

**PROJECT PROPOSAL FOR FINANCIAL SUPPORT FROM THE EC IN  
RESPECT OF COMMUNITY ACTIVITIES IN THE FIELD OF  
RESEARCH AND TECHNOLOGICAL DEVELOPMENT**

**TARGETED SOCIO-ECONOMIC RESEARCH KEY ACTION  
“ IMPROVING THE SOCIO-ECONOMIC KNOWLEDGE BASE ”**

**DIRECTORATE GENERAL RESEARCH**

**SOCIAL DIALOGUE, EMPLOYMENT AND TERRITORIES.  
TOWARDS A EUROPEAN POLITICS OF CAPABILITIES**

**“ EUROCAP ”**

*Part I. Research Theme 1*

**PART B: PROPOSAL DESCRIPTION**

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## B.3. OBJECTIVES AND OVERALL APPROACH

### *B.3.1. Executive summary*

To turn Europe into a knowledge-based economy as advocated at Lisbon in March 2000 threatens social cohesion. The flexibilisation of work, industry and regional economies creates conflict between two strategic objectives. To raise levels of employability and adaptability through 'active labour market policy' threatens job security and increases social risk. 'Modernising social protection' implies controlling its costs. Other things being equal, the first objective raises demands for protection while the second lowers its quality. This conflict is central to future social dialogue. Europe's social actors and citizens will judge change in terms of equitable access to work and sound social protection, as experienced in their lives. To respond to these expectations, Europe needs to build a framework of active security. These conclusions were reached in the preparatory workshops and European conference held by the researchers and actors in the European social dialogue who present this research project.

A rigorous, innovative theoretical and methodological approach must underpin a sound empirical analysis of the facts. The problem is further complicated by the way it cuts across normal divisions of public action: work, employment, social protection, regional development. The process of work transformation reconfigures these elements and their interaction. It disrupts social relations within firms, people's lives, their visions of the future, their ambitions and work plans, the connections with markets and social protection, local networks. Most research happily adopts a global approach to institutionalised systems along a logic of adjustment. They advocate simplistically the extension of general and vocational training. The originality of our proposal lies in the premise that a knowledge-based economy is an economy whose products, services, types of work are in constantly evolving, responding to pressure to innovate. Uncertainty becomes the driving force for action. Hence the problem of social cohesion: the potential response is not passive protection, but active security. Both problem and response concern firms as much as individuals. This analysis centres the project on the theoretical concept of capabilities. To face uncertainty, actors need capabilities - real possibilities of operating in an efficient manner to protect themselves from risk. The public actor - Europe - must promote an equitable distribution of capabilities, their development and their reinforcement in law and social convention. The concept has a long tradition in economics, (being central to the work of Amartya Sen, Nobel prize winner in economics) and in law. It is currently highly relevant.

The project uses a sample of regions and firms in seven European countries. Empirical, detailed research analyses a range of business policies and public plans. These integrate work change, social dialogue and collective responsibility into the organisation of the economy, employment and welfare provision. Do these approaches involve a 'politics of capabilities'? Do they offer security as employment changes? We suspect localities are more advanced in practical knowledge and experience than is often believed. The research aims to learn from local lessons: to produce more systematic, scientific analysis, reflexive and applicable to European social dialogue and legislation. The objective is an evaluation of macro-economic policies and social policies. Regional and macro-analysis will merge to generate new statistical categories, indicators, indices. The research will, by orchestrating work between researchers and social actors, produce theoretical knowledge, regional analysis, policy lessons.

### ***B.3.2. Analytical framework***

The European Council at Lisbon on 23-24 March 2000 identified employment, economic reform and social cohesion in a knowledge-based economy, as a strategic objective for the next decade. The Council thus fixed the agenda for European reflection: the transformations of work, of industry and of European territories in a flexibility perspective<sup>1</sup>. The European Councils at Nice and Göteborg confirmed this strategy, focusing on investment in people and on developing social policy as a productive factor. The efficiency of this process of change in all situations and areas rests on equity. Social actors and European citizens will evaluate this equity in the terms of their own experience - within territories - according to the quantity and quality of employment and social protection. This is what is at stake in regional economic development. However, there is a strong contradiction between two objectives that is not automatically reconcilable. We must invest in human capital, but the promotion of employability and adaptability<sup>2</sup> through 'active employment policies' indicates that labour market change is accelerating, thereby raising the incidence of social risk. We must 'modernise social protection'<sup>3</sup>, but this implies containing social expenditure and applying it more effectively. Other things being equal, the first objective risks raising demand for protection and the second of reducing the quality of such protection and thus the chances of satisfying its recipients. Europe is faced with a problem of collective action. This research project addresses the problem: how to promote security within a knowledge economy? This hypothesis has evolved from a series of preparatory workshops, which involved actors of the European social dialogue (members of CEEP, CES and UNICE) and the research team<sup>4</sup>. The seminar series resulted in a European Conference held at Brussels (13-14 January 2001) and in a collective book to be published shortly<sup>5</sup>. The same group is behind this research project. The end product of work to date is that, in a series of crucial areas, Europe should promote a politics of capabilities. The territory emerged from the research as the preferred space for implementing such a policy. What European practices, in their diverse and contradictory forms, characterise current transformations in work and industrial production? Do they offer (and, if so, which) concrete points where a trajectory combining security and change can be applied?

#### ***Basic goals and objectives***

The research has a specific objective. It is to contribute to the development of the European social dialogue, to enable it to address this issue (the promotion of a framework of security within a knowledge economy) and to promote its solution (the introduction of a politics of capabilities), in conjunction with contemporary European legislation. This objective addresses the general desire of the Commission and the Council of Europe for the social partners to develop collective negotiation at different levels (particularly the territorial level). They should participate more actively in the elaboration of European legislation and in the definition and implementation of the European Employment Strategy (EES)<sup>6</sup>. The

1. See conclusion from the Presidency. European Council at Lisbon (23-24 March 2000), at Nice (7-10 December 2000) and at Göteborg (15-16 June 2001).

2. See the series of employment guidelines from 1997, for instance "Council resolution on the 1999 Employment Guidelines", and in general the European Employment Strategy.

3. Communication "Modernising and improving social protection in the European Union", COM(97) 102, 12 March 1997.

4. The programmes of these workshops can be seen part C, appendix.

5. The title of which being : Europe and the politics of capabilities. See the editors and contributors part C, appendix.

6. As stated in the 2000 Employment Guidelines.

Commission and the social partners agreed to establish a programme of work to make the social dialogue address the modernisation and improvement of industrial relations<sup>7</sup>. Recently, the social partners elaborated a joint contribution to the European Council at Laeken concerning their aim to re-launch the social dialogue in Europe<sup>8</sup>. Our task in this project is to analyse transformations of work and the means to promote frameworks of security, but based on precise analyses, comparative over space and time and embedded in active situations. For these are the conditions that European social dialogue, at various levels, has to handle. Some importance will be attached to the creation and diffusion of statistical and analytical frameworks suitable for European social dialogue. Equally, the participation of social actors in structuring the programme of research attests to its scientific quality. It helps determine pertinent questions and identify empirical areas for investigation. Researchers and social actors collaborate with a mutual respect for their separate identities. Their goal is to create, through this research project, the core of a research network of European excellence centred on the role of social dialogue in building European law and policy in employment and social affairs.

Our analysis of a framework of security to underpin employment change is centred on the concept of capabilities, rather than on knowledge-based or competencies. This choice proceeds from our conception of a knowledge economy from which this definition of capabilities is derived. Investing in people not only concerns investment in initial or lifelong education. Basically it involves a wider prospect of developing capabilities at every moment of life and work in a way that we explain below and will develop in our research.

It is a common error to believe that, to create a knowledge-based economy, we must train would-be employees more and more - and more and more continually during their working lives<sup>9</sup>. One would attribute this as a function, for example, of numbers in receipt of certificated higher education. Efforts to encourage initial and subsequent training are certainly important. However, a knowledge economy is characterised, above all, by its capability - thanks to its workers, its businesses and the actions of its public authorities - of generating a vast collection of goods and services which are constantly evolving (Sabel and Zeitlin, 1997). Its products and services demonstrate (to different degrees) creativity, innovation, collective activity and uncertainty about the final result. The error of understanding a knowledge economy solely in terms of training generates the problems found in the so-called 'new economy' of the United States: growing numbers of working poor, more inequality, insecurity and social exclusion. The main characteristic of today's economy is that it produces uncertainty. To master uncertainty, we need more than passive external protection against predictable risk. Uncertainty must be confronted within the firm, the trade or the territory by autonomous and appropriate action. Such know-how is learnt by experience, the accumulation of confrontations with different situations (Lundvall, 1995). An active security aims to guarantee for everyone that this learning process is recognised and transformed into real capabilities. These capabilities empower action. They require technical competencies, but - over and above that - responsibility, participation and structured frameworks of deliberation<sup>10</sup>. A juridical, collective and organisational framework is needed to offer an open-ended combination of freedom of action and of the possibility to use it. Basically, this framework

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7. Communication of the Commission. First phase of consultation with the social partners on the modernisation and improvement of industrial relations, June 2000.

8. UICE, ETUI and ECPE, Joint contribution of the social partners to the European Council at Laeken, 26 November 2001.

9. This association is also criticised in Esping Andersen, 2000.

10. That which the second opinion of the European social dialogue, in date of 6 March 1987, explained as the magic square: training, motivation, information, consultation

consists of a suitable system of obligations and mutual expectations, written into contractual and conventional work relations<sup>11</sup>. Its dimensions are economic, social and juridical.

### *European background*

As various recent European texts and reports have observed<sup>12</sup>, firms as well as workers demand the creation of effective security from public authority. Firms look to the collective, not so much for subsidies to create jobs (a passive policy if ever there was one), but more for restructuring policies to promote real competitiveness (in other words market-based freedom of action), the basis for long-lasting jobs. Such policies are constructed at appropriate intermediate levels; hence the new role for territories. Workers ask that, at various points in their lives - in the firm, on the labour market - they should be maintained 'in a professional state that recognises the reality and the development of their working capabilities' (Supiot, 2001, p. 220). This is part of an aspiration to quality<sup>13</sup>. The quality of their work, their salary and its growth, their participation in the firm's decisions, their mobility on the labour market, their rights of action, their security, the division between work and private life - all depend on these capabilities. All this involves the law as much as social protection.

The problem lies in the cross-cutting character of these demands. On the one hand, Europe's established institutional framework offers a starting point for promoting security in the context of employment change. On the other, the issue is subdivided into three distinct areas of activity: economic and social cohesion; the social dimension; employment policy. Yet these three areas are, simultaneously, affected by the creation of a basis for security. Let us rapidly review how this difficulty arises.

The structural funds aim to promote economic and social cohesion. These funds seek to reduce inequalities in economic development between Europe's regions. This activity rests on a classical conception of economic growth: investment in infrastructure (public works, intra-European networks, improved education, the fight against poverty and exclusion). The injection of funds is seen to exercise a Keynesian effect in raising employment levels. Their results in terms of promoting greater regional equality within Europe are debatable.

Implementing the social dimension has been difficult. We have fallen short of initial objectives. The draft of the Treaty presented by the Commission at the start of 1991<sup>14</sup> offers a coherent strategy to cover working and living conditions. This rests on two pillars: the Charter of workers' fundamental social rights; the development of European social dialogue. These twin pillars rely for their efficacy on the involvement of Europe's citizens and, to achieve this, on giving the social actors the responsibility of putting fundamental social rights into practice. In the final version, the reference to fundamental social rights was suppressed. The main outcome was the creation of a procedural European social dialogue, but with more limited objectives.

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11. As underlined in the communication cited above, 'The rights and duties of the parties to the work contract ought to be capable of regular adaptation in order to take into account the evolving needs of firms and professional practices as well as the competencies and capabilities of workers.'

12. Notably; the communication 'Modernising work organisation', COM (97) 128 final, 16 April 1997; the Gyllehammar Report 'Anticiper le changement', November 1998; the Supiot Report 'Sur les transformations du travail et le devenir du droit du travail en Europe', June 1998 (cf. Supiot, 2001).

13. See the communication 'Employment and social policies : a framework for investing in quality', COM (01) 313. Equally, Esping-Andersen, Gallie, Hemerijck and Myles, 2001, on the quality of work and reforming welfare systems.

14. See project outline and comments in Initial Contribution by the Commission to the CIG on Political Union, SEC(91) 500, 15 May 1991.

Employment policy, following the summits held at Cologne, Cardiff and, above all, Luxembourg (1997), has developed along twin tracks: macro-economic policy; employment guidelines. In some respects, these two paths contradict each other. Economic policy remains subordinate to the defence of the Euro and to the imperative of wage restraint, as dictated by the European Central Bank. From this perspective, employment is a by-product of global growth and employment policy should promote a necessary industrial restructuring. This logic has been a permanent feature of the European landscape since the introduction of ECSC and the restructuring of the coal and steel industries. In contrast, recent employment guidelines introduce a new logic: to reform the labour market and to promote human capital (employability, adaptability, non-discrimination and entrepreneurship). These are increasingly oriented towards qualitative improvements of labour markets, territoriality and the involvement of public, social and civil actors (hence, presumably, increasingly in favour of a capability approach). However, the first logic still dominates the second. Labour market reform must remove obstacles to salary moderation posed by social and judicial regulation, which is now understood as corporatist and contrary to efficiency. This will create more jobs. While still improving market functioning, the second logic, in contrast, seeks to regulate in rising standards of employment and social protection, to reduce inequalities in Europe. The three accords reached under the European Social Dialogue (parental leave, part-time work, temporary employment contracts) have followed the latter logic. To conclude, the two objectives, more jobs and better jobs, prove hard to reconcile.

Attempts at co-ordination have been made in all these areas. Cutting across the territorial employment pacts, the structural funds are experimenting with an approach to raise the efficiency of funding and procedures relative to both territorial development and employment. A procedure of social dialogue has been created within the European Central Bank on macro-economic policy. According to Fajertag and Pochet (1997), wage bargaining through social pacts in Europe remains subordinate to monetary policies and insufficiently focused on qualitative aspects of work. The reform of social protection systems to favour employment is on the agenda. The effect of social expenditure on labour markets is an old preoccupation. A European Charter of Fundamental Rights, with a section on social rights, was agreed at Nice. Last example, but by no means the least, the territory is increasingly invoked as a privileged space for the implementation of employment guidelines. But each policy area retains its own instruments. Each was born in specific economic, social and political circumstances that have left their mark. Each area of activity has its own terms of reference. The whole is heterogeneous relative to the problem to be resolved. The result is a trajectory shut into path-dependency.

We must not deduce from this that we need to construct a new action framework that will throw the present one into question. The construction of a framework of security that accompanies work transformations ought, on the contrary, to become a fundamental objective. This objective should be taken into account in territories, labour laws and social protection systems all over Europe in ways specific to local practice. To achieve this, European action in each of these areas ought to establish a focal point towards which all should converge. This project will demonstrate, empirically and theoretically, that the focal point to be chosen is the development of capabilities - of actors, workers, enterprises, territories. Territorial capability rests on a range of activities, the source of its market competitiveness. For an individual, the liberty to manage her life and to offer widely desired work skills represents a basic security. Intuitively, we know that capabilities thus defined constitute a resource essential to a knowledge-based economy and that politics should focus

on their development. This offers a possible foundation and dynamic for European social dialogue. It also offers a possible cross-cutting objective for the next set of employment guidelines. Hence European initiatives ought to co-ordinate around a politics of capabilities.

### *Theoretical and analytical benchmarks*

Three theoretical frameworks are deployed to develop these European perspectives. These three frameworks are interrelated. We start with the most general (capabilities<sup>15</sup>) and subsequently return to themes of situated public action and its relationship with collective negotiation, to identify its practical and empirical focus (information frameworks of action)

#### 1. The concept of *capabilities* in economics and law

The concept of capabilities has a long tradition in two areas of economics: the theory of production; the normative economics of well being. The first focuses on the firm, the second on the individual. The connection between the two lies in a common interest in the scope of possibilities open to an economic agent and the manner in which these possibilities are created and exploited. The vision is dynamic and contextual. There is a positive relationship between efficiency and equity. These studies conceive, in effect, the economic agent (company or individual) as capable of co-operation, of making agreements and of keeping them. This, in one sense, stems from a recognised common interest. Each actor participates in co-ordination with others (in a firm, an industry, a territory, in her life); the satisfaction of her own objectives depends on its sound development. Each actor must offer adequate capabilities both to sustain her position and to ensure the high quality of the collective result. Her participation is, at the same time, a source of learning: she gains accruing capabilities.

a) The concept originated in the analysis of relations between the division of labour, knowledge and specialisation of the firm operating under market conditions. Adam Smith was the first economist to have this intuition (Foss, 1997). The concept of capabilities was subsequently strongly developed by Alfred Marshall (1925) and Allyn Young (1928). It got its second wind in the post-war era, thanks to the work of (to mention a few) Penrose (1959), Richardson (1972), Nelson and Winter (1982), Langlois (1992), and evolutionary economics. All these works started from the analysis of the production process and were interested in the dynamics of organisations and of economy. The source of a firm's competitiveness resides in its capacity to work, organise, innovate. The organisation of industry, said Richardson, must be understood in terms of numerous activities (R-D, production, sales, services, etc.) which ought to be undertaken by firms offering the required *capabilities*, that is to say those '*with the appropriate knowledge, experience and skills*'. It is more efficient and secure to concentrate on specific activities and to leave complementary *ones* to other firms. The concept of capabilities thus promotes a vision of the firm in terms of the security and efficiency of its development. It leads to a theory of co-operation. Long-term contracts, joint ventures, licensed agreements, etc. are efficient because they provide access to required complementary products and services. The concept thus offers the basis for a theory of endogenous territorial growth, because it emphasises specialisation in products and services acquired in which territories accumulated absolute advantages.

b) Amartya Sen, 1998 winner of the Nobel prize for economics, attached his name to the concept of capabilities in his work on social justice and collective choice. Criticising John

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15. This theoretical framework proved fruitful in the case of social exclusion in a TSER European research project in which the main coordinator (that brought this approach) participated as a contractor. See part C.



Rawls, he argued that, to evaluate well-being, people's capabilities were more just and efficient criteria than their endowments and resources (Sen, 1992, 1997). First, persons endowed with the same resources (notably financial) remain unequal in terms of expected outcomes (Nussbaum and Sen, 1993). Such empirical evidence is central to the equality of treatment between men and women (Nussbaum, 2000), as much as for an efficient functioning of the labour market. For instance, the mother of young children requires specific capabilities, for example access to a crèche, in order to be able to stay economically active. Care, which crosses boundaries between informal and formal, public and private, as well as paid and unpaid work, centrally addresses the issue of unequal capabilities. The long-term unemployed have less capability of sustaining a job placement; they also need treatment and training appropriate to their individual circumstances. Second, certain goods have intrinsic worth, independent of individual evaluation or preference. The latter can lead to entrenched judgement. This is especially relevant for social exclusion. A poor person, for example, tends to underestimate her fundamental needs. Types of intrinsic goods (to be suitably fed or housed, to participate in community's life, etc.) depends on the society involved (Sen, 1985). Such goods are clearly fundamental rights; public authorities should guarantee a real access for everyone. These are not simply minimal rights. What counts is access to a real freedom of choice at every stage of life. It is about guaranteeing the security of personal development. These rights reflect everyone's judgement about normal living standards; the possibility of participation in the life of community depends on their satisfaction (cf. the controversy between Townsend, 1985, and Sen, 1983, on these questions).

c) The foundation of the concept of capabilities lies in law and moral philosophy. The works cited above draw on the tradition of classical economics: their revival is partly due to re-reading the works of the interwar Austrian school (Hayek, Kirszner, Von Mises, etc.). These studied economic action in the context of uncertainty. The rights of property and of contract are, for them, the foundations of a capability for market action; the efficiency of markets depends on them. The juridical dimension on capabilities is essential. It has two perspectives. It permits engagement in all forms of co-operation and agreement, within the security of the law. It is the foundation of personal responsibility which holds you accountable for your actions, the source of expectations concerning your future conduct. The concept of capabilities refers thus in law to the endowment of persons with procedural and substantive collective rights. Change in work and in access to social protection generates alterations in actors' juridical capabilities. It is essential to make a precise analysis of these alterations.

## 2. Situated public action and collective negotiation

When placed in a model of capabilities, the public actor like the European Union which is concerned with the common good cannot co-ordinate economic activity from the outside in order to enforce collective goals. This is only achievable by internal guidance through situated public action<sup>16</sup>. This depends on the involvement of the actors' capabilities. It relies on each actor freely acting in compliance with the common good and continuing to do so, with a view to the increased capabilities and freedom of choice that she will acquire (Millon-Delsol, 1992). The public authority should guide the creation of mutual expectation, which subsequently becomes self-sustaining. This model of collective action offers, in one way, an end product for collective negotiation. The public actor compensates - temporarily and proportionately - for the incapacities of others. But these cannot be externally resolved, only internally redeveloped. The idea is not utopian. Storper and Salais (1997) show the process at

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16. By "situated", we means located within given deliberation and decision of local actors, in territories, networks or firms.

work in territorial economies that combine knowledge, know-how and innovation within networks of interaction (in other words, the prototype of what characterises a knowledge-based economy). Situated public action is equally distant from the model of hierarchical state authority and the model of a liberal market economy. This action is public in the sense that it is agreed among numerous actors (including expected beneficiaries); interested parties participate in its implementation. In principle, actors are given rights to act, in their diverse ways, subject to customary good practice. This action also becomes public as it acquires the status of common knowledge (see Lewis, 1969 and Rawls, 1972).

Working on this theoretical approach, we wish simply to recall the sources of the economic and social model on which Europe was based from the start. This model presents a possible solution to the problems of collective action that we address. Political debate over esoteric principles of ‘subsidiarity’ and ‘proportionality’<sup>17</sup> has obscured its relevance. It can be revived today as a model of situated public action.

Our hypothesis is that the European social dialogue has been conceived within this model. It is not exactly about collective negotiation (in the usual sense of compromise between interests, neo-corporatist or otherwise), nor about political debate on defining the common good and how this might be achieved, but perhaps a bit of both. Negrelli (1997), for example, demonstrates that existing (national or territorial) social pacts do not obey established theory. The objectives are new; the partnerships involved are complex, as are conditions for exercising collective rights. This object demands from our project a joint, reflexive approach from both actors and researchers. The state of the theoretical literature is not helpful. It exists, be it as a standard conception of the labour market (Cahuc, 1991), as a neo-functionalist approach (Teubner, 1986), or as conceptually open work primarily concerned with the neo-corporatist debates of the 1970s (Crouch, 1993; Schmitter, 1981). Research on procedural agreements (Lenoble and Bertin, 2000) attempts to remedy the deficiency. Empirical work is needed to refine concepts and theory.

### 3. The relationship of capabilities with public action: information frameworks

All theory, whatever it is, informs action - as reference point, as common sense and as principle of evaluation. The product of all this appears in life as what Sen calls informational bases of judgement. These allow public actors to assess situations where intervention is required and to determine the resources to be allocated to achieve specific objectives. In other words, these enable problems to be put into categories, both of risk and of help to be offered. In what ways are these general or established at the decentralised level of the territory? By what process of deliberation? To secure information bases for adequate judgement is a dominant theme in the project. It is central to the implementation of a capability model. The aim of such criteria and categorisations is to allow people to make legitimate claims (when they fulfil the corresponding conditions) and to provide institutions with data and evidence about capabilities and the appropriate needs of firms and individuals (see B.3.3 for the types of quantitative indicators required). Different judgements about actors' capabilities can be observed according to sector (social law, competition law, laws of specific societies) and according to country, which poses problems of equity.

As much research has demonstrated, social processes of categorisation were central to the emergence of state intervention (Derosieres et Thevenot, 1988). This is especially true for

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17. Excellent synthesis in the Communication of the Commission to the Council and the European Parliament, ‘The principle of subsidiarity’, SEC (92) 1990 final.

social protection. For a person to be identified as unemployed, pensioned, ill and so on is not merely a question of natural evidence; the categories differ according to periods, countries, types of work, status etc.: they may be more or less generalised. For instance, whatever the 'true' situation of labour markets, the numbers and characteristics of people registered as and considering themselves 'unemployed' (and thus rates of social expenditure devoted to 'unemployment' in a given country) will differ (for a comparison between Britain and France, Mansfield, Salais and Whiteside, 1994). It is a matter of convention: that is, it depends on mutual expectations about legitimate social claims (and the right of the state to intervene) which people hold because they are considered fair (Revue économique, 1989). Conversely, it depends on conventions over whether (and how far) individuals or collective organisations, such as professions or towns, are responsible for the hazards of life and work. Later, these conventions are incorporated in institutions and law (in accordance with complex processes of rule implementation and on-going debate about rule interpretation in different work contexts). They contribute to fashioning labour markets, shaping employers' and workers' decisions. Existing institutions are filled with tensions between differing conceptions and expectations about how they operate. Historical studies show how, in some circumstances, law and institutions may precede change in actors' behaviour, be simultaneous to it or impede it. The overall concern, here, is to better understand (and, for policy makers, to master) recent shifts towards benchmarking national policies through statistical indicators. The issues at stake are not only technical. Basically what matters is to make explicit the normative foundation upon which indicators rely and to promote public debate about them.

### ***B.3.3. Methodological framework***

#### ***Monitoring and Analytical Tools***

The project is cross-cutting and interdisciplinary. Rather than treat territory on the one hand, systems of social protection on the other, with employment policy and macro-economics as extras, we have selected outstanding points of the problem (thanks to the interrogation from the social actors mentioned below). The data and tools we wish to produce must be useful to the partners involved in European social dialogue. The governance of a process leading Europe towards a politics of capabilities is not a political strategy designed for a Centre that is confronted by rational and opportunistic actors. This is Williamson's conception; for our project, it is an illusion (Williamson, 1985). Mutual learning and the exchange of good practice, agreement on a common agenda, the actors taking responsibility in a framework of subsidiarity and the creation of information frameworks - these are the best methods. As well as from theories of governance, we will draw lessons from current research on experimentalist democracy (Sabel, 1999; Sabel, 2000). The objective to shape, support and develop the capabilities of economic actors (firms, workers, territories) is a necessary aim for everyone at every moment<sup>18</sup>. This requires, among other things, proximity, attention to diversity and the need to construct, through deliberation with interested parties, practical solutions. Far from being utopian, these characteristics are all present in Europe in multiple public initiatives or in innovative policies of firms. They are often wrongly dismissed as 'local' experiments. We will demonstrate that these are the points of application for a European strategy of capabilities.

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18. Though this is not the main priority of the project, there we meet the debate about the open method of coordination (OMC) and the best governance for Europe. Our stress is on the content of capabilities provided to actors.

### *Questions from actors of European social dialogue*

The social actors who participate in this project are personally and institutionally involved in the European social dialogue as representatives of their mandated interests; they contribute positively to the construction of the community. They support continuing in-depth investigation involving social scientific research, notably the current series of workshops funded by the DG Employment and Social Affairs. This series of workshops concluded with a conference in Brussels on 13-14 January 2001, held under the Presidency of the DG Employment and Social Affairs. The network of researchers and social actors have also participated in the Conference on changes in work, organised by the French Presidency of the European Union on 18-19 September 2000 in Paris. These were opportunities to deepen the dialogue that has been pursued in 2001 to prepare this project.

This relationship with the researchers has alerted the social actors to an important strategy in the promotion of a knowledge society. It encourages, while protecting individual independence, an 'open co-ordination' of research and action - comparable to the type welcomed in territorial civil and social dialogue and also in the creation of employment policies, brought to the fore at the Lisbon Summit. Two of the social actors, CES and CEEP, have been linked in operational partnership for four years, to promote lasting development and regional co-operation; their experience at territorial level strengthens their capacity to intervene at the European level<sup>19</sup>.

The problematic addressed to researchers within the project seeks to develop their capacity for intervention in community politics, based on the research results. The researchers on themes under study are required to orchestrate theoretically the social actors' ability to formalise the issues and the political alternatives and orientations available at European, national and territorial levels. The problematic is based on five perspectives: capabilities, territories, active security against hazards, the negotiation of collective agreements at European level, awareness of industrial restructuring. It also refers to the interactions between these perspectives.

#### **- Capabilities**

A pre-occupation with the question of capabilities is central to adapting to new conditions of development in our society. Individual, collective, social capabilities - these are three notions that must be identified clearly in relation to both the better known notions of competencies and qualifications. The issue here is clearly the improvement of employment directives, with specific reference to employability and adaptability. How to pass from individual capability to collective capability, or more precisely, how diverse forms of the collective relate to each other in the field of capabilities: work group, professional career, firm, local industrial system? On what theoretical bases, for what purposes and under what regulations can we pass from one to the other and from industrial capability to territorial capability? What contribution can collective and social capabilities make to the definition of the 'pertinent territory' seen as 'an economic and geographic unit disposing of identifiable and collective resources (comparative advantages and social capabilities) which its agents can use to participate actively in global and European economic networks'? What role can capabilities play in a renewed approach to territorial development?

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19. EUREXCTER, Territorial Excellence in Europe, co-funded by the FSE and the territories involved, is deployed in five member states and co-ordinates the activities of thirty local development projects.

## **- Territories**

Here, a capabilities' approach produces a problem of responsibility and stimulates a transformation of territorial politics and public intervention into support for the autonomous initiatives of local social actors. The technocratic and intergovernmental conception of SDEC (planned development of the Community space) appears obsolete in the face of a powerful developing global economy and the initiatives of territorial actors. While respecting the sovereignty of member states and establishing suitably open systems of co-ordination, what types of regulation are needed to integrate European development and lasting growth while reducing regional inequalities?

The issue of territorial inequalities was identified during the preparation of the Lisbon Summit as central to the future of Europe; the means to reduce them are intrinsically linked to our varied modes of social development. State planning and industrial policy as conceived in the postwar years are no longer viable, so what should be done? If growing disparities are inevitable economic as local economies expand, it is necessary to invent dynamic regulations to stimulate development and to foster mature growth in the whole area concerned. Integrated regulation should play a significant dynamic role at local level in transforming disparities into a force for the future.

## **- Security in the face of hazards**

To research a 'harmonious' marriage between security and economic flexibility means that we must re-evaluate our understanding of relations between the social and the economic. The need for flexibility generates a new objective for systems of social protection: the training, support and lifelong development of people's capabilities. Preoccupations relating to human capital become central. At the same time, in a shifting economy, risks are multiple, interwoven, difficult to foresee with any certainty. There are in all three responses to risk. The risk may be managed personally. It may be reported to the state, the collective taking charge of the social cost and funding. Or it may be subject to collective agreement between partners at work (firms, employees, public or professional organisations). To focus the social dialogue on capabilities, we orient towards the 'third type' of response. This concerns an active security more than passive protection. What range of responses of this type can we imagine, varied according to risk and types of work? How can we guarantee, in employment, that the prevention of risk is sufficient and suitably negotiated? How can we expand real freedom of choice at work, between work, private life and family?

## **- Negotiation**

A paradoxical shift in negotiation contrasts permanence and the growth of European and sectoral agreements with growing pressure to decentralise negotiation to the level of the firm or the territory. How can levels of negotiation be shaped to value individual and collective capabilities and to reduce inter-regional inequalities linked to differing territorial growth rates? Already agreements reached at the European level assume equal capabilities of the workers involved (for example, on part-time work) in all European countries. In this case, the capabilities are understood in terms of minimum rights. How can this be carried forward? How can agreements be specified at all levels and how can different economic and geographic levels of social and civil dialogue be linked?

A European geography of territorial capabilities understood in terms of industrial and social history would usefully complete the spatial economic redeployment of global actors. The first stage is to state territorial capabilities to raise the chances of development in each territory. The next is to visualise the 'project's territories' as actors in an inter-regional system which should emerge with co-operation. How can we construct elements of regulation for this type of public action which transfer territorial pact to European pact for lasting development and employment in social cohesion, which integrate sectoral approaches and the necessary production of European norms adapted to equity, to equality of opportunity and to actors' initiatives? How to prevent economic globalisation leaving territories isolated in unregulated competition and collectively unable to participate in real inter-regional co-operation? What role here for services of general interest?

The enlargement in the direction of PECO is a major issue. The researchers must test in this area of research which presents specific characteristics the proposed concepts: the progressive decoupling of the state and the social partners, the emergence of collective negotiation in industrial branches, firms, territories: the deconcentration and decentralisation of development, and the consequent rapid growth of disparities.

### **- Surveillance systems**

The research cannot be limited to the production of knowledge. It must also supply the means for its diffusion and enrichment. It must propose surveillance systems which will guarantee these functions. An awareness of situations in economic and territorial sectors of the type found in the European Monitoring Centre of Change (product of the Gyllenhammar Report) must be considered in the categories of the research project: capabilities, technological and industrial transformations, territorial disparities and systems of regulation at various levels. It involves the European social and territorial actors in a system of action frameworks (on the scale and in the spirit of the Eurexter project). Should we not test at territorial level and in European co-operative networks, elements brought forward by research and negotiation?

### *Selection of Firms and Territories*

There are many studies of competencies and working qualifications, very few on capabilities. We must start by studying the new dimensions of work, of recruitment and of professional development implied by the concept. A basic empirical analysis includes observing the negotiation of collective agreements at various levels (firm, branch, territory) and their consequent implementation in the workplace. From this, we give priority in the project to the collection of comparative observations on a sample of firms and areas (membership of the sector being grasped at territorial level.) The project covers seven countries (Belgium, France, Germany, Great Britain, Italy, Sweden, Switzerland<sup>20</sup>).

Firms and territories (urban areas, excluding capital cities) are selected on the bases of their relevance. The choice of firms (12 per country, except for Belgium and Switzerland, which have 5) prioritises those with an innovative training policy (notably where the firm policy introduces notions of competencies, adaptation, employability). The choice of territories (there will be nine territories selected among the countries) reflects the research direction of the project and the existence of institutional innovation, either present (territorial pacts for employment, projects organised by social and civic actors, innovative territory-based social and employment policies) or at the end of the last century (first implementation of social

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20. Switzerland is included within the framework agreement between Switzerland and the EU. See part C.

policies, notably help for the unemployed, on a localised basis). These selections are made in discussion with the social actors involved in the project and the help of contacts they provide.

The collection of observations on the same territories will be researched in terms of local economic development and of all areas directly or indirectly covered by systems of social protection. Our hypotheses (drawn from the theme of capabilities) are that collective territorial action should: 1. Increasingly integrate specific social and economic dimensions commonly vertically separated by state activity 2. Attempt, in practice, to reorganise the varied range of social help offered by multiple systems built up over time, aiming at continuity of development. These efforts, doubtless of different nature and intensity in different countries, mobilise available resources, whatever their institutional provenance or level (local, intermediate, national, European). One wonders in particular whether they are not already inscribed in a logic of implementing 'real' guarantees, that is to say fundamental rights in the sense of the European Charter of fundamental rights. For such European fundamental rights, if they materialise, will not arrive to a vacuum, but as a supplement to existing systems. Will this facilitate the latter's reform along more efficient and continuous lines or will it call them into question?

We start therefore with an analysis of activities now in place and move on subsequently to study innovations in institutional design and the pathways these have followed. For the first informs the second. The research on these innovations privileges two levels: first, the intermediate (territory, profession, sector, group) - some of which are transnational; second, the European in relation to the national. Emphasis is given to structures of deliberation which prepare economic and social decisions at all these levels and which implement the social responsibility of firms in a context of social dialogue and, finally, to instruments of European co-ordination (in the first place, National Action Plans for Employment, national pacts, the structural funds, certain legislation like the European works councils, the rights of workers to information and consultation , ...). We include the jurisprudential work accomplished by the two European Courts (European Court of Justice at the Hague; the Court of Human Rights at Strasbourg).

### *Tools, sources and methods of data collection*

The design and implementation of our analytical tools will balance qualitative and quantitative methods. From this, three orientations appear :

1. Systematically, we profit from methodological progress that increasingly authorises a quantitative treatment of qualitative materials. Be this an econometrics of qualitative data, data analysis (principal components, factor analysis, hierarchy classification), or analysis of textual data (where high performance software packages are available), all processes are accessible and we will utilise them. Their decisive advantage lies in the possibility of testing and measuring the statistical likelihood of results. And these results are reproducible by whoever handles the same material. This permits us (although only in a certain manner) to overcome problems of representation inherent in structured samples of small size. Interviewing methods and the collection of complementary data will be harmonised as far as possible between the national teams.

2. We seek to elaborate European quantitative indicators on capabilities (content, evaluation) in order to render possible a comparison of efficiency and degrees of equity in employment and social protection between countries and territories. To promote security during a process

of work transformation requires indicators that do not exist today. This joins with the issue of quality of work, except that our concern is less about quality in work as such than about balanced ways of combining working life with personal life and development. The approach in terms of capabilities (especially those of Amartya Sen, thanks to his work on the choice of indicators<sup>21</sup>, Sen, 1973) should allow us to construct indicators on the quality of work in that sense. Here, the quality of a job is evaluated in terms of the range of possibilities which its characteristics offer to its holder in terms of choosing level and type of life, of work, of career. Dimensions of quality are integrated into the evaluation: job stability and security in the long term; gains in relation to 'normal' living standards; development of professional capabilities; possible promotion; freedom of choice over working time. Preoccupation with employability should develop from a more global approach that is precise in terms of employment quality. The quality of work is an objective that is both micro- and macroeconomic, individual and collective. The higher the level of unemployment surrounding a certain profession, the more it damages employment quality. For pressure on the salary and conditions of work are strong and the chances of finding a suitable job on the labour market are much reduced. This approach will help to evaluate the relevance and efficiency of the European procedures of benchmarking, already at work in various areas (notably in the EES and its recent emphasis on the quality of work).

3. The approach to creating this type of indicator is exploratory. It concerns evaluating possibilities more than actual situations at a given moment. To the usual instruments (rates) must be added those of probabilities and global indices. Probabilities - of improvement or decline, or of movement from one state to another - should be used (see, among others, Goodin, Headey, Muffels and Dirven, 1999; Leisering and Leibfried, 1999; Muffels, 2000). Indices must take into account diversities in possible individual development (like demography, which utilises life expectancies or probabilities) in such a way as to modify or nuance global judgement on the efficiency of public action<sup>22</sup>. We will exploit European statistical enquiries (Labour Force Surveys, European Community Household Panel, Enquiry on salary structures) and macro databases (OECD Social Expenditure Database) on social expenditure from this perspective.

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21. See equally, Wright and Dyner, 1999.

22. The project will build on a survey of literature on these issues, from the European Commission and from the academic field, that will be achieved for the end of 2002. See Part C.



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