ranks of the EU as a whole, so that both the Greek-Cypriot and the Turkish-Cypriot community would form part of the Union and benefit from it.

These three expectations were to be best achieved by a quick adjustment process, which is clearly illustrated by Vassiliou:

> "All the time [during the whole period of negotiations] we were fully aware that we could not afford, under any circumstances, to fall behind. We fought hard and succeeded in protecting and promoting the interests of the Republic. At the same time we convinced our negotiating partners that we were taking the accession process very seriously. We were negotiating impeccably and doing our utmost to promote harmonisation. To be, as they say, "the best students in the class" (Vassiliou,[16] 2005, p. xii).

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thus essential for Cyprus to "weaken Turkey's potential to block Cyprus' entry" (Featherstone, 2001, p. 145). This could conceivably be accomplished by an early accession.

16 Ex-president of the Republic of Cyprus (1988-1993) and Chief Negotiator in the accession process.

This instrumental logic provided a calculated plan to attain the 'national mission' (cf. Katzenstein 1996). It required the expedition of reform procedures that would portray Cyprus in a good light, i.e. to be 'the best student in the class'. This action meant that the *acquis* needed to be converted quickly in all pertinent areas of policy and the actors processing these adjustments had to handle both the pressure that came from Brussels and involved the adoption of the *acquis* together with the pressure associated with the 'national mission' as explained above.

Although these findings ultimately convey the effects of Europeanisation on a wider scale in relation to policy adjustment in Cyprus, the analysis here is neither meant to provide a blueprint for other sectors nor to claim a general cross-sector finding. The aim is rather to explore how these pressures were mediated through existing mechanisms in a specific field: the labour sector. To this end, we examine how the pre-existing policy instrument of corporatism in the domain of labour relations was used as a mediating mechanism in order to facilitate a smooth yet rapid adjustment that would effectively respond to the pressures.

SECTION 3

The Culture of Corporatism

The industrial relations structure of the Republic of Cyprus is defined by cooperation between three parties: the trade unions, the employers' representatives and the Government. Evidently, organised interests – in the form of organised employers and organised labour – play a central role in this structure, as they are actively incorporated into the policy-making process. This system of interest intermediation is often recognised to be the central core of the *notion of corporatism* (Schmitter, 1979). Within the boundaries of this investigation, the authors attach to the Cypriot industrial relations' structure the 'corporatist' label, thus giving it the name, the 'Cypriot Corporatist Model'. This model works in institutional practice in the following way.

Workers are represented through their trade unions, ranging from national, multi-sectoral bodies, to smaller ones that stand for independent sectoral interests (Christofides, 2003, p. 8).[17] Employers are represented through either or both of the two main organisations: OEB and KEBE, which represent their members on a number of tripartite bodies across the island as well as internationally.[18] Finally, the Government is represented through the Ministry of Labour and Social Insurance (as well as the Ministry of Finance and the Planning Bureau, which are responsible for the economic aspects of the system). The Ministry of Labour and Social Insurance

17 For a detailed analysis of the trade unions existing in Cyprus, see C. Ioannou (2009).

18 At an international level, OEB is a member of the Industrial Organisation of Employers and of the Union of Industrial and Employers' Confederations of Europe (UNICE), while KEBE is a member of the Association of European Chambers of Commerce and Industry (EUROCHAMBERS), the International Chamber of Commerce (ICC) and the European Association of Craft, Small and Medium-Sized Enterprises (UEAPME) (Christofides, 2003, pp. 7-8).

is mainly responsible for controlling and supervising the overall administration of the labour market, and in particular, it is the body that oversees the system of industrial relations. Specifically, the Industrial Relations Service monitors the collective bargaining process.

For a number of years it has traditionally been an important part of the official philosophy of the Republic of Cyprus that in the realm of labour policy, cooperation between the parties involved and affected is an essential element of the success of the system. The main philosophy determining the foundations of the system can, therefore, be neatly summarised as follows:

> "The Government of the Republic has built its labour policy on the belief that steady and sustained socio-economic progress and development requires strong, free, democratic and independent workers' and employers' organisations which interact between them and with the Government as equal partners" (Sparsis, 1998, p. 25).

This, for more than four decades, has been put into practice through the 'Basic Agreement', which was the first 'social contract' signed between the social partners in 1962, shortly after independence. This secured the right to organise, negotiate, sign collective agreements, and the right to strike, and additionally provided for a procedural framework dealing with industrial disputes. In 1977 this Agreement was replaced by the Industrial Relations Code:

> "[...] an agreement which was to a much larger extent in a position to ensure the fundamental rights of both participating sides in the field of industrial relation" (Messios, 2004, p. 2).

The latter adopted the main conventions of the International Labour Organisation (ILO). It guaranteed the right of freedom of association for all citizens, while the right to strike was safeguarded for all workers (except those in the police force, the army or the fire service). The Industrial Relations Code is essentially a gentlemen's agreement (not governed by law) that regulates the collective bargaining process, and presents a conflict resolution mechanism when employers' and employees' representatives fail to reach a mutually acceptable outcome. A violation of the Code does not involve any legal sanctions. Nevertheless, this Code has rarely been violated as it always commanded a great degree of respect. The practice of corporatism has generally been very successful in Cyprus and cooperation between the parties involved has been relatively good. Owing to the small size of the Cypriot industrial sector, which exhibits the wider Cypriot society reality of "everybody knowing everybody", plus the many informal contacts that usually take place between actors involved, a generally good climate of smooth co-existence between the parties has always been maintained. As a result, almost all major issues proposed by the Ministry of Labour and Social Insurance followed tripartite discussions between the parties. In fact, "scarcely an activity of the Ministry is without its tripartite board, committee or council" (Sparsis, 1998, p. 9). The policies and programmes of the Ministry are only prepared after consultation and with the full support of the employers' and workers' organisations of Cyprus; in this respect, "tripartite cooperation is the cornerstone of the policies of the Ministry of Labour and Social Insurance of the Republic" (*ibid.*, p. 10).

The operational grounds of the 'Cypriot Corporatist Model' rest on collective bargaining agreements, which involve negotiations between the parties concerned. As Christofides identifies, these collective agreements may either be sector-wide and national,[19] or they may apply only at the enterprise level. In the case of the former, negotiations take place between the relevant multi-sectoral trade unions and the relevant employers' organisation.[20] As far as collective bargaining agreements at the enterprise-level are concerned,[21] these take place between trade union representatives and the employer directly (Christofides, 2003, pp. 11-12).

In fact, collective bargaining, based on the principle of tripartite cooperation, has traditionally played a chief role in regulating industrial relations in the country. At the same time, legislation has largely constituted a secondary tool for regulation (Yannakourou and Soumeli, 2004, p. 29). This limited role of statutory regulation in the Cypriot labour market is one of the key features of the 'Cypriot Corporatist Model'. Collective agreements are not legally binding, and their success rather rests on the willingness of the social partners to abide by them, and the voluntary cooperation of the workers and the employers. Hence, the system of collective bargaining undoubtedly involves continuous social dialogue and compromises between employers, employees and the Government.

In the case of Cyprus, the lack of *'erga omnes'* (i.e. legally binding contractual obligations for the parties involved) in the industrial relations system that prevailed prior to harmonisation with the *acquis communautaire*, meant that collective agreements could be violated at any point, as the reliance of the system of respect did not necessarily guarantee future stability. Arguably, there was a need in the European context for a more solid system that would enjoy a greater legal foundation and would be universally binding at the national level. The necessity for this was demonstrated plainly in the 2000 EU Common Position Paper:

> "While the funding and organisation of social protection systems remain the responsibility of individual Member States, they must have the capacity to develop and operate sustainable and universally applicable social protection systems in line with the Treaty objectives" (European Commission, 2000, p. 2).

There was clearly a need for introducing legislation, which would render policy absolutely obligatory, and indeed there was an apparent emergence of consensus that a legally enforceable system was required as a condition for EU membership. It is worth stressing, however, that adjustment to the provisions of the *acquis* involved a great number of changes in the social policy field, where regulation was largely determined, until that time, through *'a-legal'* arrangements. As a result there were important legislative gaps that had to be closed.

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19 As Chrisofides clarifies, owing to the country's small size, the terms *'sectoral'* and *'national'* are sometimes considered as synonymous (Christofides, 2003, p. 11).

20 As far as the public sector (public administration, hospitals and schools) is concerned, collective bargaining is carried out by special joint mechanisms, while employees in the armed forces do not have the right to organise themselves in a trade union *(ibid.)*.

21 According to Christofides, around 450 enterprise agreements were in force in 2003 *(ibid.)*.

In order then to appreciate the process of EU adjustment in this sector, it is imperative to fully grasp first the corporatist arrangements that prevailed in the country's labour market. This essentially is the key to understanding a long-standing culture, deeply rooted in traditional ways of doing things in the Cypriot labour market. Albeit the fact that the process of harmonisation moved a system that was hitherto exclusively based on collective bargaining to the direction of more statutory legislation, social partners were not excluded from the adaptation procedures in the process. On the contrary, the Government involved them in the process of drafting by inviting them on to technical committees.[22] For the most part this was done in order to facilitate a smooth process of adjustment; a lesson that was learnt by closely observing the experience of Greece. In their analyses of the social policy of the Greek state, Papadimitriou (2005), Kioukias (2003), and Venieris (2003), record a failure in its responsiveness to EU adaptation. An un-cooperative climate between the social partners, and a failure on the part of the state to provide adequate incentives to involve them in the adaptation process was largely to blame for this.

By contrast, in the Cypriot case it was the strong corporate tradition and the cooperative climate between the social partners that supported the adjustment process. Taking into account the problems that were experienced in the case of Greece, the Government of the Republic of Cyprus successfully managed to secure the social partners' involvement in the process of drafting and introducing new legislation to ensure a steady untroubled adjustment course. As a result, their lengthy good record of cooperation ultimately rendered the process smooth and predominantly conflict-free.[23]

To summarise briefly it can be maintained that, in the Cypriot industrial sector, the process of adjustment was mediated by the pre-existing culture of corporatism, because it was viewed the safest method of harmonising the sector with the relevant *acquis* without encountering many difficulties and to facilitate the completion of the reform process within the expected schedule.

SECTION 4

Corporatism as a Mediating Factor

In addition to the primary norm that stemmed from a consciously promoted political strategy

22 These technical committees had the task of drafting the bills prior to presenting them to the competent department of the Ministry of Labour and Social Insurance, which then prepared a draft law in cooperation with the Law Office of the Republic. Once the draft law was prepared, it was re-submitted to the technical committees as a working document for discussion. At this stage, the technical committees also had the task of preparing a report expressing the views of the parties concerned.

23 For a more empirical analysis of the adjustment process, see C. Ioannou (2008-2009), where the transposition process of the bulk of directives that were transposed in three social/industrial policy fields in order to comply with the European *acquis* is examined (employment rights and working conditions, health and safety at work, and gender equality in the labour sector). It is observed that the changes effected were extensive and radical, yet they surprisingly took place time-efficiently (even ahead of the deadlines set in most cases) and in the profound absence of any political conflict.

which aimed at a rapid accession, the sector-specific norm forms the second piece of the Europeanisation puzzle. It is clear from the analysis above that in the sector under scrutiny in this article; this norm-guided behaviour was associated with a deeply-rooted corporatist culture. This readily available medium could conveniently be deployed to carry out the reforms required effectively and efficiently. In other words, when Europeanisation became a stipulation, this culture of traditional corporatism was an established practice that could facilitate a fast result smoothly because despite the lack of the *erga omnes* feature, this *modus operandi* assumed the respect of the parties involved, particularly as it had been practiced successfully for many years.

To illustrate this point, we turn to delve into the harmonisation process in the industrial sector – a process that began in earnest in 1999. Prior to adjustment, considerable legislative gaps existed, which needed to be filled through the enforcement of legal statutes based on the relevant EU directives. By way of example, it is worth considering a number of industrial issues to simply appreciate the extent and capacity of reform required:[24]

- In the area of employment rights and working conditions, the legislative gaps that existed, prior to adjustment to the provisions of the *acquis*, necessitated the enforcement of legal statutes on eleven different areas: collective redundancies, transfer of undertakings, employer insolvency, information on individual employment conditions, working time, health and safety in fixed-term and temporary employment, part-time and fixed-term work, young people at work, the posting of workers, and the establishment of European Works Councils.
- In the area of health and safety at work, the gaps in existing legislation in the country necessitated the enforcement of legal statutes that were based on twenty-two different issues, which related to provisions for workplaces and work equipment, for different sectors of activity, certain specific risks, the manual handling of loads, visual display units, exposure to carcinogens, chemical agents, biological agents, physical agents, and asbestos, as well as the protection of different categories of workers.
- Finally, in the area of gender equality, the legislative gaps made it necessary to enforce legal statutes that were based on the issues of equal pay for men and women, equal treatment for men and women as regards access to employment, vocational training and promotion, equal treatment for men and women engaged in an activity in a self-employed capacity, the protection of self-employed women during pregnancy and motherhood, the health and safety at work of pregnant workers and workers who have recently given birth or are breastfeeding, parental leave, equal treatment in matters of social security and in occupational social security schemes, and the burden of proof in cases of discrimination based on sex.

In spite of the extent of reform required, it was judged by the Cypriot authorities, from the start of the process of harmonisation that the country had the capacity to achieve full compliance

24 For a detailed analysis of these legislative gaps, see C. Ioannou (2008-2009).

as the machinery was largely in place: "The necessary institutional and organisational structures to implement the acquis in this area are generally in place" (Republic of Cyprus, 1999, p. 2). The country's Position Paper made it explicitly clear that problems associated with the lack of *'erga omnes'* that characterised collective agreements in the past would be overcome as enforceable laws would be introduced to cover the whole sector, including everyone involved *(ibid.)*. It is evident that the potential was believed to be there from the beginning and the harmonisation process was viewed with optimism: "the sound industrial relations system of Cyprus and the highly unionised labour force will further facilitate the implementation of the *acquis*" *(ibid.)*.

As regards the timing of the harmonisation process, the Republic of Cyprus stated plainly from the outset that full compliance would be achieved by the time Cyprus was expected to accede to the Union. As a working hypothesis, the deadline was set for 1 January 2003:

> "As a working hypothesis the Government of the Republic of Cyprus considers that accession to the European Union will take place not later than 1 January 2003 (31 December 2002). [...] The existing framework is partly in conformity with the *acquis* and full compliance will be achieved gradually by 1/1/2003" (*ibid.*, pp. 1-2).[25]

The indicated date was considered to be a theoretical target for serving the purpose of legislative programming. It can be commented here that the optimism expressed in the 1999 Position Paper of the Republic was surely astonishing, especially considering the fairly extensive adjustments that were needed to revise the existing regulatory framework in the country. It was, however, visualised that the adoption of the bulk of the laws would be concluded by the target date set (1 January 2003). Unquestionably, an intensive process of harmonisation had to take place. In the industrial field, hopes were set on the already existing corporatist practices acting as sponsor for a rapid adjustment process.

By the end of the harmonisation process it was evident that, in their vast majority, the timeline targets that had been set out in the legislative programming of the country in its 1999 Position Paper, were realised. Most of the laws were enforced in Cyprus by the target date set (with only a few exceptions[26]).

The relative success of legislative programming can be closely correlated with the fact that not many problems were encountered in the country during the process of directive transposition, and even in the limited cases where problems did arise, these were overcome fairly smoothly. This was the result of the well-established, deeply-rooted corporatist practice, and because a good climate of cooperation existed among the social partners that assisted the process. Additionally, the embedded

25 It must be clarified that this date (1 January 2003) was only set as a target, or as a 'working hypothesis', whereby all the chapters of the *acquis*, including the chapter on social policy, would be concluded.

26 Even in these exceptional cases, however, and even in cases where the date of enforcement even beat the deadline for full compliance (1 January 2003), all the new laws, with just two exceptions (Law 68(I)/2002 and Law 137(I)/2002), were enforced before the country's actual accession into the EU on 1 May 2004.

instrumental logic of a speedy adjustment was conveyed in the specific field, to the extent that the actors involved felt a sense of obligation – the need to 'conform' to the country's 'national mission'.

By way of example, the few problems that were encountered and the methods of overcoming them are considered next:

- One problem related to the terminology used during the drafting process of the law on collective redundancies (Law 28(I)/2001), as disagreement arose on the actual definition that should be used; the national definition for redundancies, did not exactly correspond to the one used in the actual directive.[27] Yet this problem was relatively easily and smoothly overcome as it was finally decided that the national law would incorporate the definition of the relevant directive.
- A more serious problem was one regarding the law dealing with fixed-time employees (Law 98(I)/2003). The fact that under the provisions of the law, fixed-term contracts could be terminated or not renewed upon expiration without any notification or any kind of compensation, created problems as the Parliament was reluctant to approve such legislation (N. Ioannou, 2005, p. 204). Nevertheless, despite the ostensible dimension of this problem the legislation was approved as it was, with only a few months delay and without causing intense debate. Moreover, the legislation was approved without gaining any publicity whatsoever.
- In the area of health and safety at work, the only problem that arose in the negotiation procedures concerned specifically the 'phasing in' provision that some of the health and safety directives contained, and the possibility of requesting derogation. The importance of the 'phasing in' provision contained in some health and safety directives is that it gives EU member states a certain period of 'grace'. Within this period, employers must take up all the obligations of the *acquis* as these are set out in the directives. For example, workplaces (including vessels and fishing vessels) and work (protective) equipment must be made to comply with the various provisions; the different sectors of activity (such as mobile construction sites, surface and underground mineral-extracting industries) must improve their health and safety protection measures; specific risks (such as the manual handling of loads and the use of visual display units as well as the use of carcinogens, asbestos, chemical, biological and physical agents) must be addressed in all enterprises; and specific categories of workers (such as young people, pregnant women and women who have recently given birth or are breastfeeding) must be protected. The problem with this provision is that in the case of acceding EU countries, the 'phasing in' provision only applies as long as it falls within the deadlines of the date of accession. The period of 'grace' is only given to the potential entrant state, in other words, during the harmonisation phase, and no additional 'grace' period can be granted if this exceeds the accession date. Any request for the 'phasing in' provision for a period

27 The national definition was not as broad as that used in the directive and did not cover all types of dismissals.

past the accession date is regarded by the EU as a request for derogation (*ibid.*, p. 216). This apparent complication with the 'phasing in' provision of directives led to tensions in the technical committees during the adjustment process as employers believed that the financial burden upon them was too heavy to bear in such a short period of time. Having to comply with health and safety directive provisions in relation to all aforementioned issues (workplaces and work equipment, different sectors of activity, specific risks as well as specific categories of workers), involved an extensive process of change that would also prove to be very costly. This heavy financial burden on employers gained even more significance in view of the small size of the enterprises on the island. The Cypriot employers felt disadvantaged in relation to other EU employers in existing member states, and also discontented with the Cypriot authorities as the negotiating team did not wish to ask for derogation. As stated in the official Position Paper of the Republic, "no problems are foreseen in accepting the *acquis* [...] and no derogation or transitional period is requested" (Republic of Cyprus, 1999, p. 10). Indeed, the negotiating team decided not to make a request for derogation, and the directives were thus transposed within the accession date deadline. Despite the obvious significance of this problem, the laws in the area of health and safety were passed without any delays in most cases. Those delays that were recorded related to very few issues and even in those cases, the delays totalled a few months only. Moreover, the controversy that developed with the 'phasing in' provision of the health and safety directives gained no wider significance in the press, and as per the case of problems encountered in the area of employment rights and working conditions, the contested issue was ostensibly solved with remarkable straightforwardness. Negotiators even seem to have overridden the wishes of a potentially powerful group – the employers. This enhances the argument proposed here of a lack of politics in the process.

- Finally, in the area of gender equality in the labour sector, the only notable problem that actually developed in the course of harmonisation was in relation to Directive 76/207/EEC on the implementation of the principle of equal treatment for men and women as regards access to employment, vocational training and promotion, and working conditions. In theory, in order to fully harmonise with the provisions of this directive, the Government of the Republic should first renounce ILO Convention No. 45, which deals with underground work for women: "Full harmonisation with this Directive will occur only when Cyprus renounces ILO Convention No. 45 on underground work for women, which according to the ECJ violates the principle of equal treatment" (N. Ioannou, 2005, p. 208). The Convention could not, however, be renounced prior to 30 May 2007. This meant that the Cypriot Government should ask for derogation on this issue until the date that the Convention could be renounced. Nevertheless, no derogation was requested by the Government; the latter merely offered assurance that it would renounce the Convention on the date that this was possible, and until that time both parties (the Cypriot Government and the European Commission) agreed that the issue had no practical significance as no underground activities

existed in Cyprus which could occupy the Cypriot workforce, i.e. mines or quarries *(ibid.)*. Again, the issue gained absolutely no press attention and even in the phase of such an inconsistency, no controversies developed.

The evidence presented points to the conclusion that the adjustment process in the Cypriot industrial sector took place with a remarkable straightforwardness. Even issues that proved to be relatively problematic were easily and smoothly resolved: there were no serious delays observed, or any derogation or period of 'grace' requested by the Cypriot Government. By 1 May 2004, when Cyprus officially acceded to the EU, the greatest bulk of the directives in the industrial field had been transposed.

The vital point that emerges here is that the procedures and cultures described cast light on the peculiarity that surrounded the profoundly smooth Europeanisation process in the labour sector of Cyprus. The fact that the social partners, via a process of dialogue, had customarily been involved in an environment of smooth cooperation with very few industrial disputes, accounted partly for the relatively unproblematic experience during the Europeanisation process due to deeply-rooted traditions in the industrial field. In effect, it was because of the pre-existence of tradition that the parties involved were able to deliver. It is questionable whether this could have been possible in the absence of this mechanism, as the *modus operandi* essentially acted as a sponsor to the Europeanisation process in the specific sector.

Ultimately, the success of this strategy fundamentally lay in this collective bargaining process that was consciously promoted over the years as a political strategy that furthered the interests of the parties involved, and eventually became a norm that intrinsically constituted the best readily available compromise to deliver on the 'national mission' statement during the accession process. Thus, the pre-existing, well-established and generally successful corporatist tradition was the means essentially used as the mediating mechanism in the Europeanisation process of the Cypriot labour sector.

Conclusion

The literature suggests that the process of Europeanisation is mediated by pre-existing national mechanisms and structures. Our analysis here has further shown that domain-specific examination is instructive for illustrating the peculiarities of each sector. In other words, not only should the process of Europeanisation be appraised on the basis of the idiosyncrasies of each candidate country, but also on the basis of the traits of each specific sector within that country structure. To be succinct, in order to explicate the process of Europeanisation for a particular country, a domain-specific analysis is essential.

In this respect, this article did not attempt an inductive analysis, as the objective was not to convey the general effects of the Europeanisation process in the country, but rather to apply a theoretical hypothesis on the labour sector, specifically the hypothesis that the pressures that derive

from the process of Europeanisation are mediated through pre-existing national mechanisms, cultures and traditional 'ways of doing things'.

Our findings point to the conclusion that the fast and relatively unproblematic process of adjustment experienced in the field can be explained as a result of (1) the pressures exerted by the instrumental logic of the country's 'national mission' and (2) the pre-existence of the corporatist tradition. The key is to consider that there was a general norm-guided behaviour that was associated with the consciously promoted speedy accession reform process. This norm dominated strategic considerations and, as a result, mediating mechanisms had to be identified in the various policy sectors that were affected by the adoption of the *acquis*. These mediating mechanisms would serve the purpose of facilitating the reform process through policy practices which would not precipitate too many problems and would be time-efficient.

In the sector under scrutiny in this paper, a mechanism that could be used to deliver on the 'national mission' was readily available. This was the deeply-rooted corporatist practice that assumed a great deal of respect and support among the actors involved. It was thus decided that this mechanism was the best mediating factor that could be adopted in the process of Europeanisation in the specific field as it provided the medium to secure an expeditious adjustment through a traditional practice that had proven to be generally successful over time. It was, in other words, a strategy that was consciously promoted as a result of a super-imposed norm-guided approach to the Europeanisation process.

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