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PERSPECTIVES ON EMPLOYMENT AND SOCIAL POLICY COORDINATION IN THE EUROPEAN UNION

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PERSPECTIVAS SOBRE A COORDENAÇÃO DE POLÍTICAS DE EMPREGO E ASSUNTOS SOCIAIS NA UNIÃO EUROPEIA

PERSPECTIVES ON EMPLOYMENT AND SOCIAL POLICY COORDINATION IN THE EUROPEAN UNION

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PERSPECTIVES ON EMPLOYMENT AND SOCIAL POLICY COORDINATION IN THE EUROPEAN UNION

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Policy Paper

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Policy Paper

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PT O balanço da Estratégia Europeia de Emprego e da evolução das políticas sociais deverá ser utilizada não só para aprender com a experiência da sua implementação, mas também para pensar no seu futuro, no quadro mais alargado da Estratégia de Lisboa para o crescimento e o emprego.

Como pano de fundo geral para este debate, devemos ter em conta as discussões em curso sobre as reformas a introduzir no(s) modelo(s) económico(s) e social(is) Europeu(s)¹ com vista a torná-los eficazes e sustentáveis (ver Tabela 1, em anexo). Além disso, na agenda científica ocorreram desenvolvimentos importantes, que levaram a novos avanços teóricos, tais como os que são sugeridos pelos conceitos de mercados de trabalho transicionais, abordagem centrada no ciclo de vida, desenvolvimento de competências, flexigurança, Estado Providência promotor do desenvolvimento ou governação reflexiva. Alguns dos autores-chave que propõem estes novos avanços prepararam textos especializados de apoio ao debate nesta Reunião Informal de Ministros.

1 - Para referir apenas alguns exemplos, Presidências recentes organizaram importantes conferências sobre este assunto: "On solidarity: cultural and political conditions for the reform of social models in Europe and the U.S.A" (19-20 Maio 2006, Viena, Áustria), "The EU's evolving social policy and national models" (9-10 Novembro 2006, Helsínquia, Finlândia), "Joining forces for a Social Europe", 8-9 Fevereiro 2007, Nuremberga, Alemanha.

EN Taking stock of the European Employment Strategy and the developments in social policies should be used to learn with our experience in its implementation, but also to think about its future in the broader framework of the Lisbon Strategy for growth and jobs.

As a general background for this debate, we should take into account the ongoing discussion on the reforms to be introduced in the European economic and social model(s)¹ to make them performing and sustainable (see Table 1 in annex). Moreover important developments have taken place in the scientific agenda leading to new theoretical insights such as those suggested by the concepts of transitional labour markets, life-cycle approach, competence building, flexicurity, developmental welfare state or reflexive governance. Some of the key-authors proposing these new insights have prepared expert papers to support the debate in this informal meeting of Ministers.

1 - To mention only a few examples, recent Presidencies have organised important conferences on this subject: "On solidarity: cultural and political conditions for the reform of social models in Europe and the U.S.A" (19-20 May 2006, Vienna, Austria), "The EU's evolving social policy and national models" (9-10 November 2006, Helsinki, Finland), "Joining forces for a Social Europe", 8-9 February 2007, Nuremberg, Germany.

FR À l'heure du bilan de la Stratégie européenne pour l'emploi et de l'évolution récente des politiques sociales, nous devrions tirer les leçons de l'expérience acquise lors de la mise en œuvre de celle-là, mais également réfléchir à son avenir dans le contexte plus large de la Stratégie de Lisbonne pour la croissance et l'emploi.

En tant que contexte général à ce débat, nous devrions tenir compte des discussions en cours sur les réformes à apporter aux modèles sociaux et économiques européens¹ pour les rendre plus performants et plus soutenables (voir Tableau 1 en annexe). Par ailleurs, d'importants éléments nouveaux ont vu le jour sur le plan scientifique qui conduisent à de nouveaux éclairages théoriques tels que suggérés par les concepts de marchés transitionnels du travail, d'approche centrée dans le cycle de vie, développement de compétences, flexicurité, Etat providence développemental ou gouvernance réflexive. Certains des auteurs de ces nouvelles connaissances ont préparé des notes d'experts pour le débat dans le cadre de cette réunion informel des ministres.

1 - Pour ne citer que quelques exemples, les dernières présidences ont organisé d'importantes conférences sur ce thème : « Les conditions culturelles et politiques d'une réforme des modèles sociaux en Europe et aux Etats-Unis » (19-20 mai 2006, Vienne, Autriche) ; « Evolution des politiques et modèles sociaux au sein de l'UE » (9-10 novembre 2006, Helsinki, Finlande) ; « Unir nos forces pour une Europe sociale » (8-9 février 2007, Nuremberg, Allemagne).

PT O presente *policy paper* sustenta-se na experiência anterior das linhas directrizes para o Emprego na Europa e nos referidos textos especializados, para sugerir algumas prioridades políticas e medidas concretas para o futuro, bem como alguns aperfeiçoamentos a introduzir na governança.

EN This policy paper builds on the past experience of the European Employment guidelines and on these expert papers to suggest some political priorities and concrete measures for the future as well as some improvements to introduce in governance.

FR Ce policy paper s'appuie sur l'expérience passée des lignes directrices européennes pour l'emploi et sur ces notes d'experts et s'emploie à proposer des priorités politiques et des mesures concrètes pour l'avenir ainsi que certaines améliorations à apporter à la gouvernance.

1. Desafios, problemas e oportunidades

A estrutura do emprego está a atravessar uma deslocação considerável em direcção a novas actividades, devido ao novo contexto criado pela transição para uma economia baseada no conhecimento e em baixo consumo de carbono, pelo processo de integração Europeia e por uma globalização mais rápida, na qual as economias emergentes competem a todos os níveis (ver Wilson, 2007).

Ao mesmo tempo, a estrutura da força de trabalho e as condições sociais gerais estão também a sofrer uma enorme recomposição, devido às tendências de envelhecimento, aos fluxos de imigração, às tendências educativas e à emergência de novos tipos de família. Estes desafios serão mais bem enfrentados através de uma abordagem integrada.

De acordo com os objectivos de Lisboa, temos de melhorar o nosso policy mix, de forma a criar mais e melhores empregos, com o aumento da competitividade a ir de par com a coesão social. Assim, ao enfrentarmos estes desafios, deveríamos conseguir lidar com os problemas que eles colocam, mas também transformá-los em oportunidades.

1. Challenges, problems and opportunities

The structure of employment is undergoing a major redeployment towards new activities, due to the new context created by the transition to a knowledge intensive economy and a low carbon economy, by the European integration process and by a faster globalisation, where emerging economies are competing across the board (see Wilson, 2007)

At the same time, the structure of the labour force and the general social conditions are also undergoing a major re-composition due to the ageing trends, the immigration flows, the education trends and the emergence a new family types. These challenges will be better addressed with a comprehensive approach.

According to the Lisbon goals, we need to improve our policy mix in order to create more and better jobs with stronger competitiveness going hand in hand with social cohesion. Therefore, in addressing these challenges we should be able to cope with their problems, but also able to turn them into opportunities.

1. Défis, problèmes et opportunités

La structure de l'emploi connaît un redéploiement considérable vers de nouvelles activités en raison du nouveau contexte causé par la transition vers une économie de la connaissance et une économie pauvre en carbone, par le processus d'intégration européen et par une mondialisation galopante où les économies émergentes sont compétitives sur tous les fronts (voir Wilson, 2007).

Parallèlement, la structure de la main d'œuvre et les conditions sociales en général connaissent elles aussi des bouleversements majeurs en raison des tendances au vieillissement de la population, des flux migratoires, des tendances de l'éducation et de l'apparition de nouveaux modèles familiaux. La meilleure manière de faire face à ces défis est d'adopter une approche d'ensemble.

Conformément aux objectifs de Lisbonne, nous devons améliorer le policy mix afin de créer plus et meilleurs emplois et accroître la compétitivité tout en assurant la cohésion sociale. C'est pourquoi, si nous nous employons à surmonter ces obstacles, nous devrions être à même de résoudre les problèmes qui s'y rattachent et à les transformer en opportunités.

2. Orientações-chave para melhorar o *policy mix*

Dentro deste enquadramento, deveria dar-se uma prioridade mais forte a orientações políticas que sejam capazes de enfrentar os desafios através do reforço simultâneo da competitividade e da coesão social. É o caso, designadamente, das seguintes orientações (ver Hemerijck, 2007):

a/ Desenvolver qualificações através do aumento dos níveis educativos e da difusão do acesso à aprendizagem ao longo da vida, com particular enfoque em actividades nas quais mais e melhores empregos possam ser criados;

b/ Desenvolver políticas favoráveis à família para melhorar a conciliação entre vida profissional e vida familiar ao longo do ciclo de vida;

c/ Promover o envelhecimento activo, com reformas mais tardias e flexíveis, e garantindo pensões adequadas, adaptáveis e sustentáveis;

d/ Desenvolver mercados de trabalho flexíveis para todos, utilizando a flexibilidade interna e externa, e encorajando o diálogo social;

e/ Promover a inclusão activa através de políticas activas de mercado de trabalho, do rendimento mínimo garantido e de melhor acesso aos serviços sociais;

f/ Reforçar a acção externa da União para promover o emprego, melhorar os padrões sociais globais e gerir os fluxos migratórios.

2. Key orientations to improve the *policy mix*

Against this background, a stronger priority should be given to the political orientations which can address these challenges by enhancing competitiveness and social cohesion simultaneously. This is notably the case of the following orientations (see Hemerijck, 2007):

a/ Developing skills by raising the education levels and spreading the access to lifelong learning, with a particular focus on activities where more and better jobs can be created;

b/ Developing family friendly policies to improve the conciliation between working life and family life over the life-cycle;

c/ Spreading active ageing with later and flexible retirement and keeping adequate, adaptable and sustainable pensions;

d/ Developing flexicure labour markets for all, using internal and external flexibility and encouraging social dialogue;

e/ Promoting active inclusion with active labour market policies, minimum income support and better access to social services;

f/ Strengthen external action of the Union to promote jobs, improve global social standards and managing migrations.

2. Orientations clés pour un meilleur *policy mix*

Dans ce contexte, une plus grande priorité devrait être accordée aux orientations politiques capables de nous aider à relever ces défis par le renforcement simultané de la compétitivité et de la cohésion sociale. C'est notamment le cas des orientations suivantes (voir Hemerijck, 2007) :

a/ Développer les compétences en élevant les niveaux d'éducation et en facilitant l'accès à l'apprentissage tout au long de la vie, en privilégiant les activités où peuvent être créés plus et meilleurs emplois ;

b/ Développer des politiques favorables à la famille afin d'améliorer la conciliation entre vie professionnelle et vie familiale au cours du cycle de vie ;

c/ Encourager le vieillissement actif avec des départs à la retraite plus tardifs et plus flexibles tout en garantissant des pensions adéquates, ajustables et soutenables ;

d/ Promouvoir la flexicurité des marchés du travail pour tous, en usant de la flexibilité interne et externe et en encourageant le dialogue social ;

e/ Promouvoir l'inclusion active avec des politiques actives du marché du travail, un revenu minimum et un meilleur accès aux services sociaux ;

f/ Renforcer l'action extérieure de l'Union européenne afin de promouvoir l'emploi, renforcer les normes sociales minimales globales et de gérer les flux migratoires.

3. Reforçar os instrumentos

PT A execução destas prioridades políticas requer uma melhor coordenação entre a política de emprego e outras políticas, designadamente de protecção social e de inclusão social, mas também as políticas de educação e de inovação, ou até as políticas externas. Esta coordenação pode apoiar-se a nível europeu por um conjunto de ferramentas existente, que inclui (ver Tabela 2):

- directivas
- directrizes
- objetivos comuns
- programas comunitários
- fundos estruturais
- diálogo social europeu
- acordos de parceria e de cooperação

Estas prioridades políticas podem ser reforçadas desenvolvendo algumas medidas europeias elaboradas a partir dos instrumentos que já existem.

a/ No que diz respeito ao desenvolvimento de qualificações:

a.1) reforçar a rede Europeia para identificar qualificações necessárias e para validar competências (ver Wilson, 2007);

a.2) desenvolver os incentivos aos *clusters*, transformando-os em parcerias para a inovação, para as qualificações e o emprego;

a.3) desenvolver um sistema de crédito Europeu para a aprendizagem ao longo da vida (ver Berghman, 2007 e Schmid, 2007);

3. Strengthening the instruments

EN The implementation of these political priorities requires a better coordination between the employment policy and other policies, notably social protection and social inclusion but also education and innovation policies or even external policies. This coordination is being supported at European level by the existing tool box comprising (see Table 2):

- directives
- guidelines
- common objectives
- community programmes
- structural funds
- European social dialogue
- partnership and cooperation agreements

These political priorities can be strengthened by developing some European measures building on these existing instruments.

a/ Regarding developing skills:

a.1) strengthening the European network to identify skills needs and to validate competences (see Wilson, 2007);

a.2) developing the incentives to clusters, turning them into partnerships to innovation, skills and jobs;

a.3) developing a European credit system for lifelong learning (see Berghman, 2007 and Schmid, 2007);

3. Renforcer les instruments

FR La mise en œuvre de ces priorités politiques demande une meilleure coordination entre les politiques d'emploi et les autres politiques, notamment les politiques de protection sociale et d'inclusion sociale, mais aussi les politiques d'éducation, les politiques d'innovation, voire même les politiques extérieures. Cette coordination des politiques peut s'appuyer à l'échelon européen sur une panoplie d'instruments existants (voir Tableau 2), notamment:

- les directives
- les lignes directrices
- les objectifs communs
- les programmes communautaires
- les fonds structurels
- le dialogue social européen
- les accords de partenariat et de coopération

Ces priorités politiques peuvent être étayées en développant certaines initiatives européennes sur la base des instruments existants.

a/ Concernant le développement de compétences :

a.1) renforcer le réseau européen pour l'identification des besoins en compétences et la validation des compétences (voir Wilson, 2007) ;

a.2) développer les mesures d'incitation à la formation de clusters, et faire de ces derniers des partenariats pour l'innovation, les compétences et l'emploi ;

a.3) développer un système européen de crédits pour l'apprentissage tout au long de la vie (voir Berghman, 2007 et Schmid, 2007) ;

- a.4)** melhorar a coordenação entre as directrizes em matéria de emprego, educação e inovação.
- b/** No que diz respeito às políticas favoráveis à família (ver Hemerijck, 2007):
- b.1)** estabelecer metas nacionais para o desenvolvimento de serviços de apoio à infância e serviços de apoio aos idosos;
- b.2)** estabelecer metas nacionais para a educação pré-escolar;
- b.3)** melhorar a coordenação entre as directrizes relativas ao emprego, à educação e à protecção social.
- c/** No que toca ao envelhecimento activo com reforma mais tardia e flexível (ver Hemerijck, 2007):
- c.1)** estipular metas nacionais para reformas mais tardias e flexíveis;
- c.2)** adoptar a directiva sobre a portabilidade das pensões;
- c.3)** melhorar a coordenação entre as políticas de emprego, formação e protecção social, de forma a apoiar o envelhecimento activo (ver Berghman, 2007).
- d/** No que diz respeito aos mercados de trabalho flexiseguros:
- d.1)** definir directrizes europeias para a flexigurança e identificar novas medidas de protecção para as diversas transições profissionais (ver Schmid, 2007);
- d.2)** melhorar a coordenação entre as directrizes sobre emprego, educação e protecção social, para apoiar a flexigurança;
- a.4)** improving the coordination between the guidelines on employment, education and innovation
- b/** Regarding family friendly policies (see Hemerijck, 2007):
- b.1)** setting national targets to develop child care and elderly care services;
- b.2)** setting national targets for early-school education;
- b.3)** improving the coordination between the guidelines on employment, education and social protection.
- c/** Regarding the active ageing with later and flexible retirement (see Hemerijck, 2007):
- c.1)** setting national targets for later and flexible retirement;
- c.2)** adopting the directive on the portability of pensions;
- c.3)** improving the coordination between employment, training and social protection policies to support active ageing (see Berghman, 2007).
- d/** Regarding flexicure labour markets:
- d.1)** defining European guidelines for flexicurity and identifying new securities to provide in the various professional transitions (see Schmid, 2007);
- d.2)** improving the coordination between the guidelines on employment, education and social protection to support flexicurity;
- a.4)** améliorer la coordination des lignes directrices portant sur l'emploi, l'éducation et l'innovation.
- b/** Concernant les politiques favorables à la famille (voir Hemerijck, 2007) :
- b.1)** fixer des objectifs nationaux de développement des services de soins et d'accueil aux enfants et aux personnes âgées ;
- b.2)** fixer des objectifs nationaux en matière d'éducation fondamentale ;
- b.3)** améliorer la coordination des lignes directrices portant sur l'emploi, l'éducation et la protection sociale.
- c/** Concernant le vieillissement actif avec un départ à la retraite plus tardif et flexible (voir Hemerijck, 2007) :
- c.1)** fixer des objectifs nationaux pour un départ à la retraite plus tardif et flexible ;
- c.2)** adopter la directive sur la portabilité des pensions ;
- c.3)** améliorer la coordination des politiques d'emploi, de formation et de protection sociale en faveur du vieillissement actif (voir Berghman, 2007).
- d/** Concernant la flexicurité des marchés du travail :
- d.1)** définir des lignes directrices européennes et identifier de nouveaux dispositifs de protection pour les différentes transitions professionnelles (voir Schmid, 2007);
- d.2)** améliorer la coordination des politiques d'emploi, de formation et de protection sociale en faveur de la flexicurité ;

d.3) desenvolver um programa Europeu para a difusão de novas formas de organização laboral e para melhorar a qualidade do trabalho (ver Lorenz, 2007, Erhel e Gazier, 2007);

d.4) reforçar o Forum Europeu para a Reestruturação Industrial e o Fundo Europeu para a Globalização, para melhorar a gestão dos processos de reestruturação.

e/ No que toca à promoção da inclusão activa:

e.1) identificar objectivos comuns para os mecanismos de rendimento mínimo;

e.2) melhorar a coordenação entre as directrizes sobre emprego, educação e protecção social, para apoiar a inclusão activa.

f/ No que toca à acção externa da União no sentido de melhorar os padrões sociais globais e as oportunidades de emprego:

f.1) reforçar a dimensão social e as oportunidades de emprego nas parcerias estratégicas e nos acordos de cooperação;

f.2) melhorar a coordenação entre os instrumentos de política comercial e as directrizes sobre emprego, educação e protecção social;

f.3) gerir os fluxos migratórios, melhorando a integração e apoiando a cooperação com países-parceiros;

d.3) developing a European programme to spread new forms of work organisation and improve labour quality (see Lorenz, 2007, Erhel and Gazier, 2007);

d.4) to strengthen the European Forum on Industrial Restructuring and the European Globalisation Fund to improve the management of restructuring processes.

e/ Regarding the promotion of active inclusion:

e.1) identifying common objectives for the minimum income schemes;

e.2) improving the coordination between the guidelines on employment, education and social protection to support active inclusion.

f/ Regarding the external action of the Union to improve global social standards and employment opportunities:

f.1) to enhance the social dimension and the jobs opportunities in the strategic partnerships and in the cooperation agreements;

f.2) to improve the coordination between trade instruments and the guidelines on employment, education and social protection;

f.3) to manage migrations, by improving integration and supporting cooperation with partner countries;

d.3) développer un programme européen pour la diffusion de nouvelles formes d'organisation du travail et l'amélioration de la qualité de l'emploi (voir Lorenz, 2007, Erhel et Gazier, 2007) ;

d.4) renforcer le Forum européen de la restructuration industrielle et le Fonds européen d'ajustement à la mondialisation pour améliorer la gestion des processus de restructuration.

e/ Concernant la promotion de l'inclusion active :

e.1) identifier des objectifs communs pour les systèmes de revenu minimum ;

e.2) améliorer la coordination des lignes directrices portant sur l'emploi, l'éducation et la protection sociale en faveur de l'inclusion active.

f/ Concernant l'action extérieure de l'Union européenne en vue de l'amélioration des normes sociales minimales au niveau mondial et des perspectives d'emploi :

f.1) renforcer la dimension sociale et les perspectives d'emploi dans les partenariats stratégiques et les accords de coopération ;

f.2) améliorer la coordination des instruments commerciaux et des lignes directrices portant sur l'emploi, l'éducation et la protection sociale ;

f.3) gérer les migrations en améliorant l'intégration et soutenant la coopération avec les pays partenaires.

4. Melhorar os mecanismos de governação

PT A execução destas medidas acentua a necessidade de certos melhoramentos:

a/ Na arquitectura geral:

a.1) melhorar a utilização do conjunto de ferramentas disponíveis e coordenar os instrumentos existentes em função de prioridades políticas claras e de acordo com um *road map* (ver Goetschy, 2007);

a.2) reforçar a integração das directrizes para o crescimento e emprego e melhorar a sua interface com os objectivos comuns em matéria de educação e formação, bem como de protecção social e inclusão social (ver Berghman, 2007 e Zeitlin, 2007).

b/ Na coordenação horizontal:

Também é necessária uma melhor coordenação entre o Conselho de Ministros EPSCO e outras formações do Conselho, designadamente a Educação e Competitividade. Estas interfaces podem ser melhoradas:

b.1) usando as reuniões do trio da Presidência;

b.2) reforçando a coordenação interna da Comissão Europeia;

b.3) ou organizando encontros conjuntos entre os Comitês do Emprego e de Protecção Social com o Comité de Política Económica, o Grupo de Alto Nível sobre a Competitividade ou o Grupo de Alto Nível sobre Educação.

4. Improving governance mechanisms

EN The implementation of these measures underline the need of some improvements:

a/ In the general architecture:

a.1) to make a better use of the available tool box and to coordinate the existing instruments towards clear political priorities and according to a road map (see Goetschy, 2007);

a.2) to strengthen the integration of the guidelines for growth and jobs and to improve their interface with the common objectives for education and training as well as for social protection and social inclusion (see Berghman, 2007 and Zeitlin, 2007).

b/ In the horizontal coordination:

This also requires a better interface between the EPSCO Council of Ministers with other formations of the Council, notably Education and Competitiveness. These interfaces can be improved:

b.1) by using Presidency trio meetings;

b.2) by enhancing the internal coordination of the European Commission;

b.3) or by organising joint meetings between the Employment Committee and the Social Protection meeting, with the Economic Policy Committee, the High Level Group on Competitiveness or the High Level Group on Education.

4. Améliorer les mécanismes de gouvernance

FR La mise en œuvre de ces mesures exige quelques améliorations :

a/ Au niveau de l'architecture générale :

a.1) faire un meilleur usage de la panoplie d'instruments disponibles et coordonner les instruments existants en vue d'établir des priorités politiques claires en s'appuyant sur une feuille de route (voir Goetschy, 2007) ;

a.2) accroître l'intégration des lignes directrices pour la croissance et l'emploi et améliorer leur articulation avec les objectifs communs pour l'éducation et la formation ainsi que pour la protection sociale et l'inclusion sociale (voir Berghman, 2007 et Zeitlin, 2007).

b/ Au niveau de la coordination horizontale:

Il faut parvenir à une meilleure communication entre le Conseil de ministres EPSCO et les autres formations du Conseil, notamment EJC et Compétitivité. Cette communication peut être améliorée :

b.1) en utilisant les réunions du trio présidentiel ;

b.2) en consolidant la coordination interne de la Commission européenne ;

b.3) ou en organisant des réunions conjointes entre le Comité de l'emploi et le Comité de la protection sociale, avec le Comité de politique économique, le Groupe de haut niveau sur la compétitivité et le Groupe de haut niveau sur l'éducation.

c/ Na utilização de métodos de coordenação aberta:

A utilização de métodos de coordenação aberta deveria também ser aperfeiçoada em diferentes aspectos, de maneira a aproveitar melhor o seu potencial (ver Zeitlin, 2007 e Goetschy, 2007):

c.1) para melhorar o processo de monitorização, através da prestação sistemática de contas em relação às directrizes, bem como pela definição de indicadores comuns relevantes, traduzindo-os em metas específicas em cada Estado Membro. As classificações devem dar conta dos melhores resultados assim como da capacidade demonstrada para progredir em direcção a estas metas específicas. As recomendações relativas a cada país devem também avaliar o progresso alcançado;

c.2) para melhorar o processo de aprendizagem, mediante a organização de uma base de dados específica e de uma *intranet*, para partilha das melhores práticas, e mediante a promoção de redes e de *workshops* temáticos;

c.3) para melhorar o processo de participação através do envolvimento no processo de elaboração das políticas dos principais interessados, permitindo-lhes comunicar com o nível local e apoiando projectos de desenvolvimento. Os parceiros sociais Europeus e o Comité Económico e Social Europeu oferecem importantes mecanismos multiplicadores. A nível nacional e regional, deveria ser encorajada uma nova geração de parcerias para a mudança.

c/ In the use of the open method of coordination:

The use of the open method of coordination should also be improved in different features for a better use of its potential (see Zeitlin, 2007 and Goetschy, 2007):

c.1) to improve the monitoring process by consistently reporting on the guidelines and by defining common relevant indicators and translating them to specific targets in each Member State. Rankings should take into account the best performers as well as the capacity to progress to these specific targets. The country specific recommendations should also assess the progress achieved;

c.2) to improve the learning process by organising a specific data basis and intranet to exchange best practices and by promoting thematic workshops and networks;

c.3) to improve the participation process by involving the main stakeholders in the policy making process, by enabling them to communicate with the local level and by supporting implementation projects. The European social partners and the European Economic and Social Committee provide important multiplier mechanisms. A new generation of partnerships for change should be encouraged at national and regional level.

c/ Dans l'usage de la méthode ouverte de coordination :

L'utilisation de la méthode ouverte de coordination devrait également être améliorée sous différents aspects afin de tirer le meilleur parti de son potentiel (voir Zeitlin, 2007 et Goetschy, 2007) :

c.1) pour améliorer le processus de suivi en rendant compte régulièrement des lignes directrices et en définissant des indicateurs communs pertinents traduits en objectifs spécifiques dans chaque Etat membre. Les classements doivent tenir compte des meilleures performances ainsi que de la capacité à progresser vers ces objectifs spécifiques. Les recommandations spécifiques par pays doivent également permettre d'évaluer les progrès réalisés ;

c.2) pour améliorer le processus d'apprentissage mutuel en mettant en place une base de données spécifiques et un Intranet pour l'échange de bonnes pratiques et en organisant des séminaires et des réseaux thématiques ;

c.3) pour améliorer le processus de participation en mettant à contribution les principaux acteurs du processus d'élaboration des politiques, en leur permettant de communiquer avec le niveau local et en soutenant les projets de mise en œuvre. Les partenaires sociaux européens et le Comité économique et social européen sont d'importants mécanismes multiplicateurs. Une nouvelle génération de partenariats pour le changement devrait être encouragée au niveau national et régional.

Tabela 1 - Identificar reformas para o Modelo Social Europeu. Uma síntese dos debates.

Principais desafios estratégicos	Transição para uma economia dinâmica baseada no conhecimento	Globalização e novas pressões competitivas	Envelhecimento	Novos modelos de família	Integração Europeia
Principais componentes do Modelo Social Europeu					
1. Acesso à Educação e Formação	<ul style="list-style-type: none"> Prever as qualificações necessárias Dar acesso à formação ao longo da vida em escolas, empresas e em casa Portfólio de competências pessoais (Europass) Educação pré-escolar universal Redução do abandono escolar 	<ul style="list-style-type: none"> Prever as qualificações necessárias Dar acesso à formação ao longo da vida em estabelecimentos de ensino, empresas e em casa 	<ul style="list-style-type: none"> Novos métodos de avaliação e utilização de competências 	<ul style="list-style-type: none"> Acesso flexível à aprendizagem ao longo da vida Igualdade de oportunidades na escolha da carreira profissional 	<ul style="list-style-type: none"> Rede europeia para oportunidades de acesso à aprendizagem ao longo da vida
2. Protecção Social para todos	<ul style="list-style-type: none"> Activar a protecção social Prioridade a políticas de mercado de trabalho activas Definição de direitos para a educação ao longo da vida 	<ul style="list-style-type: none"> Controlar os custos não-salariais do trabalho Mobilizar novos tipos de recursos financeiros 	<ul style="list-style-type: none"> Envelhecimento activo Incentivos ao trabalho Redução das reformas antecipadas Adiamento/flexibilidade na idade da reforma Três pilares e equilíbrio intergeracional 	<ul style="list-style-type: none"> Reconciliar o trabalho com a vida familiar através do apoio à família e da flexibilidade do horário laboral 	<ul style="list-style-type: none"> Reformas coordenadas dos sistemas de protecção social Directivas Europeias sobre protecção social
3. Inclusão social	<ul style="list-style-type: none"> Maior flexibilidade para as escolhas ao longo da vida Desenvolver capacidades para além das prestações pecuniárias 	<ul style="list-style-type: none"> Recompensar o trabalho para aumentar as taxas de emprego Gerir processos de reestruturação Programa direccionado para a inclusão social 	<ul style="list-style-type: none"> Envelhecimento activo Medidas mais amplas para os idosos pobres 	<ul style="list-style-type: none"> Medidas direccionadas para famílias monoparentais Serviços de apoio à família 	<ul style="list-style-type: none"> Coordenação Europeia para a inclusão social Programas Europeus para a inclusão social Fundo Europeu para custos sociais de reestruturação
4. Regulamentação do Trabalho	<ul style="list-style-type: none"> Organismos de aprendizagem Percurso de aprendizagem Licença para formação "Learning accounts" 	<ul style="list-style-type: none"> Maior flexibilidade interna do trabalho (organização do trabalho, horário laboral, salário) Novas formas de flexibilidade externa com segurança Gerir processos de reestruturação 	<ul style="list-style-type: none"> Novas formas de organização do trabalho Novas condições de trabalho 	<ul style="list-style-type: none"> Flexibilidade do horário de trabalho Licença parental Interrupção da carreira profissional 	<ul style="list-style-type: none"> Directivas Europeias sobre condições de trabalho Remoção de obstáculos à mobilidade dos trabalhadores a nível Europeu Enquadramento Europeu para as migrações económicas
5. Diálogo social	<ul style="list-style-type: none"> Acordos sobre a Aprendizagem 	<ul style="list-style-type: none"> Acordos de inovação Planos sociais reestruturação 	<ul style="list-style-type: none"> Envelhecimento activo nos acordos colectivos 	<ul style="list-style-type: none"> Igualdade de oportunidades nos acordos colectivos 	<ul style="list-style-type: none"> Diálogo social Europeu sobre a estratégia para o crescimento e o emprego

Table 1 - Identifying reforms for the European Social Model. An overview of the debate.

Main strategic challenges	Transition to a dynamic knowledge intensive economy	Globalisation and new competitive pressures	Ageing	New family models	European integration
Main components of the European Social Model					
1. Access to Education and Training	<ul style="list-style-type: none"> • Anticipating skills needs • Generating access to lifelong learning in schools, companies and households • Personal competences portfolio (Europass) • Universal pre-school education • Reduce school leavers 	<ul style="list-style-type: none"> • Anticipating skills needs • Generating access to lifelong learning in schools, companies and households 	<ul style="list-style-type: none"> • New methods of assessing and using competences 	<ul style="list-style-type: none"> • Flexible access to lifelong learning • Equal opportunities for career choice 	<ul style="list-style-type: none"> • European framework for lifelong learning opportunities
2. Social Protection for all	<ul style="list-style-type: none"> • Activating social protection • Priority to active labour market policies • Drawing rights for lifelong learning 	<ul style="list-style-type: none"> • Controlling non-wage labour costs • Mobilizing new kind of financial resources 	<ul style="list-style-type: none"> • Active ageing • Incentives to work • Reducing early retirements • Delay/flexibility in retirement age • 3 pillars and inter generations balance 	<ul style="list-style-type: none"> • Reconciling work with family life by working time flexibility and family care 	<ul style="list-style-type: none"> • Coordinated reforms of social protection systems • European directives on social protection
3. Social inclusion	<ul style="list-style-type: none"> • More flexibility of choices in the life course • Developing capabilities beyond income benefits 	<ul style="list-style-type: none"> • To make work pay to increase the employment rates • Managing restructuring process • Targeted programme for social inclusion 	<ul style="list-style-type: none"> • Active ageing • Larger measures for elderly poor people 	<ul style="list-style-type: none"> • Target measures for single parents • Family care services 	<ul style="list-style-type: none"> • European coordination for social inclusion • European programmes for social inclusion • European fund for social costs of restructuring
4. Labour regulations	<ul style="list-style-type: none"> • Learning organisations • Learning careers • Training leave • Learning accounts 	<ul style="list-style-type: none"> • More internal labour flexibility (work organisation, working time, wage) • New forms of external flexibility with security • Managing restructuring 	<ul style="list-style-type: none"> • New forms of work organisation • New working conditions 	<ul style="list-style-type: none"> • Working time flexibility • Parental leave • Career break 	<ul style="list-style-type: none"> • European directives on working conditions • Removing obstacles for mobility of workers at European level • European frame for economic migration
5. Social dialogue	<ul style="list-style-type: none"> • Learning agreements 	<ul style="list-style-type: none"> • Innovation agreements • Social plans in restructuring 	<ul style="list-style-type: none"> • Active ageing in collective agreements 	<ul style="list-style-type: none"> • Equal opportunities in collective agreements 	<ul style="list-style-type: none"> • European social dialogue on the strategy for growth and jobs

Tableau 1 - Identifier les réformes pour le modèle social européen. Un tour d'horizon du débat.

Principaux défis stratégiques	Transition vers une économie de la connaissance dynamique	Mondialisation et nouvelles pressions concurrentielles	Vieillesse	Nouveaux modèles familiaux	Intégration européenne
Principales composantes du modèle social européen					
1. Accès à l'éducation et à la formation	<ul style="list-style-type: none"> Anticiper les besoins en compétences Encourager l'apprentissage tout au long de la vie dans les établissements scolaires, les entreprises et les ménages Portefeuille de compétences individuelles (Europass) Éducation préscolaire universelle Réduction du décrochage scolaire 	<ul style="list-style-type: none"> Anticiper les besoins en compétences Encourager l'accès à l'apprentissage tout au long de la vie dans les établissements scolaires, les entreprises et les ménages 	<ul style="list-style-type: none"> Nouvelles méthodes d'évaluation et d'utilisation des compétences 	<ul style="list-style-type: none"> Accès souple à l'apprentissage tout au long de la vie Egalité des chances en matière de choix de carrière 	<ul style="list-style-type: none"> Réseaux européens pour l'accès à l'apprentissage tout au long de la vie
2. Protection sociale pour tous	<ul style="list-style-type: none"> Activation de la protection sociale Priorité aux politiques actives du marché du travail Définition de droits à l'apprentissage tout au long de la vie 	<ul style="list-style-type: none"> Contrôler les coûts non salariaux du travail Mobiliser de nouveaux types de ressources financières 	<ul style="list-style-type: none"> Vieillesse active Mesures d'incitation au travail Réduction des départs en retraite précoces Retardement / Flexibilité de l'âge de la retraite Équilibre entre les 3 piliers et entre les générations 	<ul style="list-style-type: none"> Concilier la vie professionnelle et la vie familiale grâce à la flexibilité du temps de travail et l'aide aux familles 	<ul style="list-style-type: none"> Réformes coordonnées des systèmes de protection sociale Directives européennes sur la protection sociale
3. Inclusion sociale	<ul style="list-style-type: none"> Plus grande souplesse des choix au cours de la vie Développement des capacités au-delà des prestations 	<ul style="list-style-type: none"> Rendre le travail financièrement attrayant pour accroître les taux d'emploi Gestion du processus de restructuration Programme ciblé pour l'inclusion sociale 	<ul style="list-style-type: none"> Vieillesse active Extension des mesures destinées aux personnes âgées pauvres 	<ul style="list-style-type: none"> Mesures destinées aux familles monoparentales Services d'aide aux familles 	<ul style="list-style-type: none"> Coordination européenne pour l'inclusion sociale Programmes européens pour l'inclusion sociale Fonds européen pour les coûts sociaux de la restructuration
4. Réglementation du travail	<ul style="list-style-type: none"> Organismes d'apprentissage Parcours d'apprentissage Congé formation « learning accounts » 	<ul style="list-style-type: none"> Plus de flexibilité interne du travail (organisation du travail, temps de travail, salaire) Nouvelles formes de flexibilité externe alliées à la sécurité Gestion de la restructuration 	<ul style="list-style-type: none"> Nouvelles formes d'organisation du travail Nouvelles conditions de travail 	<ul style="list-style-type: none"> Flexibilité du temps de travail Congé parental Interruption de carrière 	<ul style="list-style-type: none"> Directives européennes sur les conditions de travail Suppression des obstacles à la mobilité des travailleurs au niveau européen Cadre européen pour la migration économique
5. Dialogue social	<ul style="list-style-type: none"> Accords d'apprentissage 	<ul style="list-style-type: none"> Accords sur l'innovation Plans sociaux de restructuration 	<ul style="list-style-type: none"> Vieillesse active dans les conventions collectives 	<ul style="list-style-type: none"> Egalité des chances dans les conventions collectives 	<ul style="list-style-type: none"> Dialogue social européen sur la stratégie pour la croissance et l'emploi

Tabela 2 - Instrumentos disponíveis por Prioridades Políticas a Áreas Políticas.

Áreas Políticas / Prioridades Políticas	Política de Emprego	Educação e Formação	Protecção Social	Inclusão Social	Política de Inovação	Política Regional	Políticas Externas
Actualização de qualificações	Linhas Directrizes para o emprego	Linhas Directrizes para o emprego Objectivos Comuns Programa Europeu ALV			Directrizes microeconómicas Agenda para a Inovação Programa-Quadro Inovação e Competitividade	Directrizes sobre Coesão Fundos Estruturais	Políticas de Cooperação Erasmus Mundus
Políticas favoráveis à família	Linhas Directrizes para o emprego Directivas	Linhas Directrizes para o emprego	Linhas Directrizes para o emprego Objectivos Comuns Protecção Social			Política de Coesão Fundos Estruturais	
Envelhecimento activo	Linhas Directrizes para o emprego	Linhas Directrizes para o emprego	Linhas Directrizes para o emprego Objectivos Comuns Protecção Social				
Mercados flexíveis	Linhas Directrizes para o emprego Directivas	Linhas Directrizes para o emprego	Linhas Directrizes para o emprego Objectivos Comuns de Protecção Social				
Mecanismos de Rendimento Mínimo com inclusão activa		Linhas Directrizes para o emprego	Objectivos Comuns Protecção Social				
Melhores Padrões Sociais Globais							Políticas de Cooperação Políticas de Regulação Políticas Comerciais

Table 2 - Available instruments by Political Priorities and Policies

Policies \ Political Priorities	Employment Policy	Education and Training	Social Protection	Social Inclusion	Innovation Policy	Regional Policy	External Policies
Updating skills	Employment Guidelines	Employment Guidelines Common Objectives Education Programme LLL			Micro economic Guidelines Agenda for Innovation CIP Programme	Cohesion Guidelines Structural Funds	Cooperation Policies Erasmus Mundus
Family friendly policies	Employment Guidelines Directives	Employment Guidelines	Employment Guidelines Common Objectives of Social Protection			Cohesion Policy Structural Funds	
Active ageing	Employment Guidelines	Employment Guidelines	Employment Guidelines Common Objectives of Social Protection				
Flexible markets	Employment Guidelines Directives	Employment Guidelines	Employment Guidelines Common Objectives of Social Protection				
Minimum Income Schemes with active inclusion		Employment Guidelines	Common Objectives of Social Protection				
Better Global Social Standards							Cooperation Policies Regulatory Policies Trade Policies

Tableau 2 - Instruments disponibles par Priorités Politiques et Domaines D'intervention.

Domaines d'intervention / Priorités politiques	Emploi	Education et formation	Protection sociale	Inclusion sociale	Innovation	Politique régionale	Politique extérieure
Mise à jour des compétences	Lignes directrices pour l'emploi	Lignes directrices pour l'emploi Objectifs communs Programme européen d'apprentissage tout au long de la vie			Lignes directrices microéconomiques Agenda pour l'innovation Programme-cadre pour l'innovation et la compétitivité	Lignes directrices pour la cohésion Fonds structurels	Politiques de coopération Erasmus Mundus
Politiques favorables à la famille	Lignes directrices pour l'emploi Directives	Lignes directrices pour l'emploi Lignes directrices pour l'emploi	Lignes directrices pour l'emploi Objectifs communs pour la protection sociale			Politique de cohésion Fonds structurels	
Viellissement actif	Lignes directrices pour l'emploi	Lignes directrices pour l'emploi Lignes directrices pour l'emploi	Lignes directrices pour l'emploi Objectifs communs pour la protection sociale				
Flexibilité des marchés	Lignes directrices pour l'emploi Directives		Lignes directrices pour l'emploi Objectifs communs pour la protection sociale				
Systèmes de revenu minimum et inclusion active			Objectifs communs pour la protection sociale				
De meilleures normes sociales minimales au niveau mondial							Politiques de coopération Politiques de régulation Politiques commerciales

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The Imperative Of Developmental Welfare For The European Union

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1. THE ADAPTIVE CAPACITY OF THE EUROPEAN WELFARE STATE

The striking intensity and the comprehensive character of welfare reform across the majority of the Member State of the European Union since the 1990s, is very much at odds with the prevalent image of a 'frozen welfare landscape' in the academic literature. Most important, the substantive extent of welfare redirection across a large number of Member States of the European Union (EU) adds up to a momentum of substantive policy change which goes far beyond the popular concepts of "retrenchment" and "roll-back". To say that European welfare states are far from sclerotic is not to say that they are in good shape. With 20 million citizens out of work and 90 million people otherwise inactive, there certainly is no room for domestic and EU complacency.

Three sets of challenges confront contemporary policy makers to push ahead, despite the significant strides made in different countries, their efforts to redirect the welfare state, redesign institutions and to elaborate on new principles of social justice. *From without*, in the first place, international competition are challenging the redistributive scope and de-commodifying power of the national welfare state. Many academic observers believe that the increase in cross-border competition in the markets for money, goods and services has substantially reduced the room for manoeuvre of national welfare states (Scharpf, 2000). Economic internationalization constrains countercyclical macroeconomic management, while increased openness exposes generous welfare states to trade competition and permits capital to move to the lowest-cost producer countries. Finally, there is the danger that tax competition resulting in an under-provision of public goods. Second, *from within*, ageing populations, declining birth rates, changing gender roles in households, as a result of the mass entry of women to the labour market, the shift from an industrial to the service economy, new technologies in the organisation of work, engender sub-optimal employment levels, new inequalities and skill-biased patterns of social exclusion. According to Gøsta Esping-Andersen (2002), the most important reason why the existing systems of social care have become overstretched stems from the weakening of labour markets and family households as traditional providers of welfare. In addition, new sources of immigration and segregation, also in the housing market in metropolitan areas, pose a challenge to social cohesion. And, finally, while policy makers must find new ways to manage the adverse consequences of economic internationalisation and post-industrial differentiation, their endeavour to recast the welfare state is severely constrained by long standing social policy commitments in the areas of unemployment and pensions, which have ushered in a period of *permanent austerity* (Pierson, 2001). The maturation of welfare commitments, policies put in place to cater after the social risks associated with the post-war industrial era now seem to crowd out and overload the available policy space for effective policy responses in especially public services under conditions of low economic growth. This spectre of permanent austerity is likely to intensify in the face of population ageing. As an intervening variable in the process, European (economic) integration is fundamentally recasting the boundaries of national systems of social protection, both constraining the autonomy for domestic policy options but also opening opportunities for EU-led multi-level open policy coordination (Ferrera, 2005; Zeitlin/Pochet, 2005)

2. A SEQUENCE OF INTENSE REFORMS

Since the late 1970s, consecutive changes in the world economy, labour markets, and family structures, have disturbed the once sovereign and stable welfare 'equilibria' of employment-friendly macroeconomic policy, collective wage bargaining, progressive taxation, broad social security coverage, and protective labour market regulation. As a consequence, all the developed welfare states of the European Union have been recasting the basic policy mix upon which their national systems of social protection were built after 1945 (Hemerijck/Schludi, 2000). If we interpret the welfare state more broadly than social protection narrowly understood, it is possible to paint a broad, cumulatively transformative process of policy change across a number of intimately related policy areas.

In *macro-economic* policy, up to the late 1970s, Keynesian macro-economic policy priorities, geared toward full employment as a principal goal of economic management, prevailed. In the face of stagflation - i.e. the combination of high inflation and rising unemployment - the Keynesian order gave way to a stricter macroeconomic policy framework centred on economic stability, hard currencies, low inflation, sound budgets, and debt reduction. Persistently high public deficits and inflation rates are undesirable in themselves and incompatible with global financial markets. The current framework of EMU and the Stability Pact, however does not provide for an adequate macro-economic regime. The key problem today is that EMU and the SGP do not do justice to the differences in economic circumstances across the Member States. The European Central Bank (ECB) set interest rates in accordance with European-wide averages and development in the trade cycle, rather than nation-specific shocks. Macro economic stability is a must, but a little more flexibility is called for.

In the 1980s, the responsibility for employment shifted away from macro-economic policy towards adjacent areas of social and economic regulation. In the field of *wage policy* a reorientation took place from the 1980s onwards in favour of market-based wage restraint in the face of intensified economic internationalization. Strategies of wage moderation have been pursued in many countries through a new generation of social pacts in Europe, linked with wider packages of negotiated reform, including labour market regulation and social protection in countries like the Netherlands, Ireland and Denmark. In the 1990s, the EMU entrance exam has played a critical role in the resurgence of national social pacts for hard-currency latecomers, like Italy and Portugal, and Greece, stimulating policy makers and the social partners to rekindle co-operative, positive-sum solutions to the predicament of economic adjustment, i.e. by making taxation and social protection more 'employment friendly'.

In the area of *labour market policy*, in the 1990s the new objective became maximising employment rather than induce labour market exit, and this implied new links between employment policy and social security. The greater the number of people participating full-time and part-time in the labour market, the greater the contribution they make towards maintaining the affordability of adequate levels of social protection. This was also the key message of the *Jobs, Jobs, Jobs* Report of the Employment Taskforce, established by the European Commission and chaired by the former Dutch prime-minister Wim Kok (Employment Taskforce, 2003). In the process, public employment services (PES) in many countries have lost their placement monopoly. And although private placement agencies have still not gained much market share, they have at least pushed PES towards modernizing service delivery.

With respect to *labour market regulation* empirical evidence from Denmark and the Netherlands suggest that the acceptance of flexible labour markets is enhanced if matched by strong social

guarantees. While systems combining restrictive dismissal protection with meagre unemployment benefits essentially cater to the interests of insiders, 'flexicure' systems based on minimal job protection but offering decent standards of social protection for the unemployed are best able to bridge the gap between insiders and outsiders.

Within the sphere of *social security*, the changes in macroeconomic management and wage policy have resulted in a shift from passive policy priorities aimed at income maintenance towards a greater emphasis on activation and reintegration of vulnerable groups. In the process, the function of social security changed from the passive compensation of social risks to corrective attempt to change behavioural incentives of claimants and employers together with an emphasis on preventative social investments. This is also captured by the shift from out-of-work benefits to in-work-benefits. In the face of the relative weakening of traditional male breadwinner social insurance programmes, policy makers have turned towards *strengthening minimum income protection* functions of the welfare state, coupled with strong activation and reintegration measures. In this respect, the French and Belgian welfare states have increased social assistance protection for the neediest, using targeted benefits instead of universal benefits, financed through taxation and general revenues. In 2005 through the so-called Harz IV reforms, Germany has followed suit while stepping up job search requirements among the non-employed.

In the area of old-age *pensions*, the most important trend is the growth of (compulsory) occupational and private pensions. Most welfare states are engaged in developing multi-pillar systems, combining pay-as-you-go and fully funded methods with a tight (actuarial) link between the pension benefits and contributions. Fiscal incentives have been introduced to encourage people to take out private pension insurance. In the 1990s, a number of countries, notably the Netherlands, France, Portugal, Ireland and Belgium, have started to build up reserve funds in order to maintain adequate pension provision when the baby-boom generation retires. Also changes in indexation rules have helped to reduce pension reliabilities. In Spain restrictions have gone hand in hand with attempt to upgrade minimum pension benefits. Measures to combine work and retirement, with tax allowances, partial pension benefits have been introduced in Denmark and Belgium. Finland has developed policy approaches to improve occupational health, work ability and well-being of ageing workers, in order to keep older workers in the workforce as long as possible.

Social services have experienced something of a comeback lately. Spending on childcare, education, health, and elderly care, next to training and employment services, has increased practically everywhere in Western Europe over the past decade. Especially, ageing and longevity make demands on professional care that working families cannot or are no longer able to meet. In Scandinavia the expansion of services to families began in the 1970s in tandem with the rise in female labour supply. It was in large part this policy of 'de-familiazation' of caring responsibilities which catalysed the dual-earner norm. In most other European countries, female employment growth came much later (Daly, 2000). In Southern Europe it is only during the past decade that we see a sharp rise. Throughout the EU, leave arrangements have also been expanded, both in terms of time and in the scope of coverage, to include care for the frail elderly and sick children. Social service delivery organizations have also been given more autonomy to decide how they use resources in the pursuit of agreed outcomes and more incentives to innovate in the search for improvements, while structuring their accountability to service users and central government in new ways.

In terms of the *financial architecture* of the welfare state, finally, we observe an increase in user financing in the areas of child care, old age care, and medical care. At the same time, fiscal incentives have been introduced to encourage people to take out private services and insurance, especially in the areas of health

and pensions. Management audit systems have been introduced to control and monitor the volume of public expenditures, involving limited annual budgets and delegating financial responsibility and autonomy to schools and hospital in countries like Sweden, Germany, and the Netherlands. With respect to *taxation*, as a result of intensified competition across the European Union, many EU Member States started to pursue a combination strategy of lower statutory tax rates and a broadening of the tax base. This implies a shift away from a focus on vertical redistribution between rich and poor citizens, but, as consequence of base broadening, not per se at the expense of prevailing welfare commitments.

3. EXPLAINING THE WELFARE REFORM MOMENTUM

Welfare reform is surely not a smooth process. Corrective measures are difficult, but in the face of protracted policy failures they are enacted and implemented through the competitive political process. Moreover, welfare reform is a highly reflexive and knowledge-intensive political process. From this perspective, it follows, that the welfare state is best understood as an 'evolutionary' system, whose goals, aims, functions, institutions change over time, however slowly and imperfectly. While reform experience over the past two decades was primarily built on processes of domestic (crisis induced) lesson drawing, more recently, cross-national social learning in the context of the European Union is taken up. As such, social policy reform processes cannot simply be reduced to political explanations of changes in the balance of power and interest.

In an attempt to capture this more encompassing endeavour to rewrite the post-war social compact, especially since the 1990s, Maurizio Ferrera, Martin Rhodes and I have in recent years turned to multidimensional concept of welfare recalibration for both heuristic and prescriptive purposes (Ferrera/Hemerijck/Rhodes, 2000; Ferrera/Hemerijck, 2003).¹ The notion of welfare recalibration is meant to suggest an extensive form of remodelling by way of providing a new cast for the welfare state as we know it along four key dimensions: functional, distributive, normative and institutional recalibration. The guiding question of welfare recalibration is: What sort "new welfare architecture" is compatible with international competitiveness, the transformation of working life, the demise of traditional family structures, demographic ageing and fiscal austerity? From this perspective, reform decisions pass through and are based rest upon cognitive, normative, distributive and institutional judgments as to how improve policy performance under conditions of structural environmental change. Each of the four dimensions of welfare recalibration requires elaboration.

Functional recalibration has to do with the social risks against which the welfare state aspires to protect. The need for functional recalibration is often described in terms of the shift from "old" to "new" social risks confronting people as a result of the transition from a 'male breadwinner' industrial to a 'dual earner' post-industrial society. Skill biased technological change, the feminization of the labour market, and demographic ageing, as a result of rising life expectancy and rapidly falling birth rates, are the most important drivers of the new post-industrial risk profile. While the boundaries between being "in" and "out" of work have been blurred by increases in atypical work, low-wages, subsidized jobs, and training programs, one job is no longer enough to keep low-income families out of poverty. In the face demographic ageing and in the light of a declining work force, nobody can be left inactive for long. European welfare states are all in the process of moving away from the breadwinner/caregiver model, under which mothers are expected to stay home with children, to a model of 'employment for all', under which mothers are expected to enter the labour force. This transition, which Ann Orloff captures in terms of the "farewell to maternalism", is not merely the product changing gender values (normative recalibration), it is also part of a more deliberate strategy of

¹ The term 'recalibration' was suggested to us by Jonathan Zeitlin.

policy makers to attract mothers in the face of population ageing into the work force through activation programs, tax subsidies, part-time employment regulation, and the expansion of family services (Orloff, 2005). As new social risks concern both the labour market and family life, they extend the demand for functional recalibration from unemployment, sickness, disability and old age insurance to family-friendly services to encourage labour market opportunities for women and raise birth rates.

Distributive recalibration concerns the re-balancing of social protection provisions across policy clienteles, stakeholder interests, and public and private resources. Many of the so-called 'new social risks', like family formation, divorce, the elderly becoming dependent on care, declining fertility, and accelerating population ageing bear primarily on young people and young families, signifying a shift in social risks from the elderly to the young. New risk bearers however lack critical social and political influence. Their ability to exert electoral and extra-parliamentary pressure is limited by the fact that, for most people, exposure to new social risks is a transitory phase of the family life course, concerned with child rearing, elder care, or labour markets entry and exit (Taylor-Gooby, 2004).

The interaction between economic performance and the welfare state is large mediated through the labour market. The majority of Europe's mature welfare states are confronted with the distributive syndrome of labour market segmentation between "insiders" and "outsiders". As family and gender issues remained subsidiary in the reform momentum of the 1980s and 1990s, post-industrial social and economic change seems to perversely reinforce an over-accumulation of insurance benefits on the side of 'guaranteed' breadwinner workers with quasi-tenured jobs, alongside inadequate protection for those employed in the weaker sectors of the labour market, particularly youngsters, women, immigrants and older low skilled workers. Most likely, labour markets will become ever more flexible. While the boundaries between being "in" and "out" of work have been blurred by increases in atypical work, low-wages, subsidized jobs, and training programs, one job is no longer enough to keep low-income families out of poverty. Late entry into the labour market of youngster, early exit of older workers, together with higher life expectancy confronts the welfare state with a looming financing deficit.

Normative recalibration concerns the norms and values implicated in the dilemmas emerging from the search for functionally effective and distributively fair policy proposals. Protecting the vulnerable and preventing the disadvantaged from becoming vulnerable lay at the heart of the normative underpinning of the post-war welfare state. Politically, the more reforms proposal alter the distributive balance between groups and vested interests, the more important of course it is to put forward and elaborate new normative frameworks and discourses capable of advocating the reform agenda as a "win-win" project, i.e. justifying reform in terms of underlying "moral foundations" (Vandenbroucke, 2002). The normative focus of social policy hereby shifts from *ex post compensation* towards preventive or *ex ante employability*. Wolfgang Streeck captures the new "asset-based" discourse of social justice in terms "supply-side egalitarianism" as it hinges on the deployment of resources to improve and equalise citizens' individual abilities to compete in the knowledge economy (Streeck, 1999). Greater flexibility and widespread low-wage employment is likely to increase relative poverty overall economic insecurity for sizeable groups in the population. An unchecked rise in income inequality will worsen citizens' life chances and opportunities. As a consequence, it impossible to avoid some form of (passive) minimum income support. Temporary inequalities, low wages, and poor jobs are less problematic than long-term poverty and inactivity traps. They become problematic when they negatively affect opportunities for future life chances on a structural basis. It is therefore necessary to have an even more tightly woven net below the welfare net for the truly needy to meet minimum standard of self-reliance.

Institutional recalibration concerns reforms in the design of institutions, levels of decision-making and social and economic policy governance, including the separate and joint responsibilities of individuals, states, markets and families. One of the most distinctive institutional features of the European welfare state has been its public legalistic nature: the responsibility of ensuring social solidarity and cohesion ultimately relied on national (i.e. central) government in terms of policy formation, funding, administration and implementation. Various developments have been challenging this state-centric edifice of the welfare state in recent years – a challenge often summarised in the emergence of new forms of “governance” beyond the traditional territorial nation state. The ongoing redefinition of the role of the state with respect to welfare provision is apparent in three ways (Supiot, 2001). The inevitable failure to deliver diversified public goods and decentralized services in turn triggers popular discontent with the public sector. Hence, the need for policy change and innovation and experimentation with new forms of public and private service provision in child care, education and training and professional care for the elderly. As a consequence, national government no longer hierarchically monopolise welfare provision. Diversified demand in the face of tight budgets makes it increasingly difficult for governments to apply typical uniform rules and procedures and regulations to welfare servicing. Customization of welfare services to meet individual needs with transfers and services goes together with institutional devolution, decentralization, liberalization and privatization. Many countries (especially the larger ones) have been experimenting with decentralisation of competencies to sub-national (regional and local) governments. Markets and families have gained greater responsibility and community-based ‘third sector’ associations have been called on to deliver new services. From a horizontal perspective, secondly, there is an increasing recognition that effective social policy formation and implementation today requires ‘joined up’ governance across government departments, public agencies, private sector organizations, and community association, together with more effective form of policy coordination across various functionally differentiated policy areas of activation, social protection, family services and housing.

Last but not least, the EU has in recent years emerged as an autonomous supra-national body of social regulation and to some extent redistribution (through the structural funds), creating additional layers of multi-level governance. Domestic issues of work and welfare have since the mid-1980s become ever more intertwined with processes of European political and economic integration. In this respect, it is fair to say that in the EU we have entered an era of *semi-sovereign welfare states* (Leibfried/Pierson, 2000). The European Union affects processes of welfare recalibration through essentially four avenues of EU intervention:

- Community method legislation within the framework of the internal market like health and safety and equal opportunities legislation;
- Macro-economic constraints for the eurozone agreed to in the context of EMU and the Stability and Growth Pact;
- Jurisprudence of the European Court of Justice based on case law, largely derived market compatibility requirements;
- Agenda setting policy coordination through the articulation of common challenges, the joint diagnosis of new social risks, and the identification of potentially effective domestic policy solution to emerging European social problems.

More broadly, EU social and economic policy coordination can be broadly characterized along two dimensions. First, there is the relevance of cross-border risk pooling through binding legislation against unruly competition through the well-known “Community Method”. Second, in its central role as an agenda

setter, EU institutions can help diagnose the nature and magnitude of the fundamental challenges and identify potentially effective policy solutions to these challenges. Although the relationship between these two dimensions of EU policy coordination goes beyond mere overlap and co-existence, in the academic debate over the future of “social Europe” these two forms of policy coordination are more often than not seen as alternatives, rather than complements.

4. THE IMPERATIVE OF THE DEVELOPMENTAL WELFARE STATE

The process of reform across the member states of the European Union, highlighted above, involves a cumulative processes, with each reform improving upon the shortcomings of previous measures in one policy area after another. Underneath this dynamic cumulative process we can observe a remarkable process of “contingent convergence” of employment and social policy objectives and outcomes, the adoption of increasingly similar policy initiatives, encouraged by the deepening of the EU economic regulation and social agenda, signalling a transition from a corrective and passive welfare state to a more proactive social investment strategy (WRR, 2006). This implies a re-orientation in social citizenship, away from *freedom from want* towards *freedom to act* while continuing to guarantee a *rich social minimum*. In a recent policy report, the *Irish National and Economic and Social Council* (NESC) coined the term the “developmental” welfare state for strategic policy (re-)direction of Irish social policy (2005). The term developmental welfare state was chosen for a number of closely related reasons. First, Ireland has a successful developmental state—as evidenced in its economic performance—and the Economic and Social Council was posing to itself, and Irish policy actors, the challenge: what would it take for Ireland’s system of social policy to be as successful? Second, the task of employment and social policy systems should foremost, be to support the development of each person, with measures tailored to people’s capabilities and needs, and thus enabling them to reach their full potential. Third, a key challenge for all European political economies is to devise a welfare system that not only addresses “new” and “old” social risks adequately, but more so to connect such an endeavour fully with the dynamic economy. In the fourth place, the developmental welfare state concept does, however, not celebrate economic dynamism as an end in itself, but it terms of a framework for citizens to pursue fuller and more satisfying lives. The NESC study, *The Developmental Welfare State*, re-described Ireland’s social deficits and re-analysed the relationship between economic performance and social protection. Identifying the limits of long-standing debates on the merits of rival welfare models—Scandinavian universalism, Continental social insurance and residual liberalism—it proposed an alternative conceptual framework and reform programme. At the heart of this is the idea that each welfare system consists of three spheres of activity: income supports, services and innovative measures to address new needs. The *Developmental Welfare State* is a way of reforming each of these elements, and linking them more closely, in ways suited to Ireland’s unusual economic and social situation.

First, a central argument is that a radical development of services is the single most important route to improving social protection over the coming years. These include education, health care, child development and care, eldercare, housing, transport and employment services. Improved services have a triple logic, both social and economic: supporting people in employment, redressing the marginal position of socially disadvantaged groups and according autonomy and respect to people with disabilities and in institutional care.

Second, a life-cycle approach should be adopted in planning and building a Developmental Welfare State. This distinguishes between different life-cycle cohorts—children, young adults, people of working age, pensioners and people reliant on care. It asks, first, what combination of services, income support and activist measures

is necessary to achieve better social protection and participation for each of these groups? It then asks: what method of governance and leadership, and what combination of rights and standards, does Ireland need to create to deliver these policies and to monitor their quality and effectiveness? By adopting a life course perspective, we are indeed best able to identify the developmental and social promotion character of the new welfare edifice (Supiot, 2001; Esping-Andersen et al, 2002; Jenson/Saint-Martin, 2006; Taylor-Gooby, 2004; Kenworthy, 2004; Maydell, 2006; Schmid, 2006; Hemerijck, 2006; 2007).

Child-centered social investment strategy

Since life chances are so over-determined by what happens in childhood, a comprehensive child investment strategy with a strong emphasis on early childhood development is imperative. Access to affordable quality childcare is sine qua non for any workable future equilibrium (Daly, 2000; Orloff, 2006; Jenson, 2006). Childcare demand cannot be adequately met via commercial care markets. In a purely commercial regime, low-income parents will probably not be able to afford quality care. They may respond by placing children in cheap low quality care or by withdrawing the mother from employment. Inaccessible childcare will provoke low fertility, low quality care is harmful to children, and low female employment raises child poverty. The emphasis on early childhood development goes *beyond* the idea that childcare is necessary to allow mother and fathers to reconcile work and family life. A 'child centred social investment strategy' is needed to ensure that children will be life-long learners and strong contributors to their societies. More children, educated to perform in a knowledge economy, are needed to keep the economy going for a retiring baby boom generation with high caring needs (Esping-Andersen, 2006).

Human capital investment push

If Europe wishes to be competitive in the new, knowledge-based society, there is an urgent need to invest in human capital throughout the life-course. Considering the looming demographic imbalances we face, we surely cannot afford large skill deficits and high school dropout rates (above 30% in Spain, almost 25% in the Netherlands and less than 15% in Denmark or Sweden). While inequalities are widening in the knowledge economy, this also implies that parents' ability to invest in their children's fortunes is becoming more unequal. Everyone's favourite solution is of course education. If social and employment policies are increasingly aimed at developing the quality of human resources for a high-skill equilibrium, they surely assume the role of a 'productive factor'. The revitalisation of both the Irish and the Finnish economy is in part based on increased investments in education, preventing early departure from formal education and training, and facilitating the transition from school to work, in particular school leavers with low qualifications.

Flexicure labour markets for all

The interaction between economic performance and the welfare state is large mediated through the labour market. The majority of Europe's mature welfare states are confronted with a syndrome of labour market segmentation between "insiders" and "outsiders" (Schmid, 2006). As family and gender issues were considered subsidiary during the early stages of post-war welfare state development, post-industrial social and economic change seem to reinforce, this has invoked an over-accumulation of insurance benefits on the side of 'guaranteed' breadwinner workers with quasi-tenured jobs, alongside inadequate protection for those employed in the weaker sectors of the labour market, particularly youngsters, women, immigrants and older low skilled workers. Most likely, labour markets will become ever more flexible. While the boundaries between being "in" and "out" of work have been blurred by increases in atypical work, low-wages, subsidized jobs, and training programs, one job is no longer enough to keep low-income families out of poverty. Post-industrial job growth is highly biased in favour of high skill jobs. However, increased labour market flexibility, together with the continuous rise in female employment will, in addition, also encourage the growth of a sizeable

amount of low skill and semi-skilled jobs in the social sector and in personal services. The policy challenge is how to mitigate the emergence of new forms of labour market segmentation through what could be called “preventive employability”, combining increases in flexibility in labour relations by way of relaxing dismissal protection, while generating a higher level of security for employees in flexible jobs. Flexible working conditions are often part and parcel of family friendly employment policy provisions. There is a clear relation between the ratio of part-time jobs and female employment growth. But the ability of part-time employment to harmonize careers with family depends very much on employment regulation, whether part-time work is recognised as a regular job with basic social insurance participation, and whether it offers possibilities for career mobility.

Later and flexible retirement

Many of the so-called ‘new social risks’, like family formation, divorce, the elderly becoming dependent on care, declining fertility, and accelerating population ageing bear primarily on young people and young families, signifying a shift in social risks from the elderly to the young. Late entry into the labour market of youngster, early exit of older workers, together with higher life expectancy confronts the welfare state with a looming financing deficit. Two trends justify an adjustment in our thinking about retirement: a) the health status of each elderly cohort is better than that of the last; at present a man aged 65 can look forward to a further 10 healthy years. And, b) the gap between old age and education is rapidly narrowing, so that old people in the future will be much better placed than now to adapt in the coming decades with the aid of retraining and lifelong learning. The education gap between the old and the young will begin to disappear when the baby-boomers approach retirement. Beyond the development of multi-pillar, including both PAYGO (pay-as-you-go) and funded schemes, in the area of *pension policy*, the challenge lies in how to allocate the additional expenditures that inevitably accompany population ageing (Myles, 2002). Of crucial importance remains a general revenue financed first tier pension guarantee with a price index guarantee for the next generation of flexible labour market cohorts. Sustainable pensions will be difficult to achieve unless we raise employment rates of older workers and raise the retirement age to at least 67 year. Delaying retirement is both effective and equitable. It is efficient because it operates simultaneously on the nominator and denominator: more revenue intake and less spending at the same time. It is inter-generational equitable because retirees and workers both sacrifice in equal proportions. We are all getting healthier and more educated with each age cohort. Flexible retirement and the introduction of incentives to postpone retirement could greatly alleviate the pension burden. Although there has been a slight increase of part-time work among the elderly, it has been shown that part-time work and participation rates among older people are positively related, there is still little systematic and comprehensive policy activity to enhance the variable opportunity set for older workers. If older workers remain employed ten years longer than is now typically the norm, household incomes will increase substantially. This means less poverty and need for social assistance and greater tax revenue to the exchequer.

Migration and integration through participation

More than before priority should be given to problems of participation and integration of migrants and non-EU nationals, whose rates of unemployment are on average twice that of EU nationals. Integration and immigration policy should have a central place in our discussion about the future of the welfare state, something we failed to do in the past. In our ethnically and culturally diversified societies the welfare state faces a major challenge of ensuring that immigrants and their children do not fall behind. The recent outbreak of violence in the ban lieus of the metropolitan cities of France reveals how economic exclusion and physical concentration, reinforces educational underperformance, excessive segregation and a self-destructive spirals of marginalization. The overriding policy lesson is that in the face demographic ageing and in the light of a declining work force, nobody can be left inactive (for long)!

Minimum income support

We cannot assume that early childhood development, human capital push, together with high quality training and activation measures will remedy current and future welfare deficiencies. Hence, in the medium terms it is impossible to avoid some form of passive minimum income support unless we are willing to accept rising household welfare inequalities. An unchecked rise in income inequality will worsen citizens' life chances and opportunities. Greater flexibility and widespread low-wage employment suggests a scenario of overall insecurity for a sizeable group. It is therefore necessary to have an even more tightly woven net below the welfare net for the truly needy to meet minimum standard of self-reliance.

The notion of the developmental welfare state is a good way of framing both the common external and internal challenges faced by Europe's welfare systems and the somewhat different, contextualised, responses at national level. Furthermore, an added advantage of this approach is that provides a common language for discussion of the link between economic and social development right across the 25 member states.

- It can apply to countries at different levels of prosperity, and this can help prevent people counter-posing 'social Europe' against 'economic Europe'.
- It can, to a degree, transcend debates on 'high' versus 'low' levels of social protection/welfare state.
- It can, to a degree, apply both to societies that are coming from a highly-developed state-centric system of social welfare (the richer core) and to societies that are coming from the opposite direction: more family and voluntary systems, but which are now faced with the need to build more formal systems to meet risks.²

All in all, the framework of developmental welfare plays close attention to the link between economic and social development, and asks that close attention be paid to the specific economic structure and the specific social deficits in each country. In each case, this will involve a different combination of, integrated, policy change in income supports, services and innovative measures to identify and address new needs.

² The Irish case can be used as an inspiring story of a developmental economy building a developmental welfare state to bring out the way in which social policy evolved in an economy seeking catch-up, and how it needs to be significantly revised as the relationship between the economic and the social moves to a new phase.

When Ireland joined the EC in 1973, its GDP per capita was not much more than 50 per cent of the Community average [check figure]. The accession of a poorer, peripheral, member state significantly increased the disparity in incomes across the member states. Ireland saw membership as an opportunity to address its historic problems of failed industrialisation, low incomes, high unemployment and emigration.

From the late 1980s, Ireland had a strong reform partnership. Its social partnership approach engaged unions, employers, farm organisation and, from the mid-1990s, a range of community and voluntary organisations, in a series of formal agreements with government. The partnership approach focused on addressing Ireland's fiscal crisis, restructuring the economy, increasing employment and reducing unemployment, transition to the euro and improvements in social policy.

As is well known, the Irish economy has been the star performer in the EU over the past decade and a half—achieving high growth, fiscal balance and, most importantly, a dramatic increase in employment.

Despite this growth, and significant increases in social spending, there was division and uncertainty on what had been achieved and how to combine economic success with social inclusion. While some cited Ireland's employment miracle, other emphasised the continuing social problems. Some argued that, having created wealth, Ireland should now focus on re-distributing it; others warned that competitiveness cannot be taken for granted. Much of the debate was about Ireland now choosing one of 'models' of welfare in Europe—Scandinavian universalism, continental insurance-based welfare or residual liberalism.

In addition, the various EU OMC processes drew attention to those areas where Ireland was not a star performer. In particular, they asked that Ireland look beyond total employment growth and unemployment reduction, in order to re-examine the effectiveness of its many activation measure, the adequacy of its training and lifelong learning, its achievement of flexible working arrangements, whether it was achieving equal opportunities in the labour market and the effectiveness of its social inclusion and anti-poverty policies of its—the overall employment rate, poverty and the inclusion of marginalised groups in the workforce.

These issues prompted the social partners, in their discussions in the National Economic and Social Council, to undertake a major review of Ireland's system of social protection. That review re-described Ireland's social deficits, re-examined the evolution of Ireland's welfare state and reframed the debate on Ireland's approach to social protection. In the past, economic reality set limits to social possibilities; now, the medium-term strength of the economy depends on more effective social possibilities.

The study articulated three overarching objectives for social policy and Ireland's welfare state:

- To revise systems that reflect low expectations and achieve low outcomes for a minority;
- To support the employed population more adequately in changed times;

5. ROBUST EUROPEAN WELFARE FUTURES

European welfare state futures are not preordained. Neither the doomsday scenario of the demise of the European welfare state, predicted by economists in the 1980s, nor the prevalent image of a 'frozen welfare status quo', pictured by comparative scholarship in the 1990s, can be corroborated by the European welfare reform experience since the late 1970s. In the 1980s welfare provisions became more austere. Since the mid-1990s, we observe a incipient process of "contingent convergence" of employment and social policy objectives, the adoption of increasingly similar policy initiatives (encouraged also by the deepening of the EU social agenda), signalling a transition from a corrective and passive welfare state to a more proactive social investment strategy, with much greater attention paid to prevention, activation and social servicing. In hindsight, it seems that in trials of repairing the increasingly dysfunctional policy repertoires of the golden age, domestic and EU policy makers, pressed by intensified economic internationalization, post-industrial differentiation, under condition of permanent austerity, have turned to combining elements from different welfare regimes. In their different attempts to achieve greater efficiency and equity, we can observe a trend of welfare hybridization, based on policy domestic policy experimentation and processes of cross-national social learning.

In line with the ongoing reform dynamics, we have advocated a new welfare edifice and policy repertoire, based on consistent normative principles, coherent causal understandings, (re-)distributive concerns, and institutional practices, comparable in generality to that of the male-breadwinner Keynesian welfare state of the post-1945 decades. With many other experts, we share in a diagnosis that the current imperative of recasting the welfare state is very much rooted in the incongruence between new "post-industrial" social risks and diverse family and labour market needs, on the one hand, and institutional resilience of male-breadwinner social policy provisions, on the other. In terms of policy solutions, we therefore prioritize high levels of employment for both men and women as the key policy objective, while combining elements of flexibility and security, facilitating men and especially women to accommodate work and family life, managed by new forms of governance and based on subtle combinations of public, private, and individual efforts and resources. By adopting a life course perspective, the advocates of the "new" welfare architecture of the 21st century seek to identify the inter-connectedness of social risks and needs over the life course, on the basis of they are able to draft a developmental "social investment" policy agenda. The Keynesian emphasis on "effective demand" management hereby shifts towards an emphasis on "effective supply", with the implication of taking out social barriers for labor market entry, discouraging early exit, making labor market transitions less precarious, and providing gender equality and equality of opportunity throughout the life cycle in response to the drastic changes of the world of work and welfare.

The EU, as national boundary spanning institution, we maintain provides in all of this a vital additional exploratory policy space for cross-national recalibration, agenda setting, benchmarking policy performance and the sharing of domestic policy reform experience. European welfare states are no longer closed systems; they are increasingly open evolutionary systems, inhabited by agents who learn and constantly apply lessons from domestic experience and EU social and economic policy coordination. Especially the open coordination processes with its strong focus

- To institutionalise wholly new standards of participation and care for society's most dependent and vulnerable members.

This requires that Ireland, where possible, move from its reliance on targeted programmes to what the NESC calls 'tailored universalism'—responsive publicly-subsidised and/or publicly-provided services. Government and the social partners have now adopted an ambitious new approach which seeks a 'reinvention of Ireland's social policy'. This involves adoption of a 'lifecycle framework' and a commitment to adopt the perspective of the person as the centrepieces of social policy development.

This approach was adopted by Government and the social partners as a key element of the ten year framework agreed in Towards 2016. It is central to the Ireland's National Action Plan for Social Inclusion 2007-2016, and is reflected in the National Development Plan 2007-2013, Transforming Ireland – A Better Quality of Life for All.

on “new” rather than “old” social risk categories, most notably active ageing/avoiding early retirement, part-time work, lifelong learning, parental leave, gender mainstreaming, flexicurity (balancing flexibility with security), reconciling work and family life, and social exclusion, already plays a key role in ongoing processes of welfare recalibration. OMC provides for an institutional space for mutual learning and deliberative problem-solving, generating new cognitive, normative, and practical input for defining an overlapping consensus on EU objectives and ambitions of social and economic performance, but not on specific national programs and institutions. It serves both *substantive* EU objectives for work and welfare and more ambitious national reform strategies. Through OMC persistent heterogeneity may be exploited for purposes of experimentation and innovation. By diagnosing common European challenges and identifying promising policy approaches through information pooling, OMC induces Member States to re-assess, re-evaluate, and re-examine policy performance and established policy approaches in comparison with other countries under the political pressure “to get something done” on urgent social questions in the face of increasing economic interdependencies (Zeitlin, 2005). In its respect for national political traditions and policy legacies, OMC could enhance the legitimacy of the EU as a robust ‘social union’.

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Trends in Employment Creation in Europe

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1. Background

Climate change, globalisation, technological change and demographic developments (including ageing and migration) are posing huge challenges, offering both threats and opportunities for the EU. This paper considers trends in job creation in Europe over the recent past, and the prospects over the next two decades, in this context. It draws upon the Cedefop project on *Medium-term forecasts of occupational skill needs in Europe*.¹ This offers for the first time a Pan European perspective, providing estimates on a consistent basis for all members of the EU. The Cedefop project uses a combination of data sources to measure employment structure in Europe in a common framework. The numbers presented by sector are based on consistent data from Eurostat (National Accounts basis), while the information on occupational structure relies on LFS based estimates. This analysis is summarised below. Before examining these results it is useful to set the scene in terms of the main labour market challenges facing the EU.

2. Key labour market challenges facing the EU

Skill biased technological change has resulted in the overall demand for skills rising rapidly in recent years and these trends seem likely to continue. Rising skill levels are expected in most sectors and occupations. The key drivers affecting the demand for and supply of skills are globalisation, technological change and demography.

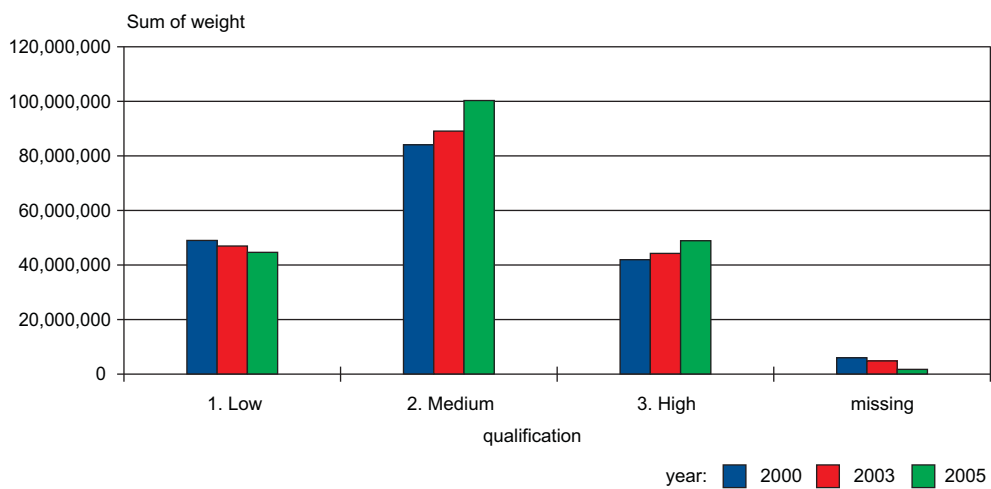
Since the setting of the Lisbon Agenda, the EU has seen considerable improvements in its economic and labour market position but much remains to be done. The EU economy is in a stronger position than it was a few years ago. It ranks in the top three in the world by level of GDP. Productivity has continued to rise but there are still significant gaps compared with best practice in the rest of the world (as well as between member States). The qualification and skill profile of the EU workforce has also improved (see Figure 1). The proportion of the labour force without qualifications has fallen: many more people are acquiring higher level qualifications, and far greater numbers are employed in higher level occupations (managers, professionals, and associate professionals). However, other competitors have improved at even faster rates, and a large proportion of the EU workforce remains poorly qualified.

The two main challenges facing the EU labour market are intensifying international competition (resulting in the need to increase productivity) and social exclusion. Both of these can be addressed by appropriate investment in skills, although this is not a panacea. A number of features are apparent in the skills arena:

¹ For further details see Wilson, R.A. (2007). *The Skillsnet project on Medium-term forecasts of occupational skill needs in Europe: an overview*, paper presented at the, 3RD TECHNICAL WORKSHOP, May 7-8 2007, Maastricht, Netherlands. (Event organised within the framework of Cedefop's international network on *Early identification of skill needs "Skillsnet"* (www.trainingvillage.gr)).

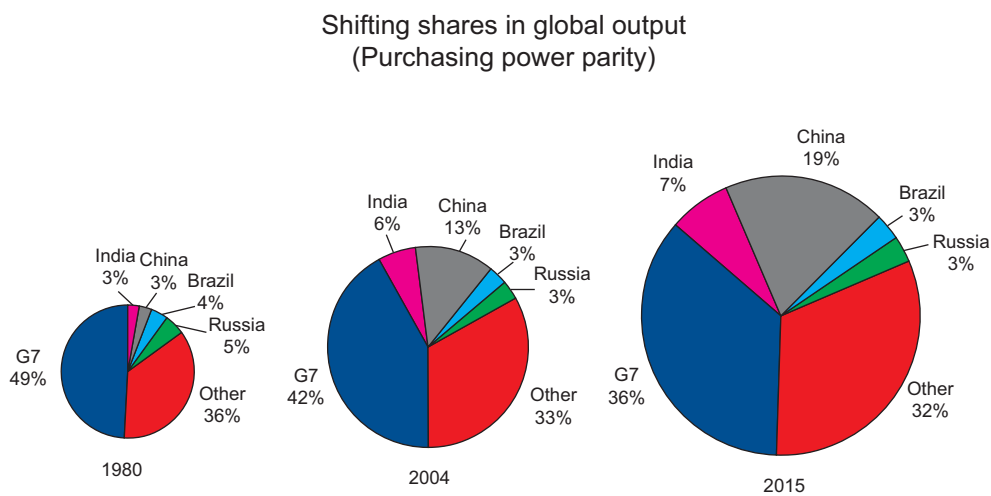
- The pace of change in technology, globalisation is accelerating with implications for changing patterns of employment by sector and skills.
- Many existing skills will become obsolescent – there is an urgent need to look at the upskilling and retraining needs of the current workforce.
- Structural and occupational change, technological and demographic drivers will, in combination, continue to increase the demand for higher level skills.
- The need to replace skills will continue to fuel demand for low-skilled and semi-skilled occupations in sectors such as manufacturing and construction.
- The need for good technical skills (as well as “employability” skills) remains a key driver of many skill shortages.
- Many adults still have basic literacy and numeracy problems.

Figure 1 - The supply of skills in the EU is improving



Source: Own estimates bases on Eurostat EU Labour Force Survey Microdata set.

Figure 2 - Changing balance in the world economy



Areas indicate size of global economy.
Source: IMF, Consensus Forecasts, HM Treasury.

3. Changing balance in the world economy

The “centre of gravity” of the world economy is shifting eastwards (see Figure 2). China and India in particular are likely to become an even larger force in world economic events over the next few decades. This will pose both threats and opportunities for the EU.

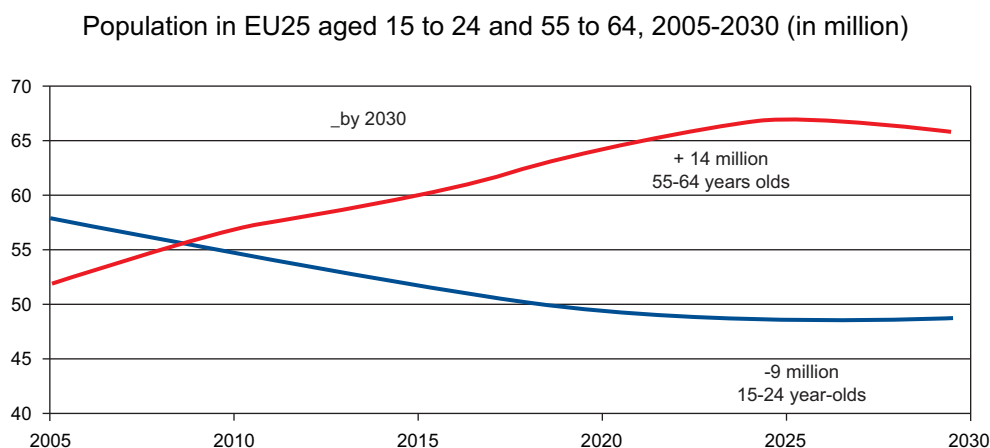
Adopting a “siege mentality” is likely to be counterproductive and inhibit the changes necessary. This is associated with the mistaken belief that China and other developing economies can only grow at the expense of domestic jobs and prosperity, and that the only way to save local jobs is by adopting protectionist trade policies. The emphasis needs to be on creating more new “good” jobs rather than protecting old “poor” ones.

4. The Demographic Challenge

Demographic changes, notably the increase in the average age of the EU's population, with implications for dependency rates and pressures on pension and health systems (as well as public finances), will add to the external pressures and make it more difficult to attain productivity and growth targets (see Figure 3).

The declining numbers of young people entering the workforce will lead to a greater reliance on older workers, and will increase the need to look beyond the current employed workforce, for example, attracting new migrants, and increasing the employment rate by moving people from benefits into work, etc.

Figure 3 - Demographic changes



Source: Population projection 2004, Eurostat, baseline variant.

5. Pan European Employment Trends in Job Creation: Initial Results from the Cedefop Project on anticipating future skill needs

The new employment projections emerging from the Cedefop project remain preliminary, and the detailed results are likely to be subject to amendment before the publication of the final results at the turn of the year. There is also considerable scope for further refinement and improvement of the methods used.

Despite these reservations, many of the results emerging from the analysis are robust and not sensitive to these detailed concerns. Such projections can provide valuable information to a broad range of users, from individuals

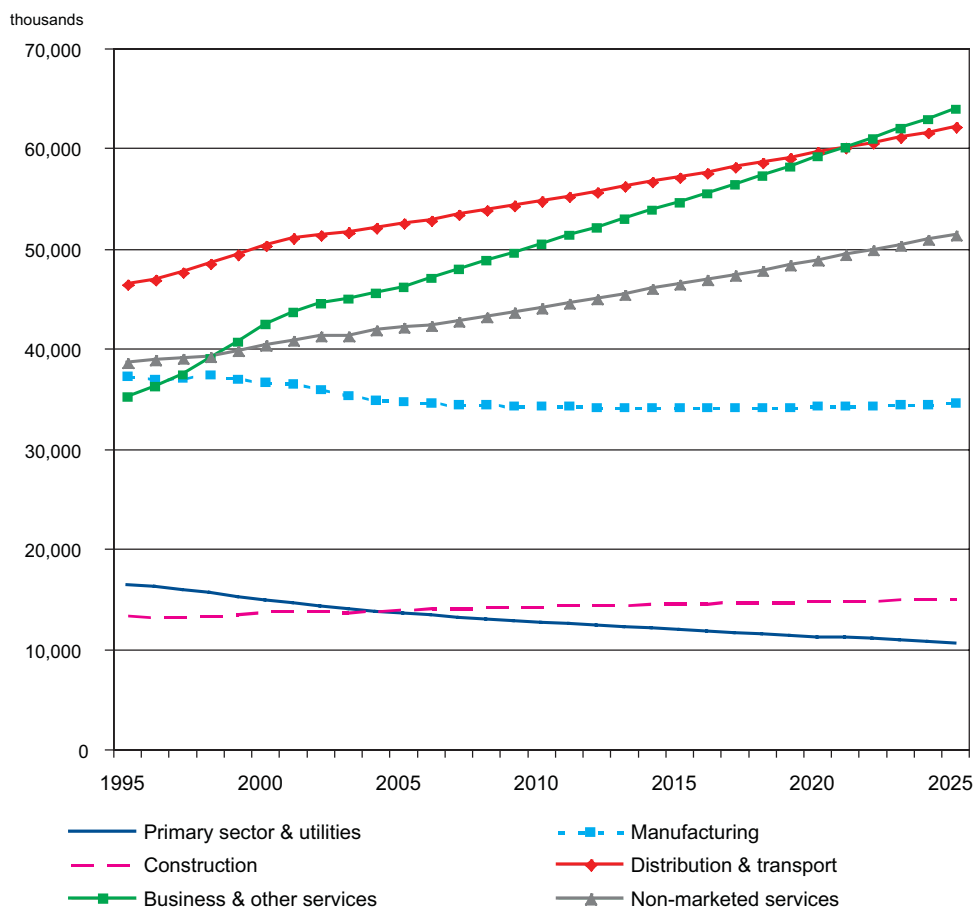
making career choices through to policy makers operating at the highest strategic level, about the changing patterns of job creation within the EU. They offer for the first time a broad and consistent overview for the whole of Europe, providing a common *Framework* within which prospects for individual countries can be compared.

This section presents a summary of the results, summed across all 25 EU countries (i.e. for the whole of Europe as of the end of 2006). The results at the level of 6 broad sectors follow a similar pattern for most individual countries, although the significance of the different sectors obviously varies quite significantly across countries. Some common themes emerge in terms of changes over time, notably the declining shares of those employed in primary and manufacturing sectors and the growth of employment in services (both marketed and non marketed, see Figure 4). Similar information is available for more detailed industry breakdowns, and here the differences across countries are greater.

Trends by broad occupation (9 groups) reveal a steady increase in the number of jobs at the upper end of the occupational/skills spectrum (see Figure 5). Again analogous information is available for a more detailed 27 category breakdown. There are many trends in common across countries at this broad level of aggregation. However, there are also some differences, especially at the more detailed level of aggregation. These reflect different stages of economic development and different industrial & occupational structures.

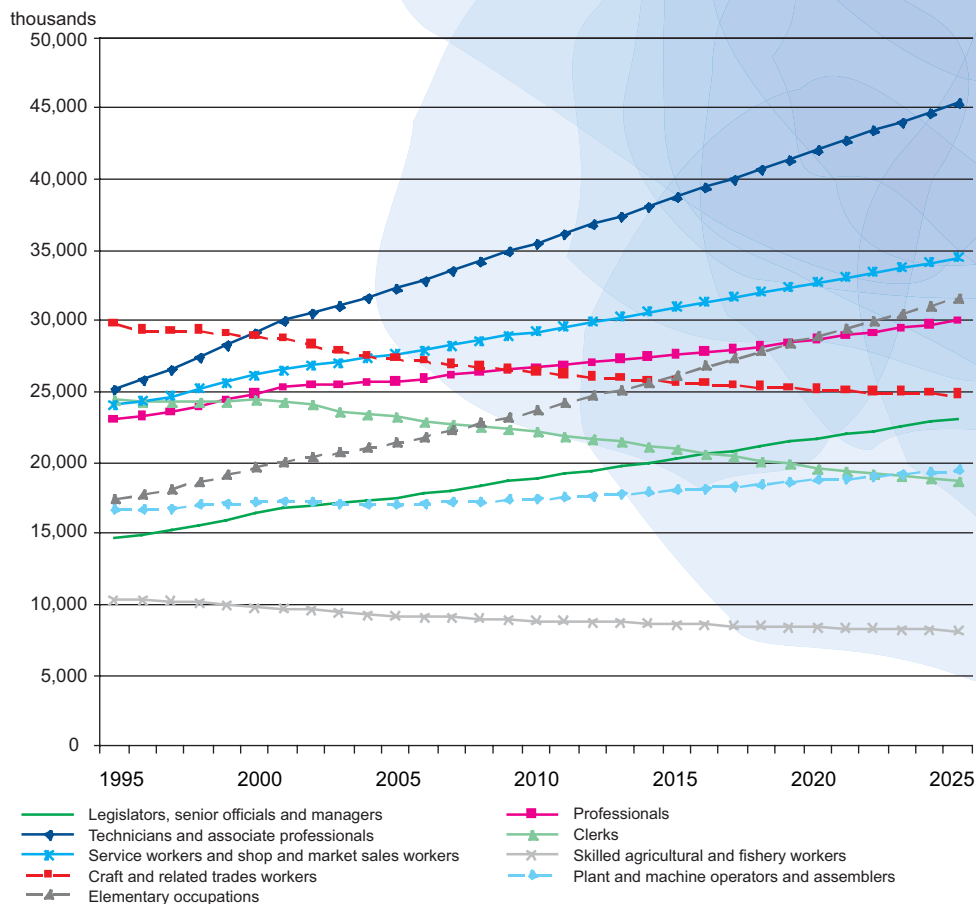
The Cedefop project also includes more detailed results by sector and by occupation, as well as those which compare across countries. The latter highlight the relative sizes of the 25 countries in terms of total employment, as well as overall trends in each case. It is clear that, even at the broad levels shown here, there are some significant variations across countries but the overall trends shown here are quite robust, with many common themes.

Figure 4 - Past and Likely Future trends by Sector (EU 25)



Source: Preliminary estimates from the Cedefop project based on the CE E3ME Model.

Figure 5 - Past and likely future trends by occupation (EU 25)



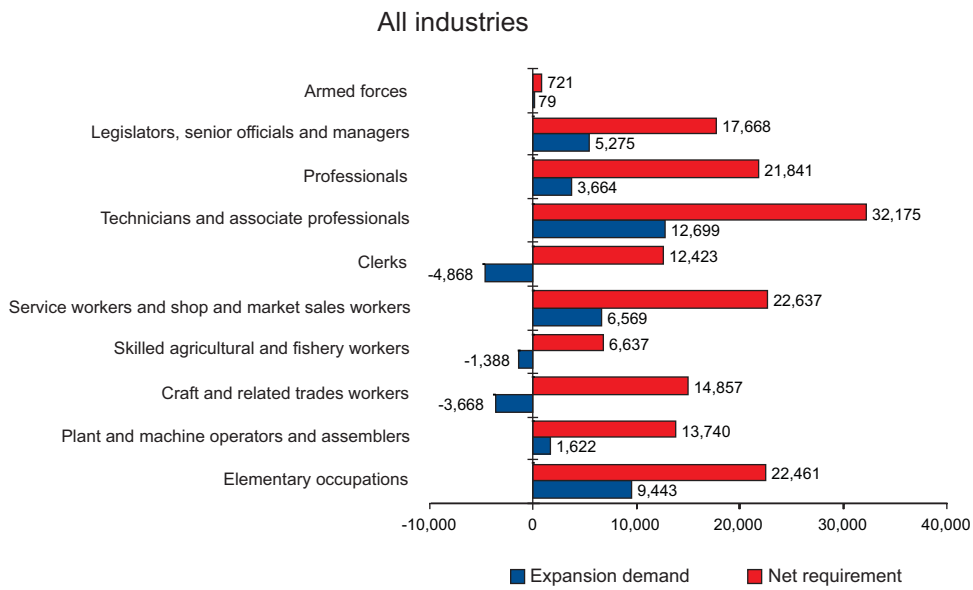
Source: Preliminary estimates from the Cedefop project based on the CE E3ME Model.

6. Replacement demands

In addition to analysing changes in overall occupational employment levels it is important to consider replacement demand. Replacement demand focuses on job openings arising because people leave the workforce, due to retirement, net migration, movement into other occupations and in-service mortality. Replacement demands for a particular occupation depend on the scale of employment in the occupational category and the rate of outflow (which can in principle be separated out to distinguish the various elements as described above).

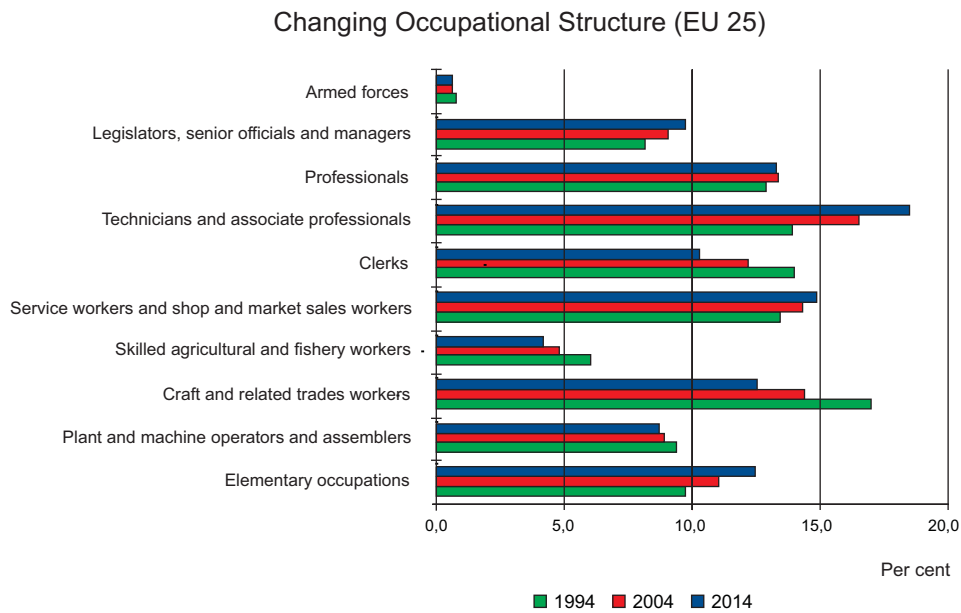
A simple set of assumptions has been used to generate these estimates. These are not at present country specific. Outflow rates will depend upon the age structure of the particular group of workers (defined by country, industry and occupation), as well as other specific factors such as mortality, etc. Not least amongst the latter will be factors relating to migration flows between countries. These have become of much greater significance in recent years. While the general *Framework* developed in the Cedefop project allows for these differences to be taken into account, its application in these preliminary results adopts a much simpler set of assumptions. The present set of results (see Figure 6) should therefore be regarded as illustrative. They are based on the assumption of a rate of outflow of around 2 1/2 % per annum. It excludes migration. The latter is probably a major factor for some countries.

Figure 6 - Replacement demands (EU 25, (000s))



Source: Preliminary estimates from the Cedefop project based on the CE E3ME Model.

Figure 7 - Shift towards an "Hour glass" Occupational Structure



Source: Preliminary estimates from the Cedefop project based on the CE E3ME Model.

7. Polarisation: the “hour glass effect”

It has been argued by some that technological change and globalisation have resulted in a polarisation of the demand for skills. While skill biased technological change has increased the demand for many higher level skills, there has at the same time been growth in demand for less skilled jobs, and a hollowing out of the occupational spectrum, creating an hour glass shaped structure.

The initial results emerging from the Cedefop project tend to confirm this picture (see Figure 7). There has certainly been some hollowing out of the occupational spectrum, with the loss of employment shares amongst agricultural and fishery workers, some other craft workers, clerks and other intermediate level jobs. Moreover, especially when replacement needs are taken into account, there will be many job openings at the elementary and less skilled levels (see Figure 6). There are of course also other important aspects of polarisation, including geographical dimensions (some areas benefiting from economic growth much more than others), as well as issues related to “flexicurity” (temporary versus permanent employment contracts, etc).

8. Caveats on the projections

It should be emphasised that the projections are not prescriptive. They are the consequence of extrapolating past patterns of behaviour and performance. They are not inevitable, but likely if nothing else changes. The trends at aggregate level are quite robust and subject to considerable inertia. They represent the effects of powerful “economic tides” that will be difficult if not impossible to resist. The priority will be to educate, train and inform EU citizens so that they can “surf the waves” rather than trying to resist them.

The Lisbon agenda and subsequent policy statements from the EU Commission have emphasised the need for Europe to anticipate changing skill needs. The need for regular forward looking assessments has received further impetus following the setting of employment targets and related policies as part of the Lisbon Strategy. Such results can help to inform active labour market policies to retrain the unemployed or reintegrate individuals who are economically inactive. It is also becoming increasingly important given the rising levels of migration flows between countries. Labour mobility between European countries is, if anything, likely to increase further. International labour mobility can help to resolve labour market bottlenecks and deal with surpluses. Information on future skill needs in Europe can help, therefore, to orientate and guide policy, as well as informing individuals about the developing situation.

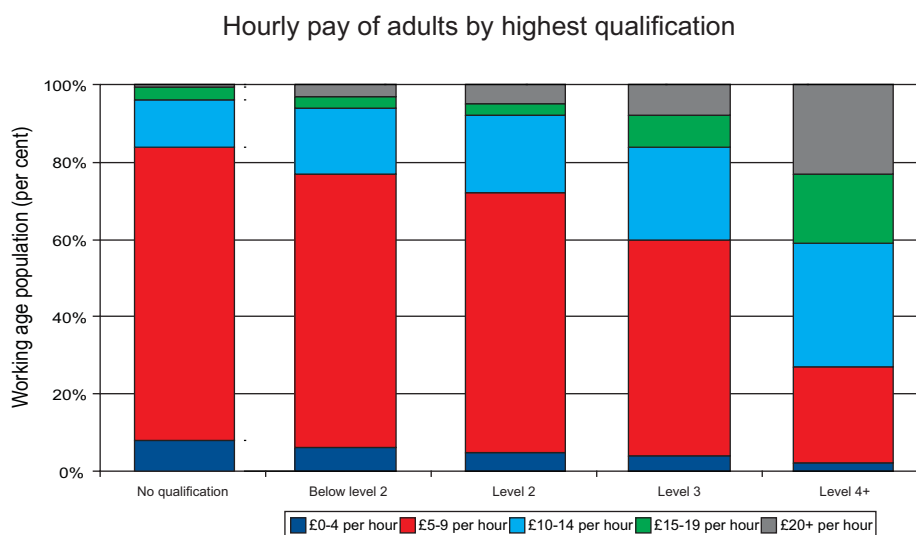
Whilst it is generally accepted that in a market economy it is not possible to predict the future precisely, the need to make strategic plans and choices which will influence the future path taken by the economy and labour market is widely accepted. Such plans need to be guided by robust labour market information and intelligence (LMII), including a forward looking element. This needs to be based on regular, systematic and quantitative approaches to forecasting and scenario development. Skills are a key part of the infrastructure of the economy, and the choices made by both policy makers and individuals about investment in education and skills will help to determine the path the economy takes. These choices need to be guided by good LMII. Currently the EU is only investing modestly in such activities. Comparison with our main competitors suggests the need to give such work much higher priority. A range of approaches to assessing future skill needs is required. These need to encompass both quantitative and qualitative methods and to serve a range of audiences, including: policy makers, stakeholders, social partners, practitioners and individuals.

9. Why Skills Matter

It is important to remember why skill matter. There is a growing body of evidence that demonstrates the financial benefits of education and training. Across the spectrum from higher degrees to more basic investments in literacy and numeracy, individuals gaining additional skills and qualifications see a significant return on their investment in terms of future earnings, (see Figure 8). There is also evidence that performance of companies and the prosperity of individuals are both dependent upon the skills they possess. Investment in education and skills also has considerable benefits in terms of increasing employability and reducing social exclusion (see Figure 9).

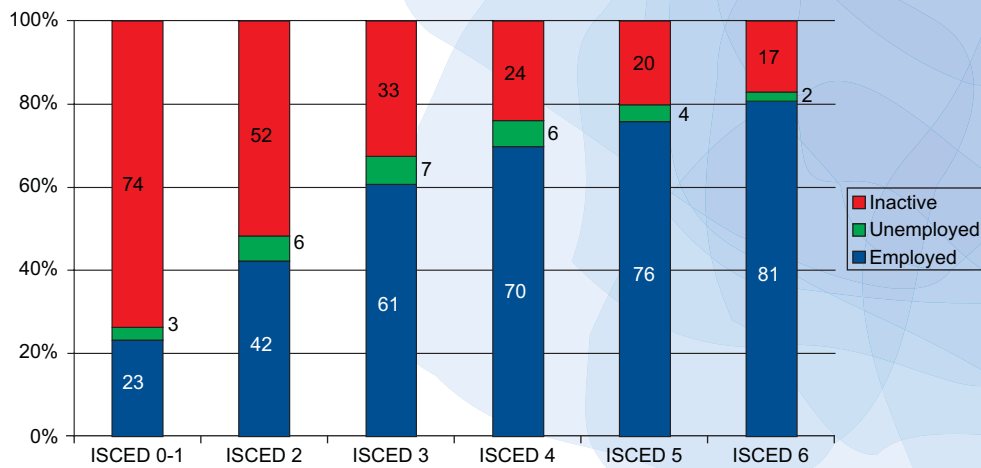
Research undertaken as part of the Leitch review in the UK, has examined the returns to investment in different skill levels. While there are likely to be significant positive returns to investment in skills at all levels (see Figure 10), there are very different implications for equity versus efficiency (see Figure 11). Investment in higher level skills (i.e. at university degree level+) is more important for efficiency and achieving productivity gains, while investment in more basic skills (especially literacy and numeracy) is more important to achieve better social inclusion and equity.

Figure 8 - Pay and Qualifications



Source: Skills in the Global Economy, HM Treasury, 2005, p11, derived from Labour Force Survey, Winter 2003

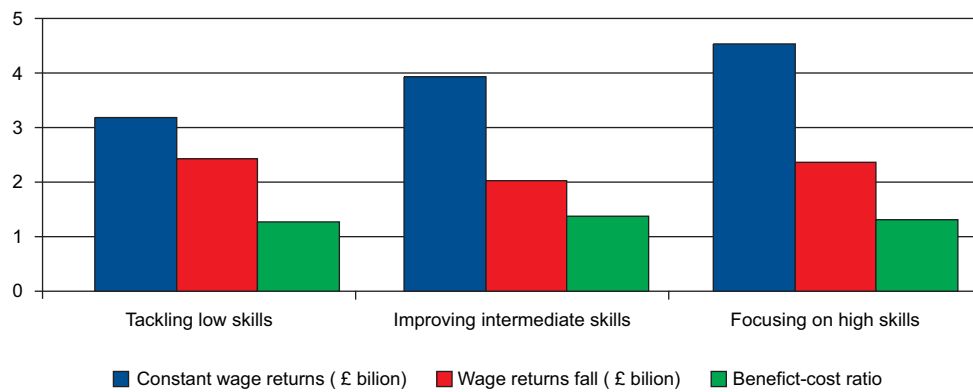
Figure 9 - Social inclusion- Economic activity rates by level of qualification



Source: Own estimates based on Eurostat EU Labour Force Survey Microdata set.

Figure 10 - Possible returns from future investments in skills

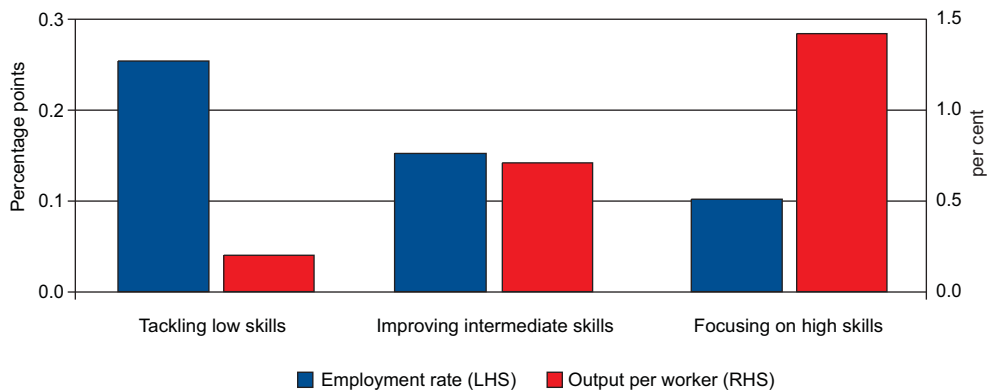
Annual net benefit and benefit-cost ratios



Source: Leitch Review

Figure 11 - Efficiency versus equity

Impact on employment and productivity on top of current ambitions by 2020



Source: Leitch Review

10. Policy implications 1: Addressing skill gaps and investing in skills

The overall demand for skills is projected to continue to rise. While there have been improvements in European skill levels other competitors have not stood still. There are a number of significant skill gaps, which need to be addressed. More emphasis is needed on:

- adults and basic skills – a key problem remains the poor skills of many of those already in the workforce;
- vocational as opposed to academic qualifications;
- focusing a significant proportion of post 16 training activity on meeting future skill needs.

There is a real concern about the share of students going into Science and Engineering courses. The “knowledge triangle” (education, innovation and research and development) requires a sound science, technology and engineering foundation if the EU is to compete successfully, and this requires high level skills in this area. Other aspects such as innovation and design in the more creative and cultural industries and services will also be very important, as will a large range of jobs associated with the care of the environment and care of people.

There is a need for further improvements in labour market information on current and anticipated future changes to assist in tackling these problems by making people better informed. In particular, these need to address the failure to recognise:

- the full benefits of education and training;
- the value of vocational as opposed to academic routes; and
- the significance of replacement demands as opposed to net changes in employment levels.

Perhaps the most difficult challenge of all will be to raise the demand for skills from employers. Unless they can also be persuaded to recognise the benefits of skills, and to invest more heavily in them, then supply side intervention is likely to be ineffective, resulting in skill surpluses rather than the well paid highly productive jobs that are likely to characterise a successful 21st century economy. This may require “sticks” as well as “carrots”. There has been much talk of raising sights and ambitions but there are few policy levers to achieve this. Ways of raising standards might include:

- Increasing or introducing minimum wages; and
- Introducing Licences to practice across Europe.

Employer engagement, diagnosis and response are crucial - (greater sectoral involvement, taking into account the particular circumstances of SMEs, measures to change reporting incentives, to encourage investment in skills, etc, are all needed). There is also a need for more and better policies to engage learners (better LMI, careers guidance, entitlements, licences to practice). Finally, it is important to get the balance right between equity and efficiency, but investment is needed across the spectrum.

11. Policy Implications 2: The need for better *Anticipation*

It is not possible to predict the future precisely - mechanistic skills forecasting is infeasible in a market economy. But individual actors need to make strategic plans and choices which will influence the future path taken by the economy and labour market. Preparing the workforce for these challenges requires robust LMII, including projections. The present EU infrastructure in this area is inadequate compared

with our main competitors. The EU currently devotes only very modest resources to such activities compared with the much higher investment in Anticipation being undertaken by the US (Bureau of Labor Statistics, \$6-7 million per annum), and in countries such as China.

Anticipation is a key element in 3 of the EU Employment Guidelines:

- #19 (improving matching of labour market needs);
- #20 (promotion of flexibility and adaptability);
- #23 (adaptation of education and training systems to meet new requirements).

If this issue is to be taken seriously a significantly greater share of resources needs to be allocated to this kind of work at EU level to develop a sound infrastructure to serve the whole EU (to complement the efforts being made by some individual countries).

A variety of approaches is needed, but regular, systematic quantitative model based forecasts and scenario developments are key elements. These need to serve a range of audiences, including: stakeholders, social partners, practitioners and individuals – not just policy makers.



Some Proposals for Incorporating Work Organisation and Competence- Building into a New Generation of Integrated Guidelines

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Some Proposals for Incorporating Work Organisation and Competence- Building into a New Generation of Integrated Guidelines¹

Edward Lorenz

Introduction

The 2005 European Council decision on guidelines for the employment policies of the Member States confirmed the leading role of the European employment strategy in the implementation of the employment objectives of the Lisbon strategy. The strengthening of social cohesion was identified as a key element for the success of the Lisbon strategy and more generally the Council decision placed emphasis on the need to “tap synergies” between the economic, social and environmental objectives of the Lisbon strategy. It was stated that, “efforts to raise employment rates go hand in hand with improving the attractiveness of jobs, quality at work and labour productivity growth, and reducing the share of working poor; synergies between quality at work, productivity and employment should be fully exploited.”²

This emphasis on synergies between the economic and social objectives of the Lisbon strategy was also prominent in Maria Rodrigues’ remarks at the Expert Seminar concerning the need for the European social model to address both questions of social cohesion and competitiveness, and concerning the need for a new generation of guidelines which better integrates economic and social aspects. One of the six main political priorities identified for a better policy mix was investing in skills and competence building and in the subsequent discussions that were held amongst the experts there was broad agreement on this priority.

The main objective of this paper is to argue that the dissemination of innovative forms of work organisation will be central to developing skills and building competences in a way that promotes both the economic and social objectives of the Lisbon strategy. Investments in skills and competence building are, of course, central to the processes of knowledge accumulation and innovation that the Microeconomic Guidelines identify as key drivers of long term growth. Further, as EU policy has rightly emphasized, the skills of scientists and engineers with third-level education are important inputs to successful knowledge creation and innovation. There has been insufficient appreciation in EU policy, however, that formal skills based on third-level education are not the only human resource inputs needed. Innovation also depends critically on the skills developed by employees on-the-job in the process of solving the technical and production-related problems encountered in testing, producing, implementing and marketing new products and processes. Developing these sorts of skills in turn depends not just on the quality of formal education, but also on having the right organisational structures and work environments. Work environments need to be designed to promote learning through problem solving and to encourage the effective use of these skills for innovation.³

Organisational practices and change also affect the working conditions and the relative security of workers. A special problem with the knowledge-based economy is that, if left to itself, it may give rise to growing social inequality in terms of job opportunities and work environments, and degree

¹ This paper draws directly on research published jointly with Anthony Arundel, Bengt-Aake Lundvall, and Antoine Valeyre. See, notably, Arundel et al. (2006), Lorenz and Lundvall (2006), and Lorenz and Valeyre (2006).

² See http://ec.europa.eu/growthandjobs/pdf/integrated_guidelines_en.pdf for the full text of the Council decision.

³ See Jensen et al. (2007) and Arundel et al. (2006) for a further development of these points.

of influence at the workplace. Here the organisational principles and practices actually used will affect the outcome in these respects. The kinds of management strategies that prevail will determine if performance enhancing organisational change can be combined with sustainability in terms of degree of social equality. Organisational strategies that neglect this social dimension may undermine social capital and thereby the long term viability of relationships that are decisive for the performance of the knowledge-based economy.

Despite the importance of work organisation for competence building, adaptability and job quality, scant attention is paid to work organisation in the 2005 Integrated Guidelines. Of the ten Microeconomic Guidelines the only one to refer to this dimension is Guideline 9 which calls for fixing the necessary framework for the related changes in the organisation of work in order to facilitate the spread and effective use of ICT. Of the eight Employment Guidelines, only Guideline No. 21 refers specifically to work organisation. It calls for the promotion of flexibility combined with employment security in part through, "the promotion and dissemination of innovative and adaptable forms of work organisation, with a view to improving quality and productivity at work, including health and safety". However, none of the six indicators developed for purposes of monitoring or analysing member state's progress in meeting the objectives of Guideline N°. 21 capture organisational aspects.

Of course it can be argued with some justification that this bias in EU policy making reflects the kinds of quantitative measures that are available for purposes of comparison and benchmarking. While there are available internationally harmonised data on R&D, patenting, the development of S&T human resources, ICT expenditures and the introduction of new products and processes, at present there are no harmonised employer-level survey data that could be used to characterise work organisation and other aspects of organisational design across EU member nations.

In what follows I start by showing that is possible to partially overcome this limitation by using the employee-level data from the European Surveys of Working Conditions to construct EU-wide aggregate measures of the use of different forms of work organisation. Simple correlations are presented to show, at the level of national systems, the relations between forms of work organisation, and innovation modes, investments in education and training, and levels of employment and unemployment security. I then identify a set of simple indicators for purposes of monitoring that could be used in the context of a new generation of Integrated Guidelines that include a guideline on the promotion and dissemination of innovative forms of work organisation. The construction of relevant indicators for purposes of analysis, however, would require the development of an entirely new EU-wide organisational survey instrument.

Mapping the diffusion of forms of work organisation for the EU-15

Table 1 presents the results of a cluster analysis developed by Lorenz and Valeyre (2006) based on data from the third European Survey of Working Conditions undertaken in 2000. It identifies four distinct forms of work organisation: the discretionary learning (DL), lean, taylorist and traditional forms. Appendix A describes the 15 binary variables used to construct the four work organisation clusters.

Table 1 - Work Organisation Clusters

Variable	Percent of employees by work organisation cluster reporting each variable				
	Discretionary learning	Lean organisation	Taylorist organisation	Traditional organisation	Average
Team work	64.3	84.2	70.1	33.4	64.2
Job rotation	44.0	70.5	53.2	27.5	48.9
Quality norms	78.1	94.0	81.1	36.1	74.4
Responsibility for quality control	86.4	88.7	46.7	38.9	72.6
Problem solving activities	95.4	98.0	5.7	68.7	79.3
Learning new things in work	93.9	81.7	42.0	29.7	71.4
Complexity of tasks	79.8	64.7	23.8	19.2	56.7
Discretion in fixing work methods	89.1	51.8	17.7	46.5	61.7
Discretion in setting work rate	87.5	52.2	27.3	52.7	63.6
Horizontal constraints on work rate	43.6	80.3	66.1	27.8	53.1
Hierarchical constraints on work rate	19.6	64.4	66.5	26.7	38.9
Norm-based constraints on work rate	21.2	75.5	56.3	14.7	38.7
Automatic constraints on work rate	5.4	59.8	56.9	7.2	26.7
Monotony of tasks	19.5	65.8	65.6	43.9	42.4
Repetitiveness of tasks	12.8	41.9	37.1	19.2	24.9

Source: Lorenz and Valeyre (2006)

The *discretionary learning* (DL) forms of work organisation are characterised by way high levels of autonomy in work combined with high levels of learning, problem-solving and task complexity. The lean forms, also characterised by high levels of learning and problem-solving, can be distinguished from the DL forms by relatively low levels of employee discretion in setting work pace and methods and by the greater use of job rotation and team work. These features point to the presence of more structured or bureaucratic style of organisational learning compared to the DL forms. The *taylorist* forms of work organisation are characterised by low discretion in work and by low level of learning and problem-solving, while in the *traditional* forms methods are for the most part informal with below average levels of learning and problem-solving.⁴

Table 2 identifies wide differences in the importance of the four forms of work organisation across European nations. The discretionary learning forms of work organisation are most widely diffused in the Netherlands, the Nordic countries and to a lesser extent Germany and Austria, while they are little diffused in Ireland and the southern European nations. The lean model is most in evidence in the UK, Ireland, and Spain and to a lesser extent in France, while it is little developed in the Nordic countries or in Germany, Austria and the Netherlands. The taylorist forms of work organisation are most frequent in the southern European nations and in Ireland and Italy. Finally, the traditional forms of work organisation are most in evidence in Greece and Italy and to a lesser extent in Spain, Portugal Germany, Sweden and Belgium.

⁴ For a fuller discussion of the methodology, see Lorenz and Valeyre (2006).

Table 2 - National Differences in Forms of Work Organisation, 2000

	Percent of employees by country in each organisational class				
	Discretionary learning	Lean organisation	Taylorist organisation	Traditional organisation	Total
Belgium	38.9	25.1	13.9	22.1	100.0
Denmark	60.0	21.9	6.8	11.3	100.0
Germany	44.3	19.6	14.3	21.9	100.0
Greece	18.7	25.6	28.0	27.7	100.0
Italy	30.0	23.6	20.9	25.4	100.0
Spain	20.1	38.8	18.5	22.5	100.0
France	38.0	33.3	11.1	17.7	100.0
Ireland	24.0	37.8	20.7	17.6	100.0
Luxembourg	42.8	25.4	11.9	20.0	100.0
Netherlands	64.0	17.2	5.3	13.5	100.0
Portugal	26.1	28.1	23.0	22.8	100.0
United Kingdom	34.8	40.6	10.9	13.7	100.0
Finland	47.8	27.6	12.5	12.1	100.0
Sweden	52.6	18.5	7.1	21.7	100.0
Austria	47.5	21.5	13.1	18.0	100.0
EU-15	39.1	28.2	13.6	19.1	100.0

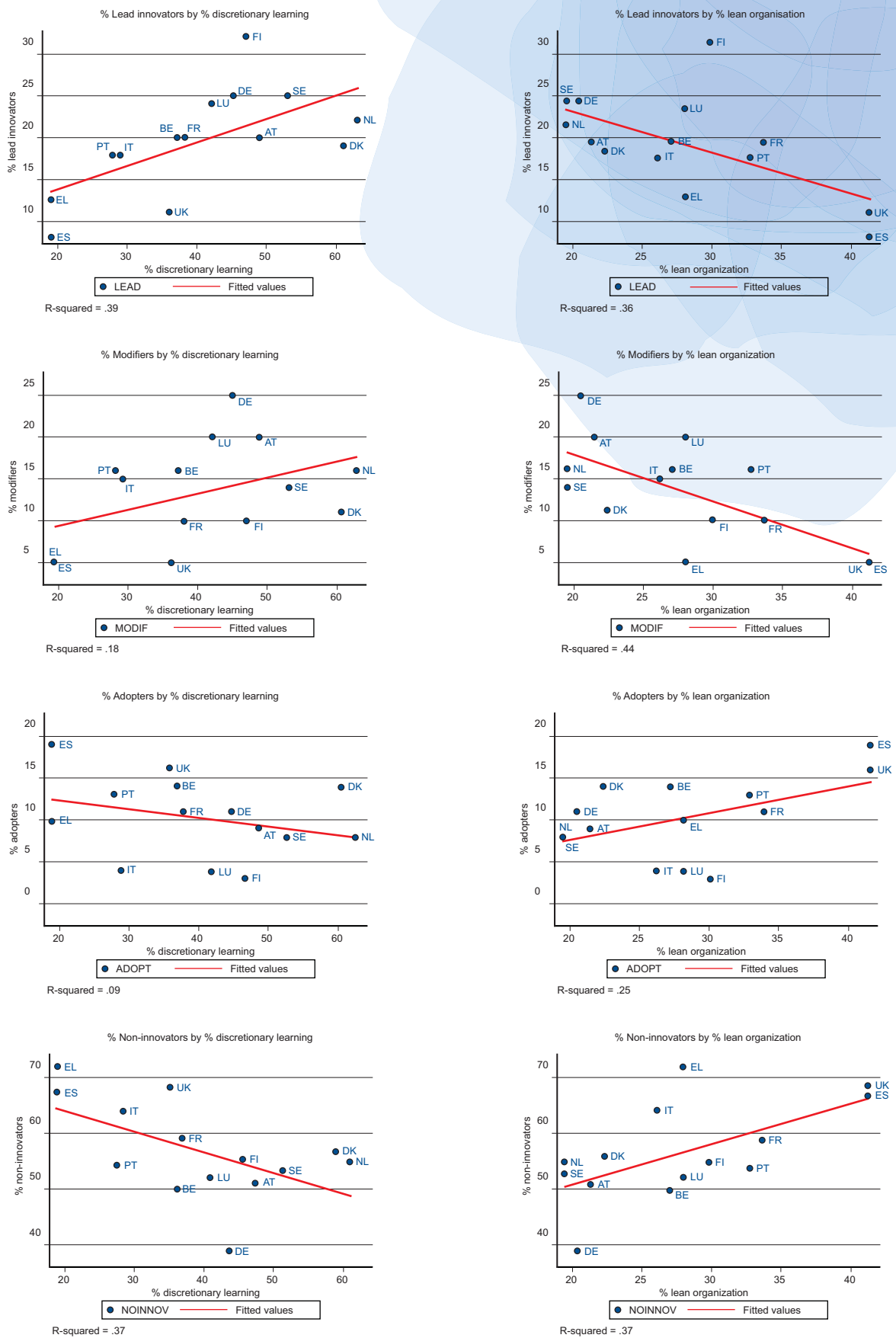
Source: Lorenz and Valeyre (2006)

Links to measures of innovation mode

Figure 1 below presents a series of scatter plot diagrams showing the correlations at the aggregate national level between the frequency of the DL and lean forms of work organisation and the frequency of three categories of innovators (lead innovators, technology modifiers, technology adopters) and a fourth category of non-innovators.⁵ Lead innovators are firms with important in-house creative innovative activities. All lead innovators have introduced a product or process innovation that they developed at least partly in-house, perform R&D at least on an occasional basis, and have introduced a new-to-market innovation. These firms are the most likely source of innovations that are later adopted or imitated by other firms. Modifiers are firms that primarily innovate through modifying technology developed by other firms or institutions and this category includes many firms that are essentially process innovators that innovate through in-house production engineering. Followers are firms that have not demonstrated a capacity for in-house development of new products or processes and the innovations they introduce are acquired from external sources.

⁵ The three categories of innovators are constructed from CIS-3 data using a taxonomy developed by Arundel and Hollanders (2005), in collaboration with Paul Crowley of Eurostat. For a fuller discussion of the links between work organization and innovation mode, see Arundel, Lorenz, Lundvall and Valeyre, 2006.

Figure 1 - Correlations between forms of work organisation and modes of innovation



Source: Third Working Condition Survey and Third Community Innovation Survey as presented in Arundel et al. (2006)

The main results of this exercise are that discretionary learning is positively correlated with the frequency of lead innovators and modifiers, and negatively correlated with the frequency of non-innovators, whereas the opposite tendency holds for lean organisation. These results provide support for the view that there are systemic links between the way work is organised in a nation and firms' innovative performance. The positive correlations between discretionary learning and the frequency of leading innovators provides support for the hypothesis developed in the qualitative literature that forms of work organisation characterised by high-levels of discretion and by complex problem-solving support the forms of knowledge exploration that result in the development of new-to-market innovations and possibly radical innovations.⁶

Links to measures of education and training

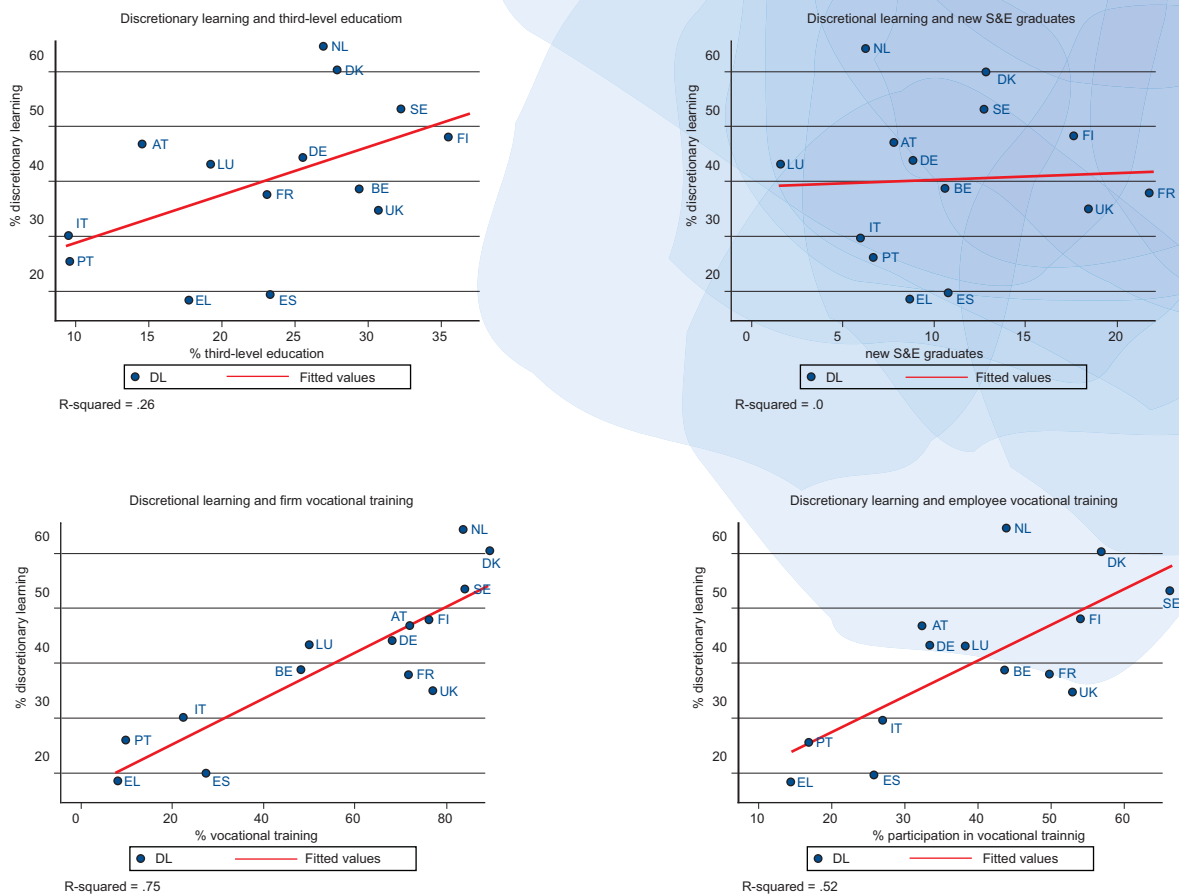
The first two scatter plot diagrams in Figure 2 below show the correlations between the frequency of the DL forms and two of the four measures of human resources for innovation used in Trendchart's innovation benchmarking exercise: the proportion of the population with third-level education and the number of science and engineering graduate since 1993 as a percentage of the population aged 20-29 years in 2000. The results show a modest positive correlation ($R\text{-squared} = .26$) between the DL forms and the percent of the population with third level education, and no discernible correlation between the DL forms and the measure of the importance of new science and engineering graduates.

The upper two scatter plot diagrams in Figure 2 show that there are fairly strong positive correlations ($R\text{-squared} = .75$ and $.52$ respectively) between the frequency of the DL forms and two measures of firms' investments in continuing vocational training: the percentage of all firms offering such training and the participants in continuing vocational education as a percent of employees in all enterprises. The results suggest that these forms of firm-specific training are key complementary resources in the development of the firm's capacity for knowledge exploration and innovation.

These results do not imply that third-level education contributes little to firms' innovative performance. Rather, the point is that within Europe, and with respect to constructing learning organisations, the bottleneck would appear to be at the level of firm-specific vocational training and not at the level of formal third-level education. It is worth emphasising that Portugal, Spain, Italy and Greece, all of which have made important strides in increasing the number of science and engineering graduates, stand out for their low levels of investment in continuing vocational training and for ranking relatively low on the discretionary learning scale.

⁶ See, notably, the discussion of the relation between innovation and the operating adhocracy forms of organisation in Mintzberg (1979) and Lam (2005).

Figure 2 - Correlations between forms of work organisation and education and training



Source: Source: Third Working Conditions Survey; EUROSTAT, Education Statistics, 2000; and Continuing Vocational Education Survey, 1999.

Links to measures of employment and unemployment security

EU member nations display large differences in their systems of employment and unemployment protection. Elsewhere, Bengt-Aake Lundval and I (Lorenz and Lundvall, 2006) argue that a radical transformation of the European economy and a substantial upgrade of its knowledge base is unlikely to occur unless due attention is paid to the diversity of its national components including the diversity of its systems of employment and unemployment protection. We argue that Denmark’s system of ‘flexicurity’, which combines a relatively high level of unemployment protection with a moderate or low level of employment protection, may serve as a model for overcoming the perceived opposition between regulated and unregulated labour market systems.

Systems combining high levels of unemployment protection with relatively low levels of employment protection may have an advantage in terms of the adoption of the forms of work organisation that promote new to the market innovation. This is related to the fact that organisations which compete on the basis of strategies of continuous knowledge exploration tend to have relatively porous organisational boundaries so as to permit the insertion of new knowledge and ideas from the outside. Job tenures tend to be short as careers are often structured around a series of discrete projects rather than advancing within an intra-firm hierarchy (Lam, 2005, Lam and Lundvall, 2006). While the absence of legal restrictions on hiring and firing will not necessarily result in the forms of labour market mobility that

contribute to a continuous evolution of the firm's knowledge base, strong systems of employment protection may prove an obstacle to their development. Well developed systems of unemployment protection, on the other hand, may contribute to the development of fluid labour markets for two complementary reasons. Firstly, in terms of incentives, the security such systems provide in terms of income maintenance can encourage individuals to commit themselves to what would otherwise be perceived as unacceptably risky forms of employment and career paths. Second, such forms of protection can contribute to the longer term accumulation of knowledge for particular sectors or regions since in their absence unemployed workers would be under greater pressure to relocate with a resulting loss of skills and knowledge.

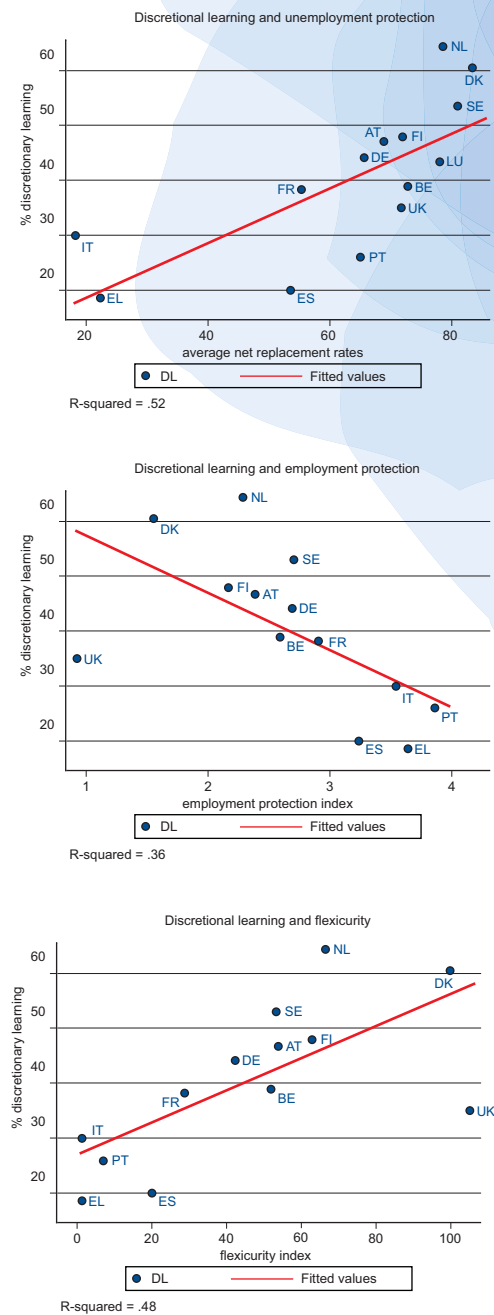
Evidence in support of the view that systems of flexicurity promote the DL forms of work organisation is provided in Figure 3 above.⁷ The top left graph shows that there is a fairly strong positive relation (R-squared = 0.52) between a measure of the level of unemployment protection in a nation and the frequency of discretionary learning. The top right graph shows a negative relation (R-squared = 0.36) between a measure of the level of employment protection and the frequency of the DL forms.

The bottom graph in Figure 3 shows an index of flexicurity constructed from the measures of employment and unemployment protection. The index is constructed so that a nation combining intermediate levels of both unemployment and employment security will score higher than a nation combining a high level of unemployment security with a high level of employment security, or a nation combining a low level employment security with a low level of unemployment security.⁸ The assumption is that the positive effects of a high level of unemployment protection (low level of employment protection) cannot compensate for the negative effects of a high level of employment protection (low level of unemployment protection). Rather, as the literature on flexicurity suggests, what's required is getting the right mix of flexibility and security. The index is positively correlated (R-squared = .48) with the frequency of the DL forms of work organisation.

⁷ The unemployment protection measure in Figure 5 is the average net replacement rate of in-work income over 60 months averaged across four family types and two income levels including social assistance in 1999. See OECD, *Benefits and Wages*, 2002, p. 40. The employment protection measure is the OECD's overall employment protection index for the late 1990s. See OECD Employment Outlook, 1999, Ch. 2.

⁸ The index is constructed by reversing the scoring on the employment protection index such that high values correspond to low levels of protection and multiplying this reversed score by the unemployment index. The resulting flexicurity index has then been rescaled so that the maximum score is 100.

Figure 3 - Correlations between discretionary learning and systems of social protection



Source: See footnote 7.

Developing indicators for purposes of monitoring and analysing the diffusion of innovative forms of work organisation

The figures above show that in member nations where a large fraction of employees are engaged in discretionary learning the performance of enterprises in terms of developing new for the market products and processes is higher. The results also show that in nations where a large fraction of firms offer their employees continuing vocational education the frequency of discretionary learning is higher, and that nations combining moderate to low levels of employment protection with relatively high level of unemployment protection are the ones that have DL gone the farthest in developing discretionary learning.

It is important to emphasize that my purpose in presenting these results is not to argue for a 'one best way' in the sense of a specific set of managerial practices that should be uniformly adopted across EU member states in the interests of achieving better economic performance with social cohesion. Discretionary learning is defined above all by the combination of high levels of learning and problem-solving in work with high levels of employee discretion in how work is carried out. These generic features of work organisation can be promoted through a variety of specific managerial practices and those adopted are likely to vary in ways that depend on local differences in managerial culture and tradition as well as sector specific features of the technology. Teams and job rotation may be a part of the solution in some firms and sectors but only in so far as they are combined with the more generic attributes of employee learning and discretion in work. Discretionary learning as a benchmark, then, is in keeping with the spirit of the open method of coordination where there is considerable latitude at the local level in how political objectives around which there is a broad EU consensus are achieved.

Cluster analysis-based measures of the adoption of different forms of work organisation, though, are not appropriate as the basis for the construction of indicators in the context of the open method of coordination since they lack the essential qualities of transparency and ease of interpretation. Drawing on the original questions posed in the European Working Conditions Surveys, however, one can identify policy relevant indicators that are suitable for purposes of monitoring member nations' progress in the development and dissemination of innovative forms of work organisation. The table in Annex 1 lists a possible set of indicators for monitoring and the tables in Annex 2 presents frequencies for a subset of these indicators for the EU15 in 2000, and frequencies for all the indicators for the EU-27 in 2005.

The employee-level data of the European Working Conditions Surveys are inadequate for developing indicators for the purposes of analysis, since they cannot be used to capture enterprise structure and various aspects of management strategy. Developing these sorts of indicators would require the development of new employer-level survey instruments at the EU-level and in this context is appropriate to briefly mention the Meadow Coordinating Action project (<http://www.meadow.fr>) jointly managed by the Centre for Employment Studies (CEE) and the University of Nice-Sophia Antipolis (UNSA).

Meadow is a three-year project funded through the 6th Framework Programme of the European Community, Priority 7 "Citizens and Governance in a Knowledge-Based Society". It is designed to set out Guidelines for collecting and interpreting harmonised data at the European level on organisational change and its economic and social impacts. It involves 14 main partners and has the active support of the OECD, EUROSTAT and the European Foundation for the Improvement of Living and Working Conditions. The work on the Guidelines, which will be largely completed by the end of 2009, will provide the basis for developing an infrastructure for implementing a harmonized European survey instrument that could provide a more complete set of work organisation indicators as well as contributing to the development of the European Research Area in the social sciences.

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ANNEX 1 - Proposed Indicators for Employment Guidelines on promoting the development and dissemination of innovative forms of work organisation with due regard for improving job quality including health and safety.

Proposed indicators for monitoring

Indicators and definition	Subgroup
21bis.M1 Learning in work. <i>Source European Survey of Working Conditions, 2000, 2005</i> Percentage of salaried employees whose job involves learning new things	Sex
21bis.M2 Problem-solving in work. <i>Source European Survey of Working Conditions, 2000, 2005</i> Percentage of salaried employees whose job involves solving unforeseen problems	Sex
21bis.M3 Autonomy in work methods. <i>Source European Survey of Working Conditions, 2000, 2005</i> Percentage of salaried employees who are able to choose or change their methods of work	Sex
21bis.M3 Autonomous team organisation. <i>Source European Survey of Working Conditions, 2000, 2005</i> Percentage of salaried employees working in teams where the members decide themselves the division of tasks as a percentage of all employees working in teams	Sex
21bis.M4 Assistance in work. <i>Source European Survey of Working Conditions, 2005</i> Percentage of salaried employees who can get assistance from their superiors/boss often or always when they ask for it	Sex

Possible new indicators for analysis based on a future European organisational survey

(Re: MEADOW Coordination Action project)

Indicators and definition	Subgroup
21bis.A1 Problem-solving groups. Percentage of establishments that involve their employees in problem-solving groups	
21bis.A2 Rewarding creativity and originality. Percentage of establishments that reward original ideas that are accepted	
21bis.A3 Employee assessment. Percentage of establishments where employees receive regular formal assessment of their work performance	
21bis.A4 Consultation over changes in work. Percentage of establishments where employees are consulted over changes in their work and/or working conditions	
21bis.A5 Flexible working time arrangements. Percentage of establishments that offer flexibility in working time arrangements or working schedules	

ANNEX 2 - Indicators for monitoring the development and dissemination of innovative forms of work organisation

Indicators	BE	CZ	DK	DE	EE	EL	ES	FR	IE	IT	CY	LV	LT	LU
Percentage of employees whose work involves learning new things, 2000	75	NA	85	61	NA	49	63	71	66	68	NA	NA	NA	75
Percentage of employees whose work involves learning new things, 2005	75	67	84	62	77	68	64	71	68	67	71	68	58	74
Percentage of employees whose work involves problem solving, 2000	83	NA	91	75	NA	67	79	85	68	73	NA	NA	NA	77
Percentage of employees whose work involves problem solving, 2005	89	76	91	77	82	70	75	86	79	70	67	71	58	84
Percentage of employees exercising control over work methods, 2000	56	NA	72	68	NA	43.0	48.1	60	49	62	NA	NA	NA	60
Percentage of employees exercising control over work methods, 2005	71	44	76	69	67	43	39	65	60	60	49	68	57	67
Percentage of employees who can get assistance from their superiors/boss always or often when they ask for it, 2005	58	63	79	55	73	58	69	41	79	38	74	75	58	64
Percentage of employees working in teams where the members determine the division of tasks as a percentage of all employees working in team, 2005	44	45	74	67	49	29	35	43	46	36	25	51	32	51

Indicators	HU	MT	NL	AT	PL	PT	SI	SK	FI	SE	UK	BG	RO
Percentage of employees whose work involves learning new things, 2000	NA	NA	79	69	NA	51	NA	NA	88	78	74	NA	NA
Percentage of employees whose work involves learning new things, 2005	58	74	78	72	74	66	75	64	89	86	69	56	68
Percentage of employees whose work involves problem solving, 2000	NA	NA	92.6	77	NA	59	NA	NA	73	89	80	NA	NA
Percentage of employees whose work involves problem solving, 2005	74	87	93	77	81	75	79	69	79	97	79	65	69
Percentage of employees exercising control over work methods, 2000	NA	NA	79	60	NA	41	NA	NA	63	81	57	NA	NA
Percentage of employees exercising control over work methods, 2005	55	77	69	54	49	59	51	49	66	87	56	41	41
Percentage of employees who can get assistance from their superiors/boss always or often when they ask for it, 2005	77	82	75	68	65	48	73	68	76	72	71	63	64
Percentage of employees working in teams where the members determine the division of tasks as a percentage of all employees working in team, 2005	45	38	56	55	36	37	38	31	67	72	51	38	39

Source: European Survey of Working Conditions 2000, 2005.



Transitional Labour Markets: Managing Social Risks over the Life Course

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Transitional Labour Markets: Managing Social Risks over the Life Course

Günther Schmid

Abstract

Women and men face increasing work-related critical events during their life course and experience risks that are not fully covered by unemployment insurance or other work related insurances. Transitional labour markets (TLMs) aim at navigating risky transitions between various employment relationships or between unpaid (but nevertheless productive) work and gainful employment through various forms of social insurance, continuous education and training and employment services. This paper outlines the theory of TLMs by starting with a critical review of the concept of flexicurity; it continues by providing general strategies and examples to manage social risks over the life course, and it ends by recommending the establishment of a work-life insurance system consisting of three pillars: a universal basic income guarantee, the extension of unemployment insurance to employment insurance, supplemented by private or collectively bargained insurance systems.

How far carries the concept of flexicurity?

Since a couple of years, the European Commission is promoting “flexicurity” as an overarching guideline for the European Employment Strategy (Kok et al. 2004). In her latest Employment in Europe Report, the Commission devoted a whole chapter to this concept by arguing:

“A consensus is [...] emerging [...] that countries should adopt institutional configurations in the labour market that better combine the requirements of flexibility and security – in other words ‘flexicurity’. This implies that, in an environment where workers experience more frequent transitions between employment and non-employment, and between different kinds of employment, policies need to put in place the right conditions for individuals to successfully manage these transitions, thereby ensuring sustainable integration and progress of individuals in the labour market.” (European Commission 2006, 111).

The chapter, however, focused mainly on those policy tools that impact on external numerical flexibility – i.e. the adjustment of the quantity of labour used by firms – and on the income/employability security of workers through unemployment benefits and active labour market policy. In other words, the hidden agenda of this chapter was the Danish model of flexicurity which is based on the so-called “golden triangle”: first, a flexible labour market through high job turnover made possible through low job protection; second generous welfare schemes especially in form of high unemployment benefits; third, an active labour market policy aimed at enhancing employability especially through education and training measures.¹ At the end, however, the report comes to the cautious conclusion that the Danish model might be a particular model not suitable to adapt for all European countries. Three aspects are emphasised that may prevent other countries to imitate the Danish model: first,

¹ The best references for the Danish model are Bredgaard and Larsson (2005) and Madsen (2006).

high budgetary costs implied in the model, second established trust relationships between the social partners, third an average high skill level of workers combined with a production system dominated by small and medium sized firms.

There are other reasons for the limited range of “flexicurity”. Although the concept had a clear vision in its historical development, there is presently the danger that it becomes instrumental for various connotations or even political interests. It might be useful therefore to remind the historical roots of the concept. In fact the term has been coined by the sociologist Hans Adriaansens in the middle of the 1990s, then member of the Scientific Council for Government Policy (WRR). In advising the Dutch government at that time under the leadership of the social democrat and trade union leader Wim Kok, Adriaansens intended to express with “flexicurity” the idea that insiders should give up some security in favour of the growing number of people with flexible and insecure employment relationships. Otherwise, the trend of flexibilisation at the margin would proceed opening the doors for new cleavages and segmentation of the labour market. Employment security should be preferred therefore to job security. He had in mind especially unprotected temp-agency workers whose number has increased at that time to almost five percent of all Dutch employees. As a consequence the law “flexibility and security” was enacted giving temp-agency workers the status of regular employees after six months, and the right to an open-ended contract after 18 months or, at the latest, after 36 months. Temp-agencies were also obligated to put aside about one percent of wages (0.92 %) into a training fund in order to improve the employability of their workers in times without employment.

In analytical terms, the conundrum with flexicurity stems from the complex interrelationship between the various elements of the two dimensions of flexibility and security. At least four elements for each dimension can be distinguished: Internal and external numerical flexibility, internal and external functional flexibility on the one hand, job security, employment security, income security and option (or combination) security on the other hand.²

The nexus between these types is more complicated as usually considered (Figure 1). The flexibility-security-nexus is not always a trade-off or a zero-sum-game between employers and employees. The employer’s flexibility gain does not necessarily mean a loss of security for employees; and the employee’s gain in security does not necessarily mean a loss of flexibility for employers. Employers have also an interest in security, for instance loyalty and reliability of workers. Vice versa, employees have also interest in flexibility, for instance in working time flexibility to combine family and work, or in job changes if the family has to move from one location to the other. Workers, especially the young, may also have an interest in job changes to gain new experiences and to extend their social networks.

² For the meaning of these terms see, among others, Wilthagen and Tros (2004); Leschke et al. (2006); Chapter 2 “Flexibility and security in the EU labour markets” of the Employment in Europe Report 2006, pp. 75-118 (with more references).

Figure 1 - The Flexibility-Security Nexus

Flexibility	Security			
	Job security	Employment security	Income security	Option security
External Numerical	to	to / vt / vs	to / vt / vs	to
Internal Numerical	vt	vt	(to) / vt	to / vt
Internal Functional	vt	vt	to / vt	(to) / vt
External Functional	vt	to / vt / vs	to / vt	to / vt

to = trade off; vt = virtuous circle; vs = vicious circle

Take for instance the first column – the nexus between job security and various forms of flexibility. There is clearly a trade-off between job security and external numerical flexibility: the more employers have freedom in hiring and firing (external numerical flexibility), the lower is job security for individual employees and vice versa. If, however, employees exchange job security for accepting internal numerical flexibility in terms of working time variability (often combined with acceptance of nominal wage flexibility), job security and flexibility may turn into a virtuous circle. Job security can also induce employees to be loyal to the employer, to invest in firm specific human capital, to cooperate and to pass over tacit knowledge to other employees because they don't have to fear internal competition. All this is increasing internal functional flexibility. If employers in addition have the opportunity to use – according to fluctuating demand – qualified job services provided by temp-agency work, job security can also go hand in hand with flexibility. The temp-agency can pool firms' individual risk of fluctuating demand thereby providing their workers job security.

Take the second column and the link between external numerical flexibility and employment security. Hire and fire clearly affects job security but not necessarily employment security. If the labour market provides plenty of job opportunities, for instance through high job turnover or effective demand management, then flexibility and employment security can go hand in hand. The nexus, however, can also be deadly vicious. Apart from rising fluctuation costs, hire and fire policies can lead to an overall feeling of insecurity. On the one hand, insecurity may lead to exaggerated savings, lowering consumption and effective demand; on the other hand – as the case of East-Germany has drastically shown – insecurity leads also to postponing family planning, thereby lowering the children (birth) rate. The willingness to invest in human capital will also decline, thereby leading in the long-run to a decline both in total as well as in high skilled labour supply ending in a vicious circle of flexibility and security.

Summing up one can note that the balance of flexibility and security depends on trust between interacting partners, and trust depends on stable relationships. In addition, the types of flexibility and security have to interact in a complementary way at the micro, meso and macro level. Generous income security, as for instance in Denmark, can compensate the risk of job insecurity thereby buffering the trade-off between external numerical flexibility and job security. Option security in the form of public

child-care institutions, maternity and parental leave can enhance employment security both for men and women, thereby increasing effective labour supply and, as an indirect effect, possibly increasing wage flexibility. Finally, whether relationships between the different types of flexibility and security turn out to be trade-offs, virtuous or vicious circles will also depend on the design of the specific labour market or employment policy measures.³ One way of framing this complex interrelationship between flexibility and security is the theory of transitional labour markets (TLMs) to which I turn now.

The theory of transitional labour markets

Transitional labour markets (TLMs) offer conceptual guidelines for managing employment-related risks during the life-course.⁴ These risks are currently changing for a variety of reasons: increasing participation of women in the workforce, changing work organisation and technologies, an ageing workforce, increasing international competition and so on. Moreover, the borders between gainful employment and other productive activities are becoming increasingly blurred. The 'standard labour contract' is eroding or at least changing in character. People transit more and more between different employment statuses: between part-time and full-time, dependent and self-employment, unemployment and employment, education or training and work, unpaid family and gainful labour market work, work and retirement.⁵

As an analytical concept, TLMs emphasize the dynamics of labour markets by focusing the analysis on flows rather than stocks and by applying methodologies that attempt to detect, compare and explain patterns in the myriad of individual transitions. Some of these transitions are critical in the sense that they can lead to downward spirals in work careers ending in recurrent unemployment or (finally) in long-term unemployment, poverty and subsequently a discouraged state of inactivity or even violent protest. In line with the concept of social risk management (Schmid 2006), the TLM approach measures probabilities or (preferably) frequencies of risks during the life course, for instance the risk of becoming unemployed, getting trapped in fixed-term contracts or low paid jobs, or to moving downward in career after shifting from full-time to part-time work.

As a normative concept, the TLM approach envisages new kinds of arrangements to prevent labour transitions from becoming trapdoors to social exclusion. TLMs, instead, aim at transforming potential traps into gateways that open up a wide range of opportunities or capabilities for the employed as well as for 'inactive' or unemployed people. Four theoretical assumptions are underlying this vision. First, concerning the goals of action, the concept of TLMs is opposed to the utilitarian assumption of maximisation of happiness for all and rather emphasises the difference principle of Rawls' (2001) according to which inequality is only justified if it improves the lot of the neediest. Minimizing unhappiness (Offer 2006), caused especially through long-term unemployment, seems to be more worthwhile than maximizing happiness (Layard 2005). Second, concerning risk sharing, TLMs follow the ethic of responsibility by Dworkin (2000) which emphasises individual agency under conditions of equally distributed resources. Third, concerning individual freedom, TLMs assume individual differences in the ability to use material resources for fulfilling personal life plans, which also calls

³ See Appendix I for further deliberations on "balancing" flexibility and security" on micro, meso and macro level.

⁴ Regarding the concept as well as applications of TLMs see, among others, O'Reilly et al. (2000), de Koning (2007), Schmid (2002a, b), Schmid (2006), Gazier (2003), Schmid/Gazier (2002), Schömann/O'Connell (2003), Mosley et al. (2002), Howe (2007).

⁵ The fact that international research finds no remarkable downward trends in job tenure (Auer and Cazes 2000) does not necessarily contradict this observation, since some of the transitions can be performed within a stable employment relationship, for instance the shift from full-time to part-time work or parental leave, or the combination of part-time work with off-the-job training.

for differences in endowment with resources (Sen 2001). Fourth, concerning the European perspective, TLMs assume an increasing inter-dependency between economic and social action which requires a spatial expansion of the principle of inclusion, in other words, an expansion of solidaristic risk-sharing communities beyond ethnic, regional and national boundaries (Ferrera 2005).

TLMs aim at 'making transitions pay' through institutional arrangements that enhance the employability and flexibility of both the inactive or unemployed (integrative transitions) as well as the employed (maintenance transitions) through a differentiated set of negotiated mobility options, entitlements and income insurance not only in case of unemployment but also in case of income variations related to risky transitions. TLMs focus therefore on preventative measures to avoid open unemployment or 'exclusionary transitions'. They support the development of career paths by the combination of paid and unpaid activity (including especially education and training), facilitating job-re-entry or two-way mobility and gradual retirement.

In sum, TLMs aim to navigate the transitions between various employment relationships or between 'inactivity' and employment over the life course. The aim is both to protect against the associated income risks and to encourage both individuals to take chances and make risky transitions as well as companies to be inventive in adjusting their human resources management policies to meet this challenge. By means of the appropriate institutional arrangements (of a financial, legal and organisational nature), TLMs intend to provide 'bridges' at critical junctures in individuals' working lives, as they move between education and work, between dependent employment and self-employment, between unemployment and employment or between being able to do paid work or not due to incapacity or retirement. TLMs assume that the probability of critical events requiring transitions is increasing. Consequently, the need for such transitions to be socially protected is also increasingly pertinent. On the supply side, the burden associated with work, family and education during the life-course has to be reconciled in some way. On the demand side, technical progress or the international division of labour require changes in occupation or the acquisition of new skills and qualifications. Last but not least, preferences change over the course of the working life related to job dissatisfaction, physical or mental illness, changes in personal circumstances (divorce) or regional mobility required to bring the spheres of work and life together in an acceptable work-life-balance.

TLMs, therefore, are institutional arrangements that provide flexibility and security during the life course. By safeguarding against losses of earnings and status, not only during periods of unemployment, but also during transitions between different employment forms, TLMs extend the principle of unemployment insurance, transforming it into employment or work-life insurance. They act as 'employment bridges', preparing the ground for the transition from one employment relationship to another, to enable the combination of several jobs ('pluriactivity') or work and education. In the parlance of social risk management, therefore, the establishment of such 'bridges' is a form of preventing, mitigating or coping with social risks.⁶

The TLM approach, thus, is a device for extending the range of active labour market policies considerably. In contrast to the widespread workfare orientation, TLMs follow a developmental approach aiming at investing in people as well as in communities, thereby extending the expectation horizon of individual as well as collective agencies.⁷ Its implementation requires therefore complex institutional arrangements that follow four principles in one way or the other:

⁶ For a concise definition of TLMs from an Australian perspective see Brian Howe in Appendix II.

⁷ For the conceptual perspective of a developmental welfare state see also Hemerijck (2007).

- The organisational principle: A flexible work organisation that enables employers and employees to adapt to the challenges of the changing environment in terms of quantity (especially working time), quality (especially skills), and prices (especially wages).⁸
- The empowerment principle: Social rights or entitlements that empower individuals to act as autonomous agents, and to allow especially choices between different employment statuses according to shifting preferences and circumstances during the life-course.⁹
- The co-financing principle: Financial provisions that support cost sharing between public and private actors reflecting the risk structure and allowing multiple usages of insurance funds and private insurance schemes, especially the (preventive) usage of employment insurance for financing measures that enhance employability.
- The co-operation principle: Negotiated flexibility and security, among others through public-private-partnerships in the provision of employment services that focus not only on the unemployed but also on the employed in risk of unemployment or in need of or desire of risky transitions during their life course, and support also firms in their endeavour to enhance employability.

Employment strategies following the theory of TLM

The TLM-approach aims at establishing institutional arrangements that support both flexibility and security ('flexicurity') in order to provide stepping stones to move from precarious to stable jobs or establishing bridges to overcome discontinuities. In particular, TLMs regulate the interface between employment and social security in five critical events over the life course: transitions from education to employment, from one job to another, from unemployment to employment, from private activities to gainful work and, finally, from employment to retirement.

Specific risks are associated with each of these transitions: First, the risk of too little or eroding human capital over the life course; second, the risk of income volatility due to fluctuating demand or due to transitions between various employment relationships; third, the risk of restricted income capacities due to social obligations; fourth, the risk of income insecurity due to involuntary unemployment that is of limited but uncertain duration; fifth, the risk of permanently reduced or zero income capacity due to disability, chronic illness or old age. Correspondingly, the TLM-framework identifies five areas for which institutional arrangements have to be developed in relation to five main critical periods during the life course. First, developing, maintaining and enhancing human capital (known also as 'employability') for successful transitions between education and employment and during transitions between (continuous) training and employment. Second, smoothing income volatility during critical transitions between various employment relationships, especially between part-time and full-time work, between dependent employment and self-employment, and — increasingly important — between high and low wage jobs. Third, providing income support during phases in the life-course in which work capacity is restricted due to social obligations such as the care for children or other dependent persons. Fourth, securing income maintenance during

⁸ To the complementarities or functional equivalents of adjustment dimensions see especially Gazier (2002); an equivalent to nominal wage flexibility is, for instance, the possibility of combining wages with other income sources such as transfers, equity shares or savings.

⁹ See, in this vein, also the concept of "drawing rights" by Alain Supiot (2001).

transitions between employment and unemployment that allows effective job search. Fifth, providing income replacement in case of disability or retirement, i.e. in phases when individual income capacity is severely reduced or lacking completely.

The theory of TLMs assumes that specific risks require also specific securities. The higher the variety of risks, in accord with the principle of requisite variety, the higher the variety of social securities. The theory of TLM rests also on modern behavioural psychology and economics, notably on prospect theory (Kahneman and Tversky 2001). It does not assume consistent rational behaviour but asymmetric risk perception. Loss aversion tends to be greater than the willingness of taking risks for small but certain gains. People tend to be myopic related to high risks with small probabilities, but far-sighted related to low risks with high probabilities. In consequence, many people tend to insure themselves against possible disruption of their travel plans but not against the possibility of long-term disability; they are also less willing to save for any education or training that may be necessary in the future than to save for a new and more prestigious car. Social protection systems, therefore, follow often a too simple or a different logic than required by the (new) life course risks. In the following, some of these systematic misfits and possible remedies are discussed.

First, according to TLM-principles, it does not make sense to protect the risk of too little or eroding human capital (manifested especially in high youth unemployment rates) through high and long-term unemployment benefits. On the contrary, such generous benefits would damage more than resolve the underlying problem. Concerning youth or young adults, social risk management must start already in the kindergarten, in preschools and schools. Equally, in-work-benefits for unemployed youth would not make sense since they would perpetuate the lack of human or social capital investment. The security (guarantee) of a training place or job after six months unemployment at the latest is of utmost importance for this target group. All firms must share the risk of vocational education and training and contribute at least financially to training if they are not able or willing to train. Since education and training is a crucial element of 'active security' as well as a precondition for taking over individual responsibility, second or third chances have to be made available over the life course to regain or to endorse employability or adaptability. Between 1997 and 2002, Sweden gave a best practice example with its huge programme of "knowledge lift" (Albrecht et al. 2005) reacting to the challenges of the knowledge economy (Rodrigues 2002) by investing heavily in low-skilled people.

Second, individual or collective saving accounts could mitigate the risk or cope with the risk of income volatility over the life course due to changes of job preferences, unexpected working time reduction, short time work or even sabbaticals. Since the resulting flexibility or mobility through such schemes has positive external effects, the state could step in as co-financing institution by providing corresponding tax incentives, as for instance the Dutch life course saving plan does since 2006.¹⁰ The Belgian career break system is also a promising model to be adopted by other EU member states if care is taken with respect to some flaws in its present practice.¹¹ Especially, care has to be taken in the phase of the life course when young adults are in need of building up savings for their career but do not yet have accumulated enough earnings capacities for doing so. Tax credits for education and care might be arranged to solve this problem.

¹⁰ See Wotschak (2006) for a description and critical assessment of this scheme.

¹¹ See Román (2006) for a description and a critical assessment based on econometric evaluation of this scheme.

Third, in-work-benefits (including tax credits) are at place for low income earners if their income capacity is restricted, due to family obligations for instance. Full-time or part-time leaves from work due to such limitations should be compensated like wage replacements in case of involuntary unemployment. Some EU member states already dispose of such schemes (e.g. Sweden, Denmark), and the Grand Coalition in Germany has recently introduced wage related parental benefits compensating about 58 percent of wages up to 14 months, two of which have to be taken up by men. Due to the high direct and indirect costs of child care as well as for gender mainstream reasons, the wage replacement could be more generous for low and medium income earners. Since children and frail parents of parents often need care that cannot be planned in advance, also wage replacement for a contingent of days per year should be available. Sweden acknowledges, for instance, this need through a contingent of up to 60 days at a wage replacement of 80 percent.

Fourth, the risk of income insecurity – caused for instance through cyclical demand variations or through structural changes requiring change of location, vocation or employers – can be compensated by generous and wage related unemployment benefits. Such generous wages replacements allow the unemployed to search for a new job corresponding to their status without fear of poverty, thereby maintaining their qualification and competence and improving the final match (reflected, for instance, in longer job tenures after the rematch of insured unemployed compared to uninsured unemployed). Intensive job search and case oriented job placement services are an investment and not a wasteful consumption. Many member states of the EU still underinvest in such services during the first months of unemployment. However, long-term or even unlimited wage related unemployment benefits do not make sense for this risk category. They would not help the long-term unemployed, again, on the contrary. What involuntary unemployed need is simply the opportunity of a new job. Even if the statement sounds trivial: The best social security measure for involuntary unemployed is the creation of new sustainable (competitive) jobs through a sound macro-economic policy. This is the reason why the employment guidelines and the broad economic guidelines of the European Commission still need better coordination. The Commission's latest proposal to set up a "fund to support employees" can only be an initial corrective step. The idea of this fund is to help job seekers who have lost their jobs because operations have been transferred or because other global economic factors have come to bear. Containing only 500 million, this so-called "globalization fund" is too meagre and its regulations are too restrictive. In terms of social risk management, this fund is conceived solely in reactive rather than preventive terms. Given the challenge of continuous education and training especially for low skilled adults, it seems worthwhile to discuss the idea of setting up a "European Knowledge Lift Fund" that would correspond to the bold Swedish programme mentioned above. Such a fund could be used to provide support to a European wide minimum education guarantee and to a European wide life-long-learning account system directed toward low-skilled people.

Fifth, it is misplaced to protect the risk of permanently reduced or zero income capacity due to disability, chronic illness, very long-term unemployment or old age through the unemployment insurance system. In such cases, other protection systems need to be implemented, such as the re-establishment of income capacity through rehabilitation or adjustment of work-places, transitional employment in semi- or fully protected workplaces, or the partial compensation of the income loss through wage insurance schemes. Also the investment in continuous vocational education and training should be extended to mature-aged workers as it is the case in most of the Scandinavian countries, especially in Sweden.

Summary and Conclusions

The key actors understand different things and define the balance between flexibility and security from different angles. The trade unions often perceive security as a precondition for flexibility and emphasise functional flexibility within a stable employment relationship. The employers tend to consider flexibility as the solution for employment security, especially wage flexibility, and to stress disincentive effects of old securities such as job protection or unemployment benefits. These different perceptions of “flexicurity” reflect the structural tension of different interests that cannot be defined away. The problem of divergent interests can only be solved through negotiation as a device of information gathering and compromise. The revitalisation of the social dialogue at all levels – firm, branch, nation and Europe – is therefore of utmost importance for giving the European Social Model more flesh to the bones. Especially employment or employability security over the life course through continuous education and training could be a promising bargaining issue, including the establishment of branch specific collective training funds – may be even at the European level.

Negotiated flexibility or negotiated security may, however, lead to insider-outsider cleavages. Care has to be taken to internalize possible negative external effects by setting minimum standards and fair rules of negotiation. The state may also jump in by setting incentives as co-financing partner to overcome prisoners’ dilemma situations in which rational actors choose a suboptimal equilibrium.

As the successful countries demonstrate, the balance of flexibility and security has to be embedded into the context of demand management. Without a sustainable job creation dynamics, all employability and stepping-stone-strategies are in danger to end in a cul-de-sac or to displace other categories of workers. Moreover, the neglect of the demand context leads also to miss functional equivalents of labour market flexicurity in the product market. Cheap consumer credits, subsidised learning or training accounts or real estate price insurance would be examples for a marriage of flexibility and security on the demand side (Shiller 2003).

The ‘flexicurity’ debate still lacks a focus on the most critical transitions over the life course. Why should security be only related to income risks of jobless people? Why should social security not be provided for income risks related to critical transitions over the life course, for instance securities for income risks related to transitions between family work and gainful employment, between dependent work and self-employment, from high-paid to low-paid jobs, between full-time and part-time work, from work to gradual retirement? The common slogan “making work pay” relates only to the transition from unemployment to employment. Managing the balance of flexibility and security requires, however, a wider set of opportunities. Flexicurity over the life course also requires “making transitions pay”. Making transitions pay would also require new social rights going beyond employment, for instance the right to training leaves, care leaves, intermediate working time reduction or even long-term sabbaticals. These rights should be made conditional of contractual negotiations between employers and employees or between social partners.

To sum up: Managing social risks over the life course requires a *system of work-life insurance* that could consist of three pillars: First, a *universal basic income guarantee* that ensures a life without persistent poverty; second, the extension of unemployment insurance to an *employment insurance* that covers also employability and to some extent volatile income risks; third, *private or collectively bargained insurance systems* targeted especially to life-course risks related to the knowledge and care economy, such as life-long-learning accounts, time-saving accounts or care-leave-systems in which the state can join the venture through tax subsidies and as a standard regulator.

The system of employment insurance would serve three functions: income security for a restricted period of time in involuntary unemployment; employment security through pro-active labour market policy that is not only confined to offering jobs and placing individuals in work but that supports also follow up measures to transform mere workfare measures into stepping stones for sustainable work; third income and employment security for non-standard workers. One innovative element of employment insurance is the concept of “wage insurance”. Such insurance would cover to some extent the loss of wage income when changes of employment become necessary due to structural change, for instance trade adjustment, or due to the loss of individual productivity, for instance through attrition of work capacities. Especially mature-adult workers need such insurance since they are facing large income losses in case of unemployment and subsequent re-employment. This need is also nourished by the fact that internal labour markets providing implicit wage insurance are eroding. Furthermore the escape to early retirement as an income insurance device is not any longer an option.

Wage insurance would increase the acceptance to take over lower paid jobs. Apart from social networking, many – even low paid jobs – provide training on the job, which is – as we know from many evaluation studies – often more effective than training off the job where reemployment prospects are uncertain. Depending on the situation and on individual need, wage insurance could or even should be complemented with training vouchers to make the new jobs sustainable or to improve the chances to climb up again in the career ladder. So, as with unemployment insurance, wage insurance as an element of employment insurance works best combined with active labour market policy.

Wage insurance would also reduce workers opposition to trade liberalisation which is, according to surveys, high in case of no assistance. The highly contested freedom of services in Europe might become more accepted if such insurance could be institutionalised or at least coordinated and supported at a European level. The likely costs are probably a tiny fraction related to the benefits for the EU from freer trade within the Member States and with the external world. Wage insurance could be a new equitable and efficient redistribution device to balance the lot between the winners and losers of innovation and globalisation. Wage insurance might therefore have a big potential in the future European employment strategy for balancing flexibility and security. It could even become one of the first transnational instruments of a European active labour market policy, and the “European Knowledge Lift Fund” suggested above could be an example in operational terms.

To conclude, this paper should have shown that TLMs can modify the traditional full employment goal in two ways in order to modernise the corresponding overarching goal of the European Employment Strategy. On the one hand, TLMs temper the drive for full employment by widening the concept of work and by valuing non-market categories of work as meaningful productive activities. On the other hand, TLMs increase the ambition for full employment by extending the range of job opportunities people are able to choose during their life course. If “more and better jobs” shall make sense, modern full employment shall not only provide freedom from want but also freedom to act.

With respect to the functioning of labour markets, the TLM approach acknowledges the power of markets and therefore focuses on strategies that ‘make workers fit for the market.’ However, TLM also acknowledges the problems of market failure and the risk of reduced working capacity during the life course for various reasons (disability, care obligations, off-the-job training), which in turn also necessitates ‘making the market fit for workers.’¹²

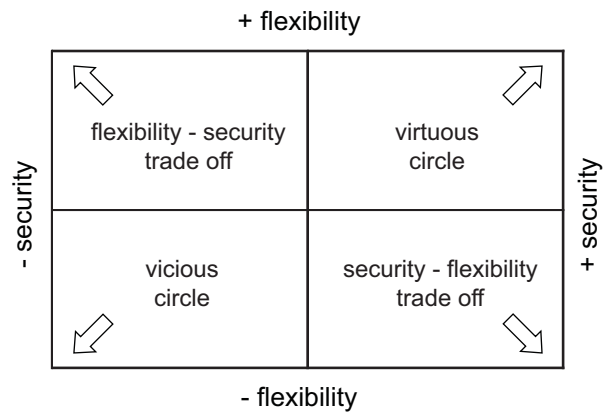
¹² These terms have been coined by Gazier (2003).

The goal of TLM is to encourage more flexibility while maintaining sufficient levels of security. However, this does not mean a simple flexibility security trade-off based on the treacherous notion of “balancing flexibility and security”. Such a careless wording opens the doors for utilising the concept of “flexicurity” for any kind of political interests. The aims of TLMs are more ambitious: they are about encouraging a complementary relationship between flexibility and security. Transitional labour markets should ensure transitional employment relations based on ‘stepping stones’ or ‘building bridges’ to overcome critical events during a life course while reducing the probability of being trapped by lack of solidarity in taking over more risks. Only such ‘active social securities’ will encourage workers to make the risky decisions that are the preconditions for creativity and productivity enhancing flexibility.

Appendix I - How to manage the ‘balance’ between flexibility and security

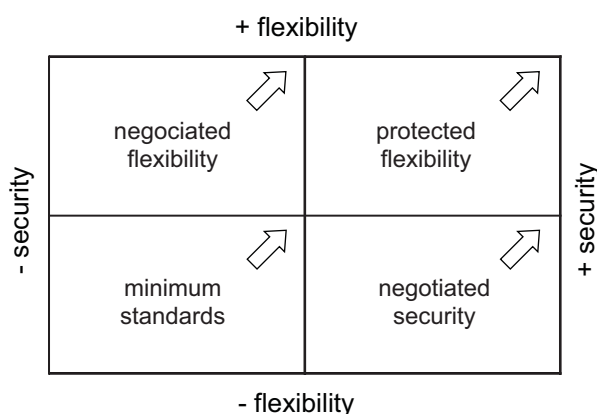
The nexus of flexibility and security can be a conflicting as well as a complementary relationship. Some general rules are therefore required to determine under which circumstances this relationship is conflicting or complementary, and what policies we can apply to mitigate trade-offs or to foster complementarities. The following figure shows flexibility as the vertical axis and security as the horizontal axis in a continuum from the negative to the positive (Figure 1). This makes four possible combinatory relationships: Two trade-offs, one in which the increase of flexibility goes on the costs of security, and one, in which greater security goes on the costs of flexibility. And there are two complementarities: A virtuous circle, in which flexibility and security mutually enforce each others in a positive direction, and a vicious circle, in which flexibility and security mutually enforce each other in a negative direction.

Figure 1 - Combinations of Flexibility and Security



Like in real marriages, most people probably like to have the best of the world, the virtuous circle. However, as Figure 1 shows, conflicts or trade-offs are also reality and vicious circles loom large in real life. Each country will have to find its own ideal balance between flexibility and security. At the European level, one can only formulate some general guidelines. These guidelines can be divided into four general strategies: protected flexibility, negotiated flexibility, negotiated security and minimum standards (Figure 2), and all four strategies can be differentiated according to the level of policies – whether they work at the micro, meso or macro level of political activities.

Figure 2 - Strategies for managing the balance between flexibility and security



Turning to the first priority, *protected flexibility* would be the proper way to foster a *virtuous circle* between flexibility and security:

- From the macro perspective, the exchange of job security for high income security to foster job mobility would be one possibility to set the virtuous circle of 'flexicurity' in motion. In a knowledge and service economy, especially in an economy with overwhelming small and medium sized firms and network-like work organisation, the competitive pressure of globalisation requires more and more external flexibility. If one further assumes, that higher job turnover affects especially low and medium skilled people, the combination of generous income security with employment security through active labour market policy seems to be a promising strategy. This is exactly the flexicurity model of the Danes. Another way, the Dutch way, would be life course saving accounts for covering income risks related to flexible employment contracts. The provision of efficient placement services, education or training services and transferable social securities are further cases of protected flexibility at this level.
- At the meso level, collective agreements going beyond wages and covering also training funds and training leaves could foster a symbiotic relationship between flexibility and security.
- At the micro level, civil servants can be regarded as the prototype for "flexicurity". This provocation can only be justified in referring to the original concept and not to the often degenerated practice of today. In the classical model the state did not guarantee *job security* to its high level civil servants. As an employer the state provided only *employment security* in exchange of the acceptance to take over all kind of jobs in the range of the servants' ability, including the obligation of regional mobility without any limits. I will not recommend re-establishing this model. The institution of the "civil servant", however, reminds us that employment security even with the same employer does not exclude contractual arrangements that enhance all kinds of internal and external flexibility. This is probably the reason why we find almost no change in the development of so-called job tenure. There is even evidence that long job tenure – in fact the better expression would be employment tenure – seems to foster productivity.

Second, the proper strategy to turn the *flexibility-security trade-off* into a win-win-situation would be '*negotiated flexibility*'.

- At the macro-level, centralized wage formation through collective bargaining without interference of the state is the prototype for negotiated flexibility. However, one could imagine an innovative extension of this model: the social partners could negotiate an anti-cyclical wage flexibility scheme by putting – in case of an economic upswing – parts of the wages into a training fund which could then be used to finance further education and training in the cyclical downturn; the state would jump in as co-financing partner by providing tax incentives for such funds.
- Good practice at the meso level are collective agreements with opening clauses at the firm level that allow under certain conditions wage flexibility in exchange of job protection, so-called concession bargaining. Such negotiated flexibility can also be understood as a way to create procedural justice which – as we know from empirical research – is so important for the acceptance of wage flexibility, especially in case of downward wage adjustment.
- An example for good practice at the micro-level would be the legal right to working time reduction under the condition that employees accept the voice of employers in negotiating the implementation of this right. The Netherlands and Germany have introduced such conditional rights.

Third, the proper strategy to turn the *trade-off between increasing security and decreasing flexibility* into a win-win-situation is '*negotiated security*'.

- At the macro-level, the so-called “soft jobs” and “flexible jobs” in Denmark are a good example. This type of jobs provides employment security for handicapped, disabled, hard-to-place people in exchange of the acceptance to change jobs or taking over jobs with lower responsibilities and corresponding lower wages. In addition, flexibility is enhanced through competitive bidding of public resources and negotiated out-contracting with municipalities or other organisations providing this type of jobs.
- At the meso-level, one could imagine collective agreements about flexible pension entitlements backed up by pension law that allow building up virtual time accounts (virtual contributions) that compensate for discontinuities during the life course.
- At the micro-level, entitlements to career leaves (option security) in exchange of negotiated functional flexibility within the firm would be good practice. Another example are so-called activation contracts between authorised case managers and the unemployed in which the unemployed – before signing the agreement – have the opportunity to negotiate the conditions; also opening clauses for re-negotiation would be good practice.

Fourth, the proper strategy to overcome *vicious circles* would be '*minimum standard regulation*' at national or European level.

- At the macro-level, national minimum wages to avoid cut-throat competition is a highly contested example. To turn this into good practice, it is necessary to include the social partners in the setting, differentiation and continuous adjustment of minimum wages. Although there is no reasonable argument for a unique EU-minimum wage, the development of common rules for such a process

should be considered. The institutionalisation of the Low Pay Unit (LPU) for setting and monitoring the British national minimum wage is a good practice example. Due to the high risk of social exclusion through low skills, the issue of minimum standards for education at national or EU-level may be even more urgent than considering standards for minimum wages.

- At the meso-level, European standards for running temp-agencies – especially by establishing the equal treatment principle – would be a precondition that these intermediate institutions can play a larger role in preventing downward spirals of flexibility and security through their capacity of risk pooling.
- At the micro-level, universal social rights beyond employment – for example rights to training, parental leaves, career leaves and giving workers voice at the firm level – can overcome the prisoners dilemma individual employers and employees are facing in case of non-cooperative games. This dilemma is the result of time-incongruence, which means the fact that such rights usually induce higher short-term costs than benefits but higher long-term returns than costs. The universality of these rights could avoid opportunistic behaviour in favour of short-term solutions.

Appendix II - Transitional Labour Markets from an Australian point of view

"The case argued in this book is that too great an emphasis on 'moral hazard' and on providing payments only to those most in need is counterproductive. Of course government systems need to be efficient and avoid waste and unnecessary expenditure. However, it is also important to see government programs in a larger context. The danger in present policies is that rather than encouraging people to improve their education and skills, they will make people feel that their only choice is to retreat and protect the minimum security that social security benefits provide.

Governments tend to focus on limiting spending rather than on finding ways of investing in people: they are our society's human capital and their unrealised potential can contribute to the community. I argue that the objective of new social policies should be to encourage people to realise their potential by supporting and managing risk. This has often been seen as the responsibility of individuals, but the widespread acceptance in modern societies that change is ongoing places a responsibility on society, on governments, to accept some role in helping people manage risk.

It is important to emphasise the underlying purpose of welfare payments for people of workforce age: they are about facilitating change, enabling people to move on from a failed relationship or from bad jobs to better jobs, and ensuring that people who suffer a disability no longer lack a sense of purpose.

We need to place greater emphasis on investing in capabilities that improve the way people function in society. This suggests that we need to extend the 'expectation horizon' for people wanting to improve the employment opportunities by improving their access to training opportunities. Similarly, active labour market policies should not be confined solely to offering jobs and placing individuals in work. Follow up measures are required to transform mere workfare measures into stepping stones for sustainable work and participation in the labour market. Furthermore, while I use the word 'transitions' in the context of life course transitions, it is also important to recognise that many communities are also in transition. Investing in people also means investing in communities (Howe 2007, pp 21-22)."

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**“Flexicurity” and beyond:
Micro - Macro aspects of Transitions Management
in the European Employment Strategy**

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“Flexicurity” and beyond: Micro - Macro aspects of Transitions Management in the European Employment Strategy

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We are now living in an era of “flexicurity”. The idea of organizing labour markets and social protection in a way that ensures both security, for the workers, and flexibility, for the firms, is now more and more accepted and rapidly spreading, not only in Europe (where it is becoming now a policy catchword) but also in other parts of the world, for example in Asia. However it remains to be clarified at the theoretical level, and experienced, which means implemented and evaluated in different national or local contexts.

This task is an urgent one, but it is not the end of the story. Many important aspects of the EES do not concern “flexicurity” as such, and should not be neglected. It is notably the case of gender equality and of employment/work quality. The main tenet of European policies regarding the European Social Model is that economic and social dimensions and decisions should be mutually reinforcing. If we take seriously this tenet, then we should develop “flexicurity” on firm grounds and look beyond it, especially at quality issues. Together with economic analysis, Transitional Labour Markets (TLM)¹) may bring some help here, because this approach proposes an enlarged and dynamic view on the management of work and employment.

Basically, the TLM approach focuses on the systematic and negotiated management of “transitions”, i.e. the dynamic components of workers' trajectories. The approach insists on the interrelation between the whole set of “transitions” occurring in the labour market and around it: transitions from one job to another, from full time to part time, or to other socially useful temporary positions (childcare, training leaves, benevolent activities)... It looks at the sustainability of such moves, as regards income and competences. And it suggests that the best way of organising them is not to let them to the goodwill of firms and to individual initiatives and arrangements. While some firms do organise “transitions” for the high-skilled part of their workforce, others do not, and disadvantaged workers may be trapped in dead-end circuits. In a more general life course perspective, reversibility of choices is a key issue for transitions' management in the TLM approach². So there is room for collective intervention, leaving to each worker the freedom to decide but organising a rich set of opportunities and incentives.

In this contribution, we present and discuss the consequences stemming from such an analytically grounded and enlarged approach of employment policies, applied to the European Employment Strategy in its present state and situation. We focus on micro – macro issues, considering the labour market as an open system, with its own adjustment variables and channels, but also connected to macro determinants and to other domains such as innovation, social and education policies. We also insist on institutional and governance issues, which appear crucial to the successful implementation of the EES in the more general context of EU economic coordination.

In the first section we shortly present some analytical considerations about the dimensions, element and uses of “flexicurity”. In the second section we look at the general orientation of EES and its governance. In the third one, we argue in favour of enriched and more integrated guidelines.

¹ Schmid and Gazier (eds) 2002; Gazier 2005; Schmid 2006.

² Anxo, Erhel (2006); Anxo, Erhel, Schippers (2007).

1. “FLEXICURITY”: THE MISSING DIMENSIONS

The number of studies devoted to “flexicurity” or inspired by it is rapidly growing, however we do not witness a clear consensus about its meaning(s) and use(s). The TLM approach may shed some light on the issue (Leschke and al 2006; Schmid 2007)

If one takes this approach as a starting point, it leads to two caveats regarding the recent developments and proposals about “flexicurity”.

- i. “flexicurity” cannot be limited to the exchange of less employment protection for obtaining more social protection and more “active” labour market policies.
- ii. “flexicurity” must not be considered in a mere functionalist way. It involves tools which can be used and adapted to national contexts; but “flexicurity” development should also explicitly manage tradeoffs, conflicts and even vicious circles.

1.1. Taking into account firms and territories

The most conventional view of “flexicurity” (as diffused for example by many OECD studies) refers to a narrow interpretation of the Danish “golden triangle”, which may be presented as in figure 1 (cf. Annexes).

However, this view simply states that the main problem of European labour markets is being too “rigid”, and that a way of flexibilizing them is to give up part of their employment protection legislation (for example developing short-term contracts and/or easing firing) in exchange of a bettered and “activated” social protection, pushing unemployed persons into jobs.

As it has been very often observed, this view is not accurate, for two complementary reasons. First, it does not consider the important specificities of Denmark, notably characterized by the importance of SMEs and of its rate of unionization. So this flexible and market-oriented arrangement is the outcome of a long lasting tradition of social bargaining, setting social controls in order to compensate it.

Second, it neglects important sources of adjustment which may (or should) play at the same time. Denmark is also well-known for the importance of its training policies and expenditures, and thus a first channel of adjustment is inside firms: polyvalence, competence building, lifelong learning of incumbent workers, etc. A second channel is the intervention of local actors, at the territorial level, who may organise various kinds of transitions (job pools, temporary jobs, various leaves and training schemes). So one may keep the “golden triangle” but has to integrate it into a square, which centre is more than a “flexible labour market” and becomes an “adaptable labour market”, involving firms’ and territories’ contributions (figure 2). Then we begin to give a concrete content to the two symmetrical mottos “equipping people for the market” and “equipping the market for the people”.

1.2. Putting in the forefront trade-offs, conflicts and synergies

Many studies rightly try to get inside the “flexicurity” black box by identifying its main components and policy fields of intervention. But here again a narrow view, limited to the identification of tools, is misleading. For example, studies often refer to the so-called “Wilthagen matrix” which distinguishes four ways of developing flexibility of firms and four ways of securing workers (Table 1).

This matrix is suggestive. It makes explicit the important distinction between “job security” and “employment/employability security”, and this obviously leads to different policy tools. However, some limitations appear. First, one may wonder why the functional flexibility is not broken down into internal and external versions. Second, the role of wage and cost adjustments is not clear. If you fire some workers, it is obviously a cost adjustment, and this seems not to be considered here (see the row “external numerical flexibility”). Besides, performance related pay schemes are introduced in the row “functional flexibility”, not in the row “labour cost/wage flexibility” (?), and in the column “income security”, while such schemes may well contribute to income instability (they depend on the level of production, on the way outcomes are measured and production is collectively organised). Third, and more importantly, these defects seemingly stem from the functionalist orientation of the matrix, which presents tools as if their use was stabilised independently from each other and clarified once for all.

This is the reason why an amended matrix, proposed by Schmid and *al*³ is to be preferred, as in table 2. Here the question is not only to enlarge the dimensions or actors of “flexicurity”. It is to explicitly take into account the interplay of different tools/policies, and to connect it, not to a simplistic textbook representation of the labour market (as it is seemingly done in the previous interpretations of the “Wilthagen matrix” with the separate role given to wage and cost adjustments), but to a more realistic and analytically grounded conception of the labour market. The “Schmid matrix” distinguishes coherently between four kinds of flexibility (internal / external and numerical / functional) and systematically considers the dynamics of matching and segmentation. Then you have in some cells very simple and complementary “functionings” (Sen), and in more complex and even equivocal outcomes (trade-offs (t), complementarities (c) and vicious circles (v)).

One example of vicious circle occurs when one tries to develop employment security in a context of dominating external numerical flexibility: this may lead to unstable jobs and distrust, then to a low commitment of workers and a contraction of the economic activity with tensions on UI financing circuits, thus reinforcing the need for such flexibility. This may be termed the “distrust and low commitment spiral”. However we are only at the beginning of the necessary in-depth researches on the dynamics of “flexibility”.

As a provisional departure point, the idea of “stability cores” allowing “social risk management”⁴ could be explored. Stabilised work relationships are a condition for generating productivity gains. Ensuring long lasting collaboration, be it in networks or in traditional firms, remains a priority. This suggests that it is dangerous to manage work and employment separately, for example by neglecting the necessary conciliation between family tasks and paid job, or the competence dimension of created jobs.

2. ORIENTATION AND GOVERNANCE OF THE EES: SOME REMARKS

These two caveats suggest that it is of paramount importance to strengthen the empirical and analytical basis of policies in employment and social affairs. An immediate consequence appears regarding the statistical appraisal and understanding of “transitions” in national contexts, already initiated by some studies, by the Commission as well as by other researchers, which deserves a sustained effort.

Looking at policy consequences in the present state of knowledge, one should return to the basic loop: Stabilising and reinforcing in a visible way the positive feedbacks between social and economic policies and

³ Leschke, Schmid and Griga 2006.

⁴ Auer and Gazier 2006, Schmid 2006

evolutions. As it is frequently stated, social and employment policies should be organised in such a way that work is made more efficient and more attractive, then allowing for more growth, more competitiveness and more employment. This evolution should lead to more social cohesion and more social justice, and to reinforce the legitimacy and action of social policies. Basically in agreement with this fundamental policy option, our perspective converges here with the “decent work” and “protected mobility” approach fostered by the ILO, as well as the analysis made by J. Zeitlin (Zeitlin 2007). The substantial as well as the procedural dimensions of the EES are to be reconsidered.

These implementation issues are crucial to the legitimacy and efficiency of European coordination in the field of employment and social cohesion.

2.1. The general orientation of the EES: implementing the social – economic loop

The question is of course, how to foster and feed such a loop. In the present state of the “re-launched” EES centred on growth and jobs⁵, and given the existing practice of OMC regarding employment, social inclusion, pensions and health policies, we can present three kinds of observations.

First, there are already acknowledged orientations, which need to be reinforced in the present perspective: OMC is an open and negotiated policy, and it cannot be really developed without an active involvement of social partners; one should add that the collective organisation of transitions is a negotiated and bottom-up matter. A converging statement can be made about the diversity of national / local arrangements; these arrangements stem from the societal differences and the complementarities observed in domains such as education, labour market and innovation organisation and policies, macro-regimes etc.⁶; it is clear that there is no one best way but several paths.⁷

Second, other orientations, while evoked and promoted, may be under-estimated in the present state of EES: it seems to be the case of firms’ commitments and contributions, notably training partnerships and territorial cooperation. An important example here is restructuring and re-integration policies, which insist, beyond classical measures such as compensation funds and redeployment units, on early notice, concerted decisions and local authorities’ involvement.⁸

Third, a last set of orientations may be neglected and partly contradicted: while it is necessary to set employment friendly policies, the motto “making work pay”, largely inspired by some OECD contributions, appears unduly restrictive. It aims at enlarging the gap between the gains from paid work and the gains from welfare, mainly by lowering welfare payments. Denmark here is a useful example, with its very high levels of unemployment compensation for the low-skilled workers, combined with a very active labour market policy. This means that the right policy motto is “making *transitions* pay”: organising positive transitions for welfare recipients and for the unemployed, in income terms as well as in competence-building and active involvement terms. Besides, irreversibility and dead ends should be avoided: transitions should also pay in a long term –i.e. life course- perspective. This is necessary if one really endeavours to avoid the development of low-paid segments of the labour market, as it is stated in the guideline 20 of 2005.⁹

⁵ Commission of the European Communities, 2005.

⁶ For more detailed analyses, see Amable 2003 and Boyer 2006.

⁷ Rodrigues, 2006 makes suggestions about the various contents of « flexicurity » developing policies in different national contexts.

⁸ Cf Bruggeman and Gazier (eds) 2007.

⁹ Commission of the European Communities 2005, p. 10.

In the same domain, the “activation” motto and the focus on employment rates reveal important drawbacks. The challenge of caring children and dependent old-age persons makes it clear. Some countries like Sweden rightly set well-organised parental leaves which allow smooth transitions back towards part-time and later full-time employment, if needed through re-training. Symmetrically, the sustainability of social protection budgets and preferences of the concerned groups suggest that setting up part-times for caring dependent parents will become an essential option (for men and not only for women !) in a near future. Thus, “activating” policies cannot be separated from “de-activating” policies (which anyhow exist), and this is not consistent enough in the present formulations of EES.

2.2 The economic foundations of the EES and the OMC: which consequences for employment policies governance?

One may observe a lack of theoretical and empirical work about the OMC among economists. However, some conclusions concerning European governance in the field of Employment and Social policies may be drawn from existing approaches.¹⁰

First, fiscal federalism theories¹¹ show the advantages of decentralised (i.e. in Europe national or local) management of policies, which is likely to favour innovation and learning that might be diffused to other areas (i.e. member states, regions). But the existence of such information externalities may also reduce the incentives to innovate, if the governments consider that there is some form of competition between them for a given policy matter. In such a case, centralised governance should be preferred to achieve some form of convergence. As far as OMCs are concerned, this implies that it should be a good method to coordinate targeted labour market or retirement policies and to benefit from mutual learning effects, since the mobility of labour remains weak, reducing externalities in this field. But in the case of employment protection legislation, or social policies, the conclusions are not so clear, since these policies participate to countries’ attractiveness and competitiveness, and are therefore a matter of competition. These approaches would rather suggest some centralised coordination (like for instance common regulatory rules, or minimum rights to avoid a race to the bottom) in addition to existing procedures.

Second, as Robert Boyer for instance has suggested¹², another crucial issue is favouring the emergence of some coordination in the field of wage bargaining in Europe. The heterogeneity of wage bargaining systems in the Euro zone might indeed lead to a restrictive bias in monetary policies, since the ECB has to target the most inflationary countries when choosing its monetary strategy. This calls for a development of European level bargaining arenas, as well as for a reinforcement of supra-national social partners.

Employment governance appears therefore closely related to macroeconomic issues, to short term as well as long term growth in the EU. All this suggest that the OMC guidelines should be backed more explicitly by other European policies setting minimum standards, and tightly connected together, e.g. social inclusion policies, gender mainstreaming and employment strategy, notably as regards the working poor.

¹⁰ Erhel, Palier, 2005.

¹¹ See for instance Oates, 1999.

¹² See CGP 1999.

3. RE-INTRODUCING JOB QUALITY AS A CENTRAL POLICY GOAL

In contrast with the present focus on employment rates performance, the EES encompasses also diverse qualitative goals, which cannot be reduced to the “flexicurity” item. In accordance with a more general trend to make job quality a policy concern (see in particular the concept of “decent work” by ILO since 1999, but also some evolutions in the OECD Jobs Strategy since 2004), the EU has indeed introduced job quality in the European debate about labour market performances and labour market policy since the Lisbon summit, in 2000. More precisely, following the Nice summit, “quality in work” has been included in the goals of the European Employment Strategy, which has been confirmed in 2003 and 2005. According to the « Open Method of Coordination », which relies on the definition of common indicators by Member States and on a benchmarking process, indicators for « quality in work » were defined at the Laeken summit in 2001. These indicators have been used in specific chapters of the reports *Employment in Europe* (2001, 2002, 2003), and have been followed up by Eurostat and the DG Employment. Therefore the European Union disposes of a conceptual and empirical framework to monitor job quality, and has the capacity to act as an innovator in these matters.¹³

Existing empirical studies¹⁴ display three main results. First, they reveal the heterogeneity of countries situations with regard to employment quality indicators: three regimes clearly appear on the basis of Laeken indicators (Northern and Southern countries are opposed, whereas Continental countries stand in an intermediate situation, see figure 3). Second, they tend to validate the hypothesis of a positive correlation between employment growth and the level of job quality, coping with the hypothesis of synergies between quantity and quality. But given the diversity in regimes, they also suggest that there would be several paths to obtain “more and better jobs”. Finally, longitudinal analysis of job quality provides evidence of some convergence within Europe: the situation of Southern countries has improved, and the distance to the Continental and Northern regimes has been reduced over the last 20 years (figure 4).

In a policy oriented perspective, such results clearly advocate to take job quality as a goal for the EES, especially in an enlarged European Union where the heterogeneity of performances has increased. Job quality promotion appears fully compatible with quantitative employment performances, with economic growth, and is favourable to a better social cohesion. It participates to the more global coherence of the Lisbon strategy.

Nevertheless, one must admit that this interest for quality issues has also shown signs of weakness over the recent years, which may be the result of a less favourable economic context, as well as of a change in the political majority in some member states. Besides, as we have argued in some recent research papers,¹⁵ Laeken indicators suffer from some weaknesses that also might limit their scientific as well as political use.

We think this quality issues should be re-introduced at the core of the EES, but some changes in the concept and in its statistical measure can be proposed in order to reinforce it.

¹³ The influence of EES over the OECD Strategy for instance provides evidence from this innovating character of the job quality item: in 2004, OECD Employment Perspectives uses the motto of Lisbon summit, namely « for more and better jobs » (for a more general view over job quality in the international organizations recommendations, see Davoine, 2007).

¹⁴ European Commission, 2001, 2002, 2003; Davoine, Erhel, 2007.

¹⁵ Davoine, Erhel, 2006a and b, 2007.

The European definition of job quality is based on a multi-dimension approach, which is consistent with existing literature on this topic. More precisely, it is based on ten groups of indicators relating to: (1) intrinsic job quality; (2) skills, life-long learning and career development; (3) gender equality; (4) health and safety at work; (5) flexibility and security; (6) inclusion and access to the labour market; (7) work organisation and work-life balance; (8) social dialogue and worker involvement; (9) diversity and non-discrimination; (10) overall economic performance and productivity. Looking at these dimensions and at the corresponding indicators, two main conclusions can be drawn.

First, it includes quite a large number of transition indicators, and puts the emphasis on work-life balance, which makes this European approach very much compatible with a TLM perspective on job quality. Indeed, the TLM perspective adds a dynamic and life cycle perspective on job quality. Job quality systems should provide flexibility (and in particular working time diversity) around the life cycle and at the same time security. More generally, above decent wage and safe working conditions, TLM perspective fully recognises the importance of other quality dimensions, such as rights to training, to occupational redeployment or retraining, to a family life, to decide ones working hours throughout the life cycle.¹⁶ In brief, a TLM perspective can contribute to the definition of quality in work by focusing on life cycle specificities and recognising the interactions between employment and other life spheres.

Second, Laeken indicators are clearly biased towards a global and labour market oriented concept of “*employment quality*”, rather than focused on the characteristics of the job itself (i.e. “*quality in work*”). On the basis of economic as well as industrial relation studies, some key variables are therefore missing, like the wage level, or not enough developed, like working conditions or job satisfaction. Training variables should be reinforced to take into account training intensity (number of hours, cost) as well as training frequency. In this perspective, the EES agenda should discuss the introduction some complementary indicators (wage inequality, working conditions, and training), which may be added to the Laeken portfolio.

CONCLUSION

The development of “Flexicurity” and the strengthening of the OMC are at the top of the European agenda. In this contribution, we suggest, by using the TLM perspective, that richer and more integrated guidelines, centred on work and employment quality, may contribute to a new era for the EES, increasing its efficiency as well as legitimacy.

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Annexes

Figure 1 - The Danish "Golden triangle"

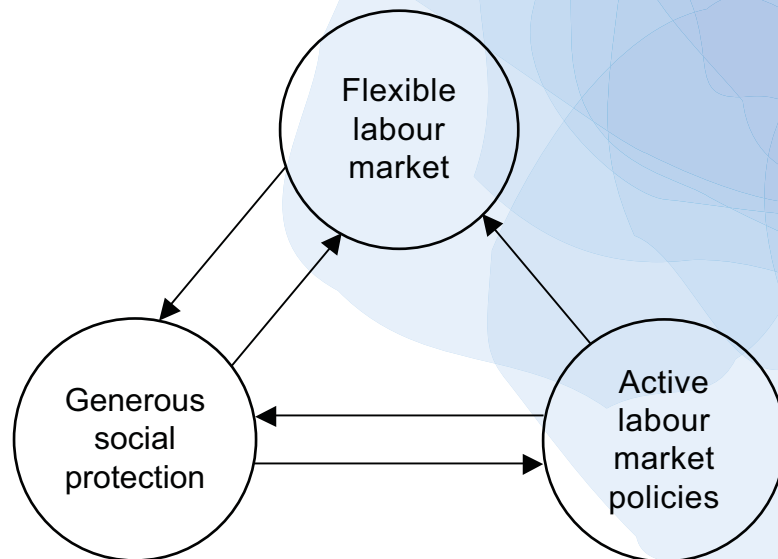


Figure 2 - The "flexicurity" square

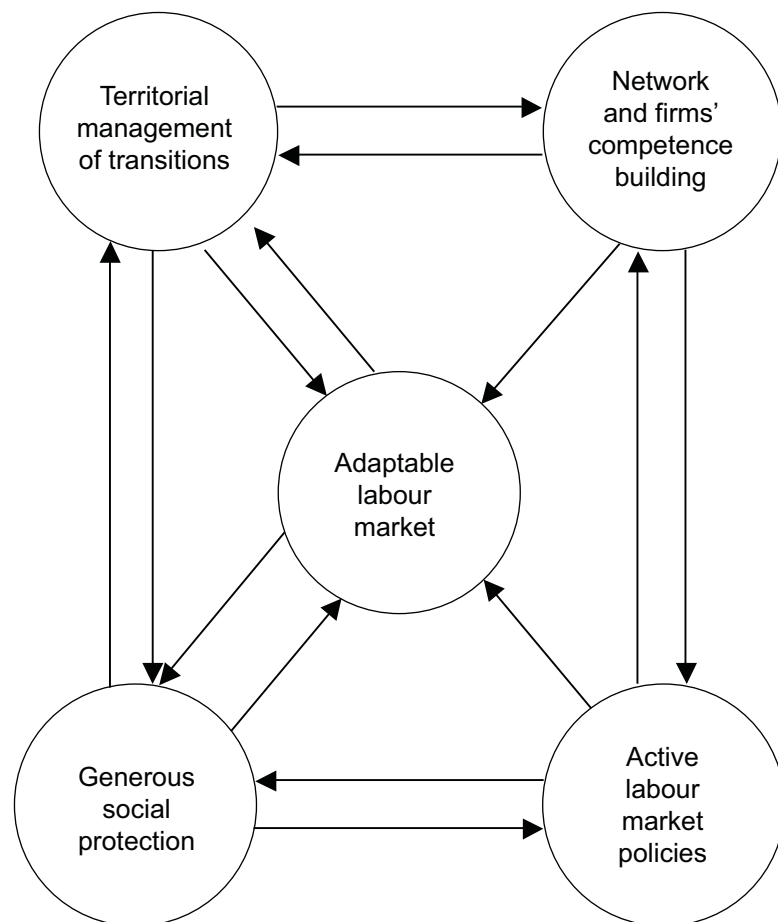


Table 1 - The "Wilthagen matrix" (European Commission for the Improvement of Living and Working conditions, 2007, p. 4)

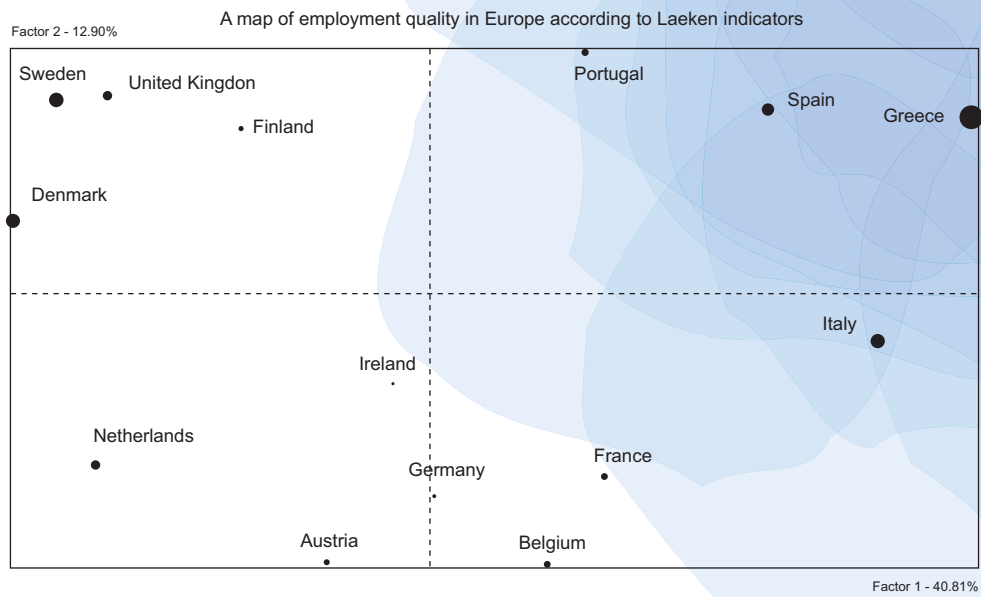
Flexibility	Security	Job security	Employment security	Income security	Combination security
External numerical flexibility		Types of employment contracts Employment protection legislation Early retirement	Employment services / ALMP Training / life-long learning	Unemployment compensation Other social benefits Minimum wages	Protection against dismissal during various leave schemes
Internal numerical flexibility		Shortened work weeks / part-time arrangements	Employment protection legislation Training / life-long learning	Part-time supplementary benefit Study grants Sickness benefits	Different kind of leave schemes Part-time pension
Functional flexibility		Job enrichment Training Labour leasing Subcontracting Outsourcing	Training / life-long learning Job rotation Teamwork Multi-skilling	Performance related pay systems	Voluntary working time arrangements
Labour cost/wage flexibility		Local adjustments in labour costs Scaling/reductions in social security payments	Changes in social security payments Employment subsidies In-work benefits	Collective wage agreements Adjusted benefit for shortened work week	Voluntary working time arrangements

Table 2 - The "Schmid Matrix" (Leschke, Schmid and Griga 2006)

Flexibility	Security	Job security	Employment security	Income security	Option security
External numerical		t	t/c/v	t/c/v	t
Internal numerical		c	c	(t)/c	t/c
Internal functional		c	c	t/v	(t)/c
External functional		c	t/c/v	t/v	t/c

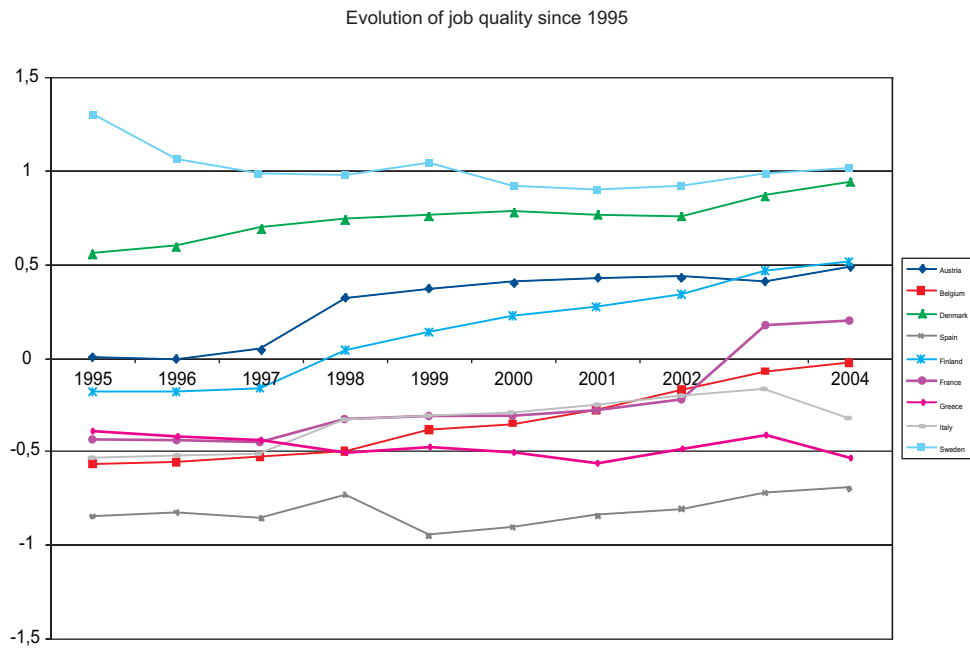
Legend: Trade-offs (t), complementarities (c) and vicious circles (v)

Figure 3- A map of employment quality in Europe according to Laeken indicators



Source : Davoine, Erhel, 2006b, LFS, ECHP

Figure 4 - The dynamics of employment quality since 1995



Source: Davoine, Erhel (2007), LFS, national statistics about in work accidents
 The figure represents the evolution over time of a synthetic index of job quality, based on Laeken indicators.



Social Protection revisited in Lisbon

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2007
EU presidency Portugal

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Social Protection revisited in Lisbon

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In some respects and in some periods the European Union may seem a success, yet in other respects or in other periods it is more of a challenge. At this moment rather the latter applies with respect to social cohesion and social governance. The EU is in fact confronted with a double societal challenge. On the one hand it has to cope with the effects of economic transition and to bolster its position in a globalising world. On the other hand it is confronted with its own identity and the future it wants to strive for after the accession of the new member states and its enlargement towards the east. Together these developments raise questions as to whether the EU and its member states are able to uphold their societal model, whether they can guarantee social cohesion within and among them and whether they dispose of the right instruments of social governance to do so.

Moreover, there might be something even more important at stake. In one of the many conferences and workshops which the Portuguese EU-Presidency organised in 2000, in preparation of the Lisbon Summit, a representative of the World Bank suggested that in the new environment of a globalizing world Europe, once again, would have to be very creative to mould the social complement that could make the technological, economic and financial development of globalisation acceptable, sustainable and even legitimate. The underlying reasoning, so the World Bank representative explained, was that the natural development towards a globalising world, needed a men-made and men-friendly complement. And he reckoned that Europe was well placed to device the anti-dote for an otherwise highly unilaterally market and profit oriented development. The ultimate discussion of the Portuguese Presidency of 2007 may then be devoted to whether and how the EU might be taking responsibility for moulding this social complement. But before embarking on such a discussion more information is needed on the European approach, on its challenges and on the responses it elaborated so far.

Yet, before dealing with these issues it looks appropriate to remind the focus and competence division with respect to social policy in Europe. Traditionally social policy in European countries has been associated on the one hand with working conditions that resulted to the larger extent from the system of labour relations and on the other hand with income protection that was organized through social protection systems. Working conditions refer both to wages and additional, occupational provisions; social protection to both minimum income schemes and earnings related provisions that are aimed at safeguarding the acquired standard of living.

It should be stressed that all these systems used to be organized at the level of the individual Member States. Moreover, according to the principle of subsidiarity, the competence on them remains with the Member States. Initiatives in these fields by the EU are not based on full, formal competences by the EU, but rather on gentlemen's agreements and the goodwill of the individual Member States. (Only in the area of safety on the work place were far reaching competences given to the EU-level from the start, as the absence of common regulations on it might otherwise undermine fair competition in the common EU-market.) Yet, the last decades have shown a double evolution. Inadequacy of existing provisions as testified by enduring and multidimensional situations of unemployment, poverty, deprivation and social exclusion have urged the EU to put social policy issues more explicitly on its agenda. And secondly,

many Member States, developing from an industrial towards a post-industrial setting, have become aware of the need to coordinate much better their employment and incomes/social protection policies with education policies and training initiatives, safety measures at the working place and risk prevention.

Meanwhile, the awareness of the need to foster such transition towards a post industrial, knowledge based society, has culminated in the Lisbon Summit. The latter was not only path breaking in conceptualising the ambition of the EU to modernise itself, it also conceptualised a new method of decision making, called the "Open Method of Coordination – OMC". We will have to come back to that.

In line with these two focuses of the 2000 Lisbon Summit we regrouped the issues of the European approach, its challenges and responses under three headings. Under 'social cohesion' we will first deal with issues of substance before shifting to 'the social governance' aspects that refer to the policy making procedures and policy instruments that are deployed to make policies work. The future will be covered under a third heading.

1. Social Cohesion

Although 'social cohesion' is very rife and popular in policy documents, even at the European level, the concept lacks a clear interpretation. But this should not bother us too much, because no less than three meanings that are attributed to it are significant for our analysis.

1.1. Three meanings of social cohesion

In the first place social cohesion refers to an economic aspect. Phenomena like rising unemployment, poverty and income deprivation are interpreted as side-effects of a one-dimensional economic policy. Social cohesion then refers to the containment of social inequality, operationalized in terms of income inequality. Yet, it is not income inequality as such but its ideological context that is of relevance for social cohesion.

A second meaning relates to the institutional-organizational aspects of society. Apparently conflict mediating macro institutions play an important role in reaching consensus about shared interest. Social cohesion then refers to horizontal mediation or conflict regulation between different segments in society. Closely related to mediation are procedural rules. They should be legitimate and guarantee procedural justice. (Lockwood, 1999: 64)

Finally, social cohesion is connected with what nowadays is called 'social capital': the organizations that are situated between the individual and macro-institutions. It refers to the organizations and social networks that give shape to the social midfield, to 'civil society'. A legitimate horizontal macro system where mediation between (representatives of) organisations takes place, presupposes a vertical axis that is able to group common interests.

Summarising, social cohesion does not really concern social inequality in itself but its relative importance. It depends on the values and norms in which it is embedded, on the procedural rules that are available and that may channel the crucial social interests in order to reach enough consensus and cooperation between their segments. The question then arises as to what the European recipe has been to guarantee this, as to what characterizes the European social model. So, let us have a look.

1.2. The European Social Model

I prefer to argue that the European Social Model presents itself, not as a monolithic reality, but as a dynamic and possibly even dialectic process in which two things are combined: a diversity of national welfare regimes that nevertheless testifies of a common patrimony, on the one hand, and a shared EU social policy profile that remains fragile but is gradually getting shape, on the other (Berghman & Sakellariopoulos, 2004: 242). Questions then arise as to how the common patrimony can be safeguarded when the national welfare regimes have to adapt to the actual socio-economic developments and whether the shared social policy profile can be of help to do so. So, let us have a look at the common patrimony of the European Social Model.

Table 1 - Productivity indicators - % differences (EU = 100)

	US	EU
GDP/capita	130	100
GDP/employed person	108	100
Number of hours worked/capita	144	100
GDP/hour worked	89	100
Remuneration/hour	101	100
Productivity/remuneration	87	100

Source: Cichon, M. (1997) Can Europe afford the future financing of the Welfare state?, in A. Bosco & M. Hutsebaut (eds.) *Social Protection in Europe: Facing up to changes and challenges*. Brussels: ETUI, pp.82-84.

Beneath the normative, cognitive and institutional commonality that might be found among European Welfare States, it was rather the collective decisions on the labour-income nexus which underpin the welfare systems, that are of importance. Some simple indicators help to make the point, starting from a comparison between the European Union (EU-15) and the United States with respect to productivity. For the sake of clarity I take figures from the 90's when the EU had still its old shape and longstanding approach.

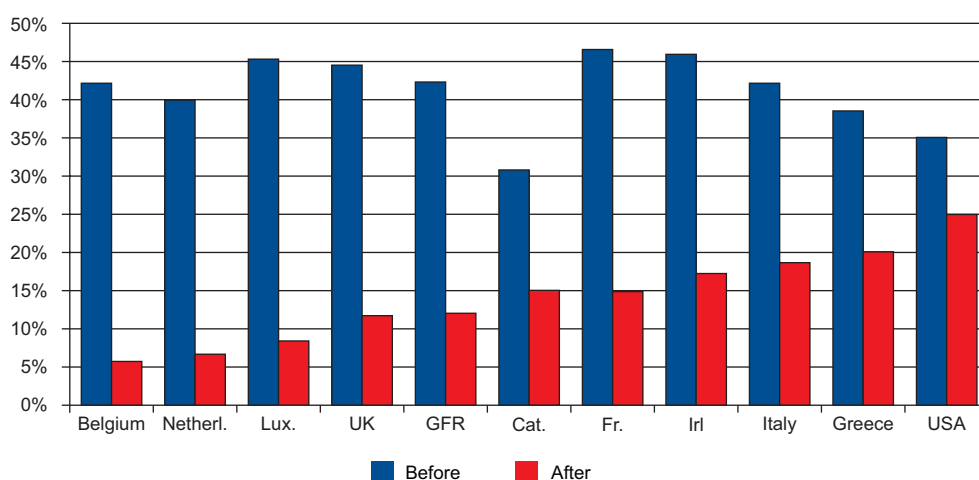
Table 2 - Gross and net public and private expenditure for social protection (including health care) as % of GDP, 1990's

	Public gross	Public Net	Income Private	Total
Belgium	27.3	n.a.	1.9	n.a.
Denmark	31.0	26.8	1.7	28.4
Germany	28.3	26.6	4.4	31.0
The Netherlands	30.2	25.1	5.0	30.1
UK	23.4	23.2	4.7	27.9
Sweden	38.0	34.1	2.9	37.0
Japan	12.4	n.a.	n.a.	n.a.
USA	15.6	15.5	11.9	27.4

Source: Nederland-Tweede Kamer (Netherlands-Parliament), *Sociale nota (Social Report) 1997*, nr 25002, 1 & 2, p.112 and further references.

Table 1 shows that gross domestic product per capita was 30 percentage points higher in the US than in the EU-15. Per employed person this difference was much smaller, however. The difference in numbers of hours worked per capita provides the explanation: not because the hours worked by individual workers was higher in the US, but because more Americans were allowed to work, yielding a higher aggregate number of hours worked per capita. GDP per hour worked, by contrast, was lower than in the EU, suggesting that the lower skilled workers that are still given access to the labour market are decreasing the average hourly productivity level. In fact, while average remuneration per hour was at a similar level, productivity per unit of remuneration was lower in the US than in the EU (Berghman, 1997). Implicitly, therefore, the EU had 'chosen' for a strategy of high productivity by giving only the most productive workers access to the labour market.

Figure 1 - Households with incomes below the poverty level, before and after social protection



Source: Hausman, P. (1993) The impact of social security in the European Community, in J. Berghman & B. Cantillon (eds.) *The European Face of Social Security*. Aldershot: Avebury, pp. 113-114.

Yet, while implicitly and collectively deciding to be very productive, the Member States of the EU also opted for guaranteeing adequate living conditions to those not capable of being productively inserted in the labour market because they did not yet, or no longer, have the capacity to work. According to table 2 EU countries typically spent between 27% and 30% of their GDP on gross social expenditures, whereas Japan and the US spent only about 15% in this way. (In net terms these figures are somewhat lower to the extent that part of these expenditures return through direct and indirect taxes and social contributions. The latter have a considerable impact on social expenditure levels in e.g. the Netherlands and in the Nordic countries. See also Adema, 2001).

However, when tax expenditure and private expenditure on the same 'social' contingencies are added, the picture changes fundamentally. It then appears that all countries spent more than a quarter of their GDP on social expenditures. Hence, the member States of the EU and the US spent more or less the same share of GDP to provide various social services and benefits, the difference being that in the EU this was done more through obligatory and statutory schemes. By doing so the EU countries found it easier to counter adverse selection mechanisms and thus to be more effective than the US in reducing poverty (figure 1). So, the common patrimony seems to reside in the combination of productivity with solidarity; the latter inspiring the broad, obligatory, solidaristic welfare institutions.

1.3. The sub-models

Yet, the institutions that are deployed by the EU-countries differ. This can be explained by referring to the basic social policy logic and to the way the different European welfare state sub-models locate themselves to it (Berghman, 1997). The social policy logic holds that we educate and train people to ensure that they are able to enter the (paid) labour market and thereby have the opportunity to gain a primary income. Social protection, then, basically operates as a by-pass mechanism in those cases where insertion in the labour force is no longer possible or desirable. In such cases their aim is to mend the situation by guaranteeing the availability of (replacement) income in order to safeguard social integration. Yet, social protection policy cannot confine itself to the mere provision of income protection, be it at a minimum or at an earnings related level. Income schemes have to be complemented by re-integrative actions like retraining, work mediation and rehabilitation schemes. Thus, the location of social protection within its broader socio-political context makes us aware of the intrinsic connections that exist between social protection, labour demand and labour supply. For society, social protection is a productive factor to the extent that it upholds the basic logic and that it does so in an efficient way.

Social protection, and in a broader interpretation the European welfare state, may then be considered to bear three explicit objectives: to guarantee minimum protection (the Beveridge legacy of the anglo-saxon submodel) and to provide earnings related income protection (the Bismarck legacy of the continental sub-model), in ways that do not counteract reintegration (the Scandinavian legacy of the Nordic sub-model). In this context a fourth, Southern European sub-model is considered as a less elaborate continental model that is still more relying on family solidarity. With the accession of the new EU Member States two additional sub-models seem to present themselves: the Visegrad countries, comprising Poland, the Czech and Slovak Republics and Hungary, and one may add Slovenia) that present themselves as a combination of the continental and Southern European sub-models on the one hand and the Baltic Republics that seem to elaborate a sub-model on their own on the other hand (Török, 2006).

1.4. The European dream

The structural necessity to recalibrate social policies might be helped by a common vision on where to go to and how to make use of an EU collaboration to facilitate this. Yet, the referenda on the constitution and the discussion they engendered, have pointed to the necessity of a major overall vision on the future of the Union on the one hand and to the limited confidence with citizens on the social, one even can say: social cohesive, relevance of the EU, on the other hand. Although a recent Eurobarometer shows that 42% of the European citizens never think of themselves as European and that only half of them finds that their country's membership of the EU is a good thing, social issues rank highest among the actions to which the EU should give priority. Fighting poverty and social exclusion for 44% of the respondents and fighting unemployment for 43% of them are on top of the list. (Eurobarometer 64, 2006: 43, 52 and 99; see also Van Oorschot, 2006: 23-42). It is comforting then to see that the fight against unemployment and against social exclusion were among the targets which the Lisbon Summit decided to address by the Open Method of Coordination. But that brings us to our second heading of social governance.

2. Social governance

Before dealing with the recent developments with respect to social governance in the EU, it should be reminded that the major instruments that for a long time have been deployed in the social field are the structural funds.

2.1. The Open Method of Coordination

Yet, the Lisbon Summit was not only path breaking in conceptualising the ambition of the EU to modernise itself towards a social knowledge based society, it also conceptualised a new method of decision making, called the “Open Method of Coordination” (OMC). This points to the mid-way position that had to be taken by the EU in the social policy field: confronted with the new challenges of globalisation, ageing, technological change... a concerted action was thought to be necessary, but the formal competences would continue to reside with the national authorities. As an inter-governmental device the OMC tried to reconcile both elements.

In retrospect one has to admit that the original enthusiasm that was yielded by the OMC in different social policy fields has gradually lost its momentum. This can partly be attributed to the heavy administrative and consultative process that had to be put in place in order to elaborate valid NAP's and a reliable and feasible monitoring system. The social policy actors are, however, more depressed by the overriding influence of Ecofin, by the diminishing commitment of the Council to social objectives and by the Commission's option to degrade the social angle of the Lisbon triangle.

Meanwhile it has been decided recently to renew the strategy for growth and jobs within a framework where economic, employment and social policy mutually reinforce each other, to bring the social OMC's on social inclusion, pensions and health and long term care together in a tri-annual process and to reinforce its mainstreaming at the EU level. Yet, among social policy actors heavy doubts remain on the awareness and commitment of the EU for social cohesion and for its European social model but, most of all, for the ability of the EU to define an appealing vision on the renewed way in which productivity and solidarity can be combined in the future, and so on the new way in which the European social model can be revitalised.

2.2. Bolstering civil society

Social governance is not only a matter of EU institutions and of the governmental (national, regional and local) levels of and within the Member States. As the OMC already hopes for with its 'open' character, all relevant policy actors should be linked and committed to the cause. Especially the NGO's that constitute the social midfield and secure the vertical axis of social cohesion are at stake here. The picture they provide is ambiguous. The traditional one's like the social partners, social movements, voluntary associations and charitable initiatives do not all flourish. Especially trade unions that have constituted the prime promoters of social policies and have been the spokesmen of labour in the negotiations on the labour-income nexus have had difficulties to keep their membership level. Yet, their importance differs from country to country. In continental countries they are traditionally strong and have had difficulties to keep their strength. In Southern European countries with a less outspoken continental regime they show a similar developmental pattern. In the Nordic countries, on the contrary, their position was and remained strong. But in the Atlantic countries where their position has never been very strong it certainly did not improve.

Yet, the risk society and reflexive modernity confront us with new aspirations, interests and needs. In the fields of labour and income distribution and in line with the social policy chain that was introduced earlier, recent research has pointed to the importance of updating professional skills of citizens. Sharpening of what is called their 'capabilities' and offering plenty of opportunities to bring and to keep their capabilities up to standard will induce a much more preventive way of activation than has become general practice so far. Yet this new and broader focus engenders new movements and initiatives, new NGO's and action groups that claim their place in the decision making process. In our more atomized society these forms of organization tend to be more fluid than the traditional social partners and social movements. The NAP's testify of the difficulty Member States encounter in giving room to them in the policy making process. Yet, by stressing the necessity of partnerships with these newer forms of civil society, the OMC acts as a path breaking social policy governance laboratory. (Berghman and Sakellaropoulos) Similar challenges for social governance are encountered when environmental aspects complicate socio-economic bargaining and policy making.

3. The future of social cohesion and social governance

The concept of social cohesion referred to three meanings. What will they bring and how will the Lisbon Strategy help us in coping with them? It will have become clear by now that the first meaning in terms of income inequalities is not a very fundamental one in its own right. Ultimately it is the relative importance of (the lack of) inequality for the legitimacy of governance that is at stake. Yet, it is through the second and third meanings of social cohesion, through the legitimacy that is provided by the horizontal coordination of policy fields and through the alertness of policy actors and their representation in the vertical social cohesion axis, that inequalities do not turn into polarization and dualism.

3.1. The horizontal social cohesion axis of social policy coordination

If there is any need to revitalize the European social model in terms of the Lisbon Strategy and taking into account the challenges by which the latter was triggered, and even to have the broader lines of this revitalisation defined and voiced at the EU level, what might then be the substance of such endeavour? From what precedes it will be obvious that it is not only the "social protection" area but also the "wage-labour nexus" area that are traditionally at stake when dealing with the European social model. From the actual discourse on social policy it becomes clear, however, that also the "education" and "competence and skills" areas have to be intrinsically taken into account (Allmendinger & Leibfried, 2003).

The transition from an industrial to a post-industrial, reflexive, information society has yielded important shifts in the conceptual and policy framework on social policy and the welfare state. The traditional attention that was given to curative transfer systems has been put into question by the high unemployment rates in the late 70's and 80's. This has embroadened attention towards re-integrative policy initiatives. Yet, the success of such initiatives which focus labour supply, quickly reached its limits because of the lack of labour demand. So, the following policy phase has witnessed initiatives to enlarge labour demand. The latter may be welcome to appease labour market problems in the short and medium term but are no final solution. In the longer term, on the contrary, attention has to shift to capabilities, capacity building, transitional labour market-, human resources- and career management (Estevez-Abe e.a., 2001). So, there is a need for a convincing commitment of both the national and the EU level to operationalize reliable formulas of flexicurity.

In doing so, the redistribution which the social protection and welfare state systems are meant to generate, witnesses an important embroadening of its scope. In fact, the horizontal redistribution that was aimed at by the original social insurances was later complemented by vertical redistributive objectives of the social protection systems. Yet, the pronounced levels of training and expertise that are needed in the highly developed knowledge based society make investments in training of the younger cohorts and in re-training schemes for those on active age an additional priority. So, not only education and training programmes, but also income protection during periods of retraining and parental leave and kindergarten become crucial for a European social strategy.

All this leads to a more pronounced intergenerational redistribution whereby the actual generation has to invest in the new cohorts, not only to make them fit for insertion in the production process and upholding economic growth in Europe, but also to guarantee that the coming generation of Europeans will be able to continue the horizontal and vertical redistribution devises of their respective welfare states tradition, or at least to operationalize once again the productivity-solidarity nexus that represents their common patrimony.

3.2. The vertical social cohesion axis of governance

So then, is there any meta-type of capitalism that is or should underlie the Lisbon agenda? From a social policy point of view two elements come to the front. The first relates to the European social model and the social policy framework this is asking for at this moment. They urge for a meta-type that liberates the welfare state from its traditional curative focus, but manages to incorporate re-integrating and activating policy initiatives. In this sense the Lisbon strategy holds. It bears two weaker points, however. The first is that the social angle of the Lisbon Strategy triangle should be more reliable, should be trusted as being fully part of it and not just "the third son that has to wait somewhat for attention". If the employment policies and welfare state are the second and third parts of the Lisbon triptych that allow the first part to flourish and enable the productivity-solidarity nexus of the European social model to be revitalised, then they should be given attention and materialised as such. A longer term but clear and reliable vision, embracing attention for intergenerational and flexicurity perspectives are most needed. The second weak point is that the European citizens should be convinced that it is worthwhile to invest in such an approach, to back their national governments in it and to commit their organizations of the civil society into that direction.

The second element that comes to the fore is the actual development of the national welfare states. The meta-type that is envisaged in the Lisbon strategy is most in line with the traditional Nordic welfare state sub-model and its emphasis on universal coverage, re-integrative drive, high labour market participation, also of women and its facilitating of the latter by child oriented facilities. This is not to say that all member-states should copy the Nordic sub-model; that sub-model is in further development itself. But many elements of a Lisbon-proof meta-type are reminiscent of the Nordic tradition. Yet, the promising finding is that many Member States are aware of this challenge and in fact are in a full process of taking initiatives in this direction. For the continental, conservative sub-model where changes in this direction may be supposed to be hardest to come by, recent research on the northern-tier conservative welfare states could convincingly corroborate this trend (Vleminckx, 2006). Added to this, Johansson and Hvinden (2004), scrutinizing social policy development in the Nordic, so-called socio-democratic welfare states, found some trends that converge with developments in other welfare state sub-models. The development in the new Member States is less crystallized, yet a striking trend seems to present itself.

Countries with hardly any foreign debt (like Slovenia, Czech Republic and Estonia) were apparently able to launch their own social policy route. Slovenia and Czech Republic could bolster the Bismarckian roots of their systems, be it adapting them to safeguard their sustainability; Estonia opted for a Nordic approach, be it in a slimmer version. Countries, on the contrary, with a large foreign debt (like Hungary, Latvia, Lithuania, Bulgaria, Poland, and similarly also Croatia and Macedonia) had to use the help (loans) of the World Bank to adapt their systems very radically in line with the philosophy of this organisation and so focussing on funded pension schemes, privatisation of health care and on a social assistance approach. The later meant typically that family allowances systems were retuned into family assistance schemes. More recently these countries are confronted with the dysfunctional effects of this approach. They now ratify conventions of the ILO and of the Council of Europe to restrict a further shrinking of their social protection systems below minimum standards.

In an incremental way, convergence towards a common active welfare state regime seems underway. Yet, of course, differences continue to exist and provide further justification for subsidiarity; but at the same time the common vision, the common commitment, the European social model, that what unites the Member States remains underdeveloped, under-voiced and under-backed. This is a pity because the European social model may represent much more for Europe than is thought at first sight.

3.3. The ultimate relevance

In preparation of the Lisbon Summit under the Portuguese Presidency, Manuel Castells (2002: 234-235) argued that there is a need of 'a common European identity on whose behalf citizens around Europe could be ready to share problems and build common solutions'. Yet, only in the realm of values could he identify a cluster of elements that looked promising. This cluster referred to the welfare state. It consisted of 'shared feelings concerning the need for universal social protection of living conditions, social solidarity, stable employment, workers rights, universal human rights, concern about poor people around the world, extension of democracy to regional and local levels, with a renewed emphasis in citizen participation, the defence of historically rooted cultures, often expressed in linguistic terms. If European institutions would be able to promote these values, and to accord life with these promises for all Europeans, probably the "project identity" would grow'. So, in identifying the welfare state as a common value carrier he pointed to a possibly crucial role of it for the EU itself.

Yet, M.J. Rodrigues (2006: 2) rightly wrote that 'in order to sustain the European social model, we need to renew it as well as to renew its economic basis by focussing on knowledge and innovation'. In the actual context of a globalizing world we can only agree with her. Moreover, we might take the opportunity of the new Portuguese Presidency to take stock of the situation and pave the way for any timely initiatives that could be taken at the EU level to back the national attempts to adjust to the new knowledge and innovation focussed orientation. Yet, it would even be better if these initiatives could at the same time visualize a common European Social Model.

3.4. The short term horizon

Taking these perspectives into account, and seen from a social protection point of view, different initiatives, with quite differing scopes, can be conceived which the Portuguese presidency could either embark on or foster.

The way the European Social Model presented itself so far was interpreted as a combination of a productivity drive with publicly organised solidarity. Following on from this the introduction of a European minimum wage system may be highly decisive, especially for the CEEC's. This would not mean, however, that

a single EU-wide minimum wage should be fixed. One could find inspiration, on the contrary, in the tradition that has grown in poverty research, to define the poverty line as country specific but based on a common methodology.¹

Shifting the focus of European social policy from social inclusion to an activating, capabilities approach could be a second line of action. Almost by sheer accident the EU came to pay attention to poverty, and later to social exclusion and inclusion. Competence and legitimacy constraints and political arguments may explain this. Yet, even when up to the 2000 Lisbon Summit this focus represented merely peanuts in the fight against poverty and social exclusion, it hardly made sense in the light of the subsidiarity principle. Since the Lisbon Summit the OMC on social inclusion may have had some more indirect impact through the monitoring of social inclusion via the NAP-incl's. Yet, it remains astonishing that the most outspoken discretionary, local and multifaceted part of social policy figures highest on the EU agenda. This is not to criticize the attention for social inclusion, but to advocate complementary attention by the EU governance level for the policy realm that is at the heart of the Lisbon agenda, that is for activation, a capabilities approach and knowledge building. In a rather dispersed way parts of this field are covered in employment policy, but large and crucial parts that refer to the major social security schemes, to education and training, to monitoring labour supply and labour organisation, are not really taken aboard. The effect of it is that the poor may feel addressed by the EU, but the bulk of the citizens and of the working population is not. For the latter the EU is not really taking care of the major social correction devices that have to cope with the dysfunctional effects of economic development and the common market in a globalising world. Yet, when the major institutions in the social field are taken care of, the lower end of them that is directed to social exclusion will automatically be taken aboard. The other way round, however, is not automatically working. The fight against social exclusion provides no guarantee for safeguarding the major social protection devices.

In line with the previous points the presidency may try to visualize the Lisbon Agenda by launching a proper EU-initiative. Some kind of credit scheme to underpin life-long-learning is an obvious candidate. It visualizes the productivity drive of the EU-model, gives shape to the knowledge and innovation focus of the Lisbon agenda and may hence convince the European citizens that they are worth the investment. Part of the budget that is needed and most of the policy competence may be found in the existing European funds. Yet, regrouping them as a life-long-learning scheme may represent a timely visualisation of Social Europe.

Finally, one could plead for an integrated OMC for total social protection. What we had so far were originally isolated OMC's for employment, social inclusion, pensions and parts of health care. Even when these were later more or less integrated into more encompassing OMC's, they remain the integration of only a selection of the relevant social policy sub-fields. Hence a plea for an OMC that provides evidence on the totality of social protection. Also this may visualize the European social model by showing that the EU is eager to complement its common market policy by a common social correction system. If social protection, as was argued, is an important mediator that allows the economy to flourish, we should give it the opportunity to do so, also in the new area of globalisation and the Lisbon agenda. Let us show by an integrated social protection OMC that the EU has not just four social footnotes to its common economic union policy but a full social complement. We should not be afraid to show this to the world and to show how we can keep it functional in the new economic context.

June 2007.

¹ Starting point here is the country specific amount of 60% of median net disposable equivalised income on which an equivalence scale of 1.0/ 0.5 /0.3 is applied.



The European Employment Strategy - 10 years after

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The European Employment Strategy - 10 years after

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The EES is officially ten years old. Though its start can be traced back to the Essen council (1994), the key moments for its successive developments have been: a) the Amsterdam Treaty 1997; b) the Lisbon strategy 2000 -2010; c) the 5 years assessment in 2002; d) the reformed EES in 2003 (from around 20 to 10 EGs); e) the Kok report 1 in 2003 (the European Employment task force); f) the Kok report 2 in 2004 (Lisbon Strategy assessment); g) the 2005 Lisbon reform and the Integrated guidelines (2005-2008) (8 EGs).

1. THE 3 PHASES OF THE EUROPEAN EMPLOYMENT STRATEGY (1997-2007):

different logics at work and a maturation process over time.

A. The EES (1997-2002): Amsterdam treaty; a fairly broad and open agenda; test board for 'nordic' versus anglo-saxon policies; leading role of the Commission; followed by 5 year assessment.

The EES is based on the Amsterdam treaty (1997). With its 4 pillar structure (Luxemburg council), the EES provided a fairly 'open' agenda with a vast array of employment policy tools - a sort of 'mise à plat' and 'mise en commun' of the variety of policy tools available in member states (MS). It gave also an implicit cognitive structure for reform and advanced some clear paradigm on the basis of MS previous and numerous labour market experiences. The four pillars were: to increase employability through ALMP especially for specific vulnerable groups (young, LTU, women); to develop entrepreneurship (this category entailed also other items: f.i. developing jobs in services, job creation for youngsters, but also employment friendly tax policies); adaptability issues (social dialogue around external and internal flexibility); gender issues (reconciling work and family; reducing gender discrimination).

Such a broad approach was a pedagogic and useful start from MS getting to know each other policies better. Given the wide spectrum of policy measures on the table there was 'something for every one' and ideological clashes could be avoided. The latent models provided were essentially the Nordic versus the anglo-saxon model. The emphasis was put very much on 'active' labour market reforms. The necessity of tax friendly policies was also stressed.

The Commission played a leading role in this first period (1997-2003). In the following EES period (2003-2005), we have noticed a shift towards more inter-governmentalism, but the Commission remained a strong gatekeeper. This inter-governmental shift reflects in a way a gradual appropriation of the EES by MS and is also the result of the Lisbon strategy (2000) and its 2005 reform.

B. The EES (2003-2004): political compromises of a tighter nature; ‘rapprochement’ between Nordic and anglo-saxon positions, and emergence of a new divide among Member State coalitions: ‘a minimalist view’ (the fast reformers) versus ‘a regulation view’ (the slow reformers); best performers’ trajectories well identified; less EGs (10 only); less internal coherence of the agenda; changes of temporalities: 3 year process and streamlining; shift towards more inter-governmentalism.

The fact of giving up the pillar structure as well as the reduction of the number of EGs to 10 only, reflected the shift from a fairly broad cognitive structure to more specific political compromises between so-called market oriented EGs and social oriented EGs, with a greater importance given to the former. However, a turn towards a clear UK orientation did not take place despite the UK presidency and market oriented pressures.

The differences of views and achievements as to labour market reforms among MS came more clearly to the forth. This was highlighted during the course of the 2003 reform. However, one observed some rapprochement between ‘the anglo-saxon and Nordic views’ around the legitimacy and necessity to reform extensively labour markets and social protection. This later coalition was fairly opposed to the ‘regulation coalition’ (Belgium, France) (Mailand, 2006). The general feeling is that UK, Nordic countries and Germany, have been pushing for more flexibilization of labour markets and retrenchment social protection reforms.

The best performers regarding employment rates were also those capable of labour market and social protection reforms; capacity for employment and social reforms as well as good economic performances appeared closely associated (Nordic, NL, IRL, UK): their respective performances were made visible.

Three other factors played an important role in the reorientation of the EES after 2003: the Lisbon strategy (2000-2010) (LS) with its calendar and employment targets, as well as the EES assessment after 5 years of functioning and later the Kok 1 assessment in 2003. Moreover, the broader economic and KBS objectives of the LS were also going to influence the EES reform in 2003. A better articulation between employment and social protection reforms had further been taking place.

The job quality issue and equity debates were not among the major priorities at EU level (despite rethorics and the original EU work on job quality indicators). Education/ training, undeclared work, regional disparities ranked higher than before, but they were issues for medium and long term outputs.

C. The EES (2005-2008): Integration of EGs within the broader frame of the Integrated Guidelines of the Lisbon strategy; looser and less clear MS coalitions; more agenda coherence; closer EGs relevance to challenges; new issue i.e. ‘flexicurity’ and life cycle approaches on the agenda as major priorities for the future; no recommendations in 2005 and structural indicators ‘for the back office’ essentially.

In this third period, MS coalitions were less conflict prone due to several reasons: the fairly harder choices in favour of more flexibility had been made earlier in 2003. The later have been made acceptable with ‘flexicurity’ measures growing in importance and replacing the more narrow ‘flexibility’ concept. With the EU enlargement to ten new members, the number of countries involved has increased which rendered MS alliances more difficult. The 10 new member states have come with their specific and

sometimes severe social problems: however, their influence on the agenda cannot be clearly seen. The 2005 Lisbon reform has gathered in a same package a broad range of items (macro- and micro-economic, R & D, employment) which rendered MS employment coalitions more difficult given the complexity and variation of institutional combinations between economic, R & D and employment issues. In short, clear cut MS deals as to EGs were less easy to reach given the larger number of countries involved and the increasing number of other items on the agenda.

This third period was also influenced by three other elements: the 2010 deadline getting closer, priority redefinition and the need to plan for future issues. The race for higher employment rates has increased with the deadline 2010 approaching and stress is put in priority on measures enabling to increase employment rates (women, aged workers and youngster). The higher priority of R & D issues (OMC on R&D and 3% investment as an EU objective) and of education and LLL issues (a noticeable acceleration of the OMC process on education/training took place) have marked this third period of employment policy guidelines and recommendations.

The 3 overall objectives of the 2005-2008 EGs in the IGs, and some newly evolving paradigm, gave it more coherence than was the case with the 2003 EGs. The Kok 1 report (2003) had contributed to redesign the EGs agenda, a frame taken up to a wide extent (already in the 2004 recommendations and later in the IGs). Those objectives read as follow: a) Attracting and keeping individuals on the labour market by enhancing transitional and life cycle approaches through flexicurity; closer fit between employment and social protection policies; better match between labour market needs and qualifications. b) Favouring adaptability of individuals and enterprises by modernizing labour laws, developing a preventing approach in case of relocations, better fit between wage structures, productivity, labour costs, tax and employment policies. c) Developing to a wider extent education and training policies through higher investments and improve their quality and access.

In 2005, no recommendations were issued (the official reason given was the novelty of the 3 year IGs process), but recommendations were issued again in 2006. The 'naming and shaming' referential had been going through turbulences: whereas the Kok 2 report (2004) had been insisting on that aspect, the Commission and the Council were of a different view.

In the same vein, the question of structural indicators (normally subject to a yearly report) was also asked by the Commission and Council to have a lower profile with the idea that MS differences in performances should not be put too much in the limelight.

2. LESSONS to be drawn from the EES (1997-2007):

A. Policy content

- The 'Danish model' has played a key role as a 'benchmark' in the last ten years for labour market policy debates and reforms both at EU and national levels, much more may be than the EES itself (see f.i France).
- The 'Danish model' has probably been more powerful in inspiring national MS debates, reforms and international organizations' research - especially in the most recent years (OECD, ILO, EU) than the UK model.

- However, the EES itself has played an important role in prompting debates, peer review, policy options where the labour market dynamics of the 'Danish model' and also other national systems (Dutch, UK, IRL, Austrian) became publicized and appeared as enabling 'performative' compromises between economic, KBS, social, employment objectives.
- The 'Danish model' has influenced the EES by putting flexicurity and life cycle approaches (as well as TLM: transitional labour markets) as major priorities on the EU agenda in the EGs (2005-2008). The major ingredients of the Danish labour market are: fluidity of the labour market and rapid adjustments; greater mobility of individuals (light employment protection legislation) associated with certain social rights (among others fairly generous unemployment benefits; LLL; good public employment services; wage and tax incentives); the protection of most vulnerable groups; a life cycle approach; a 'gender friendly' approach, fighting labour market segmentation and inequalities; a social dialogue of quality.
- The EES agenda has shown a good capacity of adaptation over time:
 - To new or increasing challenges appearing over time (increasing globalization; demographic challenge; generational labour market segmentation; relocations; immigration; undeclared work; KBS requirements; durable development) by adapting its priorities and introducing successively new paradigma (ALMP, flexicurity, life cycle approach, TLM, enhanced profile for education/training).
 - It managed to respect the national diversity of interests.
 - It endeavoured to correct its performance deficits on the basis of 3 major assessments (5 years; Kok 1; Kok 2): by reducing the number of the EGs (from around 20, to 10, to 8); by redesigning its priorities; by stabilizing the EGs over 3 years; by connecting more and more EGs to other policy areas.
 - If the LS has boosted the EES with its 2010 employment rate targets and policy inter-linkages, it has also more clearly put it under the SGP and macro-economic constraints, and even more so with the 2005 Lisbon reform.
- The EES has managed, in combination with the LS, to foster successively over time, very novel policy inter-linkages, with social protection (pension, health), social inclusion, education/training, KBS, economic policies, also youth and durable development policies, due to be made operational at national levels. The EES successive developments went for less EGs but more and more links with other related policies. The policy inter-linkages dimension will probably be the tool with the deepest and longest lasting effect at national level. One should develop 'evaluation designs and strategies' to better report nationally about that dimension.
- The EES agenda has been quite rapid in integrating new research evidence on labour markets and employment emanating from national academic research and international organizations. But one can regret the lack of more 'systematic' national impact analysis of the EES on the MS (most academic research remains scattered and a bit impressionistic; the EES 5 year assessment was impressive but not always systematic; the two Kok reports were more policy oriented than scientific; the JERs remain in a way the most encompassing evidence over the 10 years (!).
- The EES agenda has kept a good balance over 10 years between stability and changes in content of its EGs throughout its 3 successive changes in presentation (first around 20 EGs; later 10 EG; finally 8 EGs in IGs).

- Altogether, a 'rolling agenda logic' rather than a 'logic of ruptures' has marked the EES from one EU presidency to another. This is also due to the crucial stabilizing role played by EMCO (also its indicator group) and the Commission. However, coalition logics among MS have also been at work (see part I).

B. Governance

- Good adaptation of the EES to other EU processes such as the Lisbon strategy, its various OMCs and its successive reforms can be noticed (although the question of the relative importance to be given to the 'social inclusion' dimension within the IGs (2005-2008) remains contentious).
- The EES has served as a 'governance model' to the other OMCs.
- There has been a shift towards more inter-governmentalism (from 2003 onwards, but even more so with the 2005 Lisbon reform and its devices for national 're-appropriation' with the national reform plans and Mr(s) Lisbon), but the Commission remains a strong gatekeeper.
- The national social partners and national parliaments are yet in general very insufficiently engaged in the EGs discussions and implementation.
- Which MS coalitions have been observed over time?
Mailand (2006) distinguishes a 'minimalist coalition' (UK, DK, NL, IR, SW, Spain, Poland) versus a 'regulation coalition' (Fr, B, Lux, Greece, Hungary, Slovenia, Cyprus) which developed during the 2003 reform.
- What impact of the 3 assessment exercises (5 years, Kok 1, Kok 2)? They seem to have influenced more the change in policy content of the EGs than contributed to improve the policy impact at national level through the new governance devices (though it might be early to assess the full impact of the Lisbon 2005 reform).
- What about the EES policy impact at national level? Some studies reckon that the EES national policy impact was highest in the 5 first years, and less so afterwards despite the many efforts and changes in governance made precisely to improve national implementation. The reasons for such a situation are plural: many MS may have taken the EES most seriously the first years, whereas afterwards, there might have been a certain procedural fatigue. Further, after 2000, the MS had, due to the LS, to engage reforms in many other fields – macro, micro, R & D, education/LLL, social inclusion, pension, health care etc.... Moreover, it could also be that the discrepancy between too ambitious targets and the lack of capacity to reach them became more and more apparent and discouraged some MS. Finally, globalization hit stronger after 2003 and restructuring and relocation issues meant that f.i. early retirement schemes as a solution to elderly worker redundancy remained on national agendas rather than disappearing from them (in front of adversity some old recipes have been used again).

3. ASSESSMENT of the performances of the 2005-2008 EGs: How far are we from the 'quantified' 2010 targets?

Apart from the women employment rate, 6 of the 7 employment 'quantitative' targets for 2010 are likely not to be reached (see annex). This means that special care needs to be taken when assessing the 2005 Lisbon reform in order to justify those quantitative insufficiencies; one needs to stress other quantitative factors which look more positive such as lower unemployment levels (7.3% in EU 27 and 7.2% in the euro zone in March 2007) (without an initial EU target!) and of course stress 'qualitative' outputs.

On the 7 'quantitative' targets, 4 of them have to do with education or LLL measures which are known to have essentially medium and long terms effects (see the EU Employment report 2005 where reference is made to micro- and macro-economic studies in that respect).

This also means that great care should be taken in the future when adopting or adjusting 'quantitative' targets, so that at least 'some' of them are attainable.

Given such a tight situation, the stress has to be put on a) the achievements concerning the 7 'qualitative' EGs (2005-2008), and on the other b) on more general EES output factors at MS level such as: cognitive changes as to policy inter-linkages (employment/social protection); as to labour market virtuous dynamics; institutional and administrative changes in MS; mutual learning; increased planning and assessment of labour market policies; an evaluation culture, better statistical tools and services; an evolving agenda and new issues on the agenda over time).

4. Employment and Labour market RESEARCH: what have we learned in recent years ?

- 1) The experience of the Danish case grandeur nature has in particular inspired and influenced the content of many comparative studies.
- 2) A number of institutions (OECD, ILO, EU) have been studying the respective importance of external versus internal flexibility in various national set ups and their impact on employment performances on the one hand, and on workers security/insecurity feeling on the other. Those studies suggest that unemployment benefit levels seem to make workers feel better protected than employment protection legislation measures (cf. the OECD Employment Outlook Report 2006 has captured the EPL dimension through a composite indicator of 16 elements). However, higher unemployment benefits are also associated with longer unemployment periods. Therefore, and in order to avoid the latter situation, the studies suggest to better combine ALMP (active labour market policies) with the administration of unemployment benefits. The EU 'Employment report 2006' suggests to "trade off" more flexible EPL (employment protection legislation) *for* higher transfers to the unemployed both in the form of income compensation (i.e. passive labour market policies) and active measures (ALMPs)".

The ILO studies have shown that the longer seniority in a same job does not increase the feeling of security of workers (on the contrary) (Auer, Islam, 2006). The more one feels insecure, the more one tends to stay in the same job which is especially the case during economic downturns.

- 3) Many studies have in a way internalized the Esping-Andersen models (anglo-saxon, continental, Nordic) (and also to a certain extent the notion of varieties of capitalism) as they stress the

importance of national coherence and complementarities of different policies for employment, social and economic performances. Interestingly enough, although the OECD study (see Employment Outlook 2006) does not depart from the morphological features of the Esping-Andersen typology ex ante, its 'principal component analysis' reaches quite similar conclusions and identifies 4 groups of countries reflecting different flexibility models (Group 1 mainly 'anglo-saxon' countries: USA, UK, New-Zealand, Japan, South Korea and Switzerland; Group 2 entails essentially 'Nordic' countries, Denmark, Norway, Sweden, but also the Netherlands, Ireland and Austria; Group 3 mainly 'continental and southern' countries: Belgium, France, Germany, Italy, Spain, Portugal, but also Finland (the latter a geographic exception); Group 4 contains three new member states (Tcheck Republic, Poland, Slovakia). Countries which rank high on both the flexibility and security axes are positively correlated with favourable outcomes for socio-economic variables, such as higher employment rates and a more equal distribution of income.

- 4) When examining the different research results, growing consensus seems to be taking place as to employment and labour market policy assessments and reforms (at least among international organizations) with a stress put on the search for relevant forms of 'flexicurity' in the various MS. There seems also to be some agreement on the fact that we are lacking comparative employment policy studies which would take sufficiently into account issues such as inequality, wages, quality of jobs, productivity. Though the EU has developed original indicators for measuring job quality along 10 dimensions, few recent data are made visible in that respect, and the EGs seem to have somehow forgotten this issue over time, apart from regularly referring to it in their transversal declarations of intent.
- 5) Conditions for developing a flexicurity and life cycle approach. The 2006 Joint Employment Report highlights that 'content wise' a good balance between flexibility and security can be achieved by the interaction of four key elements: a) reforming labour laws and providing sufficiently flexible contractual arrangements (also anticipating change at enterprise level) ; b) effective active labour market policies; c) credible educational and lifelong learning systems (also better human resource policies at enterprise level); d) modern social security systems (health, pensions, social inclusion, family policy). We would add that beside their impact on employment performances, one should be more aware of the consequences of such policy developments on inequality, wages and job quality. On the later issue, see f.i. the indicator measuring the capacity of an economy to transform its atypical jobs into permanent jobs from one year to the next (cf. EU employment report 2004) which has been around 31% only among the EU 15 between 1995-2001 and where great disparities exist among MS.

Concerning the governance dimension of flexicurity and life cycle approaches, we would also add that in order to be implemented, one should have recourse to a diversity of modes of regulation at the EU, national and regional levels:

- a 'procedural' mode of regulation i.e. a fairly flexible method for adapting needs for the market and the individual (open method of coordination type with public policy evaluation);
- a 'substantive' mode of regulation - based on a strong 'active social State' which offers the guarantee of various forms of social protection and rights (Supiot, Gazier, Schmid); the EU level could provide some useful ad hoc framework directives;
- a 'contractual' mode of regulation based on social partner collective bargaining at all levels;
- appropriate financial resources.

5. SUGGESTIONS for the next Employment Guidelines

A. Policy content

- How one can concretely develop flexicurity and life cycle approaches devices, remains an open question in many MS, especially larger ones. Often such measures remain piecemeal or marginal and do not change the more global dynamics of the labour market. To be effective for employment performances and to generate more equity in segmented labour markets, such an approach would require the 'mise à plat' and reform of most of labour protection legislation and the setting up of a wide range of public policy measures which is hardly feasible politically. In between those two extremes (a piecemeal versus a global approach), an in-between approach could be developed at national level of a more 'strategic nature' which would specify how to program and sequence several such potential flexicurity reforms in a more coherent manner. The EU level could encourage such a 'strategic approach'.
- More hints could be given in the EGs as to the security counterparts of flexibility i.e. new rights and securities for wage earners.
- Evaluation studies on the cost dimension of the introduction of 'new securities' for more mobile wage earners on the one hand, as against the gains for economic, employment and social protection policies on the other hand, have to be multiplied and encouraged.
- The flexicurity priority is also at the origin of a multiplicity of new types of stress: the stress of uncertain lifecycles and uncertain pension rights, the stress vis-à-vis what is a good or a bad transition or mobility project for an individual. Moreover, many studies show increasing stress at work linked to the intensification of work (which emanates from higher competitive pressures) and the growing uncertainty on the ways to carry out one's daily job due to rapidly changing technologies, skills and organizational structures within companies. Legal and institutional approaches are not sufficient tools to deal with those types of stress. One should better understand what makes people feel secure and insecure in the various MS and not only compare abrupt institutional devices.
- The 'quality of work' dimension has lost momentum within the EES whereas studies show increasing stress at work (Dublin reports).
- While the EGs call for employment protection reforms (loosening of dismissal rules; single labour contract...) to be undertaken at national level, new measures and financial devices of a more 'protective' nature could be provided for at EU level (such as the global adjustment fund; structural funds). This pleads for a more deliberate 'hybridization' strategy of EU social rule-making (hard and soft law) and also more EU level coherence between EGs and pending social directives (cf. f.i. the pending directive on agency work; on working time)
- If on the whole, the EGs content seems to be fairly up to date and highly relevant given the EU challenges to meet, the 'governance aspects' of the EES requires yet to be seriously improved.

B. Governance

- To improve the way in which Employment Recommendations can be implemented at national level. The way the 2006 recommendations are presented does not look optimal, a checklist which probably makes sense to each MS but formulated as 'reminders' only. However 'shaming' does not seem an option neither. The more the EES is a well settled process and the more the reforms to be undertaken are numerous (economic, social protection, environment, education/training), the less the 'shaming' logic concerning the EGs appears useful - MS having internalized each other weaknesses over time and being more and more aware of the complexity of situations they each have to deal with. How to better help each MS in the national follow up of the EU recommendations?

Recommendations remain very important tools and should be issued regularly as the Treaty prescribes. And the EU level has to continue playing a major role in that respect. But what matters is that Recommendations are taken care of by the national level. If 'naming' is useful as it identifies clearly specific problems in specific countries, 'shaming' might not be the most practical tool for progress. On the basis of 'contextual benchmarking' taking national level specificities into account, the Commission could better advise and help member states about ways to implement 'recommendations'.

But at the same time, the Commission should also remain the attentive guardian of MS outputs and of their respective contribution to the adopted common EU benchmarks and targets. A more elaborate 'dispositif' has still to be worked out at EU level on both dimensions, so as to facilitate the national implementation of EU Recommendations and measure in a better way the respective 'effort' each MS has made to reach the EU target.

- More simple messages for assessing MS achievements in the JER could be provided: for each MS, classify EGs for which a national dynamics exists; EGs for which national efforts are static; EGs for which there are drawbacks. A better understanding of the reasons for national dynamics, status quo or drawbacks would also be helpful. Further, progress made by MS in employment fields not directly covered by EGs could also be reported on.
- The flexicurity issue represents an opportunity for relaunching tripartite pacts at national levels as the reforms implied are more than just incremental and cover a range of policy fields. Which role can the EU social dialogue play in that respect?
- The key stages of the learning process around the EGs could be more 'strategically organized': it is highest in EMCO (and SPC) and in national peer reviews. In both instances, 'learning designs and processes' could be organized more strategically around relevant grouping of countries and clusters (cf. Cambridge studies; cluster approach in education/training policies) (cf. Nedergaard, 2006; Casey, Gold, 2004). Moreover, one could encourage more 'snowball learning effects' at lower levels, a) among key strategic decision-makers involved in reforms at national and local levels, b) among 'veto groups' which oppose, delay or facilitate national reform, c) but also within enterprise human resource departments which play such a crucial role as to recruitment and firing practices, skilling and training practices and as concerns the social dialogue. The learning process should stress the crucial role of anticipatory strategies regarding employment policies.

6. CONCLUSIONS

On the basis of ten years of the EES functioning (1997-2007), what might be called 'good employment guidelines'? To qualify for such a label, it shows that the EGs require:

- To be sufficiently open, general, so as to concern *a variety of national situations* and yet to focus on *common key EU and global challenges* which are evolving.
- To represent a good balance - content-wise - between *market* and *more socially oriented* guidelines: employment policies need both to be demand and supply-side driven. But they should also be aimed at reducing inequalities.
- To plan for *adequate policy inter-linkages* among themselves (among EGs) and with other policy fields (social protection; education/training; tax policy; economic policy...etc) (within and outside the IGs) so as to enhance their potential effectiveness; close attention should be paid to the type of hierarchical schemes such policy inter-linkages might entail.
- To announce *new programmatic paradigmas* to work on (such as f.i. flexicurity, life cycle approach, transitional labour markets, education/training) but also to make sure *older paradigmas did not get lost* (ALMP; active versus passive measures; fight against youth unemployment, long term unemployment).
- To entail EGs with *potential results for the short, medium and longer term* so as to make sure that the process produces regular outputs; this is a necessity given the regular assessment 'rendez-vous' of the EGs.
- To set '*quantitative*' targets which can be reached within a given calendar. When assessments are made, quantitative achievements tend to be given a higher profile than qualitative ones – the latter being more difficult to evaluate as well as more difficult to report on.
- To find the right balance between stability and change as regards both the EGs' content and procedures given the changing economic and political contingencies and keeping in mind the implementation difficulties at national level.
- '*To make the best out of*' the successive evaluation and assessments exercises and to amend the EGs so as to take such evaluation results seriously into account. A broad range of evaluation exercises can be used beneficently: yearly evaluations of the JERs; results of peer reviews; more basic evaluations such as 5 years, Kok report (2003), Kok report (2004); as well as more general academic and international organization knowledge such as f.i. the Employment in Europe report, the EU - Crell studies on education/training, the OECD employment outlook, ILO research, classical academic research...etc.
- To elaborate EGs with *a perspective of hybridization of policy instruments*, keeping in mind that for implementing the EGs, one can have recourse to a whole set of EU instruments such as directives, structural funds, EU programmes, EU globalization fund, social dialogue, social responsibility of enterprises etc... This implies better coordination of member state policy-making within those different political arenas.

ANNEX (cf. JER 2006 - 2007)

The 7 Quantitative targets and their respective results:

Employment rates: 63, 8% in 2005 which means that 20 million jobs still need to be created by 2010 - the 70% target will be hard to reach (even if the rate keeps on increasing by 0.9% as in 2004-2005 we will be 2.2% below the target in 2010). Women: 56.3% in 2005 - the 2010 target of 60% can be reached. Elderly: 42.5% in 2005 – a rate which improved by 1.5% in a year and will nearly reach the target (just 1% below 50% by 2010), if it continues at that speed.

Relative good performances for unemployment levels which decreased from 8.2% in March 2006 to 7.3% in March 2007 in the EU27 (and from 8.2% to 7.2% in the euro zone) - an average with important MS differences (France, Slovakia, Poland ranking worst). Large MS discrepancies exist also as to youth unemployment (France, Sweden, Slovakia, Rumania, Poland ranking worst).

Active measure in labour market for LTU: 25 % target by 2010

(in JER 2005/2006; no new data in JER 2006/2007) Progress in the provision of preventive services for the unemployed is mixed and progress slow. Eleven Member States meet the 25% target for activation of the long-term unemployed, and in general the NRP do not adopt objectives in that respect.

Increase by 5 years the effective average exit age by 2010 (from 59.9 years in 2001): The average exit age increased in 2005 to 60.9 years (60.4 for women and 61.4 for men), an increase of only 1.5 % since 2001, and clearly below the target of raising it by 5 years.

The provision of childcare by 2010 to at least 90 % of children between 3 years old and the mandatory school age and at least 33 % of children under 3 years of age: Some Member States (AT, BE, DK, DE, ES, IE, IT, LU, PT, UK) have set national childcare places targets but few report on progress towards the European childcare target. Overall progress towards this target remains slow. Actions to make childcare more affordable through a maximum fee or reduced costs are stressed in just AT, DK, FI, IE, MT, and NL.

The early school leaver rate should not exceed 10% (EU average) by 2010: the rate decreased slightly from 15.6% to 15.1% between 2004 and 2006. The rate remains significantly higher for boys (17.3) than girls (13.1). In this period, school drop-outs rate decreased at least one percentage point in six countries (CY, ES, FR, IT, NL, UK). However, numbers actually increased by more than one percentage point in seven countries (DE, DK, EL, LV, SI, SE, SF). Improvements are particularly pressing in countries with highest rates of school drop-out (CY, IT, MT, PT, ES, EL, LV).

At least 85 % of 22-year olds in the EU should have completed upper secondary education by 2010: The upper-secondary education completion rate of 20-24 year-olds has stagnated around 77% since 2000 (74% for men, 79% for women), against the target of at least 85%. This target is met by only eight Member States. Negative tendencies are observed in Spain, Germany, Finland and Luxemburg.

Participation in lifelong learning should be at least 12,5 % of the adult working-age population by 2010 (EU average) (25 to 64 age group) : Europe is not advancing sufficiently towards the target of 12.5% participation rate for adults in lifelong learning. Although participation increased slightly from 9.9% in 2004 to 10.2% in 2005, only five Member States saw participation increased significantly. The situation is most worrying in Southern European countries (EL, IT, PT) and in most new Member States where the average rate is less than half of the EU-15 average (5.5%).



A Decade of Innovation in EU Governance: The European Employment Strategy, the Open Method of Coordination, and the Lisbon Strategy

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Introduction and Summary

Over the past decade, the EU has experienced an extraordinary series of innovations in governance, beginning with the launch of the European Employment Strategy (EES) in 1997 and the invention of the Open Method of Coordination (OMC) as a new instrument for advancing the Lisbon Strategy in March 2000. This paper analyzes the origins and development of the EES (section I) and the OMC (section II) as innovative governance tools for the EU, and reviews the findings of empirical research on the national influence and effectiveness of the OMC in action (section III). The paper then goes on to discuss the criticisms of the OMC raised by the mid-term review of the Lisbon Strategy, together with the revised governance architecture introduced by the 2005 relaunch (section IV). Section V examines the practical experience of the relaunched Lisbon Strategy during its first two years (2005-6), identifying a number of major weaknesses in its governance architecture. Section VI concludes by proposing a set of possible reforms to the next cycle of the Lisbon Strategy aimed at correcting the problems experienced by the relaunch in two key areas: (A) strengthening its social dimension; and (b) reviving the European Employment Strategy.

I. The European Employment Strategy as an Innovative Approach to EU Governance

As a growing body of research has shown,¹ the EES originated from a combination of widespread uncertainty among Member States on how to combat persistently high unemployment, political spillover from Economic and Monetary Union (EMU), and the consolidation of a European advocacy coalition committed to a more active role for the EU in employment policy. Thus strategic uncertainty about how to tackle rising unemployment across the Member States spurred the European Council in 1993-4 first to request a White Paper on Growth, Competitiveness and Employment from the Delors Commission, and then to adopt a common action plan for labor market activation and employment policy reforms, whose substantive content largely anticipated that of the EES. Political spillover from EMU led key actors within the Commission, the European Parliament, and Member State governments (especially recently acceded countries such as Sweden) to demand the addition of an employment chapter to the Treaty at the 1996 Intergovernmental Conference, in order to sustain public support for European integration by showing that the EU was more than “a market and a currency” and underlining Member States’ commitment to a collective approach to fighting unemployment. This advocacy coalition was then consolidated by governmental changes in pivotal Member States, resulting not only in the inclusion of an employment chapter in the Amsterdam Treaty but also in the convocation of an extraordinary summit in Luxembourg to implement the new Treaty provisions as quickly as possible.

Like the employment chapter itself, the EES or “Luxembourg Process” agreed in November 1997 was a political compromise reached amidst continuing strategic uncertainty about how best to tackle stubbornly high levels of unemployment across Europe. Thus the four pillars of the EES in its first phase

¹ For detailed analyses of the origins of the EES, see Goetschy (1999); van Riel and van der Meer (2002); Arnold (2002); Trubek and Mosher (2003).

– employability, adaptability, entrepreneurship, and equal gender opportunity – not only built on the EU's common employment policy priorities, as defined by the 1994 Essen European Council, but also incorporated ideas from a variety of ideological currents within the Union, drawing in particular on social democratic, liberal, and “third way” approaches.

More original than the substantive content of the EES was its procedural approach to EU governance. The Amsterdam Treaty had authorized the EU to coordinate the policies of Member States towards the achievement of a “high level of employment” as a matter of common concern, but had granted no new legislative or spending powers to the Union in this domain. The EES sought to square this circle by developing a new iterative process of benchmarking national progress towards common European objectives, supported by organized mutual learning. This iterative process, as it developed during the early years of the EES, consisted of five main steps in an annual cycle:

- The establishment of common but formally non-binding EU employment guidelines, targets, and indicators, based on intra- and extra-European benchmarking.
- National Action Plans for Employment (NAPs/empl), through which Member States assess their relative progress towards the common objectives and targets, and propose corrective action in areas of shortfall.
- Peer review of the NAPs/empl by Member State representatives in the Employment Committee (EMCO), supported by contextualized exchange of good practices at national level (also confusingly known as “peer review” exercises).
- A Joint Employment Report and set of country-specific recommendations, proposed by the Commission, reviewed by EMCO, and approved by the Council.
- Review and revision of guidelines, targets, indicators, and procedures.

The new governance architecture of the EES built on earlier methods developed for the coordination of Member State policies during the 1990s, notably the Broad Economic Policy Guidelines (BEPGs) and multilateral surveillance of national EMU convergence programs on the one hand, and the “Essen procedure” of annual reporting on national progress towards the EU's common employment priorities on the other. But compared to the Essen procedure, the EES contained stronger and more systematic provisions for guidance, monitoring, and evaluation of Member State employment policies. Compared to the BEPGs and multilateral surveillance of convergence programs, conversely, the EES placed greater emphasis on adaptation of common European approaches to distinct national circumstances and mutual learning than on compliance by Member States with one-size-fits-all policy recommendations. Hence the EES was quickly recognized and theorized as an innovative approach to EU governance not only by academic observers, but also by key policy makers within DG V (EMPL) of the Commission.²

² For examples of such theorization of the EES as a new approach to EU governance within DG EMPL prior to the Lisbon Summit of March 2000, see Quintin (1999); Larsson (2000a).

II. From the European Employment Strategy to the Open Method of Coordination: The Generalization of a New EU Governance Instrument

The EES explicitly served as the inspiration for the Open Method of Coordination (OMC), introduced at the extraordinary European Council of March 2000 as a broadly applicable new governance instrument designed to assist the Union in achieving the ambitious goals of the Lisbon Strategy: “to make the EU the most dynamic and competitive knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion”.³ Maria João Rodrigues, the architect of the Lisbon Strategy and “mother of the OMC” had been Portuguese Minister of Employment at the time of the 1997 Luxembourg Summit. The OMC, as defined by the Portuguese Presidency at Lisbon and afterwards, comprised four interdependent elements closely modeled on the EES:

- “Fixing guidelines for the Union combined with specific timetables for achieving the goals which they set in the short, medium and long term;
- establishing, where appropriate, quantitative and qualitative indicators and benchmarks against the best in the world and tailored to the needs of different Member States and sectors as a means of comparing best practices;
- translating these European guidelines into national and regional policies by setting specific targets and adopting measures, taking into account national and regional differences;
- periodic monitoring, evaluation and peer review organized as mutual learning processes” (European Council 2000: §37).⁴

The Lisbon European Council authorized the application of the OMC to a wide range of policy areas, including R&D/innovation, information society/eEurope, enterprise promotion, structural economic reform, social inclusion, and education and training. In the years following Lisbon, OMCs were introduced in a number of further policy fields, including pensions, health and long-term care, youth policy, and better regulation. Proposals were also advanced by the Commission and others to extend the OMC to a host of other policy areas, such as immigration, asylum, occupational health and safety, environmental protection, disability, and fundamental rights. In addition, following recommendations from the Commission's High Level Group on Industrial Relations (European Commission 2002), the European social partners have drawn inspiration from the OMC for the monitoring and follow-up of non-binding framework agreements and guidelines at both cross-industry and sectoral levels. Significantly, however, many of these new OMC processes, however, did not include the full four-stage governance architecture defined at Lisbon, but only fragmentary elements such as European Action Plans, objectives, targets, scoreboards, indicators, peer review, or exchange of good practices.⁵

From its inception, the OMC was widely hailed as a “third way” for EU governance between regulatory competition and harmonization, capable of opening a sustainable path for the Union between fragmentation and a European superstate (Larsson 2000b). Many academic and political commentators embraced the OMC as a suitable instrument for identifying and pursuing common European concerns

³ It is important to recall that the OMC was never intended to serve as the sole governance instrument for the Lisbon Strategy, but was always supposed to be combined with the full set of EU policy tools, including legislation, social dialogue, Community action programs, and the structural funds.

⁴ See also Portuguese Presidency of the European Union (2000); Lönnroth (2000).

⁵ For an overview of the diffusion of OMCs after Lisbon, see Zeitlin (2005a).

while respecting legitimate national diversity, because it commits Member States to work together in reaching shared objectives and performance targets, without seeking to homogenize their inherited policy regimes and institutional arrangements (Hemerijck and Berghman 2004). Many likewise viewed the OMC as a promising mechanism for promoting experimental learning and deliberative problem solving across the EU, because it systematically and continuously obliges Member States to pool information, compare themselves to one another, and reassess current policies against their relative performance (Zeitlin 2005c; Cohen and Sabel 2003; Telò 2002). For all these reasons, during the years immediately following the Lisbon Summit the OMC rapidly became the governance instrument of choice for EU policy making in complex, domestically sensitive areas, where the Treaty base for Community action is weak, where inaction is politically unacceptable, and where diversity among Member States precludes harmonization.

III. The OMC in Action

The national influence and effectiveness of OMC processes is notoriously difficult to assess, not only because of their variety, complexity, and relative newness, but also because of the methodological problems involved in disentangling the independent causal impact of an iterative policy-making process based on collaboration between EU institutions and Member State governments without legally binding sanctions.⁶ Yet there is now a substantial body of empirical research on the operations of the OMC at national and subnational levels, drawing on a wide range of official and unofficial sources. Most of this research focuses on employment, social inclusion, and social protection as the oldest, most fully developed, and best institutionalized OMC processes.⁷

Although the findings of this research remain controversial and subject to multiple interpretations, my reading of the available evidence supports the view that the OMC in these policy fields should be considered a qualified success in a number of important respects.⁸ The first of these concerns substantive policy change. Thus, these OMC processes have helped to raise the salience and ambition of national employment and social inclusion policies in many Member States. They have contributed to changes in national policy thinking (cognitive shifts) by incorporating EU concepts and categories (such as activation, prevention, lifelong learning, gender mainstreaming, and social inclusion) into domestic debates, exposing policy makers to new approaches, and pressing them to reconsider long-established but increasingly counterproductive policies (such as early retirement). These OMC processes have likewise contributed to changes in national policy agendas (political shifts) by putting new issues on the domestic agenda and/or raising their relative salience (such as activation, pension reform, childcare provision, gender equality, child poverty, and integration of immigrants). There is also evidence from both official reports and interviews that OMC objectives, guidelines, targets, and recommendations have contributed to changes in specific national policies (policy shifts), in areas such as activation/prevention, tax-benefit reforms, active ageing/lifelong learning, gender equality, child care, social assistance, and pension reform. Yet given the active role of Member States in shaping the development of OMC processes, their relationship to national policy making should be understood as a two-way interaction rather than a one-way causal impact.

A second form of positive influence on the part of the OMC concerns procedural shifts in governance and policy-making arrangements. Here there is abundant evidence that the EES and the OMCs in social protection/inclusion have contributed in most Member States to better horizontal coordination and cross-sectoral integration of interdependent policy areas; enhanced vertical coordination between levels of

⁶ For a fuller discussion of these methodological problems, see Zeitlin (2005a: 26-7).

⁷ For synthetic overviews, see Zeitlin and Pochet (2005); Heidenreich and Zeitlin (forthcoming).

⁸ For a fuller assessment, see Zeitlin (2005b) and Zeitlin (forthcoming).

governance; improved steering and statistical capacity; increased consultation and involvement of non-state actors (especially in social inclusion, but also to a significant extent in employment); and the development of horizontal or diagonal networks for participation of non-state and subnational actors in EU policy making. Here too, however, OMC processes are not the only cause of these shifts in governance arrangements, and the degree of involvement of non-state/subnational actors in particular also depends both on domestic institutional configurations and the actors' own strategies.

A third form of positive influence exerted by the OMC concerns mutual learning. Here we see a prevalence of indirect or higher-order over direct or first-order effects. Thus for example there are relatively few examples of direct policy transfer, as national reforms typically draw analogic inspiration rather than detailed policy blueprints from other Member States. Even here, however, we find some surprising examples of more direct borrowing, such as the influence attributed by the UK to learning from Ireland and several northern European countries on its childcare, lone parents, indebtedness, and social inclusion policies.⁹ More prominent instead has been the influence of OMC processes on the identification of common challenges and promising policy approaches at European level (heuristic effects); statistical harmonization and capacity building (at both EU and national levels); and their stimulus to Member States to rethink established approaches and practices, as a result of the obligation to compare national performance to that of other countries on the one hand, and the obligation to re-examine and re-evaluate national policies against their relative progress in meeting common European objectives on the other (maieutic or reflexive effects).

Yet as empirical research shows, these OMC processes in employment and social protection/inclusion also suffered from significant weaknesses. Chief among these were a lack of openness and transparency, with bureaucratic actors playing a dominant role at both EU and national levels; weak integration into national policy making, with NAPs serving more as reports to the EU than as operational policy steering documents; and limited bottom-up or horizontal policy learning, with few examples of upwards knowledge transfer and cross-national diffusion of innovative local practices. Yet most of these observed shortcomings arguably stemmed not from any intrinsic weaknesses of the OMC *per se*, but rather from procedural limitations of specific OMC processes. Hence a potentially fruitful strategy for improving the effectiveness of existing OMC processes would be to apply to their own procedures the key elements of the method itself: benchmarking, peer review, monitoring, evaluation, and iterative redesign. Ongoing initiatives within the EES and the OMC on Social Protection and Social Inclusion over the past few years provide evidence of the practical viability of this reflexive reform strategy, such as the strengthening of mutual learning and peer review programs on the one hand, and proposals by EU institutions for greater openness, stakeholder participation, and "mainstreaming" of OMCs into domestic policy making on the other.¹⁰

If the OMCs in employment and social protection/inclusion may be judged a qualified success, the same cannot be said of their counterparts in fields such as innovation, enterprise promotion, and information society. There the OMC has been widely blamed for Member States' lack of progress towards the R&D investment target of 3% of GDP set by the 2002 Barcelona European Council, and for the limited impact and visibility of eEurope policies. Yet OMC processes in these areas are characterized by 'lite' recipes and fragmentary architectures, with no agreed National Action Plans or country-specific recommendations, limited monitoring and reporting, little peer review, and weak mutual learning mechanisms. Hence according to an independent evaluation prepared for the Commission by the Tavistock Institute (2005), OMC in these areas "cannot yet be said to be a success or failure", because it "simply has not been fully implemented".¹¹

⁹ For these examples, see European Commission (2006: 6).

¹⁰ For a fuller discussion of this reflexive reform strategy, see Zeitlin (2005b: 483-93); Sabel and Zeitlin (2007: 49-52).

¹¹ For an unfavorable contrast of the institutionalization of the OMC in R&D with that in education and training, see also Gornitzka (2006).

IV. The OMC and the Lisbon Strategy Relaunch

The OMC was doubly challenged by the mid-term review of the Lisbon Strategy in 2004-5. Horizontally, it was challenged in terms of the balance and integration between distinct sectoral policy coordination processes and objectives. Vertically, it was challenged in terms of the effectiveness of these coordination processes in securing Member State progress towards common European objectives.

Thus the 2004 report of the High Level Group chaired by Wim Kok criticized the OMC for the weakness of benchmarking and peer review as incentives for Member State delivery of policy commitments, while also noting the ineffectiveness of the Community Method in ensuring timely implementation of directives. To remedy these weaknesses, the Kok Report called for a refocusing of the Lisbon Strategy objectives, targets, and indicators on growth and jobs, supported by intensified peer pressure on Member States through a process of “naming, shaming, and faming” (Kok 2004). The Lisbon Strategy New Start communication prepared by the incoming Commission on behalf of President Barroso and Vice-President Verheugen echoed the Kok Report’s critique of OMC for failing to mobilize Member State commitment to the implementation of the Lisbon Agenda and endorsed the High Level Group’s recommendation to refocus the strategy around growth and jobs. But the New Start communication rejected the idea of advancing the revised Lisbon Strategy through “naming, shaming, and faming” in favor of a new set of reform partnerships between the Commission and Member States on the one hand, and between national governments and domestic stakeholders on the other. These new reform partnerships were explicitly designed to shift the focus of the Lisbon Strategy away from “co-ordination through multi-lateral discussions between 25 Member States and the Commission, on individual policy themes (the OMC)” towards “a bilateral in depth dialogue between the Commission and Member States on a commitment based national action programme” (European Commission 2005: 31).

An important point to note is that the mid-term review of the Lisbon Strategy was a surprisingly non-evidence-based process. Thus unlike the 2003 Employment Task Force previously chaired by Wim Kok, the 2004 High Level Group was dominated by political appointees, business people, and academic economists, with limited expertise on social and employment policies, and did not systematically review the available evidence on the performance of OMC processes (such as the extensive mid-term review of the EES in 2002). Similarly, the Commission’s Lisbon New Start communication appears to have neglected both internal and external evidence on the successes and failures of different OMC processes, such as the Tavistock Institute evaluation of the eEurope program discussed earlier.

The architectural core of the relaunched Lisbon Strategy was the fusion of the European Employment Guidelines (EEGs) and the Broad Economic Policy Guidelines (BEPGs) into a single set of 24 Integrated Guidelines for Growth and Jobs, divided into separate macroeconomic, microeconomic, and employment chapters. The first cycle of Integrated Guidelines for 2005-2008 preserved the main thrust of the preceding employment guidelines, including the linkage to the overarching objectives of the EES (full employment, improving quality and productivity at work, strengthening social and territorial cohesion), but only at the cost of increased complexity within individual guidelines and continuing overlap with the economic policy chapters. In line with this architectural shift, the National Action Plans for Employment and Joint Employment Report were replaced by sections within Member States’ National Lisbon Reform Programs (NRPs) and the Commission’s Annual Lisbon Progress Report (APR) respectively.

On the social side, following an effective EU-level campaign led by social NGOs with support from key Member States and the European Parliament, social cohesion objectives, including the commitment to a decisive reduction of poverty and social exclusion, were formally reinstated in the Lisbon Strategy by the 2005 Spring European Council, a decision reaffirmed by successive Spring European Councils in 2006 and 2007. At the same time, the three “strands” of the social OMCs (inclusion, pensions, health and long-term care) were “streamlined” into a single overarching Open Method of Coordination on Social Protection and Social Inclusion (OMC/SPSI), with both common and sector-specific objectives.

According to the conclusions of the 2006 Spring European Council, the relaunched Lisbon Strategy is designed to provide “a framework where economic, employment and social policy mutually reinforce each other, ensuring that parallel progress is made on employment creation, competitiveness, and social cohesion in compliance with European values”. This mutually reinforcing dynamic within the revised Lisbon Strategy is supposed to be achieved by a reciprocal relationship between the streamlined Open Method of Coordination on Social Protection and Social Inclusion (OMC/SPSI) and the Integrated Guidelines for Growth and Jobs at both national and European levels, whereby the former “feeds in” to growth and employment objectives, while the latter “feed out” to advance social cohesion goals.

V. The Relaunched Lisbon Strategy in Practice: Closing the Implementation Gap through Better Governance?

A central objective of the relaunched Lisbon Strategy was to close the implementation gap through better governance. But the experience of the first two years (2005-6) of the National Reform Programs and the Integrated Guidelines for Growth and Jobs suggests that the revised governance architecture for the Lisbon Strategy remains problematic in a number of major respects.

First, the disappearance of the Joint Employment Report and the National Action Plans for Employment in most Member States (with the exception of Portugal) has reduced the visibility of employment policy coordination at both national and EU levels.¹² No less significantly, the revised Lisbon Strategy arrangements have led to greater unevenness in Member State employment policy reporting and a loss of European-level monitoring capacity. Most Member States do not structure their NRPs around the Integrated Guidelines, only 6 of 25 include full data on the existing European employment indicators, and few report progress on the EES activation targets, the Gender Pact agreed at the 2006 European Council, or the Lifelong Learning Strategies requested by the 2004 Spring European Council. Although EMCO has stepped up its Mutual Learning Program through thematic review seminars and national follow-up activities as well as peer reviews of good practices, the variable and uneven format of the NRPs has made it more difficult to feed back and mainstream the results of this mutual learning into national policy making.

Second, the effectiveness of the desired mutually reinforcing feedback between the social, economic, and employment dimensions of the relaunched Lisbon Strategy has remained decidedly limited, with wide variations across Member States. Thus, for example, in the 2006 NRP Implementation Reports (NRPIRs), only ten Member States included social cohesion/inclusion objectives (including gender equality) among their national priorities or referred extensively to them, while the remainder briefly cross-referenced the OMC National Reports on Strategies for Social Protection and Social Inclusion submitted the previous month (9 MS), referred exclusively to labor market inclusion (4 MS), or omitted

¹² For assessments in this direction, see Mailand (2006); Holmes et al. (2007).

any mention of social cohesion altogether (4 MS). There also appear to be few direct linkages between the social cohesion/inclusion objectives and Member States' plans for the use of the structural funds, which are supposed to be tied increasingly tightly to the Lisbon Agenda, accounting for 60-75% of expenditures. Nor has there been much evidence so far of explicit "feeding out" from the Integrated Guidelines and NRPs to the OMC/SPSI, for example through systematic impact assessments of the actual or prospective effects of Member States' economic and employment policies on social cohesion/inclusion outcomes.¹³

Third, a key goal of the Lisbon Strategy relaunch was to enhance national ownership and participation by non-governmental actors in the reform agenda. Most independent assessments, including an official report by the European Economic and Social Committee, concur that these ambitions were not realized during the drafting of the 2005 NRPs, which arguably represented a backward step in terms of participation by civil society actors compared to previous National Action Plans for Employment (or still more so Social Inclusion).¹⁴ In response to such criticisms, the Commission undertook a major push for increased national ownership in the 2006 NRP implementation process, resulting in the creation of new consultative/coordination bodies, the upgrading of the political status of Lisbon coordinators, and wider involvement of national parliaments, social partners, and local/regional authorities in many Member States. Yet according to a variety of independent sources, the NRP implementation process has continued to lack public visibility in most Member States, while involvement of non-state and subnational actors was often confined to formal consultation and/or information exercises, with limited opportunity to influence substantive policy direction or content. By all accounts, civil society actors, such as NGOs and voluntary associations, were much less involved in most Member States, often because of difficulties in obtaining access to consultation and coordination processes dominated by Finance or Economics ministries with whom they had little previous contact.¹⁵

Fourth, it has proved extremely difficult to sustain the simplified focus of the revised Lisbon Strategy and the shift from multilateral policy coordination to bilateral reform dialogue between the Commission and Member States. Both at EU and national level, growth and jobs objectives are closely linked to those of other policy areas subject to separate coordination processes, such as social protection/inclusion, education/training, and environment/sustainable development. The effort to increase the effectiveness of the Lisbon Strategy by focusing on a narrower range of objectives and enhance national commitment by allowing Member States to set their own reform priorities has been accompanied by a loss of the specificity and detailed reporting against common indicators needed to monitor, evaluate, and coordinate complex policy areas, as can be seen in the case of employment. Incorporating key objectives and indicators from other sectoral policy coordination processes such as the OMC/SPSI into the Lisbon Strategy is not like adding unnecessary ornaments to a Christmas tree, as a widely used metaphor has suggested, but rather like equipping the cockpit of a high-speed aircraft with the full set of instrumentation systems needed to avoid flying blind.

¹³ This assessment is confirmed by the report of the EU Network of Independent Experts on Social Inclusion for the second semester of 2006, which underlines the "enormous diversity in how feeding-in and feeding out have occurred....In some Member States, it appears that the social dimension has been influential in the evolution of the National Reform Programme as shown in the Implementation Reports. In others, this influence has either been cursory, with consultation limited to certain interlocutors, or there is only limited evidence that social priorities have been translated into clearly articulated objectives in the NRP. In many cases, there is a disturbing lack of common ground between the NRPs and the National Reports on Strategies for Social Protection and Social Inclusion. Even where they are reasonably integrated, it tends to be in selected areas only, such as the functioning of the labour market or lifelong learning, whereas social inclusion is often absent" (Begg and Marlier 2007: 5).

¹⁴ European Economic and Social Committee (2006). For a comprehensive overview of assessments of the first round of Lisbon NRPs, see Begg (2006), based on a study prepared for the European Parliament.

¹⁵ For overviews of consultation of non-state actors in the preparation of the 2006 NRPIRs, see Begg and Marlier (2007: Table 3.1, pp. 12-14); European Anti-Poverty Network (2007).

Unsurprisingly, the European Council has been unable to resist adding new priorities to the 24 Integrated Guidelines as circumstances change, such as the four cross-cutting priority areas for more growth and jobs agreed at the 2006 Spring European Council.¹⁶ Unsurprisingly, too, the European Council and the Commission have also launched new coordination processes and reporting obligations for Member States in response to these and other emergent priorities such as the integration of immigrants or the reduction of administrative burdens. Finally, the Commission itself appears to have recognized the limits of bilateral dialogue with Member States on their NRPs, as can be seen, for example, from its efforts to organize mutual learning workshops within the Network of National Lisbon Coordinators on issues such as one-stop shops for setting up new enterprises, business-university cooperation, and extending working lives of older workers – albeit at some risk of duplicating the work of the sectoral OMCs.

VI. Reorienting the Relaunch: Policy Options for a New Cycle of the Lisbon Strategy

The advent of a new cycle of Integrated Guidelines for 2008-2011 provides a welcome opportunity to reorient the relaunched Lisbon Strategy in order to correct the principal deficiencies of its governance architecture revealed by the experience of the past two years. As the preceding analysis suggests, reforms to the relaunched Lisbon Strategy are urgently needed in two main areas, which will be addressed in turn: (A) strengthening the social dimension; and (B) reviving the European Employment Strategy.

A. Strengthening the Social Dimension of the Lisbon Strategy¹⁷

Since 2005, the European Council has repeatedly reaffirmed that greater social cohesion and the fight against poverty/social exclusion remain core objectives of the Lisbon Strategy. Yet this political commitment to the social dimension of the Lisbon Strategy has not been reflected in the guidelines provided to Member States for the preparation of their National Reform Programs, nor in the assessment of the NRPs themselves. The 2007 Spring European Council accordingly stressed that “the common social objectives of Member States should be better taken into account within the Lisbon Agenda...in order to ensure the continuing support for European integration by the Union’s citizens”.

Three broad policy options for strengthening the social dimension of the Lisbon Strategy may be envisaged:

1. Incorporating both the EU’s common social cohesion/inclusion objectives and the OMC/SPSI into the Integrated Guidelines for Growth and Jobs and the National Reform Programmes (“full incorporation”).
2. Incorporating the EU’s social cohesion/inclusion objectives more explicitly into the Integrated Guidelines, while retaining the OMC/SPSI as a distinct policy coordination and reporting process (“partial incorporation”).
3. Leaving unchanged the existing structure of the Integrated Guidelines for Growth and Jobs and OMC/SPSI, while improving the arrangements for “feeding-in” and “feeding-out” at both national and EU levels (“enhanced status quo”).

¹⁶ These four cross-cutting priority areas are: investing more in knowledge and innovation; unlocking the business potential, especially of SMEs; greater adaptability of labour markets based on flexicurity; and energy and climate change.

¹⁷ For a fuller analysis and recommendations, see Zeitlin (2007).

Each of these policy options for strengthening the social dimension of the Lisbon Strategy has both advantages and disadvantages. There are also some areas of potential overlap between them. Thus, for example, the reinforced participation, reporting, and impact assessment requirements proposed below to make “feeding-in/out” work better under Option 3 (“enhanced status quo”) would also be necessary to secure the effectiveness of full or partial incorporation of the social cohesion/inclusion objectives into the Integrated Guidelines and National Reform Programs (Options 1 and 2).

In terms of advantages and disadvantages, Option 1, full incorporation of the EU’s common social cohesion/inclusion objectives and the OMC/SPSI into the Integrated Guidelines and National Reform Programs is, at first glance, the cleanest and most coherent solution. This approach would, in principle, place the EU’s social objectives on an equal footing with its commitments to the pursuit of growth and jobs within the Lisbon Strategy, create an integrated institutional framework for reconciling conflicts and discovering synergies between these objectives at both national and European levels, and reduce the number of separate policy coordination and reporting processes. Yet as the experience of the EES suggests, such full incorporation of the OMC/SPSI into the Integrated Guidelines and National Reform Programs would carry grave risks of weakening EU social policy coordination by reducing its visibility and autonomy at both national and European levels.

Option 3, improving arrangements for “feeding-in” and “feeding out” between the OMC/SPSI and the Integrated Guidelines for Growth and Jobs without changing the structure of the latter might thus seem to be the simplest and least risky solution. This option could involve formal requirements for Member States to involve social actors (both governmental and non-governmental) in the drafting of their NRPs, to discuss explicitly how their NRPs advance the EU’s social cohesion/inclusion objectives (including gender equality), and to incorporate in their NRPs systematic impact assessments of the actual and prospective effects of economic and employment policies on social cohesion/inclusion outcomes. These latter two requirements could be similarly extended from the national to the European level as components of the Commission’s Annual Lisbon Progress Report.¹⁶ Such reinforced social participation, reporting, and impact assessment requirements are desirable in themselves and would be necessary for the successful operation of any full or partial incorporation of the EU’s social cohesion/inclusion objectives into the Integrated Guidelines and National Reform Programs (Options 1 and 2). But without formal changes to the Integrated Guidelines, proposals for improvements in “feeding-in” and “feeding-out” are likely to prove ineffective. Thus most Member States have so far largely ignored exhortations from the European Council to highlight “feeding-in” and “feeding-out” in their National Reform Programs/implementation reports, as has the Commission itself in its Annual Progress Report, and there is little reason to think that this pattern will improve significantly in the future so long as the social cohesion/inclusion objectives remain outside the Integrated Guidelines themselves.

Hence some version of Option 2 (“partial incorporation”) appears to be the most promising approach to strengthening the social dimension of the Lisbon Strategy while preserving the visibility and autonomy of European social policy coordination. This option would involve the incorporation of more explicit references to the EU’s social objectives into the Integrated Guidelines (whether in the form of a new social chapter or a greater emphasis on social cohesion goals within the existing set of guidelines), while maintaining the OMC/SPSI as a distinct policy coordination and reporting process based on the existing set of 12 common objectives for social protection and social inclusion. There are undoubtedly some risks of reducing the autonomy of the OMC/SPSI by incorporating social objectives into the Integrated Guidelines. Yet retaining

¹⁶ For a more extensive discussion of such proposals for mainstreaming social objectives into domestic and EU policy making through systematic impact assessment (both *ex ante* and *ex post*), see Marlier et al. (2007).

procedural autonomy while sacrificing political influence by remaining outside the core of the Lisbon Strategy is the greater danger currently facing the OMC/SPSI, since Member States are already subject to country-specific recommendations on the reform of their social protection systems under the Integrated Guidelines for Growth and Jobs insofar as these may be deemed necessary for public financial sustainability and/or employment promotion.

But incorporation of the EU's social objectives into the Integrated Guidelines should be accompanied by organizational changes to the Lisbon Strategy aimed at preserving the integrity and effectiveness of the OMC/SPSI (including that of its three constituent strands) as a distinct sectoral policy coordination and reporting process. Thus the Integrated Guidelines and the National Reform Programs should be reconceived as the twin apexes of an overarching policy coordination process built up from sectoral OMCs, as sites where conflicting priorities and approaches can be provisionally reconciled, rather than as unified, centralized replacements for the sectoral coordination processes themselves. In this spirit, the National Reports on Strategies for Social Protection and Social Inclusion should be retained as distinct documents preceding and flowing into the National Reform Programs. This might be seen from some perspectives as an undesirable multiplication of planning and reporting processes, but as argued earlier, such sectoral specificity is indispensable for effective monitoring, evaluation, and coordination of complex policy fields such as social protection/inclusion.

B. Reviving the European Employment Strategy

These organizational changes to the Integrated Guidelines and National Reform Programs are needed not only to safeguard the autonomy of European social policy coordination, but also to improve the effectiveness of the relaunched Lisbon Strategy as a whole. In particular, such organizational reforms would provide an opportunity to redress many of the problems experienced by the EES, which has lost visibility, monitoring capacity, and participatory impetus under the relaunched Lisbon Strategy. Thus as in the case of the OMC/SPSI and the National Reports on Strategies for Social Protection, it would be beneficial to revive the European Employment Strategy and the National Action Plans for Employment as distinct policy coordination processes and planning documents preceding and flowing into the National Reform Programs, in conformity with the provisions of the Amsterdam Treaty. This revival of the EES and the NAPs/empl should be accompanied by broad opportunities for participation by non-state and subnational actors (including civil society organizations and local/regional authorities as well as the social partners and national parliaments) at all stages in the process.

To maximize opportunities for mutual learning in the social and employment fields, Member States should be obliged to report consistently on progress towards each objective and guideline, using common European indicators as far as possible. In keeping with the methodological principles outlined by the Indicators Sub-Group of the Social Protection Committee, such common indicators should be outcome-oriented, responsive to policy interventions, subject to a clear and accepted normative interpretation, timely, and revisable. They should also be sufficiently comparable and disaggregable to serve as diagnostic tools highlighting areas for improvement and self-corrective action by national and local actors, rather than as soft sanctions or shaming devices to enforce Member State compliance with European targets.¹⁹ Such diagnostic monitoring is entirely consistent with the approach recently adopted by Member State representatives in EMCO, who rejected detailed mutual surveillance of each other's National Reform Programs in favor of a thematic peer review of policies in key priority areas (people at the margins of the labor market, flexicurity, lifelong learning for older workers) aimed at fostering mutual learning.

¹⁶ For in-depth discussions of the appropriate design and use of indicators in OMC processes, see Marlier et al. (2007: ch. 5); Atkinson et al (2002).

Taken together, these proposed reforms would enable the next cycle of the Lisbon Strategy to build on the achievements of the EES over the past decade in improving the governance of national employment policies, while enhancing Member States' capacity to feed back and mainstream the results of their mutual learning into national policy making. With these organizational changes in place in the next cycle of the Lisbon Strategy, European social, economic, and employment policies could at last begin to work together in a mutually reinforcing way to deliver faster sustainable growth, more and better jobs, and greater social cohesion – as originally envisaged by its architects seven years ago.

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The Informal Council as an Institutionalised feature of the European policy-making landscape: ideational forum, agenda-setter or policy-decision forum?

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A. Introduction

The purpose of this paper is to understand what role the *Informal* formation of the Employment and Social Affairs Council has developed within the European institutional policy-making process. On the basis of an analysis of the background documents for the informal council, it is firstly, clear that the informal Council has become an institution.¹ At least one, and sometimes two, informal Council sessions are held for each formal meeting of the Council. The number of meetings, and thus the purpose and institutional importance of the informal council has evolved over time, in line with the changing role and institutional configuration of Council formations at the higher level and the committees (employment and social protection committee) at the lower level. But independently of the changing role or the informal council over time, from 1997 to 2004, there was an incremental increase in the frequency of informal meetings among Employment and Social Affairs ministers. And the informal council changed role during this period from a loose ideational forum to a policy-setting forum. After 2004, the role of the informal Employment and Social Affairs council seems to have taken some steps back, to loose ideational exchange. This is in the overall context of lower salience of social policies in the European political landscape.

In the paper, we have several hypotheses on the development of the role of the Informal Council. On the one hand, it could have developed a role as an agenda-setter for the formal Council formation. In this scenario, member states could use the informal Council formation to introduce new issues on the agenda. These may be issues on the European agenda, or Europe could be used to introduce sensitive issues to the national agenda. On the other hand, it could have developed a role in framing pre-determined issues on the agenda - either incited by the Commission or the formal Employment and Social Affairs Council or Ecofin Council. In this scenario, its principal role would be that of an ideational (where ideas are merely discussed) or policy-setting forum (where decisions are taken or policy direction decided, in the view of the Formal Employment and Social Affairs Council).

This paper is organised as follows. First, we trace the development of the European Council, representing the enhanced politicization of "Europe", as well as the changing configuration of social affairs ministers in the Employment and Social Affairs Council. This is important in order to then be able to locate the policy tracing analysis that will constitute the core of the paper. Second, we analyse the issues on the agenda of the informal council, and more specifically identify the policy objectives and intervention methods, together with an analysis of historical evolution of European social policy between 1997 and 2007. Fourth, we draw conclusions on the evolution of the role of the Informal Council over the last decade.

¹ We focused our analysis on twenty two informal Councils from 1997 until 2007. In nineteen cases, our analysis rested on background papers, while in two cases we focused on Informal Council's conclusions (Italy, 2003 and Luxembourg, 2005). Unfortunately, we were not able to get the background paper in one case (the UK's Presidency of 2005).

B. Institutional development of the Intergovernmental involvement in social affairs

B.1. European Council

In the 1960s occasional informal meetings of the European Council, made up of Heads of State and Government of the Member States, started to represent the increased politicisation of Europe for its member states, and since then its role has been enhanced. After a sporadic practice throughout the 1960s, the European Council was partially institutionalised in 1974, "to ensure progress and overall consistency" to European activities and political direction. The Single European Act institutionalized it in form, but not regarding its task; the Maastricht Treaty clarified some of the areas in which it had competencies, and this was extended by the Amsterdam Treaty. The Amsterdam Treaty included provisions for the area of employment, where its role was to set the overall political direction and to redefine that direction where necessary (Employment Title of the Amsterdam Treaty); The Treaty of Nice laid down rules on the venue of the meetings of the European Council. The European Council is defined in article 4 of the Treaty of the European Union, rather than being included among the core EU institutions enumerated in Article 5 of the Treaty of the European Union. The Constitutional Treaty (CT) would have made the European Council one of the five key institutions of the European Union (Hayes-Renshaw, F. and Wallace, H., 2006: 167). According to the CT, its role would be to "... provide the Union with the necessary impetus for its development and shall define the general political directions and priorities thereof. It shall not exercise legislative functions." The CT explicitly referred to "consensus" as the decision-making mode of the European Council and had envisaged the appointment of a President for a term of 2,5 years, renewable once (CT, Article 1-21). There are at least 4 annual meetings of the European Council, including the Spring Summit in March, instigated by the Portuguese Presidency in 2000, on economic and social issues.

But, notwithstanding this partial and opaque standing in the legal texts of the EU, the European Council, together with the issue-specific Council formations that contribute to the issues on the agenda, is undeniably an important political actor and authority in the political development of the European Union. And in fact, the absence of a clearly defined role or delimited functions means that the European Council has been free to deal with whatever issue the way that it likes to, and de facto engages in all important issues on the EU agenda. This includes Treaty amendments and engagement in political direction for different areas operating by policy coordination (Hayes-Renshaw and Wallace, 2006: 170-172).

B.2. The Changing Configuration of the Employment and Social Affairs Council: Formal and Informal meetings

Over the last decade, social and employment policies in European politics have become a more permanent feature of the political landscape, due mainly to the interdependencies of member state policies in the context of economic and monetary union. The main form of this political presence is through coordination of policies via the employment strategy and coordination of other policies in social protection. At the same time, social policy issues addressed through directives have also continued to develop, although they have attracted less attention. The permanent saliency of social policy is also reflected in the institutionalisation, via the initiative of the Portuguese Presidency in 2000, of the Spring European Council as the third annual summit of heads of state and government. It is devoted exclusively to social and economic policies of the European Union.

According to the Constitutional Treaty, Employment Policy coordination should support and be consistent with broad economic policy guidelines. The aim should be to “work towards developing a coordinated strategy for employment and particularly for promoting a skilled, trained and adaptable workforce and labour markets responsive to economic change”. It should support and be consistent with the broad economic policy guidelines, and should aim to achieve a high level of employment (Article III-203, Article III-204, and Article III-205). The configuration of actors involved in employment policy coordination in the CT identifies the European Council as the actor responsible for the political guidance of the Strategy. The European Council has the responsibility of adopting yearly guidelines, after consultation of the European Parliament, Committee of the Regions, Economic and Social Committee, and the Employment Committee (Article III-206). It is the first time that the Employment Committee is included as a consultative body, together with the other committees, although it does all the work related to the implementation of the EES policy cycle.

Regarding Social Policy, the Constitutional Treaty lists the areas where the Union can support member states: health and safety at work, working conditions, coordination of social security for workers, information and consultation, conditions of employment for third-country nationals, integration of persons excluded from the labour market, equality between men and women, combating social exclusion and modernisation of social protection! The means through which the Union can support member states in these fields are: through “European laws of framework laws” that aim to “establish measures designed to encourage cooperation between member states through initiatives aimed at improving knowledge, developing exchanges of information and best practices, promoting innovative approaches and evaluating experiences, excluding any harmonisation of the laws and regulations of the Member States, or “minimum requirements for gradual implementation” (Article III-210). Article III-217 of the CT establishes the Social Protection Committee “to promote cooperation on social protection policies between Member States and the Commission”. In terms of preferred policy instrument, the CT favours the minimum standards approach and at the same time confirms the cooperation approach in the area of social policy.

The process of enlargement of the European Union, from 15 member states in 1995 to 25 in 2004 and 27 in 2007 has been accompanied by institutional changes in the conduction of political discussions. This is notably reflected in the changes in number of council configurations, the related development of informal councils as an institutionalised forum for discussion, and the institutional development of the employment and social protection committees.²

First, regarding the issue-specific configurations of the Council, in the 1990s, there were 22 configurations; this was reduced to 16 in June 2000 and then to 9 in June 2002.

In the 1980s, the Employment and Social Affairs and employment council had two formal meetings per year. This increased incrementally in the first half of the 1990s to three annual meetings. In this period, its mandate mainly involved issues being regulated by directives – gender equality, health and safety, coordination of social security for workers and their dependents. In the year 2000, it had 6 meetings per year, and after 2002 it had 4 formal meetings per year (Hayes-Renshaw and Wallace, 2006: 38 – 39). In 2002, its configuration was changed to encompass not only social and employment, but also health and consumer affairs issues.

² Coreper 2 is responsible for issues related to the social policy agenda, and its role in preparing the work of the Informal Social Affairs Council is surely important. For issues that enter the realm of the open method of coordination, the employment and social protection committees have played an important role in preparing the work for the Labour and Social Affairs Council. Their role has undoubtedly been enhanced as of their initial foundation in the Treaty, which is 1997 for the Employment committee and 1999 for the Social Protection Committee.

Evidence on the existence of informal meetings of the ministers of employment and social affairs suggests that it has been a practice, albeit occasional, since at least the 1980s. During the 1988 to 1992 period, there were 16 formal meetings of the employment and social affairs council, compared to 7 informal meetings of the Council. The informal meetings were not organised as systematically as the formal ones, and some Presidencies seemed to prefer informal discussions, while some excluded them altogether (Sherrington, P., 2000: 132). An analysis of the functioning of the political decision making within the Employment and Social Affairs Council in the 1988 to 1992 period draws several conclusions. First, "Member state attitudes at the time of each proposal appeared crucial to the policy-making process, even if previous commitments had been made". Second, "informal sessions were not used to facilitate agreement, nor were tactics of restricted or prolonged formal meetings". The Council avoids recourse to voting as much as possible, and prefers to operate by consensual bargaining to achieve agreement (Sherrington, P., 2000: 144).

After the mid 1990s, in particular, social policies have become more important on the EU agenda: employment policy has been institutionalised in the Amsterdam Treaty and social policy issues have, especially since the Spring European Council on economic and social policy issues, become an important part of the core debate in European Union politics. Especially with the fusion of the social affairs council in 2002, the informal council practice seems to be proliferating. Our evidence suggests that informal council meetings have been increasing in the social policy area, with a multiple function. To cite recent examples, the German Presidency of 2007 not only had a web link to informal council meetings on its website, but also proposed a definition of informal council: "It is customary for the country holding the EU Presidency to organize informal meetings at which ministers discuss topical EU-related issues. The meetings enable those taking part to engage in a free exchange of ideas. They are not Council sessions and therefore cannot replace the Council's normal activities. No official agenda is drawn up and meetings cannot arrive at formal conclusions or decisions." (Germany EU Presidency website, 2007, http://www.eu2007.de/en/The_Council_Presidency/informal_meetings/index.html). This clearly shows the political importance of informal council meetings. 14 informal councils across various issue areas were organised during the Germany presidency. In addition, since in 2002, the number of formal council formations was reduced to 9, the informal council meetings have become more frequent, and it is reasonable to guess that since then, they have also become occasions for discussing issues, whereas the formal councils, with increasingly heavy agendas, serve just to take decisions, rather than to discuss policy issues in-depth.

C. The Informal Council – Analysis

C.1. Introduction

This section analyses the content of the background papers for the Informal sessions of the Employment and Social Affairs Councils, from the Luxembourg Presidency during the second semester of 1997 to the German Presidency in the first semester of 2007. Our analysis covers a ten-year period, which was marked by important changes in European level social policy. The selection of the Luxembourg Presidency of 1997 as a starting point is explained by its representation of a new era in European Social Policy, with increased common competencies and the integration of a Title for Employment Policy in the Amsterdam Treaty.

The interesting feature of these Council Formations is their *informal* nature, which means that each Presidency is entirely free to organize the debates, which tend to proceed openly, following a loosely defined agenda. Most Informal Councils last two days and their agendas have become increasingly heavy over the last years, often with one issue being discussed in the first day and a second in the following day. It has become a common practice to base debates in the informal meetings of the Council on the basis of “background papers” elaborated by each Presidency. These papers are increasingly organised around sets of questions or “key points”, which set the agenda, and partly, the terms of the debate. Nonetheless, these papers differ in precision, depth, organisation and, naturally, content. These characteristics have made it harder to establish comparisons between Informal Councils’ agendas, but it does tell us something about the evolution of the role of informal councils. We have identified several possible roles: one which is as an ideational forum – i.e. to discuss ideas related to employment and social policy reform; another is as an agenda-setter, i.e. to set the agenda of the formal council formation. Our analysis provides evidence of the ideational role of the Informal Council formation, and in cases of high salience of social policies at the level of the Council, then it even has the role as a policy-setting forum.

Regarding participation in the meetings of the Informal Council, it is more open and often at least partially determined on the basis of a specific topic, Although it is hard to trace back the list of participants, various reliable informal sources confirm the following. First, it has become a regular practice to have open plenary sessions with representatives of European social partners, as well as Members of the European Parliament. Second, prior to the 2004 wave of enlargement, it became common practice to invite ministers of future member states to participate. In the councils debating social exclusion, relevant European NGO’s representatives have been invited.

Informal Councils also tend to reflect domestic configurations of executives, where the institutional organization of national cabinets differs from country to country. Whilst in some countries labour and social affairs are part of the same governmental branch, in others they belong to different ones. Moreover, there are countries where employment and education are together, and, for instance, others where equal opportunities is separate. These factors condition both the issues raised in informal councils, as well as the number of informal council sessions held during each presidency. In addition, as the agenda of the Formal Employment and Social Affairs Council has become increasingly saturated, the Informal Employment and Social Affairs Council as a *lieu de discussion* seems to have become more important.

This paper uses Informal Council’s background papers as proxies to capture both its purpose and content. Over time, “background papers” have evolved towards a similar structure. Usually, they start by referring to the “state of the art” of the social agenda, and most recent steps taken, namely by the previous Presidency. Thereby, references to recent white/green papers and commission’s communications are frequently made. Hence, background papers take account both of the intergovernmental interests, being sensitive to a Council-driven agenda, as well as the Commission priorities and discourses. Interestingly, there are seldom explicit references to the preparation of subsequent formal Councils of the same Presidency. However, the data and informal knowledge that we have indicates that especially when social policies are highly salient on the EU agenda, the Informal Council has the role of an ideational, or even a policy-setting forum for the Formal Council formation. The important point is that the Informal Council is not merely a sub-ordinate unit of the Formal Council: it does not carry out or discuss mandated “tasks” for the Formal Council, but develops work at an ideational and policy level.

C.2. A First Analysis: Policy Issues on the Agenda of the Informal Council

By looking at background papers, this section tries to identify dominant issues under discussion in the last ten years. In order to analyse contents, we created eight different categories that correspond to the main social policy topics on the European agenda during the last ten years. These are employment policy; labour market policies (including work organisation); poverty/social exclusion; Procedural issues (coordination of policies, social dialogue and other issues related to procedures); social protection (including pensions); training; equal opportunities and economic and financial priorities. The empirical analysis has revealed that often background papers propose discussions that make linkages between two or more policy fields, which made it difficult to identify a single priority for each council, or even a similar number of priority issues. Therefore, in fine-tuning the analysis, we created two different categories: main issue (MI) that concerns the main topic discussed and secondary issue (SI), which was an important issue discussed, although not part of the core debate. In cases where the Council was clearly divided in different moments or focused on more than one topic, we considered that there were more than one main issue. The findings are summarised in table 1 below and an in-depth discussion follows the table.

Table 1: Main and Secondary Issues in Background Papers of Informal Employment and Social Affairs Council (1997 – 2007)

Council	Subject	Employment/ Employability	Labour	Poverty/ Social Exclusion	Procedural issues; Policy Coordination & Social Dialogue	Social Protection	Training/ LLL	Equal Opportunities	Economic and financial priorities
Luxembourg 4-5 July 1997	Partnership for a new organization of work, esp. new forms of work organization and investment in human resources (esp. training); the trade-off between flexibility and security; the role of the structural funds for these processes.		MI				SI		
United Kingdom 12-13 March 98 together with education	Discussion of good practices of employability policies: transition from school to work; lifelong learning; tackling long-term unemployment; fair and decent working standards with adaptable labour markets	MI	SI	SI			SI		
United Kingdom 5-6 May 98	Women's employability Affordable, accessible and high quality childcare; parental leaves; mainstreaming in all employment policies	MI						MI	
Austria, 8-10 July 98	Equal opportunities and employment	SI						MI	
Germany, 4-6 February 99	Consequences of the Euro for the labour market and employment	SI	MI						MI
Finland, 8-10 July 99	Employability and status of ageing workers on the labour market.	MI	SI				SI		
Portugal, 11-12 February 2000	Improving the efficiency of the EES; Strategic basis for cooperation on social exclusion	MI		MI					

France, 7-8 July 2000	European Social Agenda; Common objectives for the fight against poverty and social exclusion	MI		MI					
Sweden, 21-23 January 2001	Modernizing Social Security and promoting gender equality					MI		MI	
Sweden, 15-17 February 2001	Quality in work: adjustments of labour legislation, working environment, organization creating a balance between flexibility and security for employees.		MI						
Belgium, 6-7 July 2001	Sustainable European pension schemes					MI			
Spain, 18-19 January 2002	More employment and greater social cohesion (debate on the EES)	MI				SI			
Denmark, 11-13 July 2002	Social inclusion through social dialogue and partnership (presidency background paper): social dialogue at the EU level; investment in human resources and combating poverty and social exclusion;			MI	MI		MI		
Greece, 23-24-25 January 2003	Sharing the future in a community of values with full employment and social cohesion	MI			SI	MI			
Italy, 11 July 2003 (only conclusions)	How to establish a link between the employment strategy and social policies, by setting up a sort of "welfare road-map", based on the OMC.	MI			MI	MI			
Ireland, 16 January 2004	Making work pay: exploring the interaction between social protection and work		MI			MI			
Holland, 8-10 July 2004	A social Europe, responsive to change (in face of enlargement)	MI	MI	MI			MI	MI	
Luxembourg, 7-9 April 2005 (only conclusions)	Managing industrial change		MI						
United Kingdom, 2nd semester of 2005	Missing								
Austria, 19-21 January 2006	Flexicurity – flexibility through security; Streamlining OMC in the field of social protection and social inclusion (afternoon session)		MI	SI	MI	SI			
Finland, 6-8 July 2006	I: better productivity by developing the quality of working life; II: how can working careers be prolonged during the lifecycle by social policy?; III: how to promote health in the world of work?		MI			SI			
Germany, 18/20 January, 2007	Good work and the concept of flexicurity		MI						
Total MI		10	9	4	3	5	2	4	1
Total SI		2	2	2	2	2	3	0	0

Several conclusions can be drawn from the analysis in Table 1 and the documentary analysis on background papers that we undertook. First, there are two issues that have dominated discussions over the last ten years: employment and labour. Out of the twenty-one Informal Councils analyzed, ten (50%) of them had employment as main issue and two others had employment as a secondary issue. Issues related to labour market policies were the main issue of nine Informal Councils and the secondary issue of two other informal Councils. This finding is not surprising considering the importance accorded to employment and labour market issues at the level of the European Council and in the domestic contexts of the EU-member states during the last decade. In fact, only three out of the twenty-one councils did not deal with either employment or labour market issues; two of these were focused on social pensions and a third one on poverty. Social Protection (mainly pensions) appears as the third issue debated in Informal Councils over this period; five times as main issue and twice as secondary issue. This was in Councils where labour issues were dominant. The fourth priority issue was Equal Opportunities that has been the main issue in four Informal Council meetings. However, equal opportunities should almost be considered a category of its own, since it is the object of an Informal Council in cases where there is a Minister for equal opportunities in the member state exercising the Presidency, and/or sometimes a second Informal "equality" Council is organised during one Presidency. Social Exclusion was the main issue in four councils, though never autonomously. In conjunction with a focus on social exclusion, procedural issues, notably related to the revision of the Lisbon Strategy, were the Main Issue in three Councils and the Secondary Issue in two others. In addition to being discussed in conjunction with procedural issues, social exclusion has been discussed in the context of the broader debate on the social model. For example, it was part of the debate on the European Social Agenda, defining the social priorities for the European Union, during the French Presidency in 2000, and part of the debate on the social dimension of an enlarged Union in 2004. Training was Main Issue in two Councils, though both times in councils that discussed a particularly broad range of topics. As a secondary issue, training was associated twice to employment and once to labour. Finally, economic issues were the Main Issue of one single council, which focused on the impact of the single currency for employment creation and labour regulation. That specific Council coincided with the launch of the EURO. This evidence underlines that the Informal Employment and Social Affairs Council has its own sets of issues and priorities, independently of the economic and financial priorities, to which it is sometimes thought to be entirely subordinate.

C.3. A more in-depth analysis: Policy objectives and modes of intervention of the Informal Council and linkage with development in European Social Policy.

While the broad priorities of each Presidency can be detected by analysing the topics on the agenda, it does not provide indications about the role of Informal Councils in the context of Presidencies. To assess the latter, we looked not only at issues debated, but also at the types of policy objectives as well the forms of policy intervention that were suggested by Presidencies.

We created five different categories that correspond to the kinds of outcomes that are present in Informal Councils and that correspond to available European level policy interventions. These are: Community method (e.g. Treaty and hard-law provisions) - *CM*; Soft-law (e.g. extension of the OMC to other policy areas; revision of existent OMC processes; new benchmarks; new guidelines) - *SL*; Statistical devices (creation of new indicators or score boards) *SD*; Coordination of different processes (e.g. closer articulation of the existent processes; and EU level bargaining processes) – *CP*; and, finally, European level actions (e.g. redesign of the European Social Fund; community action plans, creation of new European level institutional bodies) – *ELA*. First, we would like to point out that all Councils put a strong emphasis on exchange of information and discussion of best practices developed by Member States. The constant focus on exchange of information and best practices highlights that informal Councils to some extent play the role of exchanging and promoting ideas in social policy. Nonetheless, as can be easily concluded by looking at the column “forms of common policy intervention”, almost all Councils envisaged or proposed diverse ways through which the EU could develop interventions to address the social issues on the agenda.

The findings are summarised in table 2 below and discussed thereafter.³ In addition, table 2 is temporally sensitive, i.e. it traces the evolution of the topics and means of intervention at the level of the Informal Council over time. This will allow us to detect whether the role of the Informal Council has been evolving together with the development of European Social Policy, or whether it has instead undergone its own dynamic evolution. As far as possible, we will also assess whether the role of the Informal Council has mainly been that of Ideational Forum, Agenda-setter or policy forum. We will in particular assess how this has evolved over time.

³ In Table 2, we mentioned the exchange of best practice only where it was the only form of common policy intervention..

Table 2: Temporal Evolution of Policy Objectives and Forms of Policy Intervention of the Employment and Informal Social Affairs Council (1997 – 2007)

Council	Common Policy Objectives	Forms of Common Policy Intervention	Categories of Common Policy Intervention
Luxembourg 4-5 July 1997	New framework for the modernization of work organization	Role of structural funds; adaptation of the legislative framework.	CM; ELA
United Kingdom 12-13 March 98 together with education	Contribution of action at the Community level to employability, and in particular the role of the new generation of education, training and youth programmes	Role of European Social Fund after 2000.	ELA
United Kingdom 5-6 May 98	Mainstreaming of equal opportunities; Improve women's employability	Mainstreaming throughout the pillars of the EES; Contribution of the European Structural Funds.	SL; ELA
Austria, 8-10 July 98	Mainstreaming of equal opportunities; Creation of additional part-time jobs	Follow-up to the method of benchmarking equal opportunities; Indicators appropriated to monitor and evaluate gender specific measures; Data on wage differentials developed by the Eurostat; Introduction of horizontal objectives in the ESF.	SL; SD; ELA
Germany, 4-6 February 99	Improve coordination of economic and employment policies.	Closer coordination of the wage and collective bargaining policy at the EU level.	CP
Finland, 8-10 July 99	Increase the employment rate of elderly workers.	Through communitarian measures, prevent discrimination based on age in labour market participation, namely considering article 13 of the Treaty.	ELA
Portugal, 11-12 February 2000	Mainstreaming fight against social exclusion, particularly in the context of the EES; Coordination of the various processes.	Transnational scoreboard to monitor progress; Definition of common objectives to combat poverty and social exclusion; Community action programme.	SD; SL; ELA
France, 7-8 July 2000	Definition of common priorities for the European Social Agenda	Definition of "objectifs appropriés"; Establishing a scoreboard;	SL; SD
Sweden, 21-23 January 2001	Mainstream gender equality	Improve statistics on wages, focusing on wage discrimination; Establish targets for the elimination of the wage gap; Rise female participation in the representative bodies of social organizations; Assess the need for an European Gender Institute to effectively mainstream gender equality.	SD; SL; ELA
Sweden, 15-17 February 2001	Promote quality in work at Union level and MS in order to tackle structural change	Improve statistics on wages, focusing on wage discrimination;	SD
Belgium, 6-7 July 2001	Common objectives for pension systems, organized through open coordination on the basis of national strategic reports	Develop a first list of commonly defined indicators to measure trends and policy developments.	SD
Spain, 18-19 January 2002	Reinforce the contribution of Social Partners in the EES; Enhance the political salience of the revised EES; Increase Coordination between policies; Extend the OMC to the area of pensions	Develop indicators for the Pensions' OMC; Reinforce the contribution of Community policies to the EES, as set out in Article 127 of the Treaty of Amsterdam.	SD; ELA
Greece, 23-24-25 January 2003	Mobilize actors involved in the design and implementation of the NAP; Translate the political commitment for full employment, higher productivity, quality at work and social cohesion into actions; Enhance the ESM, by streamlining the existing separate processes into a single process; Make anti-discrimination policies more targeted and effective for the final beneficiaries.	Strengthen the existent social processes by reflecting them in new structures and constitutional instruments of the EU.	CP; CM

Italy, 11 July 2003 (only conclusions)	Enhance dialogue with social partners, as well as NGO, especially with regard to the fight against social exclusion; Rationalize social policies, making the various dimensions, based on reliable indicators more coordinated and more outcome-oriented; Raise the profile of social policies financial sustainability in future actions; Strengthen the link between employment and pensions policies, in order to promote policies for a longer working life.	Improvement in national statistics to allow for a better comparison of the situation in each MS; Strengthen the common responsibility for pension systems by setting of both common aims and national targets, promoting on European strategy based on the OMC; Introduction of a new guideline on undeclared work on the revised EES;	<i>SD; SL</i>
Ireland, 16 January 2004	Extend the activation approach to the broader inactive population of working age; Develop a comprehensive approach combining social protection and labour market policies.	Improve the implementation of the current European Employment Guideline on prevention and activation.	<i>SL</i>
Holland, 8-10 July 2004	Increase adaptability and attract more people to the labour market; Modernize social protection systems, promoting social cohesion and fighting poverty; Manage diversity and promote equal opportunities; Invest in human capital and improving productivity.	In the context of the EES, make clear policy commitments about MS's plans for review labour market arrangements and institutions; Focus ESF funding on how to change attitudes among workers, employers and politicians vis-à-vis employment of older workers; Allocate a part of the ESF to help MS in the modernization and reform of (public) employment services; Integrate a (cost) effective provision of services in the area of social protection and inclusion as a horizontal issue in the existing open coordination procedures; Increase the clarity about the relation between the EU internal market and competition legislation and the need to guarantee social objectives such as universal service provision; In the context of the EES and ESF, prioritize the integration of all citizens, regardless of ethnic or cultural background, on the labour market and within society; Devise instruments, at EU level, to measure acquired levels of education (output indicators); Create a more direct link between the allocation of ESF funding and the progress of MS in raising the skill levels of their workforce.	<i>SL; SD; ELA</i>
Luxembourg, 7-9 April 2005 (only conclusions)	Develop a coordinated anticipation policy and a constructive partnership to manage change for the benefit of enterprises and employees.	Best practices and exchange of information	
United Kingdom, 2nd semester of 2005 (missing)			
Austria, 19-21 January 2006	Promote Flexicurity-oriented approaches.	Establish which elements of the flexicurity strategy should be dealt with at the European level in the medium term (in the end is best practices and exchange of information)	
Finland, 6-8 July 2006	Increase EU's active support to the positive interaction between labour productivity, the quality of working life and decent work, namely in order to promote longer working careers; Reduce the main threats to the health and functional capacity of women and men of working age, by making the workplace act as a setting to promote health.	Best practices and exchange of information	
Germany, 18/20 January, 2007	Disseminate the concept of flexicurity as a way to guarantee security through change.	Best practices and exchange of information	

Regarding the means of policy intervention that appear through the analysis, European Level Actions are mentioned most often (present in ten Informal Councils), followed closely by statistical devices (nine references) and soft-law instruments (eight references). Indeed, European level actions, programmes that fund or co-fund various social initiatives, continue to be important means for developing actions. This European funding tradition in social policy has particularly been strong since Delors re-enforced this dimension during his Presidency to the European Commission. The coordination of different processes and the Community method only appear twice as questions for debate in the background papers. The low salience of the Community Method in the field of social policies, compared with the growing importance of the option for soft-law instruments and statistical devices, in particular common European indicators and benchmarks, is in line with the development of European social policies since the mid-1990s. This trend reflects the typical characteristics of European social policy, which is made of multiple policy instruments each having a particular aim and function. There is another observation that we would like to highlight: the issues discussed by the Employment and Social Affairs Ministers informally are, at least until the 2005 to 2007 period, not dominated by the over-arching issues related to the building of the common market or economic coordination issues. They have their own agenda and own priorities in what has become a relatively broad-ranging European social policy “model”.

Having pointed to main trends in modes of intervention, the analysis of issues on the agenda of the Informal Council will be analysed in conjunction with developments in European Social Policy, between 1997 and 2007. Since the early 1990s, social policy in the context of the EU has not merely been limited to “encapsulated federalism”, to use the term coined by Streeck (1995). Instead, it has, in the wake of EMU and increased interdependency of markets, been an issue on the agenda of the European Council. Despite the political and symbolic importance of the open method of co-ordination, other social policy instruments continue to be important in the 1997 to 2007 period. The development of social Europe can best be characterised as a cumulative process, with the usage of different instruments, each associated with different objectives and different levels of obligation for member states. We have identified 4 key moments in the development of the social dimension of Europe for the period covered in this research project, as set out in table 3 below. The analysis that follows summarises the developments in European social policy and then explores the action of the Informal Council during the each period.

Table 3: Key moments in the development of the Social Dimension of Europe

Categories/Time	1997	2000	2002	2005
Policy Fields	Employment, labour market	Employment, training, lifelong learning, poverty	Employment, health care, poverty, pensions	Employment economic
Overarching objectives; benchmarks	Development of “trained and adaptable work force and labour markets responsive to change”	70% general employment rate 60% female employment rate	50% older workers	70% total, 60% female, 50% older workers
Policy Means	EES, Social Agenda, Legislating through Collective Agreements (Directive 97/81 on part-time work; Directive 99/70 on fixed term contracts)	Social Agenda, OMC, Social Exclusion Programme, Spring Council		Institutionalisation of “Lisbon report” for domestic salience, “PROGRESS”

The first period, between 1997 and 2000, is represented by the Treaty of Amsterdam that includes important social provisions. These are first shift from unanimity to QMV in gender equality in pay, gender equality for the labour force, working environment, working conditions, worker information and consultation. Then, the Treaty of Amsterdam included the Title on Employment, setting out a

coordination process of employment policy in order to support the member states to achieve full employment. In addition, after initial opposition of the employers to development of collective agreements for labour market issues, important directives were agreed. These include Directive 97/81 on part-time work and Directive 99/70 on fixed-term contracts. During this period, the attitude towards social initiatives within the Council was favourable, with a majority (12 of 15) of member states being governed by social-democratic governments, although mostly the initiatives were of a soft rather than binding nature (see also Manow et al., 2004 on this point).

Regarding the evolution of the work of the Informal Council, between 1997 and 2000, there is a focus on employment and employability policies, in particular employment of women and of older workers. In terms of policy intervention methods, a broad range of instruments is proposed during this time. This includes European level actions, soft law processes and statistical devices. At this stage, the informal Council appears to be a loosely defined ideational forum, discussing social policy ideas generally or specific proposals for the subsequent formal session of the Council.

The second period, from 2000 to 2002, confirms the positive mood set by the Treaty of Amsterdam and maintained within the European Council. The Treaty of Nice did not introduce many novelties, but it did institutionalise the Social Protection Committee, based on the model of the Employment Committee in the Employment Title. The majority of governments continued to be governed by the left, and this notably led to the adoption of the open method of coordination, and the decision to apply it to the area of social exclusion. Furthermore, overarching employment rate targets were agreed. It was agreed that the Union should achieve a 70% general employment rate by 2010, and a 60% female employment rate by 2010. The means for developing social initiatives were multiple: social agenda, Social Exclusion Programme, and the Open Method of Coordination. Furthermore, the spring European Council was institutionalised to discuss economic and social issues of the Union in March every year. This would provide the socially-oriented actors with a means with which to bring in social issues on a yearly basis.

Between 2000 and 2002, the main thematic focus of the Informal Council sessions is on social policy generally and on a variety of specific topics. The overarching social agenda for 2000 to 2006, endorsed during the French Presidency in 2000 was discussed informally among social affairs ministers. While the first version of the Social Agenda had been presented by the Commission in June 2000, France wished to leave a significant imprint during its Presidency and thus sought to present its own draft of the document. During its Presidency in 2000, France sought to re-launch the debate on the "European social model", and used the European social agenda for this purpose (Journal of European Social Policy, European Briefing: Digest, Vol 10., no. 4., 372 – 381). In this context, where France sought to impact the broader debate on the European social model among the member states, the Informal Council served as an ideational forum to discuss the sensitive issues related to the European Social Agenda.

Regarding the more specific social policy issues at this time, they revolve around the issue of "quality" of social and employment policies, highlighted at the Lisbon European Council, and that remained an important issue for subsequent Presidencies (Digest: European Briefing Journal of European Social Policy, Vol. 11, No. 4, 363-364). During the Portuguese Presidency in 2000, the focus was on the development of social exclusion and poverty policy, in the context of the broader aim to define the contours of the Lisbon Strategy. During the Swedish and Belgian Presidencies to the Council in 2001, the focus was on "quality in work" and pensions. For all three of these issues, a core aim was the development of indicators and statistical data and/or the agreement of common benchmarks. The Belgian Presidency had made a particular effort to reach agreement on statistical indicators and benchmarks for quality in work, social exclusion and poverty and pensions. The Informal Employment and Social Affairs Council of the Belgian Presidency served to provide a concrete policy input for the formal Council: It determined the

objectives of the quality in work indicators (Digest: European Briefing Journal of European Social Policy, Vol. 11, No. 4, 363-364). For this period, the agenda of the Informal Council seems quite closely correlated with the developments in European Social Policy and contributes specifically to its development in terms of policy setting.

It seems reasonable to conclude that when the Presidency had a specific objective in view – notably the agreement of quantitative indicators or benchmarks – then the informal Council was instrumentalised for a specific purpose. This is notably the case for decisions on indicators and development of statistics for the various applications of the OMC (poverty and social exclusion, pensions), and also quality in work in the context of the EES. Following the initiative of the Belgian Presidency in 2001, a sub-group to work specifically on the issue of quality in work was established. Furthermore, the Commission continued to work on the issue, notably in a Communication on the topic (Digest: European Briefing, Journal of European Social Policy, Vol. 12, no. 4, 347 – 348).

The third period, from 2002 to 2005, reflects a change, in the priorities of the Union and its member states, particularly in the enlarged EU. The new priorities are related to classical market-making and liberalisation of state dominated general services. During this period, there is concern, across all policy areas, for rendering the Union, its institutions, and its policies effective. An ad hoc working group chaired by Wim Kok, the “European Employment Taskforce”, was set up in 2003 to identify the employment policy challenges facing the EU. It was set up to enhance the effectiveness of the EES, esteemed to be weak. The policy objectives proposed by the group re-shaped the objectives of the EES. These are first, to increase adaptability of workers and enterprises, second, to attract more people to the labour market, that is consistent with the long-standing supply-side orientation of the EES, and third to invest more and more effectively in human capital.

During this period, the informal Employment and Social Affairs council focuses mainly on issues related to revision of the European Employment strategy and the rationalisation of the other social policy coordination processes. In terms of policy intervention means, many means are discussed, notably the usage of the European social fund. In this period, the Informal Employment and Social Affairs Council is used as an ideational forum for the bigger directions of reform of social policy and the Lisbon agenda more generally. Wim Kok, as President of the Task Force on Employment that contributed to redefining the Lisbon Strategy, attended the Informal Employment and Social Affairs Council of Varese in March 2003. That informal Council agreed that the different social coordination policies should be more consistent and outcome oriented. In addition, the Varese Council agreed that the various processes launched in the social area should maintain their autonomy (Digest: European Briefing, Journal of European Social Policy, Vol., 13, no. 4, 388-389). During this period, then, the role of the Informal Council seems to have been confirmed not only as an ideational forum, but as a policy-setting arena.

In the context of the EU-25 and EU-27, the role of the Informal Employment and Social Affairs Council has been changing. It seems, however, that this is related to the general shift away from social priorities for the Union, particularly among the Ministers of the new member states. The Informal Employment and Social Affairs Council of the Dutch Presidency, the first to take place in the context of the EU-25, on the one hand acted as an ideational forum, and on the other as a policy-setting arena. First, regarding its role as ideational forum, the Informal Employment and Social Affairs Council was first divided into working groups around four key themes: managing change, enhancing adaptability and adapting more people to the labour market; modernising social protection systems; managing diversity and promoting equal opportunities; investment in human capital. No concrete conclusions were drawn from the work of these working groups. But thereafter, the ministers voted on 20 proposals, in the view of the preparation

of the following European Social Agenda. This included, in the area of employment and labour market policy, the decision to set the standards for flexibility and security in a European directive and the need to ensure more security for temporary workers. The ministers explicitly voted against the proposal to determine EU legislation to combat discrimination and also against the proposal to strengthen the social exclusion strategy in legal terms along the lines of the European employment strategy (Digest: European Briefing, Journal of European Social Policy, Vol. 14, no. 4, 419-420).

In 2005, that marks the beginning of a fourth period, the decision was taken, in the mid-term review of the Lisbon Strategy in 2005, that economic and employment coordination processes should be linked closer together, and that, the social coordination processes should be pursued, but should no longer be part of the core Lisbon Strategy. A funding programme, PROGRESS, was agreed to cover all social policy areas. The aim of the Commission was to cut overhead costs by creating one single programme, rather than having many parallel smaller scale projects. Between 2005 and 2007, the political priority in employment has been determined by the economically-oriented actors. The main objective has been and still is to determine how to combine flexibility with security.

The debate in the Informal Council is at this time mostly dictated by the prerogatives of the economic and financial actors. The approach to employment policy revolves around how to combine flexibility and security. Given that the Informal Employment and Social Affairs Council contributes less to the overarching debate, the means that it suggests and uses are almost exclusively soft: the exchange of information and best practices. The Informal Employment and Social Affairs Council that met in Belfast in 2005 discussed how to increase employment levels and how to improve social inclusion (Digest: European Briefing, Journal of European Social Policy, Vol. 15., no 4, 381-382). In 2006 and 2007 the issues of flexicurity (see Barbier, J.C, 2007 for analysis of political origin of concept), and also “decent work” were on the agenda of the EU council, and also of the Informal Employment and Social Affairs Council. “Decent work” was developed as a more general concept to capture “quality” in work that had been a core part of the debate in the early 2000s.

D. Conclusions

This analysis on the role of the *Informal* Employment and Social Affairs Council is of particular relevance in the context of the impact of European level policies on domestic social policies, which has increased in the context of Economic and Monetary Union. Since 1997, the European level has an institutionalised role not to dictate, but to draw up core policy objectives in employment and since 2000, other social policies. Furthermore, the institutionalisation of various European level actors, from the Spring European Council on economic and social issues to the Employment and Social Protection Committees, confirms the higher institutional and political salience of social policies on the European Agenda. These European social policy instruments and objectives undoubtedly have an influence on domestic debates and reform processes. One of the underlying ideas behind this report is that the role of the Informal Council reflects the importance of European social policy for domestic reform processes, and that member states are likely to use it to test new ideas or to put forward new policy proposals.

Our analysis, that spans the last decade, reveals that in terms of policy objectives, employment and labour market issues have been the dominant theme of the Informal Employment and Social Affairs Council meetings. Out of the twenty-one Informal Councils analysed, ten (50%) of them had employment as a main issue and two others had employment as a secondary issue. This finding is coherent with the importance of employment issues at the European level during the last decade. In fact, only three out of

the twenty-one councils did not deal with either employment or labour market issues. While this finding confirms that social policy is undoubtedly important on the EU agenda, more critically, it suggests that European Level social policies have moved slowly. Furthermore, there is evidence of some repetition of debates around the same issues over time, notably the concept of “European social model” and more recently “flexicurity”. In addition, the concepts associated with European social policy are inherently ambiguous and can be interpreted in different ways across the political-ideological spectrum.

The issues presented in the Informal Council reflect characteristics of European social policy, addressed through various instruments with particular finalities. In particular, non-binding modes of governance are typical in social policy, which includes various action programmes, but also other soft law initiatives and, increasingly, common numerical reference points – e.g. the quantitative employment rate benchmarks. The use of common benchmarks and indicators in social policy was disseminated with the EES in 1997, institutionalised at the level of the European Council in March 2000, and has since been an important part of the European social policy discussion among the European level socially-oriented actors. Furthermore, the exchange of ideas and best practices in social policy has been an important characteristic of all of the Informal meetings of the Employment and Social Affairs Council, since the mid 1990s. This confirms that the Informal Employment and Social Affairs Council is indeed an ideational forum, discussing various social policy ideas and instruments loosely. These ideational discussions, however, have a weak impact, particularly if the key concepts of the meetings are inherently ambiguous.

Another feature of the Informal Employment and Social Affairs Council, aside from the loose nature of the issues discussed, and the absence of a fixed and tight agenda, is openness with regard to the participants in the Council. In the formal Employment and Social Affairs Council, it is exclusively the Ministers or their delegates that participate in the meetings. For the Informal Employment and Social Affairs Council, the main participants are the Ministers, but there are many other participants, depending on the topic discussed. These are on the one hand, Members of Parliament and relevant political personalities, such as Wim Kok in the context of the revision social dimension of the Lisbon Strategy. On the other hand, these also include representatives of interest organisations, such as social partners in employment and labour market issues and civil society organisations in anti-poverty policies. This open-ended and topic-relevant list of participants contributes to the *de facto* legitimating of the Informal Employment and Social Affairs Council and enhances the legitimacy of possible outcomes of the latter.

Our temporally-sensitive analysis has revealed that the role of the Informal Employment and Social Affairs Council has changed. From 1997 until the 2004, its role clearly increased from that of a mere ideational forum to that of a policy-setting forum. It was used to discuss not only general ideas about social policy, but specific objectives, related to the aims of the Presidency. It was also used in the 2000 to 2004 period, to discuss the general orientation of social policy for the Union. However, in the 2005 to 2007, its role seems to have decreased. In this report, we can only speculate about the reasons for this apparent decrease. We have identified 3 main reasons for this. First, in the context of the revised Lisbon Strategy, the Employment and Social Affairs council, including the informal council formation, has a lower level of autonomy to define its own agenda; second, and as a consequence of this, the policy agenda is increasingly co-determined by other council formations, notably the economic and financial council, and the general affairs council. This influence is clear in the prioritisation of flexicurity as the main social policy priority. Third, investment in European level social policies reflects Member States political partisan logics. Hence, the reflux of the predominance of both traditional social-democrats and demo-christians in domestic governments over the last few years had consequences in Council's priorities and activities. This has been exacerbated in the context of the enlarged EU, where domestic institutional diversity increased and even the socially-oriented actors have a more diversified and liberal agenda.

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