

# Varieties of European Flexicurity

## *Impacts of the European Employment Strategy on domestic institutions in Germany, Italy and France*

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## Abstract

The European Employment Strategy (EES) aims at promoting voluntary and self-reflexive learning among the member states of the European Union. In recent years, the EES established the paradigm of ‘Flexicurity’ as the dominant model for labour market reform throughout Europe. In this article, we will examine the impact of the EES and the Flexicurity paradigm on the employment regimes in Germany, Italy and France. While all three countries try to adapt their labour market to this paradigm, its actual implementation varies considerably. We will argue that the concept of ‘Flexicurity’ takes a different meaning in each country because established institutions still guide domestic interpretations. Finally, the characteristics of segmented labour markets in exclusive employment regimes endure in a new shape.

Our analysis reveals that, in Germany, the paradigmatic shift towards activation has been most fundamental. This is due to a “window of opportunity” that was used for agenda setting by domestic actors involved in the EES. In Italy, according to the “white paper” that proceeded the reforms, ‘Flexicurity’ was the main objective of labour market reforms. The law provides new opportunities for a more flexible labour market and the improvement of Italy’s public employment service was a central target. This was enforced by a strong focus on the Lisbon-targets and an important role of the European Social Fund. In France, despite ample attempts to render the labour market more flexible and to introduce an activation agenda in the public employment service, state sponsored job insertion-programs remain the central pillar of employment policy. This is a result of the administration’s focal role in the domestic appropriation of the EES in France. Our analysis is based on around 50 interviews with representatives of Germany, France, and Italy, as well as the European Commission conducted within a research project at the University of Bamberg in the years 2005 and 2006.

## Introduction<sup>1</sup>

The Member States of the European Union are characterized by more or less pronounced regulative state interventions into the functioning of the free market. These welfare-state interventions have become a “central structural characteristic of all West-European countries” (Alber 1992: 549, own translation). They comprise the systems of social security in a narrow sense, which aim to mitigate individual social risks as illness, aging, disability, unemployment or poverty in general; as well as regulative interventions into the labour market, like unlawful dismissal and any other individual and collective workers rights, that serve to protect employees from unbearable and harmful working conditions and economic exploitation (Treib 2006: 257). In both institutional spheres, European nation-states have developed a broad variety of welfare and employment regimes (cf. Esping-Andersen 1990, Ebbinghaus/Visser 1997). These institutions result from historically evolved national patterns in social cooperation and conflict regulation (Hall/Soskice 2001; Lane 1994; Scharpf 1997). Thus, European states differ regarding the extent of their social security, the role of social partners, employment and unemployment protection as well as their systems of education and training. These differences have significant effects on the regulation of the labour market in each country. Roughly speaking, four models of European employment regimes can be distinguished: Anglo-Saxon, Scandinavian, Continental and Mediterranean (cf. Esping-Andersen, 1999; Ferrera et al. 2001, Heidenreich 2004)<sup>2</sup>.

In recent years, Germany, France and Italy have experienced extensive labour market reforms, or at least attempts to do so, aiming towards a more empowering and integrating employment regime. These measures coincide in many aspects with the demands of the European Employment Strategy (EES) (cf. Radaelli 2003: 50). This strategy of the European Union (EU) aims at coordinating domestic employment strategies, thus ensuring a coherent, common European model through benchmarking processes rather than by centralizing legislative competences (cf. Mosher/Trubek, 2003). Lately, the ‘Flexicurity’ paradigm came to be the Leitmotif within the EES (Bekker 2007). Given the institutional inertia of domestic employment regimes, it is debatable whether the EES is capable of fundamentally influencing them. While some authors maintain that the national institutions are too strong to grant the EES decisive impact (cf. Scharpf, 2002; Büchs, 2005), others perceive the advent of a new paradigm, which subtly transforms national regimes (Jacobsson 2003). So far it is hard to say which side is right and which is wrong. Some reforms actually did work and contributed to a change in employment regimes while many others did not, suggesting strong institutional inertia.

Hitherto, little has been known about the domestic appropriation of the EES. Previous works have either conceived the EES as a transnational learning process between European governments (Jacobsson/Vifell 2007a, Zeitlin 2005a) or examined the national macro-institutional effects of an OMC-process (Ferrera/Sacchi 2005; Lopèz-Santana 2006). We argue that while scholars of European institutional models tend to overemphasize institutional continuity (Streeck/Thelen 2005), many researchers on European integration tend to disregard the stickiness of domestic institutions. What is missing so far is an understanding of the domestic appropriation of this transnational process which takes into account institutional

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<sup>1</sup> This paper is based on over 50 interviews with representatives of the European Commission, European as well as national Social Partners, and national representatives at the federal, regional and municipality level in Germany, France and Italy. These have been conducted by the authors within the context of the project ‘The Open Method of Coordination’ at the University of Bamberg, from May 2005 to October 2007, funded by the German Research Foundation. The findings represent the situation prior to the changes in government in 2005-2007 in the respective countries. The analyses therefore comprises the years 2000-2005. We are deeply indebted to Prof. Gunter Bechtle and particularly Dott.ssa Marianna Colacicco who were an essential help for the realisation of the Italian interviews

<sup>2</sup> Whether the post-Communist states in Central and Eastern Europe will adopt one of these paradigms or develop a distinct institutional pattern remains an open question.

inertia as well as the effects of learning on the actors involved in the EES. In our examination we try to combine both attempts by introducing an intermediate level of organizations interacting in the practice of a domestic social field. Thereby their actions are referring to both, the domestic institutional setting as well as experiences from the European learning fora. In order to do so, we consider it necessary to introduce a third, intermediate level between the individual (sometimes governmental) learning processes of civil servants on the one hand and domestic institutional changes on the other. We propose to conceptualize this intermediate level as domestic organizational field (DiMaggio/Powell 1991; Fligstein 2001). Our hypotheses is that, in interactions within these fields, domestic organizational actors reinterpret this pan-European paradigm according to the domestic institutional setting, i.e. *while referring to the Flexicurity paradigm in good will they reproduce domestic institutions in a new but adaptable way. As a consequence 'Flexicurity' takes a different meaning in each member state.* We believe that including this intermediate level helps to understand the tension between recent dynamics within domestic employment regimes and ongoing path dependencies. We test our hypotheses by assessing the effects of three domestic employment regimes, Germany, France and Italy, on the national appropriation of the Flexicurity-Paradigm campaigned for by the EES.

In the following, we will first elaborate the challenges different European employment regimes face and introduce the concept of 'flexicurity' as the common European answer to these (1). Then we try to identify the respective virtues and limits of existing learning-concepts within the EES debate (2). Taking these into account we propose to develop an own theoretical approach which covers institutional inertia as well as the continuous redefinition and change of institutions (3). Subsequently we use this theoretical concept to analyse the contribution of EES to the evolvement of its respective varieties in Germany (4), France (5) and Italy (6). Finally we conclude in outlining our main findings.

## Flexicurity:

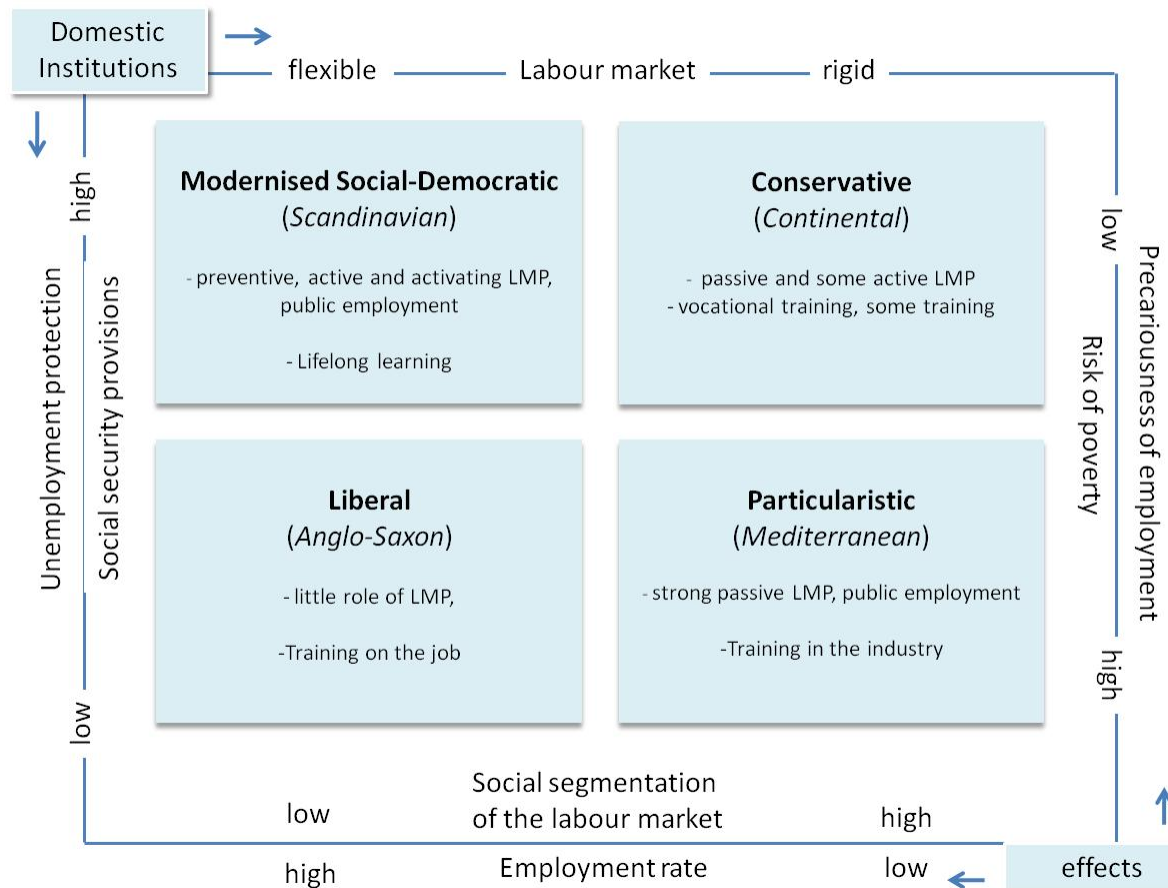
### The Answer to new Challenges in European Employment Regimes?

Apart from all similarities, e.g. the active role of the state and the social partners as well as the shared goal of a relative social equality (cf. Kaelble 2004, Therborn 1995) there are deeply rooted differences in European employment regimes. They comprise "the entirety of institutions"<sup>3</sup> (...), that regulate the amount and form of potential labour supply and demand, and in this way structure the exchange processes on the labour market" (Heidenreich 2004: 209, own translation). This concept is rooted in the tradition of labour market segmentation theories (cf. Sengenberger 1978; Brinkmann et al. 1979) and distances itself against neo-classical approaches towards labour market processes (cf. Pfriem 1979). These European regimes differ considerably in respect to the education, age and gender specific distribution of chances to be included in the primary labour market. For example, institutions of the labour market can be geared to securing the job of a qualified, male family breadwinner (*exclusive regimes*) or rather towards equal terms and conditions of entrance, chances and requirements for all citizens: men and women, young and old, low or highly qualified (*inclusive regimes*). Moreover within these groups we may distinguish regimes according to the states role in the social security of its citizens (cf. Esping-Andersen 1990, Ferrera 1996). Referring to these or similar characteristics we usually find a distinction of four ideal types of Western-Europe social or employment regimes (cf. figure 1): Anglo-Saxon (or liberal), Scandinavian (or social-democratic), Continental (or conservative) and Mediterranean (or particularistic) (cf. Esping-Andersen 1990; Hemerijck/Berghman 2004; Heidenreich 2004; Scharpf 2002; Ferrera 1996).

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<sup>3</sup> As 'institution' we denominate all kinds of formal and informal rules, that guide the action and thinking of the actors because they are taken for granted (Jepperson 1991).

Figure 1: The four ideal-types of employment regimes in Europe



Source: own concept (cf. Esping-Andersen 1990, Ferrera et al. 2001, Heidenreich 2004)

The current endogenous and exogenous challenges, e.g. demographic changes, international competition, new forms of organizations and a change in values, have different implications for these varieties in European employment regimes. The changes in the structure of employment and population, in production regimes and changed life courses bring about new groups that have to face new social risks. Due to increasing international competition in taxes and production these new challenges can no longer be met by classical instruments of national employment regimes (Alber/Standing 2000, Leibfried 2000, Ferrera et al. 2001). The institutional pillars, e.g. rather adaptable labour markets and social security system based on excise and income taxes seem to be much better prepared to meet these new challenges. Contrary to this, the key institutions of Continental and Mediterranean social and employment regimes, e.g. high employment protection for the core labour force, highly segmented labour markets and the logic of labour based social insurance have great difficulties in meeting these challenges. This threatens particularly the regulations of Continental and Mediterranean labour markets.

They suffer the Continental dilemma: (... the more, the authors) passive labor market policies are used to take workers out of work to alleviate labor market disequilibria, the higher the social security cost pressures that in turn lead to higher labor costs and thus yet more pressure to shed labor. (Ebbinghaus 2005:18)

While the core labour force is highly protected in these regimes, they perform badly in creating new employment. Thus, the exclusion of many groups from equal participation on

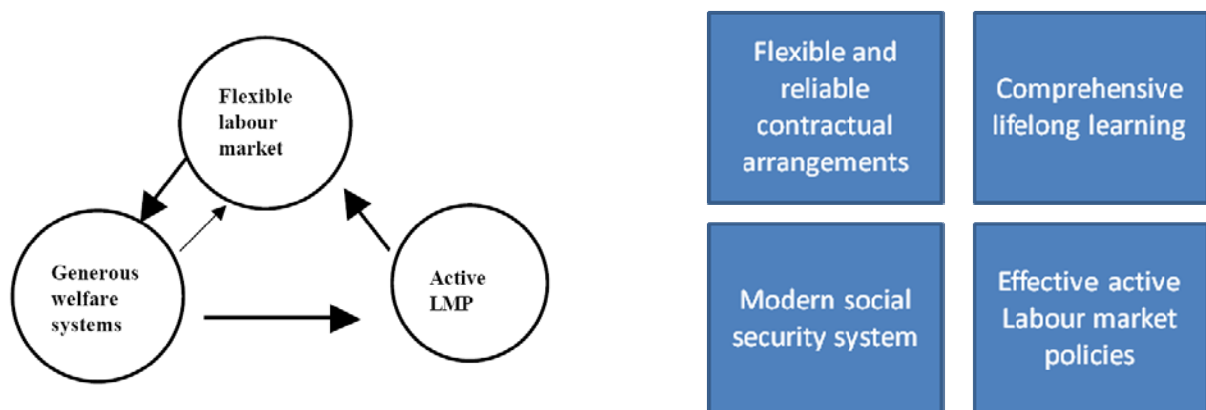
the labour market gets increasingly macro-economically parlous, welfare-political ill to afford and socio-political ever less desirable.

Recently on the European level the concept of 'Flexicurity' evolved as an independent paradigm of a 'good' European employment policy, considered now as the answer to these new challenges (cf. European Commission 2007). This paradigm constitutes a compromise of policy ends acceptable by all member states. As a consensus model between adaptability (or flexibility) of the labour market, public employment service reform and the claims to secure social security standards the Danish and Dutch concept of 'Flexicurity' was appropriated to the European level (cf. Schmid/Kull 2004: 7). The roots of this date back to the Dutch and Danish labour market reforms in the mid-1990s (cf. Wilthagen 1998; Madsen 2002; Braun 2003). They propose to understand 'Flexicurity' as:

A policy strategy that attempts, synchronically and in a deliberate way, to enhance the flexibility of labour markets, work organisation and labour relations on the one hand, and to enhance security – employment security and social security – notably for weaker groups in and outside the labour market, on the other hand. (Wilthagen/Tros 2004: 169)

This paradigm, particularly in Denmark combines a 'flexible' labour market (hire-and fire, little to no employment protection) and fair unemployment protection<sup>4</sup>, flanked by an active labour market policy, and individual reinsertion schemes. These cornerstones were denominated the 'golden triangle of flexicurity' (Madsen 2002: 3). End of the 1990ies instead of active, Denmark increasingly developed activating labour market policies (cf. Madsen 2005, Lind 2004, Goul Andersen 2002). However, in Denmark the notion of activation is not on sanctioning but dominantly on investing in education and qualification schemes that are tailored to individual needs (Barbier/Ludwig-Mayerhofer 2004, Braun 2003). The astonishing effect of these institutional provisions is that, though objectively working on more 'badly' secured jobs, Danish employees feel much safer in their job than e.g. Germans, Italians or French (cf. Braun 2003: 94).

Figure 2: The 'golden triangle' of classic Flexicurity and European flexicurity compared



Source: Madsen 2002: 3;

own adaptation based on EuropeanCommission 2007: 5

<sup>4</sup> In Denmark unemployment benefits refer not only to the former wage, like e.g. in Germany or Italy. Beneficiaries with a low former income receive up to 90 Percent of their former wage. However, you can only receive up to approx. 1.600 Euro per month, i.e. recipients of high incomes get relatively less unemployment benefits. For one years the benefits are granted without restrictions, after the first year you can get the benefits for up to three more years but on a strict sanctioning regime. Altogether you can receive unemployment benefits for up to four years (cf. Braun 2003). Subsequently benefits are usually subject of social welfare organized by regions or municipalities.

The European model of 'Flexicurity', constitutes a compromise between individualistic, Anglo-Saxon - Scandinavian and Continental-Mediterranean Ideas according to the corporate model. (cf. figure 4). But while one key aspect of classical 'Flexicurity' is the deregulation of employment protection, this is now moderated by the claim on 'reliability' of work contracts (cf. European Commission 2007: 5). The all-over aim of the European strategy now is to cease labour market segmentation. This should be flanked by the development of entrepreneurship, innovation friendly institutions and the reduction of non-wage labour-costs. As well as e.g. better childcare facilities to improve gender mainstreaming. The overall aim of Flexicurity is to reduce all rigidities that hinder from a better transition between unemployment, precarious jobs and regular employment. The strategy therefore aims at combating precarious jobs as well as labour market rigidities. The idea is an "integrated strategy to enhance, at the same time, flexibility and security in the labour market" (European Commission 2007: 4). A comprehensive European paradigm of 'Flexicurity' thus particularly challenges Continental and Mediterranean member states and asks them for a comprehensive reorganization of their employment regimes.

To conclude, in Europe, four varieties of employment regimes can be distinguished. The Scandinavian and the Anglo-Saxon model with high labour market flexibility and tax-based welfare systems perform rather well in including all groups into the labour market on equal basis, whereas the Continental and Mediterranean model both suffer from highly segmented labour markets. The new economic, demographic and social challenges reveal the key troubles of these regimes. Despite their own problems the Anglo-Saxon and Scandinavian countries seem much better prepared to meet these new challenges. Additionally they started to modernize their employment regime much earlier. Learning from successful adaptations within these regimes could contribute considerably to the modernization of employment regimes in Continental and Southern Europe. Within the European Employment Strategy, lately, the European member states developed a common model of European 'Flexicurity'. This concept seeks to balance labour market flexibility and social security. However, considering institutional inertia, this raises the question if and to what extent a reform of the institutional basis of these regimes will be possible (cf. Scharpf 2000, Ferrera et al. 2001, Heidenreich 2004, Kaufmann 1998, Heinze et al. 1999).

## **Transnational Learning within the European Employment Strategy**

The EES was developed in the year 1997 in response to the challenges faced particularly by the Continental welfare states and in order to coordinate, at a European level, the reforms, which were considered indispensable. It is based on an iterative benchmarking process with an annual cycle of target agreements, record of advancement and peer evaluation (cf. Trubek/Trubek 2005; Arrowsmith et al. 2004). The process aims at developing a European arena for the mutual exchange of experiences with reforms of national employment and welfare policies (cf. Zeitlin 2005a). Hence, the EES, within academic debate, is predominantly conceptualised as a forum for learning among Member States (cf. Hemerijck/Visser 2003; Casey/Gold 2005; Overdest 2002). However, the domestic process of implementation of insights gained by this pan-European exchange of knowledge has hardly been discussed. In order to improve our understanding of the success of the EES as well as domestic resistance against labour market reforms, we propose to concentrate on domestic learning and bargaining arenas. In the following we confront two different approaches to explain and assess this transnational learning process. In doing so, we try to identify the respective virtues and limits of existing learning-concepts within the EES debate. We first turn on the concept of learning in *European committees* (1). While this explains individual learning in transnational fora, the concept of *institutional learning* takes into account domestic inertia (2). We conclude in proposing to introduce an intermediate level of *learning in domestic arenas* (3).

In the scientific debate it is very controversial whether a voluntary process such as the EES, may have a deeper impact on domestic welfare and employment regimes. From a European perspective the EES is conceived as a benchmarking process, in which national civil servants reflect on domestic labour market policy, i.e. its characteristics, performance and shortcomings, by means of mutual transnational evaluation (Arrowsmith et al. 2004, Casey/Gold 2005). The characteristic of continuous cooperation in a dense *epistemic community*<sup>5</sup> of labour market policy experts from all European Member states may on the long run contribute to alter “political actors’ interpretation of their interest” (de la Porte/Pochet 2004: 73). These bureaucratic learning processes, as micro-sociological concepts suggest, become reinforced by informal sanctions, peer pressure and common values that arise in *epistemic communities* (Jacobsson/Vifell 2007b, Nedergaard 2006). ‘Learning’ takes place by changes in individual ideas and beliefs “as a result of the observation and interpretation of experience” (Hemerijck/Visser 2003: 6). Altogether, this sociological approach explains the evolution of common mutually-shared paradigms, concepts and patterns of problem-definition within this *epistemic community*.

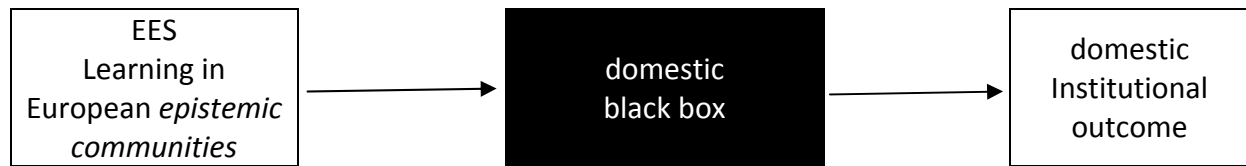
This dominance of cognitive convergence, however for many authors is not sufficient to assert the success of the EES (cf. Heidenreich/Bischoff, 2007). They complain that the EES has, so far, been “at best, a learning process for a limited community of labour market technicians and experts” (Casey/Gold 2005a: 37). These authors fear that the more EES splits up into legitimizing discourse on the one hand and a more profound practice on the other, the more it is in threat to become a triennial ceremony of “dressing up existing policies” (Ferrera et al. 2002: 237) without any obvious influence on policy outcomes. Therefore, many of these authors agree, that although the Lisbon process aims at convergence of outcomes the main impact of EES so far is “rhetoric convergence” (de la Porte/Pochet 2003; Radaelli 2003; Scharpf 2002; Borrás/Greve 2004) or at least is in threat of degenerating to “symbolic politics” (cf. Zeitlin 2005b: 14, Chalmers/Lodge 2003).

In contrast, the concepts of institutional learning refer to the domestic outcomes of the learning processes. These authors argue that individual ‘learning’, does not inexorably lead to policy change and policy change does not necessarily improve performance (Hemerijck/Visser 2003). They rather point out that respective national institutional environments play a crucial role in the domestic appropriation of the EES. However, “identifying the precise causal impact of the EES and the Social Inclusion process on national policymaking raises difficult problems of interpretation” (Zeitlin 2005b: 15-16). Thus many of these authors remain on a rather macro-sociological level and compare the effects of reforms and their conceptual affinity to EES (e.g. López-Santana 2006, Büchs 2005, Overdest 2002,). “Learning”, in this context, means “importing a concept or a strategy, leading ultimately to a greater institutional and ideational convergence” (Kröger 2004: 16). In these studies it remains unclear, how the observed success or failure may be explained (de la Porte/Pochet 2002: 13). Lately, some authors try to open up this black box of domestic policy learning (Zeitlin 2005b, Hartlapp 2006, Zirra/Buchkremer 2007). Zeitlin conceptualises domestic fora where EES may contribute to alterations: domestic discourse, policy instruments and governance structures; while Hartlapp (2006: 10) focuses on three mechanisms: coercion, political consideration and learning. However so far these studies remain but few and are rarely based on empirical evaluation other than official documents. In the end it remains unclear, how individual learning experiences on a European level are transformed into national policy and how domestic institutions interplay in the process of institutional change (cf. figure 2). This suggests further studies and concepts on domestic appropriation of transnational learning processes are necessary.

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<sup>5</sup> As ‘epistemic community’ we denominate a group of actors that „define themselves within the same theoretical approach and their background supplies them with the framework for their discussions“ (Jacobsson/Vifell 2004: 13)

Figure 3: The black box of transnational learning



Source: own adaptation, cf. Hartlapp 2006: 10

To conclude, learning within the EES can be explained on an individual and on an institutional level. Both perspectives can contribute to improve our understanding of transnational learning processes. Learning on a European level is made more likely by constituting *epistemic communities* of experts. Translating individual learning into national policies, however, has certain prerequisites. Agreements among technical experts must be implemented and accepted at a domestic level. National policies and institutional inertia may be far more influential than individual learning experiences. This raises the question of whether the EES is effective beyond the borders of a narrow circle of technical experts and can actually influence the national reforms of employment regulation.

### Institutional Learning in Domestic Employment Regimes

The employment regimes in Western-Europe result from historically evolved patterns of cooperation and conflict regulation in national societies (Thelen/Streeck 2005, Rhodes 1998). In particular in the case of employment, domestic mindsets, common rules and governance structures are strongly institutionalised (cf. Streeck 1998). They are deeply rooted in domestic, historically evolved structures, i.e. they developed according to their own internal logic (cf. Thelen 1999; North 1990). The question to what extent the EES is able to influence domestic employment regimes thus refers to the adaptability and convertibility of institutional regimes in general (cf. Scharpf 2002, Streeck/Thelen 2005). The concept of employment regimes refers to a twofold inertia. As institutions they are subject to path dependent evolution and can hardly be shaped by intentional policy making (cf. Streeck/Thelen 2005, Pierson 1996, 2000). As domestically evolved social order they are deeply rooted in the national social, economic and political context (cf. Rokkan 1973, van Kersbergen 2000). Moreover employment regimes are characterized by institutional complementarities (cf. Hall/Gingerich 2004, Höpner 2005), i.e. domestic institutional spheres mutually stabilize each other due to various interdependencies. Hence, isolated reforms in a single regime are often hard to accomplish, while long-termed developments and fruitful reforms in one spheres is likely to result in reform pressure in neighbouring spheres.

This suggests that a radical European modernization of these regimes is very unlikely. However, each development path is neither linear nor predictable or teleological, i.e. present institutions do not determine further developments (Thelen 2003). Radical changes may rarely occur but institutions evolve incrementally (Streeck/Thelen 2005). Innovations are possible, but mostly they are orthodox enough so as to be customizable into the existing structure. We therefore agree with Streeck and Thelen in warning against the ‘conservative bias’, which may misguide to underestimate the long-lasting effects of incremental institutional change (Streeck/Thelen 2005: 1, 4-9). However, we may not expect that this process will be possible without frictions and hard domestic conflicts.

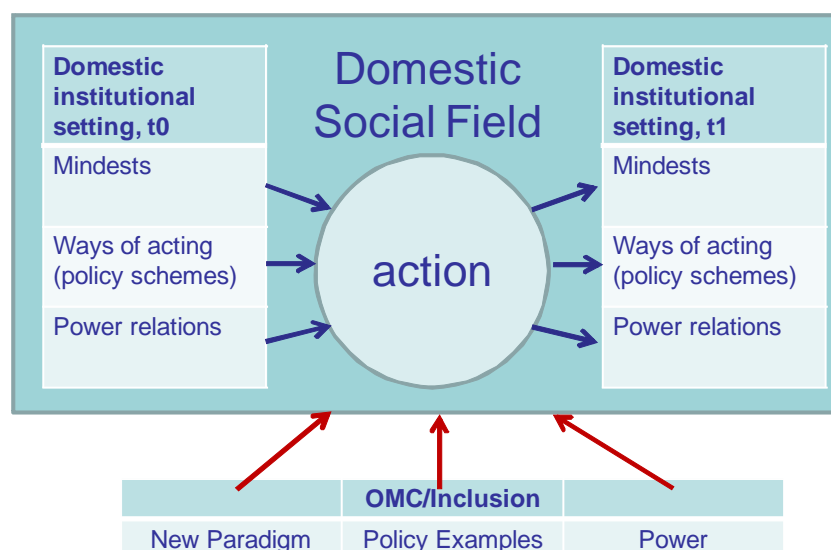
(I)nstitutional stickiness and the veto points created by powerful vested interests (...) make anything other than incremental and negotiated reform, based on complex bargaining and linkages between policy areas, very difficult. (Ferrera et al. 2001: 23)

This openness of the process and the involvement of all stakeholders is part of the EES process (cf. Sabel/Zeitlin 2007) and constitutive especially for Continental employment regimes. However, the more actors are involved, the more veto points make change even less expectable (cf. Tsebelis 2002, 1995).

In our analysis we try to join domestic institutional structure with more dynamic learning approaches that allow for actors to make use of European processes. In our conception institutional learning is an active process that takes place between all actors that participate in defining and redefining the associated institutions (cf. Giddens 1984, 1990)<sup>6</sup>. Thus, we propose to introduce the concept of organizational fields (DiMaggio/Powell 1991; cf. Fligstein 2001) as „intermediate unit” (Scott 1994: 207) both, between individual learning and institutional change as well as between the European and domestic spheres. While the concept of employment regimes refers to institutions, this organizational field can be conceptualised as arena for the respective social practice (Bourdieu 1998). These fields are constituted by organisations that take each other’s actions into account for their own actions according to their significance, sanctioning potential and power relations (Heidenreich/Bischoff 2007). The employment regime constitutes the frame of reference that facilitates the interactions within the field. By building stable mutual expectations an organizational field structures the interactions between the involved actors and thus closes these interactions against its environment (Friedberg 1995, Fligstein/Stone Sweet 2002). The actors thereby produce and reproduce the institutions that guide their interactions.

This allows us to conceptualise domestic employment regimes as institutionalized yet provisional and alterable compromises between conflicting stakeholder interests (Heidenreich 2004: 208). The accomplishment of these regimes is to institutionalize a set of rules that mediate and structure the exchange process in organizational fields. The institutions that make up an employment regime can be operationalized in three dimensions: dominant beliefs, mindsets or prevailing *paradigms* in a respective field, the power relations, or *governance structure* between the actors in the field and common ways to act or *policy instruments* (cf. Giddens 1984, 1990, cf. figure 4).

Figure 4: The process of domestic appropriation



Source: own concept

<sup>6</sup> In social practice all kinds of actors participate in the production and reproduction of employment regimes, be they public authorities, legislative, judicial, employers or even individual employees. However, for our considerations it may suffice to include all organizational actors that are involved in the EES in some kind, and that interact in defining and redefining employment policies ends, means and governance structures, i.e. the social partners, the public employment agencies as well as local, regional and federal authorities.

According to this concept, the EES first of all constitutes an additional frame of reference and opportunity structure (Jacobsson/Vifell 2007b). Even though not deeply institutionalized in domestic employment regimes the actors may themselves use elements of the strategy as an additional resource to strengthen their own or weaken the position of others. However, this means that the instruments of EES cannot not work ‘top-down’ and domestic ‘implementation’ cannot be steered from the European level (Heidenreich/Bischoff 2007). They rather need to be actively appropriated and incorporated into everyday’s interactions and discourse by actors within the domestic organisational field.

In this process of appropriation however, EES proposals are re-interpreted by domestic actors according to the present institutional setting. No supra- or transnational process has the ‘property rights’ and control on how the mutually and commonly developed policy paradigms, ‘good practice’ examples and governance structures are used and what is made of these in the organizational field by domestic actors. We may distinguish three different external resources domestic actors may use in this process of appropriation (cf. figure 3): *external paradigms* to legitimize their own or threaten the ideas of others, *external ‘good practice’-examples* of labour market policy to improve existing rules and common means, as well as *external power* resources to strengthen their own or weaken the relative power position of others. These power resources can either be political but as well e.g. financial or relate to new organizational capacities. According to our concept we may distinguish three types of institutional learning within the domestic field (cf. Zeitlin 2005b; DiMaggio/Powell 1991; Hall 1993; Kuhn 1962): *paradigmatic*, i.e. a change in policy ends and the present paradigm of labour market policy, *instrumental*, i.e. a change in commonly accepted ways of acting (policy schemes) to reach present ends and *governmental*, i.e. a change in the present power relations between actors in the field. However, the resources used do not determine the domestic effects. External paradigms can be used in order to influence the prevailing domestic paradigm but just as well it can be used to campaign for a new policy instrument or result in changing domestic power structures. Likewise power resources may not only alter domestic governance structures but provoke paradigmatic changes and may well be used to introduce new policy instruments. To what extent actors can effectively use these external resources depends on the legitimacy of these external resources (or ‘the EU in general’) within the domestic field, the responsiveness of domestic institutions to the external paradigms, examples as well as the institutional capacity of domestic actors to use these resources.

To conclude, we propose to introduce the concept of domestic organizational fields as the decisive meso-level, where individual and institutional learning are mediated. On the one hand these fields rely on historically evolved domestic institutional structure which in the case of employment we conceptualise as institutional regimes. These institutionalise a set of rules that guide interactions in the field. The outcomes of domestic learning processes become manifest in the *paradigmatic, instrumental, or governmental dimension* of these institutional regimes. In the following we will first assess the manifestations of institutional change in domestic regimes. On the other hand actors actively produce and reproduce the institutional structure. The domestic field is constituted by the interactions of organizations that take each other into account. According to this concept the EES constitutes a potential additional resource of legitimacy, examples and power for the domestic actors. Actors may use these resources to the extent that they know of the resource; conceive it as advantageous for their aims; and as far as they perceive it as legitimate to use these resources in the domestic field. According to our concept we may distinguish three kinds of potential resources the EES provides: *paradigms, ‘good practice’ examples, and (financial and political) power*. In the following we need to analyse to what extent the actors make use of these three dimensions.

## Domestic Labour Market Reforms and the EES in Germany

For a long time, the German employment and welfare regime was considered particularly difficult to reform. Even in 2003, Germany was regarded as a country that was not able to respond to economic challenges associated with increasingly global markets (Kitschelt/Streeck 2003: 28). While the labour market policies tended to protect existing regular jobs, the welfare regime protected the living standards of the employees and their families and guaranteed minimum income to the poor. From 2003 to the present, Germany has experienced a series of comprehensive labour market and welfare benefit reforms. Therefore, the implementation of the EES has coincided with a period when the German employment regime was particularly subject to dynamic changes. Perceived failures in employment policy have opened up a “window of opportunity” (Kingdon 1984) that has allowed a paradigmatic change of the German labour market policy and welfare benefits. These reforms have been largely inspired by the EES.

From 2003 to 2005, the German labour market experienced a series of reforms named after the president of the commission set up in 2002, Peter Hartz. This body of scholars, social partners, politicians, and civil servants conceptualized the general framework for the reforms. Initially, the Hartz Commission was regarded merely as a short-term reaction to the “placement scandal” in the federal public employment service. Today, the Hartz Reforms are associated with a paradigmatic shift from active to activating labour market policy (cf. Blancke/Schmid 2003). While in the past, German labour market policy focused on the labour demand by employment security and, when necessary, active job creation by state subsidies, the main target of the reforms was to increase the amount and the quality of labour supply by “making work pay” and intensive counselling and training for the unemployed. However, there was no substantial change in employment protection for the core labour force. Three policy-clusters can be distinguished in the Hartz Reforms (Kemmerling/Bruttel 2005: 3): reforms directly targeted towards increasing the labour supply, an organizational reform to improve the counselling by the public employment service agency (PES), and a reform of the unemployment benefit system, itself increasing labour supply by ‘activating’ the formally inactive social benefit recipients. According to the paradigm of ‘promoting and demanding,’ the growing demands for self-responsibility should be flanked by a broader supply of target-oriented training measures. To what extent these reforms are linked to the EES is widely discussed in Germany (cf. Büchs 2005, Schmid 2006). While Büchs argues that the EES has been used as “strategic reference” in a mere domestic debate (Büchs 2005: 227-255), we argue that, while the need to reform labour market policy was a common perception, many reforms would not have taken the same road without the EES. The Hartz Reforms were preceded by some minor reforms from 2000-2002 more explicitly linked to the EES (like the JobAQTIV law or the JUMP-Program). Our interviewees broadly consent that these reforms have been due to a cognitive effect of the EES on the German labour administration (cf. Büchs 2005: 179). Thus learning effects within the administration are apparent. Our findings indicate that there has been a change of preference within the labour market ministry and civil servants have used the EES in the “window of opportunity” opened by the “placement scandal” to establish a reform agenda according to the activation paradigm.

This has, for example, focused certain processes within the federal agency (...), it was said: There is an agreement within the EU, now we have to take this direction as well. (D1)

Contrary to other scholars, we assume that when political actors cite the EES to support policy change, this does not exclude the possibility that EES has contributed to a change in the preferences of the actor himself (cf. Büchs 2005: 226). The labour market reforms coincide with a period in which the competences for domestic, as well as European, aspects of labour market policy were located within one sub-unit of the Federal Ministry of Labour. According to our interviews, this has led to a strong influence of the EES on the domestic

social field of employment policy (cf. fig. 3). In need for orientation in the reform process, the civil servants used the European discussions in order to reflect on the German labour market regime. They have adopted the practices of other member states and introduced them into the domestic discourse as possible reform alternatives. They have actively used their position to promote the European policy goals.

We, as policy advisors, which are what we are in a ministry, also relay these new insights. We write reports, draft bills, propose something and, on the other hand, participate in shaping the process within the EU. (D1)

Additionally, the close informal and formal collaboration with the social partners have supported the internalisation of the active labour market policy-paradigm into the field of labour market policy. Thus, the administration could easily refer to the guidelines as argumentative-legitimate support for the announced reforms.

They (the guidelines and recommendations, the authors) are an important intensifier. In this sense, they help to advance these reform processes that pre-exist within a member state. (D3)

The guidelines and recommendations of the EES processes have been used as a new frame of reference that has guided pending reform processes. However, even paradigmatic change can be responsive to preceding mindsets. Thus the European targets have always been interpreted based on the domestic institutional framework. Therefore, the pre-existing paradigm of responsibilities of job-seekers has been used as a central hub for introducing the activation paradigm into the German debate (cf. Ludwig-Mayerhofer 2005). There was no imperative for the reforms to result the way that they did; they are an outcome of a fruitful interaction of preceding paradigms and European inputs. However, in the wake of this reorientation of the German employment regime, present inequalities have become ever less accepted; e.g. gender equality on the labour market is now widely discussed in the German public (Wrohlich 2005, Richardt 2004). But institutional inertia still impedes many individual policy measures that were introduced by the reforms (cf. Zirra/Buchkremer 2007). First of all, the intended ‘one stop shop’ for benefits and assistance to the long-term unemployed could not succeed due to the resistance of the German ‘Laender’ and municipalities that are responsible for granting financial aid. Therefore, the people most in need still face the greatest obstacles in receiving help by the PES. While job-seekers in the first labour market receive better advisory services and the time in unemployment decreased, for long-term unemployed nothing really changed. Furthermore, new placement instruments, like Personal Service Agencies, and vouchers for private job placement agencies have had little effects in terms of take-up rates and may even prolong the period of unemployment (Mosley 2006). The creation of a subsidised low wage sector has not yet shown the expected effects. While many “mini- and midi-jobs” have been created, they do not work as a bridge into regular employment as it was originally intended. Quite the contrary, they turned out to be poverty traps and often substitute previously regular employment. Thus, instead of activating the people most in need in the end the Hartz-IV reform resulted in an increase in labour market segmentation.

Generally speaking, the ‘Laender’ fear for their constitutionally guaranteed cultural and political sovereignty, as soon as the guidelines of the EES interfere with the competences of the federal states. This refers to education topics as well as to the organisational reform of the PES in the context of the Hartz-IV reform. While at the federal level the influence of the EES can be considered rather effective, the more peripheral actors are less committed to the new paradigm. This is also true for the social partners. In general, they may agree to the new policy goals. However, as soon as it comes to collective bargaining, they ban the federal government and the EES from interfering.

There are some topics we do not agree on with the commission, e.g. the idea of collective bargaining. (...) There are common misunderstandings in the commission. (D4)

Therefore, the gender pay-gap in Germany is still considerably high. Furthermore, many policy measures that would need a collective agreement are not implemented, e.g. because they do not fit into the German career pattern, for example 'job-rotation' (cf. Keller/Seifert 2002: 95, Zirra/Buchkremer 2007).

To conclude, in Germany mainly paradigmatic learning took place. Caused by a "window of opportunity" in the course of comprehensive labour market reforms, agenda setting by civil servants in the ministry has been effective in the German case. The civil servants could actively gain legitimacy and power by the EES, due to a close coupling of European and domestic competences. Thus they have successfully fought for a paradigmatic change from an active towards an 'activation' agenda. However, this cannot be considered as a sudden turn over, but was preceded by smaller reforms and is still not completely successful. Particularly marginal actors in the field of labour market policy still advocate for the old active policy. Furthermore, the successful implementation of many individual instruments, inspired by best practice examples of the EES, has been constrained by the domestic institutional setting and institutional complementarities. Additionally, there was no substantial reform of employment protection. In sum the reforms so far could not contribute to overcome labour market segmentation.

## **Domestic Labour Market Reforms and the EES in Italy**

The Mediterranean employment and welfare regime of Italy is characterised by an extremely rigid labour market with a familial-particularistic system of social protection (cf. Ferrera/Gualmini 2004). According to the constitution "Italy is a democratic republic based on labour" (Constitution of the Italian Republic, article 1). This focus on labour united the two opposing movements of the 20<sup>th</sup> century in Italy: the catholic social solidarity and the labour movement. As a consequence, this historical compromise led to a strong segmentation of the labour market between well organized, highly protected labour market 'insiders' and - if at all - precariously employed 'outsiders.' Furthermore, the fragile system of social insurance excludes the latter and leaves the social protection to the family and the church (Ostner/Saraceno 1998). Thus, the challenges to the Italian employment regime are the strong exclusion of women, young, and old people from the labour market, a low employment rate, as well as a high poverty rate. However, as we will show Italy still follows the traditional development path of Southern-European countries.

Particularly in southern European countries, changes of labour market policy consisted mainly of measures aimed at introducing 'flexibility at the margins', i.e. making the utilization of non-permanent contracts more loosely regulated while leaving the discipline of standard employment unchanged. (Ichino et al. 2004: 1)

One of the first acts of the second Berlusconi government was to publish a white paper on labour market reforms. In this paper, the authors developed an independent approach towards Flexicurity, complementing a flexible labour market with active labour market policies, while ruling out an adaptation of the welfare system from the beginning (Biagi et al. 2002). The white paper, like many other sources, refers to the 'European challenge' by the EES in order to justify the necessity of reforms. In fact, many official documents draw on the Lisbon targets and Italy's bad performance in terms of employment rates. However contrary to Germany, we could not observe any use of precise guidelines in the domestic reform debate. One of the major reforms proposed by the white paper was a general reduction of employment security for the core labour force. However, this attempt had to be postponed because of strong union and public resistance. The unions particularly criticised the selectivity of the 'Flexicurity' concept adopted by the government. They have insisted that a reform of the social protection system had to be first.

Che ci sia bisogno dei formali ammortizzatori sociali ... dicono tutti. (...) e invece appunto la legge 30 è esattamente questo, c'è intanto flessibilissimo e precario rapporto del lavoro. (...) Io sono convinto che non si possa immaginare un approccio che dica va bene, lasciamo le cose stanno e riformiamo gli ammortizzatori sociali, bisogna rimettere insieme le cose, cioè bisogna a fare intanto in modo che gli ammortizzatori servano anticipatamente e non ex-post. (I 10)

In the end the government and two of the three major trade unions in Italy agreed on a 'patto per Italia'. It comprised an improved the provisions for the (regularly) unemployed and a flexibilisation only for the marginal labour force. This compromise in the end did not contribute to overcome labour market segmentation, it rather tends to enforce it.

Another important subject addressed in the white paper was the improvement of the quality of labour mediation. In this case the Biagi law could build on reforms started in the mid-1990s. The reforms had two major goals: to allow private intermediary as well as to complete the regionalization of public employment services (PES) and labour market policy (cf. Pirrone/Sestito 2006; Cioccolo et al. 2004a)

The Problem was that, also because of the EES in 1997 we had to completely change the mission of our PES. And to stress the service part of their activity and at the same time there was the willing to decentralize (I 1).

While the end of the state monopoly in labour market intermediary changed the role of the PES the regionalisation provided that they did not have the resources to do so.

(I)n practice, these training measures often work as an unemployment benefit, rather than really training the people, because our unemployment benefits are really poor. (I 1)

As a consequence especially the PES in the south suffer from a lack of mission and organisational capabilities, while in the northern, more prosperous regions public as well as private intermediary improved considerably. However while the more promising job-seekers are mediated by private companies, low qualified, long-term unemployed still face huge insertion problems also in the northern regions.

The same kind of consequences, i.e. consolidating the segmentation of the labour market, can be found for the introduction of new work contracts. The goal of the Biagi law was to reduce undeclared, to increase work-based social insurance contributions and to ease the inclusion of marginal groups into the regular labour market. These new work contracts comprised specific, less protected work contracts for young people and women as well as temporary work contracts (cf. Lamelas/Rodano 2004, Cioccolo et al. 2004b). While the goals of the first have been met, there have not been any positive effects in the inclusion of the marginal labour force into regular employment. On the contrary, first evaluations indicate that they tend to stabilise segmentation within the labour market. Especially these jobs do not contribute to a sufficient social protection of unstable life courses.

While within minor departments EES-driven reflection of labour market policy took place, we could not observe a paradigmatic change for the policy makers similar to Germany. Our findings indicate rather that, concerning the domestic mechanisms of influence, two strategic incentives have dominated: A reference to the Lisbon targets in advocating labour market reforms in line with the policy of the Berlusconi government (cf. Cioccolo et al. 2004a) and a strong financial dependence of the Italian labour market policy on the European Social Fund (ESF) (cf. Pirrone/Sestito 2006). The first can be considered an outcome of the fragmented domestic organisation of the EES in Italy.

In consequence, the most important mechanism in Italy has certainly been the ESF. Due to the small financial resources of the regions, "the modernisation of the Italian employment services and their future depend very much on the intervention by the European Social Fund" (I4). Our interviewees agree that the ESF has been the main pillar of the EES in Italy and that most of the actual reforms are due to the European intervention.

I have to say that the Employment Strategy was taken very seriously, predominantly at the local level. This derives from the fact that the structural funds have implemented all of our strategies. This is why for us Italians, the funds, Europe, have always been a strong point of reference for the innovation of organisational models and steering concepts. The social funds have certain, clear rules and guidelines that have become guidelines for our regional policies as well. (I 3)

To conclude, the EES has had predominantly effects on the governance of the Italian employment regime. New domestic modes of governance, as well as the creation of an active epistemic community, have provided the potential for a better steering capacity within the ministry. The ESF has supplied the regions with financial resources for active employment policies and their public employment services. These effects have relied on two strategic incentives (power resources): the social funds have obliged the regions to introduce activation policies, whereas the Lisbon objectives have endowed the policy makers with munition to campaign for a more flexible labour market. However, to what extent both strategies have succeeded remains questionable. The Biagi Reforms have mainly facilitated atypical employment, thus deepening labour market segmentation, and many of the ESF funded training measures have remained ineffective.

### **Domestic Labour Market Reforms and the EES in France**

The French employment and welfare regimes are characterised by the high protection of regular employment (Ughetto/Bouget 2002), expanded social security systems, and a fundamental role of the centralistic state in the economic and social modernisation (Hall 1986). The strong socialist bias of the policy in the post-war period led to the central role of the public employment sector and the social security provisions. The state was conceived to reconcile the diverging and particularistic interests in economic and social life. As a consequence, the state has to safeguard 'social cohesion' (cf. Bouget/Brovelli 2002). This regime coincides with a weak civil society, as well as weak trade unions and an etatistic attitude of all relevant parties (Levy 2005: 113f). Additionally, French governments have frequently reacted to public protest with concessions and expensive programmes, protectionist policies, and the withdrawal of announced liberalisations. The decline of standard employment is widely discussed in France. More than a third of employees younger than 30 and many women are employed in atypical employment contracts (Estèbe 2005: 94). This inequality on the labour market incited a broad debate about 'social exclusion' and more recently, 'precariousness' (Paugam 1996, 2000) among marginalised groups, particularly younger people and immigrants. In the subsequent sections we demonstrate that, in spite of the EES recommendations, the state has maintained its active role in employment.

Contrary to the comprehensive reforms of the labour market policy in Italy and Germany, there was no single outstanding reform project in France. However, an almost inscrutable multitude of single reform steps (cf. Barbier et al. 2006) have added up to a similar picture. Generally speaking, these reforms can be categorized into three main reform areas: a reform of public employment services that should strengthen an activating approach (1), attempts to make work pay particularly for low-qualified job-seekers (2), and recurrent attempts to make work contracts more flexible (3). However, as the experience with the *Contrat Première Embauche* (CPE)<sup>7</sup> has demonstrated, most of the attempts to make labour markets more flexible have failed due to public resistance.

In 2000, the social partners have agreed on a number of measures that were introduced with the *plan d'action personnalisé pour un nouveau départ* in 2001. The *plan d'aide au retour à l'emploi* (PARE) brought about a more active approach to employment policies. In its

<sup>7</sup> This first employment contract would have expanded the probationary period of job-starters to two years.

philosophy, this reform is similar to the German ‘promotion and demand’ paradigm. The employers’ organisations have advocated for increased sanctioning mechanisms that should complement expanded training and qualification offers. However, the former had been defused by the socialist government at that time and still remain much weaker than in other countries, even after being strengthened again by the conservative government (cf. Barbier/Fargion 2004). Thus, active labour market policies, like financial incentives to unemployed and employers, have remained the main instrument for the re-integration of marginalised groups into the labour market. Numerous programmes and reforms have gradually increased the number and variety of subsidised contracts. For a long time, such jobs were predominantly used in the public and social sector. However, with the Raffarin Reform in 2003, this practice was expanded to the regular labour market. Since 2004, the state has been granting the revenue minimum d’activité (RMA) to employers for up to 18 months if they hire a formerly unemployed person. The employer himself only has to pay the difference from the minimum wage, thus reducing de facto employer costs to only 3,50 Euro. These reforms are predominantly aimed at tackling youth unemployment and at integrating young people into regular employment.

The focus of French employment policy is to integrate low qualified young people, especially migrants, into the regular labour market. The main scheme to do so is by active insertion programs and state subsidies. This, according to our interviewees, could be termed ‘Flexicurity à la Française’. But „rather than on individuals to develop their own strategies“ (Enjolras et al. 2004: 41) the state and society are assigned the responsibility to integrate the inactive into the labour market. However this strategy of actively integrating marginalized groups into the labour market by state subsidies did not result in better insertion into the regular labour market of these groups.

Like in Italy, the French administration is strongly hierarchic and divided into policy makers at the top and administrators at the technical level. Thus, the EES in France is organised within a double structure. While a department of the Ministry of Labour (délégation générale à l’emploi et la formation professionnelle, DGEFP) prepares the EMCO meetings, the NAP is drafted by the prime minister’s administration. Contrary to Italy, this co-ordination body (SAGE) is more important than the EMCO unit. The strong role of the technical administration in the EES facilitated the use of the best practices in France. Finally, the strong resistance in the public impeded an agenda that would have profited from European ideas.

To conclude, active, interventionist etatism is still ongoing in France. The EES could neither contribute to change the paradigm of labour market policy nor to weaken the focal position of the central states’ administration. The main objective of employment policy continues to be including more young people in the labour market by means of subsidised employment contracts. Activation policies remain marginal, and attempts to make the labour market more flexible have failed due to fierce public resistance. However, the administration has used the best and good practices of other member states particularly to improve the instruments of re-insertion into the labour market. Accordingly, the dominant means to include job-seekers changed. Altogether, the EES has had primarily affected the French set of policy measures.

## Conclusion

In our analysis, we have compared the effects of the European Employment Strategy in Germany, Italy, and France (cf. fig. 6). We observed that the EES has led to a substantial policy change in Germany, shifting the paradigm from preventing unemployment towards supporting employability. However in the implementation process many labour market instruments faced strong institutional inertia. The idea of activation is strongly associated to the responsibility of jobseekers, while the responsibility of the PES particularly for the long-term unemployed still is questionable. Additionally there has been no substantive change in employment protection. In Italy, the actors have hardly appropriated the benchmarking processes to the Italian employment and welfare regime. However, the European Social Funds and the Action Programme have influenced the regional labour market policies and to a considerable extent. In France, the EES and the OMC/Inclusion have helped the administration to improve the instruments of state intervention.

Figure 5: Dominant modes of learning in the assessed countries

<b>Paradigmatic</b>	Germany		
<b>Instrumental</b>		France	
<b>Governmental</b>			Italy

Our comparison indicates a central implementation dilemma of the EES: the impact of both processes depends heavily on a responsive domestic institutional setting. This indicates that paradigmatic change is more likely to occur if domestic discourse accompanies external pressures (e.g. in the case of German labour market policies). Even if there are no comprehensive reform projects, the EES may contribute to the improvement of existing policy instruments (e.g. in France). Additionally, the ESF may encourage active labour market policies in empowering regional PES (e.g. in Italy). Still, the EES has experienced strong resistance in fields where the member states face the greatest challenges (e.g. the inclusion of marginal groups in the labour market and the social protection of discontinuous careers). Due to institutional inertia, only few changes have occurred in this case. Hence, in spite of remarkable progress in some areas, it is unlikely the EES will ultimately lead to the development of a coherent European Social Model. Rather we assume that the European dimension plays an increasing role for domestic labour market policies as an additional frame of reference complementary to the domestic arena.

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