

Activation Reforms in Continental and Southern Europe

Impacts of the European Employment Strategy on Exclusive Employment Regimes 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 activation and employability as a crucial pillar of ‘flexicurity’. By these means the strategy aims to overcome the social segmentation of European labour markets, particularly in Continental and Southern employment regimes. In this article, we will examine the impact of the EES on the concept of activation 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 activation takes a different meaning in each country because it is appropriated according to domestic criteria. Although activation might represent a cognitive convergence to a shared paradigm of a new ‘European Social Model’, established institutions still guide domestic interpretations. Finally, the segmentation of the labour market and the characteristics of social exclusion in Continental and Southern employment regimes endure in a new shape. Our analysis reveals that, in Germany, the paradigmatic shift towards activation has been most fundamental. This has been legitimized within the field of employment policy by strong reference to the employment guidelines. Yet its actual implementation faced strong institutional inertia. Thus, many individual schemes have been implemented in a paradox way leading to a reverse effect on labour market segmentation. One consequence is the reproduction of social exclusion of low qualified people. According to the white paper that preceded the reforms in Italy, to improve activation and to reform the public employment service was one of the main targets. This has been legitimized by reference to the policy goals of the Lisbon strategy and was fostered by the European Social Fund. However, the regionalisation of the public employment agencies hampers modernisation by the central state. Thus, the social segmentation of the labour market in long-term, highly secured employment for the main family-breadwinner and precarious jobs at the margins of the labour market for young people, women and ill educated as well as the territorial segmentation between the north and the south still prevail. France made ample attempts to introduce an activation agenda. Here the administration particularly used the ‘best practice’ exchange within the EES to introduce new activation schemes. However, the main road for activation is not to improve individual employability but to offer state subsidies for insertion jobs. So far, these jobs do not constitute a bridge to regular employment but tend to steady precarious life courses. Thus, in aiming to reduce labour market segmentation by specific instruments for individual target groups, these schemes tend to stabilise the social segmentation of the labour market. Consequently, not only did the target to include specific groups, e.g. young migrants, into the regular labour market fail, but also to promote social cohesion and inclusion into society. Our analysis is based on about a hundred interviews with representatives in 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 2007.

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Introduction¹

Due to increasing global competition, demographic changes and changing values European welfare states are currently facing severe challenges. Thus, traditional welfare and employment policies seem no longer adequate to ensure employment, prevent from unemployment, and to protect people of new social risks (Schmid 2002, Scharpf/Schmidt 2000). Particularly the countries of Continental and Southern Europe are strongly affected by these exogenous and endogenous challenges (cf. Sapir 2005, Hassel 2001). Unemployment in these countries has long been combated by passive employment policies facilitating the early exit from employment for all statistically less productive workers (cf. Trampusch 2005). Consequently women, young people, older and low-skilled workers were excluded from an equal participation in the labour market (Regini 1998) and the welfare state focused on the status protection for the mostly male, skilled workers (Pfau-Effinger 1996). This has led to a concentration of financing social spending on ever less citizens (Ebbinghaus 2005: 18) and is increasingly perceived as economically inefficient, hardly affordable in terms of social policy, and less accepted by society (Leibfried 2000). New concepts of employment policy seem to be needed to face these challenges. However, these states for long proved to be particularly resistant to reforms (Kitschelt/Streeck 2003: 28). Therefore the first question refers to whether and to what extent these historically grown institutional arrangements have been adjusted to meet these new challenges.

In 1997, the heads of state and government of the European Union (EU) established the European Employment Strategy (EES) in order to support domestic reform efforts. 'Soft' mechanisms, such as benchmarking, mutually agreement on common guidelines and their domestic contextualization, are supposed to facilitate the modernization of domestic employment regimes (cf. Arrowsmith et al. 2004). The overarching aim of the EES is to foster equal opportunities for all social groups and to include all citizens in the labour market on an equal basis. Hence, the social segmentation of the labour market is supposed to be ceased by means of a flexicurity approach linking flexible employment with a social safety net that includes all citizens (Wilthagen 2007). This strategy is to be accompanied by activation policies; aiming at equally empowering and supporting all citizens to meet the exigencies of the labour market (Madsen 2002). However, there is a broad variety of what is considered to be adequate activation policies amongst the member states of the EU (Barbier/Ludwig-Mayerhofer 2004, Serrano Pascual/Magnusson 2007).

The EES brings about a three opportunities for Continental and Southern European countries. First, it is an opportunity to learn from the experience of other, more successful states. Secondly, the activation approach provides a frame of orientation for pending reforms. And third, the closely aligned ESF provides financial resources for activation policies. However, it raises two questions that are crucial both for social policy reform and transnational learning. On the one hand, so far it is not yet clear to what extent and by what means the EES could contribute to the modernization of the employment policies in these countries that have been reform resistant for such a long time. On the other, the persisting domestic varieties of activation policies need to be explained. Hence, in this article we examine to what extent the Continental and Southern European countries Germany, France, and Italy applied the concept of activation to their reforms between 2000 and 2005 and by what kind of mechanisms the EES could contribute to this change. In doing so we will test the

¹ This paper is based on 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. We would like to thank Günter Bechtle and Marianna Colacicco for their support with the Italian interviews.

hypotheses, *that the activation model provided an important point of orientation for the national reform processes and that the instruments of the EES were an additional resource for the actors interested in this reform concept.* The means that should contribute to a modern inclusive labour market – less job protection, a social security protecting against new risks and activation – are thus being selectively interpreted by domestic actors according to the present institutional setting. This domestic adoption, accomplished by domestic actors, we argue explains the persistence of different notions of what ‘activation’ is about. As a result, the reforms do not question the characteristics of inclusion in and exclusion from the labour market rather the EES contributes to path dependent modernisation within the logic of the respective employment regime².

In the following we discuss the EES and the activation-concept as an opportunity for modernizing employment policies (1). Subsequently, we will reflect on how to conceptualise the contribution of the EES to national institutional change (2). Drawing on this concept we first analyse to what extent domestic reforms of the employment regime in Germany, France, and Italy resemble the activation paradigm fostered by EES (3). Finally we describe three mechanisms by which the EES has contributed to domestic reforms (4).

1 The European employment strategy and activation

In the face of new challenges to employment regimes, in 1997, the heads of state and government of the EU agreed to coordinate domestic employment policy and labour market reforms (Fischer/Tholoniati 2006, Goetschy 1999). The EES is based on a cyclical and iterative process of establishing common guidelines, mutual evaluation, and benchmarking (Radaelli 2003, Zeitlin 2005a). However, the realization of the mutually agreed common goals and the domestic implementation of experiences gained in the European arena depend on the member states’ willingness to comply (Heidenreich/Bischoff 2008). While a common notion of a modern European employment policy was only of minor importance in the beginning of the EES (Council 1997, 2000), since 1997, this notion has grown considerably. In this development, the conference of the European Council in Lisbon in spring 2000 marks an important step. The EES was embedded into the goal of an active European social model based on growth and innovation (European Council 2000). In this model, growing investment into education, lifelong learning as well as an active and preventive employment policy is supposed to contribute to a modern employment policy in a knowledge-based society.

Underlying the goal of a higher employment rate, the equal participation of all social groups in the labour market became the overarching aim of this process. Flexicurity is understood as the central means to achieve this goal (cf. Bekker 2007, Vobruba 2006). This model of a modern employment policy combines low in-job-protection with a high level of social security (Wilthagen 1998). This is to be supplemented by an activating employment policy, including goal-oriented skills and further education of job-seekers as well as lifelong learning (Madsen 2002); and focussing particularly on problematic groups in the labour market (Wilthagen/Tros 2004: 169). Therefore activation policies are the crucial pillar for a modern employment regime based on equal opportunities for all social groups, aiming to include all those that are able to work into the active population in the labour market (cf. Barbier 2007). However, beyond this very general notion of activation there is a broad variety of policies signified as activation in European countries (cf. Barbier/Ludwig-Mayerhofer 2004, Serrano Pascual/Magnusson 2007). In a more narrow sense, contrary to passive labour market policies that comprise incentives for less productive workers to exit the labour market and active policies that imply state subsidies for job creation or protection, activation

² For to make our argument this paper does not aim at reconstructing the activation schemes within the analysed countries in detail but to figure out the general concept of activation underlying the reforms.

denominates a strategy that intends to improve the ‘employability’ of individual jobseekers, supporting them to meet the exigencies of the labour market. According to Serrano Pascual (2007b: 14) the activation paradigm is based on three fundamental features: an *individualised approach*, an *emphasis on employment* as crucial for social inclusion and *contractualisation*, i.e. a concept of rights and duties for jobseekers. Although in general terms a European trend towards activation may be assessed, “the way this activation paradigm has been implemented (incentives mechanisms; sanctions criteria; balance between rights and responsibilities), the nature of the option in offer (quality of the option, public expenditures, individualisation of measures, target group, etc) varies a lot for country to country” (Serrano Pascual 2007a: 1). Thus, recent studies conclude that distinct activation regimes persist (cf. e.g. Serrano Pascual/Magnusson 2007). This raises the question on the role the EES plays in this process of ‘converging divergences’. To what extent and by what means can the EES contribute to a modernization of European activation regimes? How can we explain the changes as well as the persistence within these regimes? So far, while many authors consent that EES-based reforms according to the flexicurity and activation paradigm can be observed in most (West-) European countries (cf. López-Santana 2006, Annesley 2007, Serrano Pascual 2007b), the degree and the mechanisms by which the EES could contribute to these domestic reform processes remains blurred.

To conclude, the EES is an open process of coordination that emphasises the self-responsibility of member states in modernising employment policies. Member states are supposed to reform their labour market based on mutually agreed guidelines, indicators and benchmarking. An analysis of the ramifications of the EES must therefore start with the processes within the domestic bargaining arena of employment policy. The goal of the EES is to establish equal participation of all social groups on the labour market and activation is a central pillar within this strategy. Domestic policies are supposed to cease all factors that contribute to the gender, age and education specific as well as regional segmentation of the labour market. Thus, analysing the success of the EES cannot stop on the implementation of single ‘activation’ elements, but has to include the question on whether the social segmentation of the employment market, especially the strong segmentation in the Continental and Southern European states, has been overcome.

2 The influence of exogenous processes on institutional change

National employment regimes in Western Europe are the result of historically grown patterns of social co-operation and conflict regulation (Streeck/Thelen 2005). Their achievement is the institutionalisation of a set of rules, i.e. patterns of interpretation, behaviour, and relationship that convey and structure the communication between the involved actors and organizations (Jepperson 1991). So far, the analysis of the EES has not quite been able to conceptualise the consequences of transnational learning processes (but cf. Heidenreich/Bischoff 2008). Transnational learning has usually been conceptualised as individual learning of government officials or, at best, as organizational learning of governments (cf. Jacobsson/Vifell 2007, Hemerijck/Visser 2003). Instead of focusing on the learning of governments alone, the role of the EES for the domestic, often difficult, bargaining processes should be examined more closely (Ferrera et al. 2000: 23). We propose to introduce the concept of organisational fields as a term complementary to institutional structure. This helps us to analyze the resistance to change within institutional structures as well as their opportunities for change. We conceive of an organisational field as the arena of social practice in which a known group of corporate social actors interacts based on mutually recognized rules and in doing so reproduces the institutional order regulating employment in a non-identical way (cf. DiMaggio/Powell 1991, Fligstein 2001). By establishing mutual expectations, a field structures the interactions between the involved actors (Heidenreich/Bischoff 2008), and closes these interactions

against their environment (Friedberg 1995, Fligstein/Stone Sweet 2002). The employment regime hence provides the frame of reference that structures the social practice within the field of employment policy.

This approach makes it possible to define employment policies as institutionalised, yet ever provisional and changeable compromises between conflicting interests (Heidenreich 2004: 208). According to this concept, the goals and guidelines of the EES cannot directly influence domestic reforms. The goals and instruments of the EES rather provide an additional resource for domestic practice (cf. Giddens 1984). The actors adopt these resources and interpret them based on the established institutional structure and their own preferences. According to institutional theory we may distinguish cognitive, normative and strategic resources the EES provides (cf. Heidenreich/Bischoff 2008, Scott 2001): Cognitive resources refer to the ideas and concepts the EES promotes, normative resources refer to the policy examples brought forward in the EES into domestic formal and informal rules - essentially the *ways of doing thing* and finally strategic resources refer to financial and organisational resources for capacity building that the EES and ESF provide. Accordingly, we may also distinguish three crucial pre-conditions for the successful appropriation of the EES in the domestic field: *cognitive conditions* refer to extent that the ideas and concepts promoted by the EES are a legitimate resource in the domestic discourse, *normative conditions* refer to the 'institutional fit' of the provided policy examples and finally *strategic conditions* refer to the extent that domestic actors are able to make use of these resources. We argue that the form and extent of domestic appropriation and interpretation of the activation paradigm depends on the configuration of these three conditions. Thus reconstructing the mechanisms that have led to recognition of the EES in the domestic reform process helps to explain the respective outcomes we may observe. This however, refers to the question on the range of institutional change. To what extent was it possible to really change the exclusive employment regimes by these reforms? What does this change mean for the most marginal fringe groups on the labour market? Will the institutional principles of in- and exclusion be questioned as a consequence of the employment reforms or will it be possible to incorporate the 'alien' institutions into the existing institutions without contradiction (cf. Streeck/Thelen 2005)? Do changed goals for and comprehensive reforms of employment policy already represent a path-breaking revolution, or will the principles of inclusion and exclusion, as a consequence of domestic appropriation and interpretation, be reproduced to a large extent?

In order to reconstruct the impact of the EES on the domestic field we first need to assess its link to respective reform outcomes. This however is rather limited methodologically (cf. Zeitlin 2005b, Barbier 2004). Additionally a direct link between the EES and national reforms is not to be expected due to the theoretical assumptions. Therefore, in the following, we analyse the parallels of domestic reforms as well as their results, for parallels to the goals of the EES. The next step will be an actor-centred analysis of the national bargaining process based on non-standardized interviews. In doing so, we try to disclose the mechanisms that helped the EES contribute to domestic reforms (cf. Gerring 2004).

To conclude, the EES cannot directly influence national employment policies. Domestic actors rather have to actively mediate the resources of the EES within the organisational field of employment policy. In this process of appropriation, the instruments and ideas of the EES are to be interpreted based on the existing institutions. This appropriation can be analysed based on ideas (cognitive), institutional fit (normative) and on an actor-centred (strategic) level. The configurations of these dimensions contribute to explain the respective reform outcomes. Accordingly, we assume that the EES has contributed to a path dependent modernization of domestic regimes, that the basic principles of in- and exclusion on the labour market, however, could not be overcome.

3 Activation reforms in Germany, France, and Italy

From 2000 to 2005, Italy and Germany experienced major labour market reform projects, and there were also numerous reforms in France (Barbier 2007, Barbier et al. 2006). This coincidence in time, as we will show, was accompanied by significant parallels to the EES. However, these adoptions have worked out very differently due to the domestic appropriation. To analyse these parallels and differences on a macro-level, the activation reforms in Germany, France, and Italy will be presented in the following. In doing so, we do not aim to describe the activation schemes in detail but to reconstruct the general concept of activation underlying the reforms. This analysis reveals that the reforms in *Germany* correspond best to a paradigmatic shift towards a preventive activation approach, however the implementation was hindered by a misfit to relevant institutional environments and veto players in the domestic field; the reforms in *France*, though formally based on activation as well, primarily aim at the improvement of the financial security of employees that work in precarious conditions, thus representing an innovation in the way of doing things but retaining the overall concept; the focus of *Italian* reforms has been the capacity building of regional Public Employment Services (PES), thus fostering strategic innovation. At the same time we analyse the outcomes of these reforms on the axes of in- and exclusion in the employment regime. Finally we conclude that the existing segmentation of the labour market has been reproduced in all three countries. Thus, contrary to the overarching goal of EES, these reforms have barely contributed to a more equal distribution of the chances on the labour market.

Germany

For a long time, a comprehensive change of the German employment regime was thought to be hardly possible. According to this assessment, Germany was „ingrained over-commitment to old institutions and historical entitlements“ (Kitschelt/Streeck 2003: 28). However, 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” within the then called ‘Bundesanstalt für Arbeit’ (Federal agency for employment). Today, the Hartz Reforms are associated with a paradigmatic shift towards activating labour market policy (cf. Konle-Seidl 2007, Konle-Seidl/Lang 2006, Kemmerling/Bruttel 2006). While in the past, German labour market policy focused on job protection and, when necessary, active job creation via state subsidies, the main target of the reforms was to increase the amount and the quality of labour supply by ‘making work pay’ as well as intensive counselling and training for the unemployed. Three policy-clusters can be distinguished in the Hartz Reforms (Kemmerling/Bruttel 2006): reforms directly targeted towards increasing labour supply, an organizational reform to improve 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. Thus, in Germany activation and the increase of labour supply in number and quality played the most important role in the reforms. This becomes particularly apparent in the important role of the organisational reform of the PES. Furthermore the conversion of unemployment benefits for long-term unemployed (Hartz IV) was not legitimized by creating a new form of social security, but as a means to activate groups of the population that had, until then, hardly been activated (cf. Konle-Seidl 2007, Lohse 2005).

Today, the only aim of employment policy considered to be legitimate in domestic discourse is the maintenance of employability, the increase of participation in employment, and equal opportunities for all groups. At the same time, the implementation of this changed paradigm is often only partially achieved. There are two reasons for this. First of all, this

cognitive change does not yet reach all actors of employment policy to the same extent. Secondly, institutional complementarities of the employment policy, e.g. family and occupational regimes, obstruct the effects of individual schemes (cf. Zirra/Buchkremer 2007, Keller/Seifert 2002: 96). While we can observe that the federal ministry is the institutional carrier of this change, a wide range of the political level of the trade unions, of the regions (Laender), and especially head organizations of German municipalities are still resistant. This produced political compromises that run contrary to the direction of the Hartz-reforms (cf. Schmid 2006). Eventually many of these reforms were thwarted by political compromises or failed due to missing prerequisites in other institutional spheres (cf. BMAS 2006). Thus especially the 'one-stop-shop' for long term unemployed workers could not be enacted because of the resistance of regions with a conservative led government and local governments (cf. Schmid 2006). Thus, contrary to the goal associated with the integration of social benefits and placement, the institutional gap between short term and long term unemployed is wider than before (Konle-Seidl 2007: 33). Moreover, partly successful instruments such as training vouchers and schemes seem to have a strong social bias, i.e. skilled workers profit strongly while low-skilled workers experienced rather prolonging unemployment (Schneider et al. 2006). The segmentation of the labour market is thus reproduced and further consolidated by these new institutional arrangements.

To conclude, the goals of the labour market reforms in Germany clearly parallel the goals of the EES. The cornerstone of German reforms was to activate all those employable for the participation in the labour market. The focus was especially on long-term unemployed workers. However, many reforms were impeded by domestic veto players and misfit to the present institutional environment. Furthermore the schemes generally perceived as successful tend to have a social bias, further privileging the male skilled workers in West Germany, while particularly low-skilled workers can hardly profit. Thus the Hartz-reforms could barely reduce the segmentation on the labour market but tend to consolidate particularly the educational gap.

France

France, as opposed to Germany and Italy, did not have one comprehensive reform project of the employment market in the observed period. While numerous individual reform steps combined give a similar impression (cf. Barbier et al. 2006) they had a very specific target. The high risk of poverty is seen as the main challenge for social cohesion in France and employment is considered to be the most important component of social inclusion (cf. Maruani/Reynaud 2004). Most reforms therefore combine these two aspects and aim to create better wages for low-skilled jobs, and in this way create incentives to for recipients of the state minimum revenue to take up an employment (cf. Barbier 2007). In this notion of 'activation', instead of promoting individual employability, the state assumes the responsibility to actively integrate certain groups into employment (Enjolras et al. 2000: 41). The most ambitious among these reforms was the social cohesion plan drafted under the aegis of the Minister for Employment, Labour and Social Cohesion, Jean-Luis Borloo, in 2004 (cf. OECD 2005, 2007). Its main focus was to simultaneously combat social exclusion by more employment, housing and education. The employment pillar of this plan particularly aims to tackle the 'hard core' of unemployment, i.e. first of all the almost 1.5 million people receiving minimum integration income (*RMI - revenu minimum d'insertion*), and consists of two strands. The first one refers to new possibilities for a stronger sanctioning regime (OECD 2005: 120). It extends the possibilities introduced in 2000, by a social partners' agreement on a catalogue of measures to reform public placement. This reform enacted as *plan d'aide au retour à l'emploi* (PARE) was supposed to introduce a principle similar to the German 'support and responsibility'. Employers urged for stronger sanctions against the unemployed.

This was, however, rejected by the then socialist government and by the trade unions. Even after the renewed reform in 2004 the sanctions are still much weaker than in most other European countries (cf. Barbier/Fargion 2004). One reason for this is a strong perception of RMI as the absolute social minimum standard. At the same time, the offer of qualification opportunities is still very limited.

Much more attention was drawn to the second strand of the employment related reforms. The dominant reform discourse in France was on social exclusion and new poverty risks rather than on obligations for job seekers.

Today precariousness is often discussed. But the real problem of precariousness is the poverty in the background. More and more people live in poverty despite having a job. The minimum wage does only apply to full-time jobs, if one works 35 hours a week. But today we have problems with part-time jobs, with contracts to begin a job, CPE, all these contracts lead to the fact that people increasingly have to live in poverty. (F8, translated by the author)

There were several measures for integration into the labour market enacted to avoid poverty traps that are connected to atypical employment. The emphasis of integration into the labour market was only secondary. The first and foremost goal was to reduce the poverty and lack of perspective of disadvantaged groups, like adolescents, migrants and low-skilled workers (especially in combination of these risk factors). Active labour market policies, i.e. financial incentives for employers to employ problem groups, are considered primarily as a means to secure social cohesion (cf. Ughetto/Bouquet 2002). These instruments had been limited to the public and social sector for a long time. The majority of the reforms during the last years aimed therefore at the generalization of these integration aids. Thus the Raffarin-reforms in 2003 expanded these opportunities to the whole labour market. With the social cohesion plan in 2004 these schemes have been streamlined and the number of programs has been halved from 14 to seven. The applicable programs now depend on the type of employer (public or private) and on the individual (recipient of a minimum subsistence income or not). The most important one is the *revenue minimum d'activité* (RMA), targeted to recipients of RMI and private employers, but others are similar. In this scheme the state grants RMI for another 6-36 months and the employer only pays 3.50 Euro per hour. In return the employer has to offer further training measures to the beneficiary. Critics fear that this could lead to an unfair competition of wages, by employers avoiding the general minimum wage, and thus eventually to an expansion of the subsidized labour market (Barbier/Fargion 2004). Hence, it can be regarded as either success or problem that the number of people employed by these schemes is growing continuously.

In effect, France failed – just like Italy – „to actually provide hard-to-place people (...) with effective transition from employment programmes to conventional market jobs” (Barbier/Fargion 2004: 449). Instead a second labour market of state subsidized employment has developed. The danger is that these „insertion jobs operating outside of the market economy can themselves become exclusion trajectories” (Enjolras et al. 2000: 44). Many of these new work contracts are characterized by instable employment. The interventions of the state into the labour market in France therefore constitute a paradox. Aiming to cease state dependency of marginalized groups, instead of preparing marginalized groups to be successful in the regular labour market the activation schemes produce perpetual precarious, state dependent 'integration careers'. The continuous dependence on state support produces new stable social inequality. While the state accommodates specific target groups with specific measures, it produces a new segmentation of the employment market along the pre-existing social boundaries.

To conclude, we can observe important changes in terms of activation within the French employment regime but they do not constitute a paradigmatic reform. The main road of 'activation' in France remained to be subsidized jobs for special target groups instead of an individualized approach increasing employability and helping people to find a regular job. It

may be doubted whether this facilitates the transition of fringe groups into the regular labour market. The danger in France is rather that these programs will reproduce the social segmentation of the labour market into stable regular employment and 'stable' precarious life courses within an atypical labour market that is subsidized by the state.

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, Ferrera 1996). 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 20th 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 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 Italian employment regime faces the biggest challenges among the countries analysed in this paper. The Italian labour market is marked by a strong gender, education, and age specific as well as regional segmentation (cf. Biagi et al. 2002: 5). Yet it has seen extensive reforms within the last few years that explicitly aimed at decreasing this segmentation. After some successful predecessors in the late 1990s, the Biagi-law (law 30/2003 and 276/2003) was the most comprehensive effort. These reforms were prepared by a White Paper on the 'condition of the labour market' in 2001 (Biagi et al. 2002). The authors design a flexicurity-model of their own, stressing the transition to more flexible employment as well as investive and active labour market policy but they do not consider an adaptation of the merely existing social security provisions.

The White Paper of 2001 proposed the improvement of the quality of placement as the central challenge for the Public Employment Services (PES). Taking into account the poor benefits and unemployment assistance a stronger sanctioning regime was not considered but unemployment benefits and social protection was hardly improved. However, the Biagi-law moved far beyond the initiated means since 1997. These reforms of the PES pursue two goals: The abolishment of the placement monopoly of the state was supposed to be completed as well as the regionalization of labour market policy (cf. Pirrone/Sestito 2006). The introduction of private intermediation and a change of mission for PES was considered inescapable as "PES were almost completely absorbed by mere bureaucratic controls and procedures, and reached only 10-15 per cent of the Italian job-seeking population" (Barghi/Berkel 2007: 91)³. At the same time regionalisation was supposed to improve the adjustment of labour market policy schemes to the regional demand (cf. Barbieri/Sestito 2005). In cooperation with the provinces, regions took over the regional placement offices of the ministry including 70 percent of the personnel (approx. 5500 people), but were barely given the necessary financial means to cope with this new assignment (cf. Barbieri/Sestito 2005, Borghi/Berkel 2007). A coordination of the regional labour market policies does hardly exist. After this regionalisation, national programs for the improvement of the PES were no longer possible. The modernisation of PES and labour market policy rather had to be completed by the regions. However, the financial and organizational resources are distributed unequally between the regions. Thus the regions with a strong economy in the North of the country could exceedingly profit from the reform. Here the privatization of counselling and placement contributed to a strong improvement of employment services. In the south however, labour market mediation proved to be unprofitable for private actors and the organizational and

³ So e.g. formally each job offer and placement had to be mediated by the employment office.

financial resources of the administration are hardly sufficient to fulfil basic functions Pirrone/Sestito 2006). Instead of improving the adjustment of policy schemes to regional needs the regionalisation rather enhanced the regional disparities on the labour market.

A second strand to 'activate' formerly 'inactive' people or undeclared workers was to expand the number of flexible, atypical employment (Lamelas/Rodano 2005). A time limit for these contracts was supposed to be an incentive to transfer these jobs to the regular employment. The labour market reforms follow thus the traditional trajectories of Southern 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)

It seems, at first sight, that the strategy to expand atypical employment would be at least partly successful. Despite the stagnation of the gross domestic product, the number of employees, especially of women and adolescents increased between 2004 and 2005 (cf. CNEL 2006). Many observers related that to the increased number of atypical employment from less than two million in 2000 to 3.3 million in 2004, and the reduction of undeclared work (cf. Paparella/Santi 2005, CNEL 2006). The goal of the Biagi-law by means of atypical employment was to help disprivileged groups to gain access to the regular labour market. First studies, e.g. on the success of temporary employment, cast doubt on this. According to these studies, the answer to whether temporary employment contracts provide 'trap or a stepping stone' highly depends on the level of education, the region, and the economic sector (Ichino et al. 2004). For instance the authors observe a positive placement effect in temporary employment companies in Tuscany, but not in Sicily. Moreover, the positive placement effect grows according to the level of education. The reforms thus improve the position of – from the beginning – better qualified workers, „while worsening the employment prospects of the weakest workers“ (Ichino et al. 2004: 32). The goal of the reforms to create a bridge to regular employment could thus be only partially fulfilled. Given the missing social security, the consolidation of precarious careers in Italy seems to be especially delicate. An increasing number of authors thus refer to the social consequences of the affected workers (e.g. Paparella/Santi 2005).

To conclude, the reforms in Italy are based on an 'understanding of flexicurity and activation' of their own. The flexicurity-vertex of social security was omitted in this adoption. The improvement of placement was supposed to be a priority. Additionally, a path enhancing 'flexibilisation' at the margins of the labour market was pursued. Moreover, the comprehensive regionalisation of employment policy made a national reform impossible. In both reform pillars the social segmentation of the labour market could hardly be reduced. Due to missing social security provisions, the consolidation of discontinuous, precarious live courses appears to be especially delicate in Italy.

4 The practice of the EES in Germany, France, and Italy

In the previous part we showed that the reforms of the labour market from 2000 to 2005 display significant parallels to the principle of activation in all three examined states. At the same time, there are significant disparities. While Germany concentrated on the activation of all employable workers and the improvement of placement, France focused on the subsidisation of jobs and Italy on the improvement of PES by regionalization. Despite or even due to these efforts, the segmentation between regular employment with high job security primarily for skilled male workers, mid-aged as well as without migration background and flexible employment with rather low-security for all other groups persists. The reforms thus cannot be regarded as a one-to-one realisation of the EES. However, the similarities to the

EES objectives raise the question as to whether and how these domestic reforms have been influenced by this pan-European process. *In the following we will test the hypothesis that the EES provides an important resource for actors who are interested in a modernization of labour market policy within domestic bargaining arenas.* The form and content of the domestic appropriation of the EES is hence influenced by the existing domestic institutions on cognitive, normative and strategic level (cf. Buchkremer/Zirra 2008).

We show that a programmatic oriented department within the ministry of labour in Germany used the ideas and concepts of the EES as a supportive and legitimising resource for reforms, thus partly changing the paradigm of labour market policy in Germany (4.1). In France, mainly 'best practice examples' from other countries were used in order to improve the administration of individual schemes within existing beliefs and mindsets of employment policy (4.2). Two resources were important for Italian reforms. First of all, the government used the strategic EES goals, named by the Lisbon declaration in 2000, to stress the necessity for a transition to a more flexible labour market. Secondly, the ESF, as a financial resource, contributed significantly to the reform of the regional employment administration (4.3).

Germany

The influence of the EES on the Hartz-reforms is widely discussed, with very different results. While some argue that the EES had a significant impact (cf. e.g. Heidenreich/Bischoff 2008, Schmid 2006), others see a strictly strategic use of the EES in the national debate (Büchs 2005: 227-255) or even only a strictly rhetorical adaptation (Keller 1999). In this paper, we assume that the use of the EES as an argumentative support within the domestic field does not exclude a learning effect on the actors has occurred. We will show that the paradigmatic shift in Germany was significantly fostered by one department of the employment ministry (cf. Zirra/ Buchkremer 2007). Both big reform projects of labour market policy, the JobAQTIV-law in 2001 and the report of the Hartz Commission in 2002, refer to individual guidelines of the EES to issue precise reform suggestions. The guidelines are regarded as a source of inspiration for the path of the reform taken.

The commission 'Moderne Dienstleistungen am Arbeitsmarkt' (modern services in the labour market) developed suggestions in their report that fit into the framework of these chosen EU cornerstones and that are appropriate to be used for the next report of the federal government with regard to operationalise it fast and efficient. (Kommission Moderne Dienstleistungen am Arbeitsmarkt 2002: 342, translated by the author)

This by itself can at best be interpreted as a hint of a contribution by the EES. Our interview partners, however, agreed that these reforms stem from a cognitive effect of the EES on the ministerial bureaucracy (cf. Heidenreich/Bischoff 2008, Büchs 2005: 179). Thus a change of preferences within the ministry of labour, supported by European learning processes, from a curative and passive approach towards preventive and activating schemes can be observed. To crucial differences can be observed compared to the other two countries we analysed: The civil servants of the German ministerial bureaucracy regard themselves as active policy advisers, actively providing reform proposals and communicating new paradigms in the field. Secondly, the close link between members of the European boards and domestic regulatory responsibility is striking. One of the most active actors of the German field of employment policy and EES was a sub-department for labour market policy in the then Federal Ministry for Economy and Labour. First of all, this department is participates closely in formulating domestic labour market policy. Secondly, it was responsible for co-ordinating the National Action Plan and thus a central contact for the labour market experts of social partners, regions and municipalities in the course of EES. Thirdly, it is represented in various European boards. The placement scandal in 2002 opened up a 'window of opportunity' (Kingdon 1984) that has

been used by this actor to foster a reform agenda based on activation and employability (cf. Schmid 2006, Zohlnhöfer/Ostheim 2005: 163).

Then we said: this is what the EU has agreed on, this is the way we will have to take. (D1)

However, it is stressed repeatedly that this can only work if there has been a pre-existing domestic discourse that is responsive to these suggestions (cf. Zohlnhöfer/Ostheim 2005, Schmid 2006).

Well, there are a number of topics that use this as an intensifier to show that is what we want and that is in accordance with the European employment strategy. (D2)

In this process, to fit the cognitive dimension, the guidelines and goals of the EES, were reinterpreted based on the existing institutional order. Thus, the transformation of activation and employability into the principle of 'Fördern und Fordern' (support and demand) was significantly influenced by an existing German understanding of social responsibilities for recipients of state benefits (Ludwig-Mayerhofer 2004) as well as a specific German heritage of vocational training within the system of further qualification. However, the domestic reforms may have taken a different direction without the influence of the EES. The reforms are rather the result of a combination of domestic institutions and bargaining as well as transnational learning processes. The actors interested in change (also as a consequence of the EES) used the specifications of the EES to strengthen and legitimize their position.

To conclude, in Germany the EES could contribute to institutional change in two ways. Firstly, transnational learning processes have contributed to change the preferences of labour market experts in the ministry. Secondly, these experts used the guidelines of the EES as argumentative support to influence the direction of ongoing reforms. The specifications of the guidelines, however, were interpreted based on the existing institutional order in this process. Thus the concept of activation and employability was incorporated into the reform processes primarily based on the pre-existing discourse on the responsibilities of recipients of state benefits.

France

In France, the analysis of the domestic influence of the EES has its own pitfalls. The reason is that the guidelines and the EES cannot be used for the legitimisation of the reform project, like in Italy and Germany, due to negative image of the EU in the French society and the domestic field.

In France, nobody wants to admit that what is being done has to do with Europe. (...) Thus it is somewhat harder to recognize what part of this comes from Brussels. (F4, author's translation)

Thus a direct link between the reforms and the EES cannot be established. This, however, does not necessarily mean that EES had no influence on these reforms. The French administration rather uses the EES as a point of orientation without emphasising this in public.

One refers to the EES and transfers this to France. But one never says that the CNE or the CPE for adolescents was recourse to the cornerstones of education policy. (F11, author's translation)

On the cognitive level the idea of social inclusion by participation on the labour market is similar to ideas brought forward in the EES. However, the individual responsibility of jobseekers and the idea of further training and lifelong learning seem hardly responsive to domestic interpretations. Thus on the cognitive level the EES hardly had any influence on French labour market policy. On the strategic level, the tactic of not mentioning parallels to EES prevents from a fundamental change in employment policy because the learning experience of the EES cannot be diffused within the domestic field. Due to the fact that references to the 'EU' are considered as an illegitimate resource in the domestic reform

discourse, the experiences cannot be communicated in the domestic field. Moreover, the administrative responsibilities are very fragmented. The SGAE (Secrétariat Général des Affaires Européenne) is only responsible for the administrative coordination of the EES. The national ministry of employment, on the contrary, has both a low significance within the EES and a low programmatic influence on national policy.

However, the ministry for employment does profit from the EES. This actor used 'best practices' in other countries to create and improve individual labour market schemes. The goals and instruments of the EES are incorporated into domestic employment policy in a consistent way. But in the everyday exercise the 'ways of doing things' promoted by the EES influences the work of the administration.

Yes, we do many things and all what we're doing on employment policy is in line with the guidelines of the EES. (...) So what we're basically doing every day corresponds always to a field, which is addressed in the strategy. (F1)

These, however, are mostly limited to individual programs for the improvement of the integration into the labour market. Thus instead of overarching reform project the EES in France contributed to improve existing and create new schemes and programs of labour market policy for different target groups.

To conclude, in particular the exchange of 'best practices' plays an important role for French employment policy. In the domestic bargaining processes, however, actors avoid any reference to the EU. Thus, the political decisions are only influenced by the EES to a limited extent while within the administration inspired by EES a number of labour market schemes had been developed.

Italy

In Italy, a wide range of works cites the EU as catalyst and promoter of the labour market reforms (cf. e.g. Natali/Rhodes 2005, Treu 2001). In particular, these works address two links: the close European involvement of an influential political group of labour market experts (cf. Ferrera 2004, Ferrera/Sacchi 2005, Graziano 2004) and secondly the strong dependence of Italian labour market policy on financial support by the European Social Fund (ESF) (cf. e.g. Sestito 2002, Pirrone/Sestito 2006). At the same time, the European Commission did strongly criticise the Italian reforms. This contradiction can be explained by the specific appropriation of EES by domestic actors. In Italy, people got the impression that in the end the EU was responsible for the labour market reforms because the White Paper on the 'Condition on the Labour Market' in 2001 mentions, like many other sources, the 'European challenge' by the EES to legitimize the necessity of the reforms (cf. Biagi et al. 2002). Additionally, the EES contributed to create evaluation and organisational capacity within the ministry (cf. Ferrera/Sacchi 2005). For the first time the ministry itself does not rely on academic expertise, often politically motivated in either way, but itself has data on the 'condition of the labour market'. However, one cannot assume a direct influence of the EES in Italy either. A general cognitive shift in policy thinking cannot be observed. Apart from general references to the Lisbon strategy and the EES there was no reference to individual guidelines in order to modernise the labour market. The strategic Lisbon goals were used by a small group of academic political advisers to stress the exigency of labour market reforms, however, the implementation pursued national considerations and political to a large extent. Particularly in the years 2001-2006, the reforms express a political interest in reducing labour market rigidities, reducing labour costs and strengthening the role of Italian regions while weakening the central government.

Additionally, after the complete regionalisation of the PES and labour market policy legislation the state has barely any influence. The modernisation of labour market policy schemes can thus only be realised on a local level where the necessary capacities are often

barely available. The regions are thus dependent on the ESF, to finance the regional PES as well as qualification schemes. One interview partner in the European Commission thus called the ESF 'the basis of implementation of the EES' in Italy. It is considered 'the silver bullet to devise regional labour market policies' in an active and preventive way (Ministero del Lavoro e delle Politiche Sociali 2001: 337).

The EES is, especially on a local level, taken very seriously because the Structural Funds realise our national strategies. For (...) the guidelines of the EES became, by the virtue of the ESF, also guidelines of regional policies. (I 3, authors' translation)

Consequently, the local and regional employment policies pursue the goals of EES (cf. Graziano 2004: 21) in concentrating on ESF financed programs. However, even considering the different percentage of funding, the regions in Northern Italy prove to be better equipped to raise funds than the regions in Southern Italy and additionally use them more efficient. Especially in Southern Italy where unemployment is widespread and financial means are limited a large part of the ESF money is used for supplementing the poor unemployment and social benefits.

Most of the funds go to the regions that co-finance mostly training measures, but during the last years also the PES, some employment incentives, and some kind of other measures are co-financed by the ESF. (...) But because our unemployment benefits are really poor, in practice these training measures often work as unemployment benefit rather than really training the people. (I 1)

Due to differences in financial and organizational resources between the regions, the North could profit by far more not only from the domestic reforms but also from the additional financial resources of the ESF.

To conclude, the EES can be regarded as the source of legitimisation for the Biagi-reforms in Italy. However, this reference involves a very selective interpretation of the principle of flexicurity and activation by central actors. At the same time, the ESF as an important financial resource strongly influenced the direction of the regional labour market policy. The regions could profit from this to a different extent, depending on their existing financial and organizational resources.

5 Conclusion

In this paper we tried to answer the question to what extent and in which way the EES could contribute to the activation reforms in Germany, France, and Italy between 2000 and 2005. We could show that the EES supported a path dependent modernisation of the employment order in all three countries. The domestic actors used the instruments and the guidelines of the EES as a resource during the domestic bargaining processes in order to promote their own interests in change, which was in some parts influenced by the EES as well. The activation paradigm was interpreted based on the background of existing institutions and interests. These reforms could thus only marginally reduce the social segmentation of the labour market.

In Germany, the EES has contributed to a paradigmatic shift in labour market policy. The Hartz laws aim at integrating all those who can work into the labour market instead excluding less productive workers. The reforms are geared towards activation and enhancing employability. However, skilled workers benefit most from the improvement of placement and training, while the position of low-skilled workers has barely changed. The reforms thus rather reproduce the education specific segmentation of the employment market. In an actor centred approach we explained this by the process of domestic appropriation of the EES. The role of the department 'international labour market policy' proved to be crucial for the transfer of the EES to the domestic field. This central actor used the guidelines of the EES in a 'window of opportunity' as orientation. This actor, however, faced the resistance of the regions and the trade unions within the domestic field and thus had to make compromises that ran

contrary to the direction of the reforms. On the cognitive level, the activation paradigm, based on training, the improvement of placements and the responsibilities of job seekers proved to be responsive to domestic mindsets, while institutional complementarities and power constraints of the focal actor hindered from a comprehensive reorientation of employment policy.

The emphasis of reforms in France was to fight social exclusion of young people by means of subsidised job insertion. Subsidised wages were supposed to avoid a precarious employment. In the strategic dimension, the strong division of labour within European policy in France inhibited from a spread of knowledge and learning experiences in the domestic field. On the cognitive level the EES was no legitimate resource for reference. Furthermore, while the social inclusion by employment proved responsive to domestic mindsets the individual approach relying on further education and sanctioning was not supported. Instead the administration used 'best practice' examples from other countries internally as a source of inspiration for specific integration schemes. However, these target-group-oriented insertion schemes threaten to reproduce the segmentation of the labour market.

In Italy, the strategic goals of the Lisbon declaration in 2000 were used to stress reform necessities. However the guidelines and the ideas promoted by the EES were not used for a reconsideration of cognitive mindsets. And many 'best practice' examples, e.g. in sanctioning jobseekers, could not be used due to very different institutional contexts, e.g. missing or poor financial benefits. Italy thus took a path that is typical for Southern European countries. The flexibility of the labour market was increased by new atypical employment contracts. Additionally, the ESF is a major resource of regional labour market policies. Thus, in relying on ESF programs the regions orient labour market policies towards goals of EES. However, the regions of the North were able to profit much more from ESF than the regions in the south of Italy. Both reform pillars could not contribute to a reduction of the social segmentation of the labour market. This seems to be particularly delicate in Italy due to the lack of social security for atypical employment.

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