

The London School of Economics and Political Science

The Advocacy and Diffusion of EU Employment Policy: The European Employment Strategy in France and Italy

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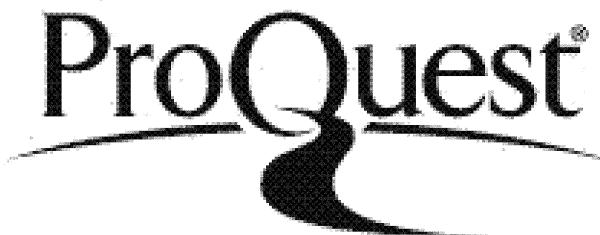


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Abstract

This thesis aims to investigate the process through which discourses promoted by one level of governance are diffused and become accepted in another. It defines the European Employment Strategy (EES) as an attempt to set member states' employment policy agendas by imposing a specific policy discourse defining the problems of European labour markets and the appropriate solutions and it looks at how, by who and under what conditions this was adopted or refused at the national level. It argues that existing accounts of the effects of the EES, which emphasise mechanisms relying on incentives and sanctions, policy-oriented learning and socialisation, do not pay enough attention to whether and why different domestic actors and groups might support it in the domestic arena and to the role of domestic institutional settings. The thesis holds, first, that the diffusion of the Strategy's discourse at the national level depended on the presence or absence of national coalitions of actors willing to adopt and advocate it. The empirical evidence collected in the case studies on France and Italy suggests that the Strategy's discourse was limited to narrow communities composed of civil servants, experts and social partner representatives. The second contention is that these coalitions' success depended on the institutional resources and constraints facing them. In both countries studied meeting the Strategy's requirements stimulated a measure of administrative adaptation, which provided supporting coalitions with additional resources and facilitated norm diffusion. Yet the diffusion of information on the Strategy was limited even within the central administration, among the rank-and-file of the social partners and at the regional and local levels of government. Thus the last contention of this work is that the coalitions promoting the EU discourse remained weak due to the scarce diffusion of information beyond restricted circles and the limited institutional resources provided by the Strategy. Supporting coalitions have only been influential when directly involved in specific policy choices made at the centre and, even then, implementation has proved difficult if actors other than the central government were involved.

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INTRODUCTION

Do sovereign states comply with international, and particularly European, norms in the absence of 'hard law' incentives and sanctions? If so, why? Students of European integration have increasingly turned to such questions as the European Union (EU) expanded its activities into sectors where it does not have the power to legislate and relies on 'softer' forms of regulation¹. The Open Method of Coordination (OMC), launched in 2000 for the purpose of dealing with structural reform in a broad range of economic and social fields (European Council 2000), is the main instance of the Union's reliance on policy coordination rather than legislation. Open coordination is based on flexible and revisable guidelines, open-ended targets and a system of multilateral surveillance and peer review that restricts the scope for circumvention. A great deal of academic interest was stirred by the novelty of the method, whose aim is to organise a mutual learning process at the EU level and foster a gradual convergence of member state policies, as well as by its application in a growing number of policy areas. Yet the early enthusiasm shown by scholars interested in changing patterns of EU governance (Mosher 2000; Rhodes 2000; De La Porte 2002; Scott and Trubek 2002) quickly gave way to disillusionment, as it became apparent that member states were hardly reaching the targets set at the European level (Kok 2004; European Commission 2005). Thus more recent studies have painted a much bleaker picture of the OMC's transparency and potential effectiveness in promoting policy change (Chalmers and Lodge 2003; Radaelli 2003b; De La Porte and Nanz 2004) and concluded that member states are only likely to 'learn' from Europe if they wish to do so anyway (Visser 2005).

This thesis takes a different perspective on the domestic impact of EU-level policy coordination. It concentrates on the European Employment Strategy (EES), the oldest and most structured OMC in the social policy field, and builds on the findings of existing research regarding the merits and limits of open coordination. It shies away, however, from considering policy outcomes as good indicators of EES-induced policy change, as these are influenced by a number of factors (GDP growth, the business cycle, the overall macroeconomic framework and so forth) which are outside the scope of the Strategy, and focuses, instead, on how the coordination process played into domestic employment policy-making. This thesis defines the EES as being essentially an attempt to set member states' employment policy agendas by imposing a specific policy discourse defining the problems of European labour markets and the appropriate solutions. It looks

¹ This work takes a broad view of regulation, defined as 'the rule-setting and monitoring measures used by the EU to govern the political behaviour of [...] member states' (Jacobsson 2004: p.356).

at how, by who and under what conditions it was adopted, refused or ignored where employment policy decisions are made, i.e. at the national level. It argues that existing accounts of the effects of the EES, which emphasise mechanisms relying on incentives and sanctions, policy-oriented learning and socialisation, do not pay enough attention to whether and why different domestic actors and groups might support it in the domestic arena. Finally, by investigating the identity of these groups as well as their position and resources in different institutional settings, it aims to identify the conditions under which institutions facilitate or hamper the diffusion of new ideas and discourses.

What is the nature of open coordination and how can its impact on national policies be conceptualised? What is the role of discourse and ideas in promoting policy change? And how do discourses promoted by one level of governance become diffused and accepted in another? These questions are at the centre of this thesis. Answering them necessarily implies contributing to fill the serious empirical deficit that affects much of the debate on the impact of the Strategy (Zeitlin 2005a, 2005b). With very few recent exceptions², in fact, the available empirical research is relatively preliminary and based on single-country studies, most of which either rely on a narrow range of often outdated evidence mainly based on official printed sources, or point to long-term processes without showing much evidence of them. This work tries to advance the existing empirical knowledge of the strategy's impact by providing a structured comparison between different member states and how they respond and react to the EES, based on a common conceptual framework and a single set of working hypotheses.

The following sections illustrate the above in greater detail. The first section fleshes out the puzzle that is at the core of the thesis and quickly outlines its argument, conceptual framework and working hypotheses. The second section discusses methodology issues and the choice of case studies. Finally, the third section presents a brief overview of the thesis and concludes.

1. Thesis puzzle, conceptual framework and working hypotheses

As will be argued in Chapter 2, the EES emerged from a crisis that came to a head in the mid-1990s. European welfare states were under acute strain and joblessness had risen dramatically. At the same time, the completion of the Single Market, Economic and Monetary Union (EMU) and the increasingly wide reach of Community competition law imposed tight constraints on national policy autonomy. Although the European-wide character of the problem suggested a common response, a further expansion of the Union's legislative competences in the social field was blocked by

² See, for instance, Ardy and Umbach (2004) and Büchs (2005).

budgetary constraints and concerns over democratic legitimacy. Within this context, a different course of action was chosen, relying on new policy instruments based on alternatives to traditional, 'top-down' forms of regulation. The EES in its current form is the result of a process initiated by the 1993 Delors White Paper on 'Growth, Competitiveness, and Employment' (European Commission 1993). It is an extremely institutionalised annual process based on such items as non-binding guidelines, benchmarking and peer review. It involves non-governmental actors and different levels of government, and shows a new division of labour between the EU and the member states as well as between the Union's institutions. However, since such important areas as monetary, fiscal, and wage policy that critically influence economic growth and job-creation are outside its scope, it is fair to say that the EES is not so much an overall strategy for employment, as a residual labour market strategy based on a compromise between the liberal model of Ireland and the U.K. and the social-democratic model of the Scandinavian member states.

The EES held out much promise. It seemed to have the potential positively to address the legitimacy problems of EU policy-making as well as to encourage the reform of national employment and labour market policies by organising an EU-wide learning process. It is, thus, not surprising that the launch and increasing political salience of the EES – and, subsequently, of the OMC – elicited a wide array of contradictory assessments concerning, in particular, its effectiveness in delivering policy reform. The bulk of the relevant literature (Goetschy 1999, 2000, 2001, 2003; Biagi 2000; Rhodes 2000; Bertozzi and Bonoli 2002; De La Porte 2002; Trubek and Mosher 2003; Eberlein and Kerwer 2004; Jacobsson 2004) insisted on the quality of the EES as a cooperative, participative process essentially aimed at promoting policy change through learning, as opposed to more traditional, top-down forms of governance. Based on a sociological institutionalist reading of the effects of the Strategy, much of this literature focused on the long-term socialising impact of the EES and implied an eventual convergence of member state employment policies around the Union's main goals as stated in the guidelines. As time went by, however, both official reports (Kok 2004; European Commission 2005; European Central Bank 2005) and the results of independent research (Govecor 2004) started to show some disappointment with the EES' (and, more generally, the OMC's) seeming inability successfully to bring about national reform and reach the targets agreed at the EU level. Thus commentators took an increasingly pessimistic view of the merits of the Strategy. A number of authors (Scharpf 2002; Chalmers and Lodge 2003; Radaelli 2003b; De La Porte and Nanz 2004; Visser 2005) pointed to the technocratic and opaque nature of the Strategy, to its subservience towards the ideologies and path-dependencies of EMU, to its inability to impose sanctions for non-compliance, and concluded that the EES is little more than an exercise in 'symbolic politics' unlikely to have any effect whatsoever.

This thesis takes issue with the existing literature on two main points. On the one hand, the debate surrounding the EES suffers from a striking deficit of empirical evidence (Zeitlin 2005a, 2005b). Most of the relevant studies either rely solely on a narrow range of (often outdated) official sources, or point to long-term processes without showing much evidence of them. On the other hand, empirical research tends to focus on end-states (policy outcomes, labour market performance according to agreed benchmarks and targets), which are virtually impossible to trace back to a single source of inspiration. This work contends that the most appropriate way to investigate the impact of a non-binding process such as the EES is to analyse the process through which employment policy decisions are made. Following Radaelli's advice (Radaelli 2003a), one must look into what went on at the level of policy-makers 'at the hub' of national policy puzzles and observe whether EU guidelines and recommendations provided resources and cognitive drives, or else were just irrelevant.

The large body of material generated so far on the operation and effects of the EES – from the National Action Plans (NAPs) and Joint Employment Reports (JERs) produced for the annual coordination cycles, to the Commission's mid-term reviews (European Commission 2002, 2005) and the studies undertaken by academic research groups or individual scholars (De La Porte and Pochet 2002; Govecor 2004; Zeitlin *et al.* 2005) – does, indeed, show some significant (if preliminary) evidence of impact on national decision-making processes. First of all, a measure of administrative adjustment has been necessary in all member states in order to comply with the Strategy's requirements. Inter-ministerial coordination has improved in nearly all countries and monitoring and reporting capabilities have been upgraded where they were poor. Second, country studies confirm that the EES has been taken into account on the occasion of specific policy decisions in individual member states. EES influence on national policy has been reported, in particular, in the introduction of personalised activation services for the unemployed, in the reform of benefit systems and in the area of equal opportunities. Third and finally, one of the most widely attested claims of the existing empirical work on the Strategy is that it has contributed to broad shifts in national policy orientation and thinking, involving the incorporation of EU concepts and categories into domestic debates. The most widely cited examples of this concern the shift of emphasis from reducing unemployment to raising employment rates, from passive income support to activation of the unemployed and from a curative to a preventative approach to fighting unemployment.

By investigating the impact of an EU process on national policies, this study clearly shares the same broad research interest that informs the blossoming literature on Europeanisation. The author, however, chose not to refer to the term 'Europeanisation' explicitly since, as discussed in

Chapter 1, it is generally defined so vaguely and used to label such a widely diverse range of studies as to be virtually useless. The view of the policy process that is taken here closely resembles a ‘garbage can’ model of organisational choice (Cohen *et al.* 1972; Kingdon 1995) in which decisions are made under conditions of uncertainty and bounded rationality. This thesis, therefore, disputes the rationalist assumption whereby actors simply know what their interests are and are able to calculate the consequences of their actions. At the same time, it does not adopt a perspective similar to that of constructivist studies on social learning and deliberation (Risse 2000; Checkel 2001, 2003; Checkel and Moravcsik 2001; Johnston 2001; Niemann 2004), since showing evidence of such processes occurring in practice is methodologically daunting and necessitates the close observation of group dynamics in isolated social environments (closed networks, committee meetings). The research focus of this work is, instead, on the interactive processes through which the EES’ proposed policy model became advocated and diffused within different national policy-making arenas. The Strategy, as argued in Chapter 2, is best understood as an attempt on the part of the EU to structure a distinctive employment policy discourse – influenced by the prevailing international consensus and by the constraints imposed by EMU – and institutionalise it through a cyclical coordination process involving national and EU actors alike. Drawing from the literatures on discourse (Hajer 1995; Schmid and Radaelli 2002, 2004), agenda setting (Kingdon 1995; Zahariadis 2003) and policy ideas (Hall 1989; Blyth 1997), policy-making is conceived of as involving a competition between different sets of ideas concerning the definition of the problems to be addressed and of the appropriate solutions. Ideas define the material reality, reconfigure actors’ interests and build and re-build actors coalitions in novel ways.

On this basis, this thesis advances six working hypotheses, which are illustrated in detail in Chapter 1. First of all, since employment policy decisions must be made at the national level, it is there that one must look for evidence of the Strategy’s impact. The availability of a new interpretation of the existing problems and the appropriate solutions, though, is not sufficient: purposeful domestic actors must mobilise to support and diffuse it. Thus all the hypotheses proceed from the argument that the diffusion of the Strategy’s discourse at the national level depends on the presence or absence of national coalitions of actors willing to adopt and advocate it. Instead of trying to show processes of social learning and deliberation, of which existing studies find little evidence anyway, this thesis focuses on the interactive processes through which the specific employment policy discourse structured and institutionalised by the Strategy became advocated and diffused within different national settings.

The first three hypotheses concern the logic of actions and composition of national coalitions. In order to overcome a fictitious distinction that is often made in the literature, it is

hypothesised that (1) the coalitions advocating the EES discourse were motivated by both normative and strategic considerations. In other words, even discourse diffusion and change is expected to be, at least in part, driven by actors' interests and agendas. The composition of national coalitions, in turn, is likely to depend on (2) the specificities of national systems of employment policy-making (the role of civil servants and experts in policy formulation, the degree of centralisation of executive authority within the state apparatus) and (3) on how the NAP-drafting process was carried out (the degree of involvement of local governments, other Ministries, public agencies, non-state actors). Given that, as shown by previous research, the drafting of the NAPs was in all member states a bureaucratic, non-participative process, the expectation is that national coalitions remained limited to ministerial circles without much input from social partners and local authorities. Thus the national supporting coalitions identified by the case studies are expected to be narrow, tightly-knit groups of purposeful actors, resembling quite closely Sabatier's advocacy coalitions (Sabatier and Jenkins-Smith 1993; Sabatier 1998).

The success of these coalitions, then, is likely to depend on the opportunities and constraints offered by the institutional context in which they operated. In particular, it is more likely if (4) participation in the drafting of the NAPs caused the strengthening of coalition members' positions within their organisations and (5) only a limited number of actors are involved in employment policy-making. Given the restricted participation in the stages of the coordination process that take place at the national level, indeed, the EES discourse is unlikely to travel much further than Labour Ministries and the leadership of interest organisations. Last but not least, even when the EES can be proved to have influenced national policy developments, these are likely to be shaped by established policy traditions. Thus this work's final hypothesis is that (6) except for the few cases in which the guidelines contain specific policy objectives, these are only likely to influence the overall goals and ambitions of policy, but not the design of policy instruments and settings.

In order to find evidence of the existence of national coalitions advocating the EES discourse, their composition and degree of success in influencing policy, the empirical part of the thesis looks into the process through which national employment policy decisions were made. Specific instances of policy change (or lack of it) were selected on the basis of the issues highlighted by the Strategy's recommendations as in need of reform. This should make it easier to observe variation in the direction suggested by the EU. Two chapters are dedicated to the analysis of employment policy traditions and modes of policy-making in the two member states under examination (France and Italy) in order to outline existing policy models and identify who is involved in policy formulation. Since the link between national policy decisions and the EES must be drawn by the actors involved, the thesis investigates who participated in the making of specific

policy decisions and whether that coincided with those who were involved in drafting the NAPs. Thus evidence of the existence of national coalitions is represented by the verbal and written utterances of actors involved at different levels in national systems of employment policy-making (the government, the social partners, local authorities). Since the drafting of the NAPs is the stage of the coordination process in which information about the Strategy is diffused at the national level, the identity of coalition members is sought among those who were in charge of the plans as well as those involved in policy formulation in different national settings. Proof of coalition members' motivations is sought in the statements of the individuals involved or of informed observers concerning whether these supported the EES discourse because they thought it was an accurate definition of reality or because they meant to strengthen their own influence or the government's pre-existing plans. The position occupied by coalition members within their organisations and the position of their organisations within national systems of policy-making is taken as an indicator of the institutional resources at their disposal. Moreover, evidence of the further resources provided to coalition members by the participation in the drafting of the NAPs is sought in such developments as the participation of the same individuals in major domestic policy initiatives (policy documents, social pacts, new legislation) or their career progression within their organisations. Finally, the level at which influence on policy can be detected (overall goals as opposed to instruments and settings) is analysed by comparing policy documents (legislation, white papers, official reports) with the EES guidelines and recommendations. If no evidence can be found of groups of actors advocating the Strategy's discourse can be found among those in charge of the NAPs and involved in policy formulation, if these are in no position to influence policy even as a result of their involvement in the drafting of the NAPs and, lastly, if no evidence of impact of the guidelines and recommendations can be found in policy documents, then all or some of these hypotheses will be taken as refuted. The thesis' working hypotheses and the types of evidence relevant to each of them are summed up in Table 1 below.

Table 1. Working hypotheses and relevant evidence

Hypotheses	Evidence
1. The coalitions were motivated by both normative and strategic considerations	Verbal/written utterances of actors involved in employment policy-making and in the drafting of the NAPs
2. The composition of national coalitions depends on the specificities of national systems of employment policy-making	Position occupied by coalition members within their organisations and the position of their organisations within national systems of policy-making
3. The composition of national coalitions depends on how the NAP-drafting process was carried out	Identity and affiliation of the individuals involved in the drafting process

4. The success of national coalitions is more likely if participation in the drafting of the NAPs caused the strengthening of coalition members' positions within their organisations	Career progression of individuals in charge of the NAPs and their participation in major domestic policy initiatives (policy documents, social pacts, new legislation)
5. The success of national coalitions is more likely if only a limited number of actors are involved in employment policy-making	Impact of EES discourse on policy in single-actor systems (like France) and multi-actor systems (like Italy)
6. The guidelines are only likely to influence policy goals, but not the design of policy instruments and settings	Consistency between national policy documents and EES guidelines and recommendations

In sum, this thesis argues that the best way to investigate the domestic impact of the EES is to trace the process behind domestic policy decisions and focus, in particular, on the activity of national coalitions advocating its discourse. At the same time, it accepts the fact that discourse and norm diffusion must be seen in their institutional context (Schmidt and Radaelli 2004) and maintains that path-dependencies, policy-making arrangements and policy styles allow the use of certain types of arguments in certain institutional settings and not in others. A study of this kind, of course, ought to be comparative in nature. The real test for the above hypotheses is to be found in the development of employment and labour market policies from the inception of the Strategy in countries with different policy-making arrangements, political systems and institutional set-ups. The national case studies presented in Chapters 3 to 6 investigate the identity, activities and resources of supporting coalitions in member states with different systems of employment policy-making. The following section illustrates the methodology adopted by this thesis – relying on ‘process-tracing’ as a means to analyse the process behind specific policy decisions – and the criteria used for case selection.

2. Methodology and choice of cases

Assessing the causal impact of an iterative policy-making process based on cooperation between the EU and the member states without legally binding sanctions is bound to be methodologically challenging. National representatives participate in the definition of objectives, guidelines, targets and indicators, which makes it difficult to identify what comes from where. Also, member governments may have various political reasons for playing up or down the domestic influence of the EES, hence National Action Plans and evaluation reports are not entirely trustworthy as a source of relevant information.

Thus the most appropriate way to identify the influence of the Strategy as an independent variable is to concentrate on single instances of change (or lack thereof) and trace the process

behind them. Accordingly, the main empirical focus of the present work is on the recommendations that single member states have not initially followed or do not intend to follow in order to see whether and by whom the EES' advice has been advocated and/or adopted. A focus on the issues raised by the country-specific recommendations issued by the Council on a proposal from the Commission has the advantage of narrowing the research down to the aspects of national employment policies where the 'lack of fit' with the Strategy's discourse was greatest. This will make the comparison more 'contextualised' and will bring up the main 'sticking points' in different national settings (Locke and Thelen 1995).

In practice, the empirical part of the thesis follows Van Evera's (1997) and Checkel's (2005) suggestions for 'process-tracing' as a basic method to investigate and explain the chain of events or the decision processes by which various initial conditions are translated into outcomes (see also Radaelli 2003a). In the present case, this method aims at uncovering the setting and reconstructing the mechanisms through which actors seek to advocate and diffuse new policy concepts and discourses. Process-tracing is generally supported by three sets of tools:

- qualitative content analysis of official documents and major media and specialist publications;
- the examination of temporal sequencing of events and decisions;
- interviews with policy-makers and experts.

Relevant evidence here consists of explicit changes in policy (new employment legislation), policy documents like white papers or committee reports and statements by key policy actors drawn from parliamentary acts, newspaper articles, semi-structured interviews where explicit or implicit reference to the EES is made. The focus is on shifts in the content, motivation and instruments of policy rather than just on quantifiable changes. Triangulation between temporal sequencing, interviews and content analysis is meant to multiply the number of observations and minimise the impact of the 'political bias' of official documents.

The first type of source used by this work is the academic literature on employment and labour market policies in the countries under consideration. The existing literature offers essential background information on the policy models, instruments, settings and debates in existence before the inception of the Strategy as well as on how they have developed since. Some useful information regarding instances of policy change and relevant actors and procedures has also been taken from the few country-specific studies that have already been undertaken regarding the functioning and impact of the EES.

The second type of source is official documents and press material. Content analysis, relying on the coding of recurrent themes, key words and expressions, has helped to re-trace the chain of

events that led to particular decisions and to disclose the diffusion of shared discourses. In the selection of the sample of media content, the focus has been on quality newspapers across the political spectrum with a high circulation and a considerable influence on other types of media, such as TV, radio and the popular press. The obvious choices have been *Le Monde*, *Le Figaro* and *Les Echos* for France and *Il Corriere della Sera*, *La Repubblica*, *La Stampa* and *Il Sole 24 Ore* for Italy. Relevant articles have been identified by using and refining keyword scanning on the LexisNexis database between January 1998 and early 2006. The co-occurrence of themes and codes, the timing of statements and decisions and explicit or implicit references to the EES has been considered as evidence of the Strategy's impact on national employment policy discourses and arrangements. Content analysis, moreover, was utilised as a crucial tool to set the context and identify the conditions under which instances of change have occurred.

Finally, a number of semi-structured interviews with civil servants, social partner representatives and experts has been undertaken in both the countries studied (nine in France, thirteen in Italy). The aim was to identify the actors who have been involved in the coordination exercise either at the national or at the European level and to establish a link between instances of change and employment policy coordination. Questions have been posed along the following broad lines:

- How have the NAPs been prepared in your country? Who participated in the process (Ministries, public agencies, social partners, sub-national governments)? Who participated in the peer review processes in Brussels?
- Did your country make any adjustments in order fully to participate in the coordination process? Have new bodies been created and/or old ones revamped?
- Do you think the guidelines/recommendations/NAPs had any input in the process through which key employment policy decisions were made in your country? Were they advocated/opposed by any specific groups involved in policy-making? If so, would you give any specific examples?

Potential interviewees have been identified, first, by getting in contact with the national Ministries of Labour and, then, by using a classic 'snowballing' technique, that is, asking the first interlocutors who else it would be interesting to talk to.

A study such as this requires a careful case selection. In order to isolate the EES' impact and keep other potential causal variables constant, this work follows a 'most similar cases' strategy. It concentrates on countries with similar starting conditions (employment policy traditions, labour market performance) so as to keep potential alternative explanations constant and check for the impact of the variables discussed above (presence/absence of supporting coalitions, institutional

resources/constraints). Based on these premises, a study on France and Italy seems to be a fitting one. These two countries, indeed, show similar forms of state intervention in the labour market – highly restrictive labour market regulation, public expenditure almost exclusively geared toward passive income support – and a similar labour market performance – comparatively low employment rates and high unemployment rates in the period under consideration. Although both countries supported the introduction of an EU strategy on employment, their employment policy models were very far from the EES. In both countries the drafting of the NAPs, after the first few years in which the Strategy enjoyed visibility in the press and was the focus of much political attention, gradually became a bureaucratic exercise carried out within the national Labour Ministries with some input from interest organisations and (in Italy) local governments. A first noticeable difference, however, is that, whereas in France the drafting process was a responsibility of the Ministry's administration under the close supervision of the *haute administration*, in Italy it was delegated to outside experts and required a significant upgrading of the administration's capabilities for analysis and evaluation. This points to a difference in the identity of those who are involved in governmental policy-making: a powerful echelon of permanent civil servants in France, restricted circles of outside experts and academics in Italy, who acquired a more active role in the wake of the political crisis of the 1990s. More broadly, the two countries have very different institutional set-ups and policy-making arrangements. France has a semi-presidential political system with a very resourceful and centralised state apparatus, in which the executive is in a position to pass and implement policy without involving non-governmental actors and sub-national authorities. By contrast, Italy is a parliamentary system with a weak executive and a highly decentralised state apparatus. Employment policies are usually negotiated with the social partners and need to be at least partially implemented by regional governments. Chapters 3 and 5 will add to the complexity of the picture by pointing to the developments of the 1990s and early to 2000s. In France successive attempts to reform welfare and employment policies were blocked by widespread public protests and forced the government to seek the support of part of the labour movement. In Italy, instead, the election in 2001 of a centre-right government with a large parliamentary majority opened the field to a more unilateral policy style.

A comparison along these lines, in sum, seems to have a number of significant advantages. First, the fact that both countries have employment policy traditions which are inconsistent with the Strategy makes it easier to signal variation. Second, the different kinds of actors involved in policy-making should show the existence and activities of different kinds of supporting coalitions. Third and finally, France and Italy's diverging institutional set-ups and policy styles provide enough

leverage to investigate the impact of different institutional conditions in determining national supporting coalitions' success in influencing policy (hypotheses 4 and 5).

3. Overview of the chapters

This work aims to provide a comparative analysis of the impact of the European Employment Strategy – the oldest and most developed ‘open method of coordination’ in the social policy field – on member states’ employment policies. It is argued that the EES is best understood as an attempt to disseminate a specific employment policy discourse and that it is only likely to influence national policies if it is adopted and advocated by purposeful domestic actors and coalitions. These coalitions’ success in diffusing the EES discourse, in turn, depends on the institutional resources and constraints facing them in the specific settings in which they act. This introduction has briefly outlined the thesis puzzle, the structure of the argument and a number of working hypotheses and, lastly, its methodology and choice of cases.

Part I of the thesis is dedicated to outlining the conceptual framework and reviewing the existing literature on the EES. Chapter 1 argues for a focus on discourse and on the causal role of policy ideas as necessary conceptual tools to investigate how perceptions of policy problems and of the available solutions are identified, where they come from and how they change. It outlines an approach to the diffusion and advocacy of the EES discourse based on the identification of supporting actor coalitions, and blends it with an understanding of the institutional settings in which they operated and on how these facilitated or hampered their efforts. Chapter 2 takes stock of the literature on the governance, content and impact of the Strategy as a basis for the empirical part of the thesis. It defines the EES as a means to structure and institutionalise a specific employment policy discourse based on a compromise between existing models and influenced by the macroeconomic policy set-up of EMU. It is contended that the literature on the Strategy’s impact, relying on concepts such as incentive structures, policy learning and socialisation, provides useful insights into its nature and operation, but fails to appreciate the reality of national employment policy-making.

Part II presents the two case studies on France and Italy. Chapters 3 and 4 chart the evolution of French employment policies and policy-making before and after the inception of the EES. Employment policy-making in France is characterised by a highly interventionist state machine and weak interest organisations. The labour market is tightly regulated and public expenditure on income support and employment programmes is comparatively high. Although the discourses of flexibility, dynamism and industrial competitiveness were in good currency since the

1980s, themes such as the activation of the unemployed, active ageing and lifelong learning only entered French debates after the launch of the Strategy. Chapter 4 investigates how the new reporting obligations have been carried out as well as key instances of policy change in areas that had been highlighted by the EES recommendations with a view to showing the role that the Strategy played in the process leading to them.

Chapters 5 and 6 concentrate on the Italian case. Employment policies in Italy followed a somewhat unbalanced pattern of development: a very high level of protection of the individual employment relationship coexisted with low public expenditure on income support policies and employment programmes for the unemployed. Unlike in France, Italian governments have long been weak and unstable and needed the agreement of relatively powerful interest organisations before adopting major pieces of legislation. As in France, however, new themes entered employment policy debates around the time the EES was launched and in the process of qualifying for Economic and Monetary Union. The analysis focuses on two policy areas that the EES recommendations identified as in need of reform (public employment services and social shock-absorbers) in order to observe possible instances of discourse or policy change. The case study results will show whether the complexity of Italian policy-making hindered discourse change and policy innovation.

The Conclusion, finally, sums up the findings and elaborates on some critical theoretical issues. What is the nature of the supporting coalitions that have been identified in France and Italy? What do the case studies say about the kinds of institutional arrangements that facilitate or hamper the diffusion of new ideas and discourses? How can one build a typology of policy impacts of soft non-binding instruments like guidelines and recommendations?

PART I

THEORETICAL FRAMEWORK

CHAPTER I

THE DIFFUSION AND ADVOCACY OF EU EMPLOYMENT POLICY: A THEORETICAL FRAMEWORK

The emergence of new modes of EU intervention, based on coordination and ‘soft law’ instruments rather than binding legislative acts, in domains that are traditionally left to national sovereignty like employment policy has been the object of a great deal of academic interest in recent years. The available empirical studies, however, generally show some disappointment with the European Employment Strategy’s apparent lack of substantive effects on national policies. The purpose of this chapter is to build a theoretical framework for the study of the EES’ domestic impact. Based on the contention, illustrated in Chapter 2, that the Strategy is best understood as an attempt to provide policy-makers with a legitimising discourse involving an interpretation of the problems of European labour markets and a recipe for future action, it maintains that evidence of the EES’ influence must be witnessed at the level of the national actors who were involved in key policy decisions over the period under consideration. It argues for an approach based on methodological individualism to the diffusion and advocacy of EU employment policy ideas and discourse by seeking to identify supporting actor coalitions, and blends it with a focus on the institutional settings in which they operated and on how these facilitated or hampered their efforts.

The development, policy content and governance of the EES are treated in Chapter 2. The sections of this chapter elaborate on the claims made above and formulate a number of hypotheses that will be tested in the case studies on Italy and France. Section 1 challenges the time-honoured notion of policy change and policy output as being determined by the struggle between groups within the polity whose interests and preferences are determined by their positions in the economy or the political system. Individuals and organisations must act in conditions of bounded rationality and uncertainty: their capacity to process and evaluate information is limited, and so is their ability to predict the future consequences of present alternative courses of action (Cohen *et al.* 1972; Kingdon 1995; Hemerjick and Visser 2003). Under such conditions policies are likely to change in a gradual and incremental fashion, based not only on the power of self-interested groups to impose their pet solutions, but also on past experience, new information and the degree to which actors come to agree on the definition of the existing problems and appropriate solutions. Thus a focus on discourse and on the causal role of policy ideas, it is argued, is necessary to investigate how perceptions of policy problems and of the available solutions are identified, where they come from and how they change.

Sections 2 and 3 review the existing literature on the domestic impact of European integration. As the EU started to intervene in a growing number of policy areas, the academic literature on Europeanisation has drawn the attention of researchers to the ways in which different modes of EU policy-making impact on different policy sectors as well as to how national actors react to it. The Europeanisation literature is useful in placing the relevant discourse (which is structured at the EU level) and in identifying the direction of communication (from the Union to the member states), but does not in itself say much about the institutional conditions and patterns of actor interaction that lead to discourse diffusion and adoption. Thus, based on different versions of neo-institutional theory (Hall and Taylor 1996), the Union's interventions have been conceived of, variously, as providing new opportunity structures for national actors to exploit, path-dependent mechanisms and norms of appropriateness, symbols and structures of meaning for them to internalise. Although these different variants of new institutionalism appear to be better placed to account for policy continuity rather than change (Schmidt and Radaelli 2004), they nonetheless provide useful insights into the role of the institutional context in structuring actors' behaviour and in facilitating or hampering the diffusion of new discourses and ideas.

Section 4, finally, outlines a number of hypotheses on the conditions under which new discourses and ideas are likely to become diffused and influence policy. In order to become diffused and accepted, a new discourse must be supported by a coalition of 'believers', i.e. domestic actors who (for normative or strategic reasons) decide to embrace and advocate it. This coalition must be as large and encompassing as possible, spanning through different branches of the central government, interest organisations and local authorities, depending on the institutional and policy-making set-up in which it operates. In order to influence policy, finally, this coalition must have considerable institutional resources at its disposal, such as analytical tools to support its arguments, access to financial resources and authority over decision-making and implementation. The country studies presented in the empirical part of this thesis will show who the EES discourse was adopted by and whether they had sufficient resources at their disposal convincingly to advocate it.

1. Bounded rationality, uncertainty and the role of discourse

Much political science literature assumes that politics is mainly about conflict and power. Governments reconcile conflict through public policies, which are then changed when there is a change in the power relations among conflicting groups. These groups' interests are determined by their respective positions in the economy or in the existing political system; they are assumed to

simply know what their interests are and to act upon that knowledge. Thus interests are taken as given or exogenous to the phenomenon being explained (McNamara 1998).

These assumptions are unrealistic. Studies of organisations and research in the field of social psychology have shown that actors and organisations often act in conditions of uncertainty and bounded rationality. More specifically, (1) individuals and organisations have little ability to foresee and evaluate the future consequences of present alternative courses of action, and (2) their capacity to process and evaluate information is limited and their choice behaviour is often driven by routines that have developed on the basis of selection and adaptation rather than rational calculation. Under conditions of bounded rationality, '*choice follows a process of trial-and-error*' and '*search processes for new solutions take place incrementally and in the vicinity of existing solutions*' (Hemerjick and Visser 2003: pp.7-8). As a consequence, organisations – in particular public ones – often assume the features of what Cohen *et al.* (1972) called 'organised anarchies': inconsistent and ill-defined preferences, unclear technology³ and fluid participation⁴. Problems are identified independently from policies and these are often answers in search of a question instead of the other way round. Participants come and go and must attend to several issues at the same time. Choice opportunities tend to look like 'garbage cans', where various kinds of problems and solutions are dumped. In such conditions, policy output will depend on the 'coupling' of problems and solutions by those who are paying attention at the time when choice opportunities come up (Zahariadis 2003).

Thus, even though it may be convenient to picture decision-making processes as rational procedures whereby problems are identified first, then decision alternatives are generated and evaluated in the light of one's objectives and finally a decision is made, this is often a poor description of what happens in reality. Policy-makers are constantly exposed to a range of conditions that may or may not constitute a problem and to a number of possible courses of action that may or may not respond to possible inadequacies of the present situation. In conditions of uncertainty actors will find it difficult to interpret their predicament and to predict the consequences of their actions, and will therefore be forced to rely on conceptual frameworks to make sense of the world and of their place within it.

A fundamental critique of 'rationalist' approaches comes from the social constructivist school (see Checkel 1997, 1999; Risse 2000, 2004; Jupille, Caporaso and Checkel 2003). Constructivism is based on the assumption that the environment in which agents take action is

³ This property refers to the fact that the organisation's own processes are '*not understood by its members. It operates on the basis of simple trial-and-error procedures, the residues of learning from the accidents of past experience, and pragmatic inventions of necessity*' (Cohen *et al.*, 1972: p.1).

⁴ '*Participants vary in the amount of time and effort they devote to different domains; involvement varies from one time to another. As a result, the boundaries of the organization are uncertain and changing; the audiences and decision makers for any particular kind of choice change capriciously*' (Cohen *et al.*, 1972: p.1).

social as well as material. The environment – be it the institutional context or broader notions of the local ‘culture’, depending on the research focus – provides agents with understandings of their interests and identities, i.e. it ‘constitutes’ them (Jupille, Caporaso and Checkel 2003). In this context, agents’ behaviour is not based on self-interested cost-benefit calculations, as rationalist accounts would suggest, but rather on a ‘logic of appropriateness’, whereby actors *‘follow rules that associate particular identities to particular situations, approaching individual opportunities for action by assessing similarities between current identities and choice dilemmas and more general concepts of self and situations’* (March and Olsen 1998: p.951). Norm-driven behaviour of this kind fundamentally differs from instrumental or strategic behaviour in that actors try to ‘do the right thing’ rather than maximising their own given preferences (Risse 2004).

It is worth noting, however, that, apart from clear issues of operationalisation (how do I know a norm when I see one?), social constructivism runs into two kinds of problems. On the one hand, it is an inherently ‘static’ approach in so far as it does not say anything about the processes through which actors come to agree on norms of appropriateness and how these change over time. On the other hand, it draws a fictitious distinction between strategic, interest-based behaviour on one side and norm-driven, socially-minded behaviour on the other. In reality, norms and rationality are intimately connected. In fact, *‘rationality cannot be separated from any politically significant episode of normative influence and change, just as the normative context conditions any episode of rational choice’* (Finnemore and Sikkink 1998: p.888). Interestingly, studies integrating strategic behaviour and the role of norms and ideas have started appearing on both the rationalist and the constructivist camps. McNamara’s study on the politics of monetary integration in Europe (McNamara 1998) and Schimmelfennig’s work on the role of the strategic use of arguments in the EU’s eastern enlargement (Schimmelfennig 2001) are cases in point. Also, on a different note, others have tried to contribute to the debate by specifying the conditions under which one logic of behaviour prevails on the other. Hence, some leading constructivist scholars (Risse 2000; Checkel 2001, 2003; Checkel and Moravcsik 2001; Johnston 2001) concentrated their efforts on identifying the conditions under which ideal-typical norm-driven behaviour occurs while relations of power and social hierarchies recede into the background, thus leading to processes of deliberation, social learning and persuasion.

This latter exercise, nevertheless, is of little help for the development of the literature, as it restricts the scope for constructivist research mainly to small, closed environments inhabited by people sharing the same technical or scientific background. Instead, a much more interesting development resides in the interest scholars are taking in the role of ideas and discourse in shaping policy outcomes. A discourse-based approach starts from the observation that the way actors

understand their roles in society and act upon them is linguistically constructed. In this sense, this is an inherently, literally constructivist endeavour. Discourses are sets of linguistic material or '*systems of meaning*' (Howarth 1995: p.115), which '*have a degree of coherence in their content and organisation and perform constructive functions*' (Coyle 2000: p.253) in a given social context. Discourse, in essence, is constituted by spoken and written words. The assumption is that there are no objective 'truths' out there; social reality does not exist beyond the ways actors perceive and describe it. Public policies, of course, are no exception to this. They are based on certain interpretations of social problems and on theoretical assumptions about their possible solutions. Based on recent work by Schmidt and Radaelli (2002, 2004), policy discourse is defined as (1) a set of policy ideas regarding the soundness and appropriateness of policy programmes and (2) the processes of policy formulation and communication that serve to generate and disseminate those policies.

A focus on policy discourse and ideas is helpful for a number of reasons. First, by arguing that actors' verbal and written utterances must be taken seriously, discourse provides constructivist scholars with a clear empirical focus. As will be argued in the following chapter, the EES guidelines and recommendations sketch out a comprehensive employment policy model providing domestic decision-makers with an interpretation of the problems of European labour markets and of their appropriate solutions. Second, a focus on discourse has the potential to overcome the 'static' bias of social constructivism by including notions of agency and power. As there is always more than one competing discourse in every policy area, policy-making is inherently a battle for '*discursive hegemony*' (Hajer 1995). In order for a particular discourse to become accepted, it must be adopted and advocated by purposeful individuals or groups. This work takes a distinctively positivist view on the role of ideas in policy-making. Following Hall (1989, 1993) and Blyth (1997), ideas are seen as a necessary condition for collective action, as able to redefine actors' interests and reconfigure actors' coalitions. It is at the level of actors, it is argued, that one must look in order to investigate the interactive process of discourse diffusion. Moreover, discourses have in-built structures of power within them. The discourse that wins the battle will become the accepted interpretive framework, thus setting the standards of 'appropriate' and 'inappropriate' behaviour and defining what is a 'good' and a 'bad' state of affairs. By pointing out the problems to be addressed, policy discourses limit the range of alternatives under consideration, which is, as Schattschneider noted, '*the supreme instrument of power*' (quoted in Haas 1992: p.16). Third and finally, a focus on discourse can serve to bridge the gap between structure and agency. As suggested by Schmidt and Radaelli (2004), the role of discourse and the interaction between actors should be understood in their institutional context. The coalitions advocating a particular discourse are bound to operate

within the boundaries of the constraints and opportunities offered by the institutional setting in which they operate. This can affect their activities in a number of ways. Discourse diffusion, for instance, might be more difficult in systems in which a large number of actors have a say in policy formulation than in majoritarian systems where the executive has considerable control over policy-making. Ideas might flow more easily in states in which experts and academics are widely consulted by the administration than in those in which policy advice comes primarily from restricted circles of civil servants (Hall 1989).

This work, thus, shies away from the extreme ontological stance whereby discourse is everywhere and constitutes the only possible form of reality from the actors' point of view (Howarth 1995). It assumes, instead, that the relationship between ideas and the material reality is a complex one and that the influence of a set of ideas or discourse rather than another does not depend on its innate qualities alone. The aim of this thesis is to investigate the conditions that allow a particular discourse, structured and diffused by one level of governance (the EU in this case), to become diffused and accepted in another (the member states). This work, hence, falls broadly within the remit of the thriving literature on the domestic impact of European integration or, to use a term that has become fashionable in recent years, 'Europeanisation'.

The research focus of Europeanisation, in fact, helps to situate the relevant discourse – which is structured at the EU level – and to identify the direction of communication – i.e. the member states, especially those whose employment policy tradition is farthest from the guidelines⁵. Yet, it is argued, the Europeanisation literature is too unspecified as regards the institutional settings and patterns of interaction leading to discourse diffusion. Useful hints in this regard can be found in different strands of neo-institutional theory. Thus the following two sections review the literatures on Europeanisation and new institutionalism, looking for theoretical insights that might help in fulfilling the thesis' task. The last section of this chapter, finally, formulates a number of hypotheses on the conditions that facilitate or hamper discourse diffusion. These, in turn, will be tested in the case studies presented in Part II.

2. Europeanisation and the domestic impact of EU policies

Research on European integration has, over the past few years, moved from an almost exclusive focus on explaining the process of integration as such to a broader interest in how the EU works as a system of governance and in the impact it has on member state policies and institutions (Caporaso 1996; Hix 1998; Featherstone 2003; Schmidt and Radaelli 2004). The study of the European Union,

⁵ See Chapter 2.

in other words, is no longer primarily concerned with categorising the process and outcome of integration. The main issue now is how the EU works as a decision-making system and how effective it is in delivering such goods as economic growth and better governance.

This shift in research interests is at the very core of the thriving literature on Europeanisation (for an overview see Olsen 2002; Featherstone and Radaelli 2003). The common denominator of the large number of studies grouped under this label is a focus on the domestic impact of EU-level developments – policies as well as institutional arrangements – and an appreciation of the fact that this is inherently complex and diverse. The Union, indeed, intervenes differently in different sectors and different modes or mechanisms of intervention are, in turn, likely to trigger different kinds of domestic responses and effects. A very broad research agenda is, therefore, a striking feature of this literature, along with its widespread reliance on different strands of neo-institutional theory⁶. Europeanisation, it has been argued, is not a theory in its own right, but rather an umbrella term or an ‘attention-directing device’ (Olsen 2002), that is, a research focus and a starting point for further exploration. Studies of Europeanisation concentrate on different kinds of domestic impacts (predominantly on public policies, but also on polities and national institutions), different sectors, different modes of EU intervention (from binding legal acts to soft law instruments like guidelines and recommendations); so much so, in fact, that doing away with the word altogether would not entail a significant loss in terms of explanatory power. It is for this reason that, even though it shares the same broad research focus, this thesis does not refer explicitly to the term.

The extreme comprehensiveness of Europeanisation, in sum, represents both its strength and its principal weakness. This is reflected in the difficulty scholars have met in defining the term in a way that is amenable to empirical research. The most popular definitions present in the literature, in fact, leave out surprisingly little of the entire range of human endeavours. In the introduction to a recent collection of comparative studies, Green Cowles *et al.* (2001: p.3) define Europeanisation as ‘*the emergence and development at the European level of distinct structures of governance*’, a process of political institutionalisation involving ‘*the development of formal and informal rules, procedures, norms, and practices governing politics at the European, national and sub-national levels*’. According to Radaelli (2003: p.30), Europeanisation consists of the construction, diffusion and institutionalisation of ‘*formal and informal rules, procedures, policy paradigms, styles, ‘ways of doing things’, and shared beliefs and norms*’ first defined at the EU level and then ‘*incorporated in the logic of domestic discourse, identities, political structures, and public policies*’. Dyson and Goetz (2004: p.30) further extended the scope of the phenomenon by defining it as a ‘*complex*

⁶ See below.

interactive “top-down” and “bottom-up” process in which domestic polities, politics and public policies are shaped by European integration and in which domestic actors use European integration to shape the domestic arena’. All these definitions stress Europeanisation as a process and put the emphasis on change as its end-result. They do not only refer to EU laws or decisions of a similar level, thus including new modes of governance not targeted toward law-making, such as the OMC. By including not only processes of member state adaptation to EU actions, but also the use domestic actors make of the EU in order to legitimate policy reforms, develop policy solutions and alter policy beliefs, they avoid the chicken-and-egg question of ‘what comes first’ or ‘who influences whom’ (Featherstone 2003). However, extending the definition to such a broad range of supranational stimuli and potential effects and mechanisms of influence amounts to taking on just about everything, thus making it somewhat difficult to ascertain what Europeanisation is not.

That said, however, this large body of literature provides a number of theoretical insights that are of considerable help for the task of the present chapter, which is to formulate some hypotheses on the conditions under which the EES is most likely to influence member states’ employment policies. Researchers, in particular, have made some interesting attempts to conceptualise the mechanisms through which European integration affects domestic arrangements. Some of the most widely-cited studies on Europeanisation (Börzel 1999; Green Cowles *et al.* 2001; Börzel and Risse 2003) focus on the notion of ‘goodness of fit’ (i.e. the degree of institutional compatibility) between European policies and domestic institutions as the main trigger of change. The basic idea is that Europeanisation only matters if there is some degree of incompatibility, or ‘misfit’, between European-level and domestic arrangements. Poor ‘fit’ will produce adaptational pressures, which will then be filtered through and mediated by domestic institutions. A considerable pressure to adapt to European stimuli, however, is not a sufficient condition for domestic change to happen. According, for instance, to Börzel and Risse (2003), two kinds of mediating factors present at the national level are likely to influence the outcome of a process of Europeanisation. On the one hand, European stimuli will produce domestic change if national institutional settings provide supporting actors with adequate material and ideational resources and do not empower, by contrast, opposing actors or ‘veto players’. On the other hand, European policies that do not resonate well with national beliefs and expectations will be more likely to produce change if ‘change agents’ or ‘norm entrepreneurs’ will mobilise to persuade domestic actors to redefine their interests and identities in the context of a non-conflictual political culture and informal institutions conducive to cost-sharing and consensus-building. Thus the domestic impact of EU policies is said to depend on the activity of national actors as well as on institutional factors. Since the institutional settings of

member states differ widely, in turn, Europeanisation will probably produce diversity rather than convergence (Börzel and Risse 2003).

Reasonable as it may sound, however, the ‘goodness of fit’ argument is not without problems. As suggested by Radaelli (2003a), the metaphor of the ‘fit’ potentially covers such a wide range of elements (presence-absence of Roman law, strength-weakness of bureaucratic structures, corporatist-pluralist style of decision-making, etc.) that there can be no absolute compatibility or mismatch. The ‘goodness of fit’ argument, moreover, is useless in the absence of a clear, detailed EU model to be adopted or in the presence of national policy ‘voids’, as not all member states have a fully developed set of institutions or public policies (Dyson and Goetz 2004). More generally, the degree of compatibility or incompatibility is subjective and often politically constructed, and is likely to depend on the interpretation of the decision-makers involved. Thus a consensus seems to have emerged that there is not one, but many mechanisms of Europeanisation and that research designs must be framed accordingly. Recourse has, therefore, been made to a range of different theoretical lenses, generally based on different varieties of ‘neo-institutionalism’⁷, in order to study analytically distinct parts or phases of Europeanisation processes.

Considerable efforts have, therefore, been made to build typologies of different domestic impacts of EU policies based on different modes of EU intervention. Knill and Lehmkuhl (2002), in particular, started from the observation that EU policies do not always produce new legally binding rules for member states to implement. Occasionally they aim, instead, to strike down existing regulations or just to influence domestic debates. Relying on and extending the time-honoured distinction between ‘positive’ and ‘negative’ forms of integration – essentially regulatory versus de-regulatory policies –, they outlined three separate mechanisms of Europeanisation. The first mechanism takes the form of positive integration and is found when EU obligations prescribe an institutional model to which domestic arrangements have to be adjusted, as is the case, for instance, in the areas of environmental protection and health and safety at work. Europeanisation here rests on the institutional ‘goodness of fit’ of domestic and European settings. The second mechanism is labelled negative integration and occurs when EU legislation alters the domestic rules of the game. Examples can be found, in particular, in many market-making policies of the EU, which basically work to exclude certain options (barriers to trade, to the free movement of workers, and so on) from the range of national policy choices rather than prescribe specific models to be introduced at the national level. Europeanisation here acts by altering the ‘opportunity structures’ that determine the distribution of power and resources between domestic actors. The third and weakest mechanism is found where European policies aim to alter the beliefs and expectations of domestic actors, which

⁷ See below.

may in turn involve a change in preferences and strategies. This last mechanism is dubbed ‘framing integration’ and can be observed, it is argued, in those EU actions whose aim is to prepare the ground for subsequent, more demanding policies of positive or negative integration, as in the case of the Community’s railway policy.

Following a similar line of reasoning, Radaelli (2003a) has recently spoken of ‘vertical’ and ‘horizontal’ mechanisms of Europeanisation. Vertical Europeanisation occurs when the EU prescribes the adoption of a specific model, thereby exercising some form of adaptational pressure on member states to adjust. By contrast, horizontal mechanisms look at Europeanisation as a process where there is no pressure to conform to EU policy models, which is the case in the presence of policies of ‘negative integration’ – where the key mechanism is international regulatory competition –, as well as of several soft ‘framing’ mechanisms, such as minimalist directives, non-compulsory regulations and the Open Method of Coordination⁸.

The most advanced empirical study on Europeanisation to date is the one produced by Falkner *et al.* (2005, 2007). Based on the results of a large-scale qualitative project on the transposition, enforcement and application of 6 EU labour law directives in 15 member states, the authors come to contest the general relevance and applicability of the most diffused hypotheses of the implementation literature, including those relying on the notion of ‘fit’ between EU norms and national arrangements and on the presence or absence of ‘veto players’ in domestic political systems. They argue, instead, that different factors are relevant in different country studies and cluster member states in three different ‘worlds’ of compliance: a world of law observance, where a widespread ‘culture of compliance’ overrides the emergence of national concerns regarding the rules to be adopted; a world of domestic politics, where domestic interests prevail every time they conflict with the new rules; and a world of neglect, where national arrogance or administrative inefficiency often result in lack of compliance and policy inertia.

The scope of the Falkner study is necessarily limited, as it is only concerned with the transposition of legally binding instruments. However, its conclusions seem to confirm the relevance of some key findings of the Europeanisation literature. First, the domestic impact of EU policies does not depend on just one factor – say, institutional ‘fit’. In order to account for Europe’s impact, reference must be made to a mix of different variables in any one case. Second, the domestic impact of EU policies is the outcome of an eminently political process or, in other words, a matter of state choice (Haas 1998). Since the EU lacks the authority over its subunits that most national governments have over their lower political forms, compliance hinges either on the strategic calculation of member countries or on the existence of shared causal beliefs about the issue

⁸ See below.

to be dealt with and the degree to which the rules in question promote valued ends. Member states are, therefore, most likely to adjust to EU rules and norms if they want to, either because they deem it to be in their interest or because they ‘believe’ they should do it. It is not surprising, in this sense, that in the Falkner model administrative variables are considered significant only in the third cluster, the world of neglect, and even there they are not named as the only factor leading to policy inertia.

To sum up, the literature on Europeanisation shows that the impact of EU policies on the member states cannot be pictured in a top-down, chain-of-command fashion. The way member states respond to EU initiatives, including its legally binding acts, must be explained by reference to domestic factors, be they institutional factors or the activity of national actors or groups. Domestic structure and agency, in turn, are conceptualised differently depending on the kind of EU intervention under examination (positive/negative integration, binding/non-binding acts) and the theoretical lens adopted. Europeanisation, as said above, is an empty box in theoretical terms and must rely on the insights of other theories as an explanatory tool. Different variants of new institutionalism have constituted the theoretical basis for studies on the domestic impact of European integration, each having a different way of defining institutions as well as a different views of the role of agency. The next section analyses in more detail three different strands of neo-institutional theory in order to find out how they can contribute to explaining the conditions under which the EES discourse got diffused and advocated at the national level.

3. The new institutionalisms as the theoretical basis for the study of Europe’s domestic impact

New institutionalism emerged as a reaction to the behaviouralism of the 1950s and 1960s, which regarded all political phenomena as the aggregate consequences of individual behaviour and political action uniquely as a result of choices based on calculated self-interest (March and Olsen 1984; Immergut 1998). New institutionalism rejects these reductionist and utilitarian assumptions and builds on the apparently banal claim that *‘the organisation of political life makes a difference’* (March and Olsen 1989: p.1). Policy outcomes and policy differences are explained by reference to institutions – broadly defined as *‘relatively stable collections of practices and rules defining appropriate behaviour for specific groups of actors in specific situations’* (March and Olsen 1998: p.948) –, which structure and pattern relationships within the policy process. Although the interest in institutions is as old as political science, what is ‘new’ about recent thinking is the recognition that political institutions have a degree of autonomy with respect to the society that expresses them

and that individual means-ends calculation is not the only logic of action that takes place in practice (March and Olsen 1984).

New institutionalism, though, is not a unified body of thought: at least three different branches have appeared over the last few years – a rational choice institutionalism, a historical institutionalism and a sociological institutionalism (Hall and Taylor 1996) –, each of which has a different conception of institutions and, consequently, a different characterisation of the policy process. To start with, rational choice (or actor-based) institutionalism reiterates the utilitarian assumptions of earlier accounts and postulates that actors have fixed, pre-determined preferences and aim to maximise the satisfaction of their self-interest. Their behaviour is driven by a ‘logic of consequentialism’ (March and Olsen 1989), that is, by interests, preferences and by expectations about consequences. Institutions are ‘thin’: at most, they are a constraint on the behaviour of actors (Checkel 1999). Their role is limited to structuring actors’ interaction or ‘bargaining game’. In this context, the policy actions and institutional setting of the EU affect the range and sequence of alternatives on the domestic choice agenda, provide information and offer enforcement mechanisms that reduce uncertainty about others’ behaviour. Thus, EU-level arrangements act as an ‘intervening variable’ between actors’ power and preferences and their subsequent choices (Featherstone and Kazamias 2000). Europe, in other words, emerges as a new political ‘opportunity structure’, which offers some actors additional resources to exert influence, while constraining the ability of others to pursue their goals (Knill and Lehmkuhl 2002; Börzel and Risse 2003).

Moravcsik (1994: p.1) applied a similar line of reasoning when he argued that European integration redistributes domestic political resources in favour of the executive by *‘shifting control over domestic agendas (initiative), altering decision-making procedures (institutions), magnifying informational asymmetries [...] (information), and multiplying the potential domestic ideological justifications for policies (ideas)’*. By contrast, Gary Marks (1993) came to the opposite conclusion that the Union provides sub-national and supranational actors with new resources, as it enables them to circumvent or bypass national executives. Domestic actors may also seek to be bound by EU constraints to pursue their own goals. Dyson and Featherstone (1996) noted how being bound by the Maastricht criteria on EMU was seen by technocratic elites in Italy as a way to impose a *vincolo esterno* (external constraint) on the errant instincts of the old *partitocrazia*, so as to enforce a discipline on the state’s economic and monetary policies. Giuliani (2000) found empowerment in Italy from the EU across a broader range of actors and policy sectors. Featherstone *et al.* (2001), on the contrary, described the failure of pension reform in Greece as a result of the weakness of technocratic empowerment from the EMU commitment in the face of wider social and political obstacles.

By focusing on the interaction between individuals and groups and on the role of institutions in structuring it, rational choice institutionalism draws researchers' attention to the fact that policy outcomes are the result of the activities of purposeful actors. As the discussion in section 1 indicates, however, the assumptions it makes about the actors' logic of action are often untenable, as their ability to process information and predict the consequences of possible courses of action tends to be limited by conditions of uncertainty and bounded rationality. Actors often act on the basis of discourses and ideas defining the situation they are in and their position within it, rather than pre-determined interests and preferences. Moreover, rational-choice institutionalism's definition of institutions appears overly restrictive. Institutions do not just provide the 'rules of the game' for actors to play: they also tend to establish, or 'lock in', certain courses of action rather than others and influence actors' choice of behaviour by providing them with new identities, beliefs and expectations.

For historical institutionalists institutions get 'thicker', but only in a long-term perspective. In the short term, they structure the game of politics and provide incentives for rational actors to rethink their strategies. Over time, though, institutions can have deeper effects on actors, as '*strategies, initially adopted for self-interested reasons, get locked into and institutionalised in politics*' (Checkel 1999: p.547). Institutions, in other words, can be both independent and intervening variables. The 'historical' aspect of the approach is reflected in the attention given to 'path dependent' processes and 'unintended consequences', referring to the fact that particular courses of action, once introduced, can be virtually impossible to reverse and that this may, in turn, produce results that were not initially foreseen by those who established them (Pierson 1996b, 2000). Historical institutionalism lends itself to studies which follow the 'deepening' of European integration and the strengthening of the institutional setting over time. For instance, Dyson and Featherstone (1999) showed that, as European monetary cooperation intensified, the relevant institutions – ECOFIN, the EC Monetary Committee and the Committee of Central Bank Governors – assumed a distinct identity and created a specific set of venues which affected the nature and content of what was agreed at Maastricht in 1991. Armstrong and Bulmer (1998) took a similar historical institutionalist perspective on the emergence and development of different forms of Single Market regulation.

Historical institutionalism, thus, makes the helpful claim that institutions, once established, are far more than a simple constraint on behaviour. They only permit certain courses of action by making it very costly to change them. Established institutional paths may also facilitate or hamper the diffusion of new discourses and policy ideas. They determine, for instance, the number of actors

who have a say over policy-making and implementation and, thus, must be ‘convinced’⁹. Nevertheless, historical institutionalism has been criticised for being inherently ‘static’ (Schmidt and Radaelli 2004). In other words, its emphasis on institutional path-dependencies, sunk costs and unintended consequences is better suited to explaining policy continuity rather than change. Moreover, as said above, actors do not only act on the basis of cost-benefit calculations. They interpret the stimuli they receive from their environment and act following their ideas and understandings of the predicament that they and their organisations are in. New ideas and discourses can reconfigure existing coalitions and, by providing new opportunities for action, may even change seemingly stable institutional set-ups.

The conception of institutions is broadest for the third strand of neo-institutional theory, i.e. sociological institutionalism. Institutions here include not just formal rules, procedures or norms, but also ‘*the symbol systems, cognitive scripts and moral templates that provide the “frames of meaning” guiding human action*’ (Hall and Taylor 1996: p.947). They provide the social environment in which actors – individual and corporate – act and define their interests, preferences and identity. Actors’ behaviour is not based on self-interested cost-benefit calculations, as rationalist accounts would suggest, but rather on a ‘logic of appropriateness’¹⁰, that is, by applying social norms of appropriateness in any given situation (March and Olsen 1998). Institutions, in this view, ‘constitute’ actors, as they provide them with identities and norms of behaviour, thereby affecting their interests and preferences. Institutions, in a few words, are an independent variable: they explain actors’ choice of behaviour (Checkel 1999).

Börzel and Risse (2003) outline two potential explanations that sociological institutionalism can offer for domestic change in response to European integration, one more structuralist, the other more actor-centred. The first one focuses on what organisational sociologists call ‘institutional isomorphism’ (Di Maggio and Powell 1991), suggesting that institutions that frequently interact, are exposed to each other or to a similar environment develop similarities over time in formal structures, practices, ways to allocate resources and reform patterns. This argument, however, meets serious difficulties in accounting for variation in institutional adaptation to similar environments. A second account, by contrast, focuses on processes of socialisation by which actors learn to internalise new rules of appropriateness through processes of arguing, persuasion and social learning (Checkel 2001, 2003). Social learning and socialisation entail a different logic of action from that of rationalist accounts, as actors do not only adjust their strategies to changing conditions in order to pursue their pre-determined goals, but adopt new norms and rules with a view to becoming members of the international society ‘in good standing’ (Finnemore and Sikkink 1998).

⁹ See below.

¹⁰ See above.

In this vein, Checkel (1997) distinguished between actors internalising international norms, adopting new values and interests, and actors choosing to follow new norms for purely instrumentalist reasons, naming one process ‘elite learning’ and the other ‘societal pressure’.

Sociological institutionalism, unlike the other two variants of new institutionalism described above, emphasises the importance of non-material factors – ideas, beliefs and norms as opposed to interests, preferences and cost-benefit calculations – in determining actors’ behaviour and the role of institutions in conveying and diffusing them. Yet it seems to suffer from the same ‘static bias’ as historical institutionalism, as it is better placed to account for continuity than norm or ideas change. As discussed in section 1, theories of social learning are of little help since they are best applied to small, closed environments inhabited by people sharing the same background. A further feature of this approach is that it defines institutions in very broad terms – what is not an institution? – and underestimates the role of actors. Institutions, indeed, do not have cognitive capacities of their own (Schmidt and Radaelli 2004). It is actors who must mobilise to advocate and diffuse certain discourses and ideas in order for them to be accepted by others within a given institutional setting.

In sum, different variants of new institutionalism provide useful insights into how the European and the national level interact. They entail different logics of action, different conceptions of what institutions are and of their role in policy-making, different ways to envisage the dichotomy between structure and agency. They all have their merits and their shortcomings with respect to this thesis’ task, which is to investigate the interactive processes through which the employment policy discourse produced by the EU got advocated and diffused among national policy-makers. The hypotheses presented in the last section of this chapter rest on a conception of structure that is borrowed from the historical and sociological strands of new institutionalism. The institutional context is seen as facilitating or hampering certain courses of action rather than others, as well as certain ideas and discourses over others. In order to overcome neo-institutional theory’s inherent difficulty in explaining change, though, this work pays a great deal of attention to the role of actors who advocated the policy model proposed by the EU. Thus the empirical part of the thesis seeks to trace the presence and activities of the actors and coalitions that advocated the EES discourse in different national settings.

4. The diffusion and advocacy of EU employment policy discourse

The argument presented here is blends insights borrowed from new institutionalism¹¹ with a view of agency similar to the agenda-setting model applied by Kingdon (1995) to policy-making in the US

¹¹ See above.

Congress. The literature on agenda-setting seeks to understand how issues are put on the political agenda, that is, how they come to be issues in the first place. Agenda-setting is defined as the phase in the policy process where problems are defined and the possible alternative solutions identified before authoritative decisions are made. In contrast to models that stress consequential action (see March and Olsen 1984, 1989 cited above), whereby problems are spotted first, then solutions are devised and finally a choice is made, the agenda-setting model proposed by the likes of Kingdon (1995) and Zahariadis (2003) rests on the notions of ambiguity and temporal sorting. Ambiguity denotes a '*state of having many ways of thinking about the same circumstances or phenomena*' (Zahariadis 2003: p.2) and is different from the related notion of uncertainty, which refers instead to the inability accurately to predict an event or its consequences. Temporal sorting, in turn, evokes the fact that time is a scarce resource and that the identity of those who are paying attention to what and at what point in time is of critical importance. Choice has more to do with the simultaneous emergence and coupling of given problems and solutions than with any inherent correlation between the two.

Kingdon's agenda-setting model builds on a 'garbage can' model of organisational choice (Cohen *et al.* 1972) and on the idea of multiple streams running through the policy process, meaning that different components of it are best thought of as separate 'streams' that flow through the system and are only joined at particular points in time. Kingdon identifies three such streams: problems, policies and politics. Problems are no more than conditions that are brought to the attention of policy-makers by systematic indicators, focusing events like crises or disasters or by feedback from the operation of existing programmes. Many policy responses are possible in principle. They are often generated independently of perceived problems and floated around by specialists in a variety of ways – from simple conversation to the introduction of draft legislation –, but those that survive to the status of serious consideration generally meet criteria having to do with their technical feasibility, their fit with dominant values and the general mood and their budgetary implications. The political stream, finally, includes factors like swings of national mood, interest group support or opposition, the orientation of the administration in power. Kingdon's main contention is that issues are most likely to rise to a position of prominence in the political agenda when these three streams are joined together (or 'coupled') at particularly favourable points in time – which he calls 'windows of opportunity' – thanks to the activism of 'entrepreneurial' actors, that is, '*people who are willing to invest their resources in pushing their pet proposals or problems*' (Kingdon 1995: p.20).

Agenda-setting is generally deemed to be the central phase of the policy process, where the orientation of policy is determined, whereas at the decision-making stage only a degree of fine-

tuning is possible (Sabatier 1999; Behning 2006). Kingdon's model suggests that policy-making is often more 'untidy' than purely rationalist accounts would assume, as policy problems and solutions are often generated separately, and that the role of agency is central, as it is entrepreneurial actors who mobilise to select the issues that are considered by policy-makers. It also suggests that the garbage can conditions described in section 1 can be generalised to most policy sectors and decision situations. The politics of employment policy in Europe in the last two decades is a good illustration of this state of affairs. The literature on welfare retrenchment and recalibration has shown that, although relatively generous European welfare states are under stress for a number of reasons – ranging from increased international competition to low productivity growth, population ageing and maturation and 'growth to limits' of governmental commitments (Pierson 1996a, 1998) –, their reform has proved to be extremely difficult due to the vast popular support they enjoy and to the institutional 'stickiness' produced by veto points and path-dependent mechanisms (Pierson 1996a, 1998, 2001; Tsebelis 1995). In addition to electoral and institutional constraints, welfare and employment policy reform in Europe is said to be surrounded by conditions of '*deep uncertainty*' both as regards the problems reforms are meant to address and the scope and depth of the required changes (Schelkle 2005). More specifically, there is no agreement among experts and policy-makers regarding issues such as: do the problems of European welfare states originate from market integration, technological innovation, or demographic change? Should member states find reforms that suit their own welfare models or is there one Third Way to go for the whole Union? If so, is there a single model that could be successfully applied to all? Economies admired for their employment record in the 1990s, such as the UK and Ireland, have persistently high rates of poverty. By contrast, the Scandinavian systems – the ones that have reached the best results both in terms of employment rates and coverage of benefits – rely on levels of taxation that would be unacceptable in the rest of the continent.

Nevertheless, reforms did take place. Boeri (2001) counted nearly 200 reforms of unemployment insurance, employment protection and pensions in Western Europe between 1985 and 1995, most of which decreased the level of generosity of existing programmes even by a small amount. The reality of policy change in the face of powerful constraints and in conditions of deep uncertainty, thus, begs some compelling theoretical questions as to how interpretations of the problems to be addressed are diffused, information is processed and reform agendas are set. In order to do this, the actors and coalitions who support particular interpretations of policy problems and solutions must be identified, along with the strategies they adopt and the venues in which they act.

The theoretical framework proposed here proceeds in three steps. The first one starts from the consideration of the Strategy's function as a mechanism to structure and institutionalise a

specific employment policy agenda and discourse. Chapter 2 sketches out in detail the content of the EES discourse, by arguing that it constitutes a ‘residual’ labour market strategy, largely influenced by supply-side theoretical interpretations of the causes of unemployment in Europe and constrained, as to the policy options it advances, by the monetarist imperatives that inform Economic and Monetary Union. As far as the governance of the EES is concerned, particular reference is made to the Strategy’s institutional framework (decision-making in the European Council, the Labour and Social Affairs Council, the EMCO) and to the identity and role of the actors involved at the EU level (the Commission, the member states, non-state and individual entrepreneurial actors). The second step focuses on the diffusion of the Strategy’s discourse at the national level and on the presence or absence of national coalitions of actors willing to adopt and advocate it, whereas the third looks at the institutional limits and constraints on these coalitions’ efforts. The assumption is that, for both theoretical and methodological reasons, the most appropriate way to investigate how EU guidelines and recommendations play into the politics of employment policy-making in the member states is to analyse what goes on at the level of policy-makers ‘at the hub’ of national policy puzzles and answer the question whether these provide resources, cognitive drives, or are just irrelevant. In other words, as suggested by some of the most advanced literature on Europeanisation (Olsen 2002; Radaelli 2003a), one should not focus on end-states – policy outcomes in this case –, which are anyway almost impossible to trace back to a single source of inspiration, but pay attention instead to the process through which certain decisions were made in the first place.

4.1. The advocacy of the EES discourse

Since the policy decisions recommended by the guidelines must be taken at the national level, it is there that one must observe whether the Strategy has been used to set the employment policy agenda. In other words, one must observe whether new policy problems as highlighted by the guidelines and recommendations have been made the focus of national policy-makers’ attention, new solutions have been aired in response to old problems, or old solutions have been re-framed in reference to newly-conceived problems. In terms of Kingdon’s model, though, the availability of problems and policy solutions is not sufficient to set policy agendas: purposeful actors must mobilise in support of particular interpretations and recipes for action and the political conditions must also be right. Discourse is essentially a spoken act. As a consequence, in order for the EU employment policy discourse, as structured by the EES, to become diffused and adopted at the national level it must be advocated by coalitions of domestic actors. The national case studies

presented in Chapters 3 to 6 will analyse different systems of employment policy-making with a view to unearthing the identity and activities of the members of such coalitions.

The description and characterisation of supporting coalitions leads to a number of theoretical and empirical issues. A first key issue, which has long been debated in the literature, concerns the determination of individual preferences or, to use the terminology adopted by March and Olsen (1984, 1989, 1998), actors' 'logic of action'. As indicated by the previous discussion, rational choice-based accounts consider actors' interests and preferences as pre-determined and fixed, whereas their strategies might change in response to changes in the incentives and opportunities provided by the environment in which they take action. Constructivist accounts, by contrast, regard actors' motivations as shaped by norms and ideas which are transmitted to them by their context (social as well as institutional) and by the interaction with other actors. As shown Chapter 2, much of the literature on open coordination takes this latter view and points to the EES' potential for changing policy-makers' ideas on employment policy through processes of social learning and deliberation. Yet the evidence of such processes occurring in practice is, at best, mixed. This thesis seeks to overcome this pitfall by focusing, instead, on the EES' potential for structuring and institutionalising a specific employment policy discourse and on the interactive processes whereby this discourse got advocated and diffused within different domestic settings.

Actors' motivations in adopting the EES discourse are, obviously, a matter of interpretation. The evidence presented on this point by the case studies is necessarily weak, as no research method is sharp enough as to enter people's minds. Given this *caveat*, this thesis will try to draw some tentative conclusions. This work's first hypothesis is, thus, that strict theoretical fences between a logic of consequentialism and a logic of appropriateness, or interest-based and norm-driven behaviour, are unlikely to stand the test of empirical research. Evidence of strategic behaviour can be found even in instances of normative/discursive change such as the ones discussed in this work. Although the distinction between strategic and normative motives is analytically useful, in other words, it is often untenable in practice. In more formal terms, the hypothesis put forth here is that *(1) actors were pushed to adopt the Strategy's discourse by both strategic and normative considerations*. The case studies will seek evidence of both kinds of motivations. This hypothesis does not rule out the possibility that single instances of learning might have occurred: it only maintains that, on the whole, the members of national coalitions advocating the EES discourse did so on the basis of pre-determined strategic and normative beliefs. As a consequence, the expectation is that, on the one hand, domestic actors referred to the EES as a strategic lever to support pre-existing plans for employment policy reform. This could be a strong motive especially in countries, like Italy, where selective references to 'Europe' have long been used to legitimise potentially

unpopular choices¹². Moreover specific groups of domestic actors, such as civil servants and outside experts, may have used references to EU-level discourses in order to increase their influence over policy-making. On the other hand, actors like experts and academics involved in policy-making may have held strong normative beliefs in line with the EES, which by the way is consistent, with a few differences in emphasis, with a widespread international employment policy consensus¹³.

A further important issue regards the composition of national coalitions. These are likely to depend, first, on specific features of national employment policy-making. Thus, for instance, in certain systems policy advice is primarily the province of permanent civil servants, whereas in others a prominent role is assigned to external experts and academics. In some systems policy-making authority is concentrated in the hands of the executive, whereas in others it is more diffuse across different levels of government (national, regional, provincial) and between governmental and non-governmental actors (trade unions, employers' organisations). Thus the second hypothesis of this work is that *(2) the composition of national coalitions depends on specific features of national systems of policy-making, such as the role of civil servants and experts in policy formulation and the degree of centralisation of executive authority within the state apparatus*. As will be shown, the state administration in France is more impermeable to outside input and far more executive-led and centralised than in Italy. The expectation is, therefore, that national coalitions will be very different in character. In France supporting coalitions are expected to be composed of actors coming from the central state apparatus, notably civil servants from the Ministries and public agencies involved in employment matters. In Italy, by contrast, coalition members are expected to come from a wider range of backgrounds: not only civil servants from central and regional branches of the administration, but also outside experts and social partner representatives.

The composition of national coalitions is also likely to depend on the way in which the National Action Plans (NAPs) to be sent to Brussels in the framework of the EES¹⁴ were drafted in different national settings. The drafting of the NAPs was meant to be the key phase of the coordination process, the one in which information on the Strategy was diffused at the national level and member states were asked to respond to the guidelines and recommendations. The new reporting obligations required – especially in countries, like France and Italy, that were quite distant from the Strategy's proposed policy model – the adoption of a new language and new indicators, the development of new capabilities for analysis and impact evaluation, the involvement of non-governmental and local actors even in those countries where they do not traditionally have an active role in policy-making. Accordingly the third hypothesis is that *(3) the composition of national*

¹² See above.

¹³ See Chapter 2.

¹⁴ See Chapter 2.

supporting coalitions and the resources at their disposal depended on how the NAP-drafting process was carried out, notably the degree of involvement of bodies other than the Labour Ministries (local governments, other Ministries and/or public agencies, non-state actors) and its incorporation in the broader framework of national policy-making (i.e. the budgetary process). Provided that the existing evidence depicts the drafting of the NAPs as a rather opaque, non-participative process, one expects to find that the relevant national coalitions remained secluded within restricted Ministerial circles without much input from social partners and local authorities.

Based on the above, the next step is to compare what has so far been generically called ‘coalitions of believers’ or ‘supporting coalitions’ to the main types of actor coalitions present in the literature. Drawing on the existing theoretical literature, supporting actor coalitions can be depicted, variously, as epistemic communities, discourse coalitions, advocacy coalitions or policy coalitions. They vary along three key dimensions: the glue of the coalition, its cohesiveness and the more or less strategic motivations of its members. *Epistemic communities* (Haas 1992; Verdun 1999) are loosely connected networks of actors with a claim to knowledge relevant to policy and a normative agenda. They promote policy change by providing scientific knowledge about cause and effect relationships. The influence of epistemic communities depends on the degree of uncertainty among policy-makers, on a high level of consensus among experts in a given policy sector and on a high level of institutionalisation of scientific advice therein. Only the first of these elements is unquestionably present in the policy field being examined, whereas the other two are to a much lesser extent, given the inherently contentious and politicised nature of employment policy. *Discourse coalitions* (Hajer 1995) are equally loose groupings. The glue of a discourse coalition lies in the fact that its members somehow develop and sustain a particular way of talking and thinking about a policy issue. Its members need not have met, let alone follow a carefully laid out and agreed upon strategy. Politics is conceived of as a struggle for discursive hegemony, in which actors try to impose their definition of reality. This struggle, however, is eventually resolved not by a coalition’s strategies and resources, but by the discourse’s own features, notably its credibility, its degree of acceptability and the trust it inspires. *Advocacy coalitions* (Sabatier and Jenkins-Smith 1993; Sabatier 1998) are more closely connected groups of individuals intent on putting their ideas and policy beliefs into action. The basic idea is that actors in each policy sector can be grouped into a number of opposing coalitions (generally one to four), which are ‘*composed of actors from various governmental and private organisations*’ and held together by a shared set of normative and causal beliefs (Sabatier 1998: p.103). In order to count as advocacy coalitions, members must have engaged in ‘*a non-trivial degree of coordinated activity*’ over an extended amount of time, possibly some years. Advocacy coalition members mobilise to advance their policy beliefs, which are very

difficult to change a can be essentially taken as given, but are prepared to modify their strategies and secondary aspects of their belief systems in order to achieve their goals. Finally, *policy coalitions* are *ad hoc* alliances that develop in an issue-specific manner, '*often but not exclusively from a pool of actors whose general suitability as an ally or source of information is taken as a matter of course*' (Warleigh 2000: p.232). The primary rationale for developing policy coalitions is the achievement of specific policy goals, and not long-standing common interests based on shared value systems as is the case for advocacy coalitions. Nonetheless, ties within such coalitions can be very strong, bordering at times on mutual dependence.

The case studies will reveal which of these types the relevant national coalitions resemble most closely. The first set of hypotheses outlined above, however, seem to rule out both epistemic communities and discourse coalitions. Epistemic communities are kept together by a common claim to scientific or technical knowledge, but its members need not have the same political views or a political agenda. Discourse coalitions only share the adoption of the same language, but are otherwise very loose groupings whose members need not know each other. The national coalitions which the empirical part of the thesis will look for, instead, are more tightly-knit groups of purposeful actors who, for both normative and strategic reasons, advocated the EES discourse as a means to obtain a certain kind of employment policy reforms in a context of widespread uncertainty and perceptions of policy failure. The issue whether the national coalitions of 'believers' resemble either advocacy or policy coalitions (or neither) will be settled in the conclusion on the basis of the findings of the case studies. Be that as it may, these coalitions' success in diffusing and advocating the EES discourse are likely to depend on the resources and constraints facing them within the institutional settings in which they had to operate. It is to these conditions that the last hypotheses now turn.

4.2. The diffusion of the EES' discourse in institutional context

Institutional and policy-making arrangements can facilitate or hamper the diffusion of new discourses and ideas in several ways. To start with, the sets of incentives and sanctions that are attached to the discourse itself can act as powerful resources in the hands of those who advocate it. For instance, actors might decide to adopt a certain discourse in order to gain access to particular resources or to avoid being criticised by their constituencies or their peers. Furthermore, as said above, factors such as the degree of governmental authority relative to other bodies (parliament, public agencies), the degree of involvement of non-governmental actors (trade unions, employers' organisations) and the degree of centralisation or de-centralisation of the state apparatus are crucial

determinants of the number of actors who have a say in policy-making and implementation and, thus, must be ‘convinced’ by a given discourse in order for it to influence policy. Finally, institutional path-dependencies and established policy traditions might oppose some resistance to change in accordance with non-binding European guidelines.

In both the countries studied meeting the new reporting obligations imposed by the Strategy stimulated a measure of administrative adaptation in the branches of the national government that were in charge of it¹⁵. Analytic and statistical tools have been upgraded, new bodies have been created or old ones revamped and destined to new uses. Contacts with relevant stakeholders have been renewed and strengthened. Even though the drafting of the NAPs, as said above, always involved a limited number of actors of very specific descriptions – the higher echelons of the national Labour Ministries’ administrations, select public agencies (i.e. the public employment agency in France), high-ranked trade union and employer representatives, outside experts and academics –, all those who participated, with very few exceptions (parts of the French trade unions, for instance), tended to be enthusiastic about the Strategy’s proposed policy model. The institutional adjustments prompted at the national level by the coordination process, in turn, potentially provided those in favour of the EES discourse with new resources and strengthened their positions within their organisations. Thus the fourth hypothesis advanced by this work is that *(4) the success of national coalition members in influencing the discourse of their organisations (especially Labour Ministries and interest organisations) depended on the adjustments made to meet the Strategy’s reporting obligations and on the extent to which the process became institutionalised*. Evidence of coalition members’ strengthened position will be sought in such developments as the participation of those involved in drafting the NAPs in major domestic policy initiatives (policy documents, social pacts, new legislation) or their career progression within their organisations. The conclusion will elaborate on the consequences of such strengthening in providing, for instance, a measure of continuity in employment policy discourse as governments of different political colour came to power.

Once a new discourse has been introduced into domestic debates, then, the extent to which it will become established and influence policy is likely to be linked to a number of further institutional features. According to Schmidt and Radaelli (2004), in ‘multi-actor systems’ like Italy, where a large number of actors have a say over policy formulation and implementation, it is more complicated to reach agreement among policy-makers around a given discourse than in ‘single-actor systems’ like France, where power is concentrated in the executive and the greatest efforts are put into convincing the public of the appropriateness of policies developed with little outside input.

¹⁵ See Chapters 4 and 6.

Moreover, given the non-participative nature of the NAP-drafting process, the EES discourse is unlikely to have travelled much further than national Labour Ministries and the leadership of interest organisations. Hence it is hypothesised here that *(5) the success of the coalitions advocating the EES discourse in influencing national employment policies is more likely in systems where a limited number of actors have input into policy-making and implementation*. Accordingly, if the case studies will find more evidence of EES impact in Italy than in France, both in terms of the adoption of new policy and of its implementation, this hypothesis will be taken as refuted.

A last important point concerns the kinds of impact one expects to find. A first fundamental distinction must be drawn between governmental discourse, actual government policy and policy implementation. Noticeable shifts in the government's employment policy discourse may not necessarily result in new policy, just as new policy may not be swiftly implemented on the ground. A further distinction to be made is between two different types of objectives set by the Strategy: specific objectives detailing the policy means to put into practice the content of the guidelines and broader targets meant to mobilise the member states in the larger context of the Lisbon Strategy, such as the employment rate targets set in Lisbon and Stockholm¹⁶. The last hypothesis advanced by this thesis, thus, is that *(6) the kind of policy impact obtained by the EES depended on the specificity of the relevant guidelines*. In other words, the hypothesis is that specific objectives play a role in the definition of the problems and the actual design of policy, but not of its overall goals and ambitions. The broader targets, by contrast, are likely to influence policy goals as well as the definition of policy problems, but not the design of policy itself.

Conclusion

This chapter has argued that the best way to investigate the impact of EU-level employment policy coordination is to look at the national level, where the ultimate responsibility for making policy still lies, and to analyse the processes through which key decisions were made rather than focusing exclusively on policy output, which is virtually impossible to trace back to a single source of inspiration. In particular, it is contended, one must look at the actors involved in national policy-making and see whether the EES has provided them with arguments, cognitive drives, new resources or has instead remained irrelevant (Radaelli 2003a; Radaelli and Schmidt 2004). The role of different institutional settings in facilitating or hampering the diffusion of the Strategy's discourse is, then, presented as a key variable in accounting for the extent to which supporting coalitions have been successful in promoting it.

¹⁶ See Chapter 2.

In an attempt to set up an appropriate theoretical framework to support the empirical part of the thesis, this chapter has reviewed the literatures on Europeanisation, new institutionalism, discourse and agenda-setting. The approach it proposes borrows from garbage can and multiple streams models of the policy process the idea that the interpretation of problems and solutions does not necessarily proceed in a consequential fashion and blends it with a discourse-based perspective on power and resources. It presents different ways in which actors' interaction could be patterned, leaving it to the case studies to determine which of them is the best depiction of what occurred in practice. Finally, it accepts the fact that discourse and norm diffusion must be seen in their institutional context. It maintains, in this respect, that path-dependencies, policy-making arrangements and policy styles allow the use of certain types of arguments in certain institutional settings, but not in others.

The hypotheses put forth in this chapter aim to shed some light onto the role of coalitions of domestic actors in advocating and diffusing policy models and discourses promoted by the EU as well as on the role of national institutions in facilitating or hampering their efforts. If validated, they will improve researchers' understanding of the dynamics of compliance and policy change in Europe. The significance of the thesis' findings will be discussed in the Conclusion. The following chapter, meanwhile, analyses in more detail the discourse and governance of the EES and reviews the existing literature on its impact on member states' employment policies. The case studies will then be presented in Part II.

CHAPTER II

THE EUROPEAN EMPLOYMENT STRATEGY: GOVERNANCE AND DISCOURSE

The European Employment Strategy (EES) constitutes the main attempt made in the 1990s to find a way for the EU to intervene in sensitive areas without resorting to binding legislative instruments. It is the most structured version of the ‘Open Method of Coordination’ (OMC) launched by the Lisbon European Council in 2000 as a tool for the Union to deal with structural reform in a broad range of economic and social fields. Its novelty as a mode of EU intervention and its application in more and more policy areas spurred a great deal of academic interest in recent years. The task of this chapter is to take stock of the state-of-the-art literature regarding the governance and discourse of the EES as a basis for the empirical part of the thesis. It aims to answer questions such as: what is the EES? How does it work? What does it recommend member states to do? The main claim made here is that the Strategy is best understood as a means to centralise and diffuse employment policy knowledge and discourse. It represents an attempt on the part of the EU to develop a full-blown employment policy discourse (Radaelli 2003b; Jacobsson 2004) providing national decision-makers with a common vocabulary and a legitimising project. It is, in other words, an attempt on the part of the Union to exercise a form of leadership and power over member states’ employment policies by pointing out the problems to be addressed and limiting the range of alternatives under consideration¹⁷. As it turned out, however, the EES always remained a very ‘soft’ process, since no significant incentives or sanctions were provided to promote member state compliance. Moreover, in spite of its much-vaunted potential for promoting mutual learning and deliberation among national policy-makers, the Strategy’s governance often assumed the time-honoured features of intergovernmental bargaining.

The four sections of this chapter build this argument in steps. Section 1 traces the origins and antecedents of the EES. It is maintained that the insertion of a Title on employment in the Treaty of Amsterdam and the launch of a coordinated strategy were advocated by the Commission and supported by key left-wing governments and a trans-national coalition of pro-integration elites in the wake of widespread public discontent with rising unemployment and the deflationary implications of EMU. The result was a coordination process based on annual (now triennial) cycles, relying on such ‘soft law’ instruments as flexible and revisable guidelines, monitoring, peer review and benchmarking of performance. The aim was to spread a common interpretation of the problems

¹⁷ See Chapter 1 on the power of discourse.

of European labour markets and of the appropriate policy solutions, while helping implementation by sharing relevant national experiences.

Section 2 sketches out the governance of the Strategy at the EU level and identifies the actors involved and the institutional settings in which they interact, while section 3 focuses on the policy content of the Strategy and describes the development of the Employment Guidelines. The evidence presented here suggests that, instead of the open and inclusive process geared toward experimentation and learning it promised to be, the EES developed as a somewhat elitist, opaque governance process. The main decisions concerning guidelines, recommendations and reports are negotiated in true bargaining fashion by the Commission and member state representatives, whereas parliaments and non-governmental actors, with the relative exception of the social partners, are hardly involved at all. This pattern remained unchanged despite two major overhauls of the Strategy's governance in 2003 and 2005. As regards policy content, it is held that the Strategy has carved out a specific and recognisable EU employment policy advice based on a compromise between different existing models and influenced, in its scope and inspiration, by the macroeconomic policy set-up of EMU. Despite two major changes in format and a gradual shift of emphasis toward market flexibility to match the preferences of the right-wing governments that came to dominate EU politics in the early 2000s, the content of the guidelines has in fact remained remarkably stable over the years.

Section 4, finally, reviews the burgeoning literature on the EES' impact on national employment policies. Each strand of this literature, employing concepts such as incentive structures, policy learning and transfer, 'discursive regulation' and socialisation, offers useful insights into the eminently discursive nature of the Strategy and the inherent 'softness' of its instruments. However, it is contended, none of these approaches pays enough attention either to the activities of domestic actors and coalitions who advocate the Strategy's proposed policy model or to the role of domestic institutional settings in facilitating or hampering norm and discourse diffusion.

1. The European Employment Strategy: origins and antecedents

The EES has its roots in the high unemployment that tainted western Europe's economic performance in the mid-1990s. Unemployment had been increasing steadily in Europe since the 1970s and by 1997 it had come to hit as much as 10% of the European workforce, i.e. around 15 million people (European Commission 2000). At the same time, European integration gradually placed tight constraints on the ability of member states to act autonomously in the employment and social policy fields. This was linked, on the one hand, to processes of market integration. The last

four decades witnessed a gradual, if incremental, expansion of Community-produced regulations, market compatibility requirements and, especially, court decisions that seriously eroded national welfare state sovereignties. As a consequence of rulings and regulations concerning the freedom of movement of workers and the freedom to provide services, for instance, member states may no longer limit most social benefits to their citizens to the exclusion of other EU nationals, nor may they insist that their benefits only apply to their territory and may only be consumed there (Leibfried and Pierson 2000). The increasingly wide reach of Community competition law has also begun to affect employment by limiting certain types of state aid to undertakings in specific sectors and by granting or withholding permission for mergers and takeovers by major industrial or financial groups. On the other hand, the advent of EMU prevented member state governments from resorting to traditional means of macroeconomic management. A common monetary policy makes it no longer possible to combat unemployment by means of competitive devaluation and adjustment of national interest rates, whereas the Stability and Growth Pact (SGP), which binds the members of the euro-area to keep their budgets close to balance or in surplus in the medium term, prohibits large public deficits and thus also extensive public-sector job creation.

In such circumstances, growing popular discontent over unemployment started to turn toward the EU and national actors started to look for European solutions to the 'spillover' problems created by the integration process (Scharpf 2001). The 'Vilvorde case' regarding the sudden closure of a Renault plant near Brussels triggered the first ever 'Euro-demonstrations' and had a considerable influence on the 1997 French general election campaign, with the newly elected government making French approval of the SGP conditional on stronger EU action on employment (Fischer and Tholoniat 2006). Yet the room for activist social policy initiatives at the EC/EU level was extremely limited. Member states were always unwilling to hand over their authority on welfare and social policies, which have long served as an instrument of state-building and a source of mass legitimacy. At the same time, the Union does not have anything approaching the financial resources required by modern welfare states and specialises, instead, on social and economic regulation, the costs of which are borne directly by the firms and individuals who have to comply with it (Majone 1993). Thus social and employment policy in the EU looks like an extremely bottom-heavy multi-tiered system. Any intervention from the top has to build on a thick network of existing national programmes, which in turn generate sunk costs and networks of political interests that diminish the prospects for reform (Leibfried and Pierson 1995).

Hence, substantive policy applications in the field of employment have been relatively rare and have always concerned somewhat technical aspects of labour market regulation. European legislation until the early 1990s was limited to a few areas where the Treaty of Rome or the single

market project allowed some latitude. A number of directives on equal treatment were adopted by the Council in the 1970s under the gender equality provisions of Art. 119 (now 141) EEC and then interpreted extensively by the European Court of Justice (Leibfried and Pierson 2000). The 1986 Single European Act allowed qualified majority voting (QMV) on issues concerning health and safety in the workplace (Art. 118a (now 137) EEC) so as to avoid that national regulations could be used as non-tariff barriers to trade. EU competences were, then, somewhat extended by the Treaty of Amsterdam, which for the first time included a full-fledged Social Charter. The mandate on health and safety was broadened to cover all ‘working conditions’ and the one on gender equality was extended to all labour force issues and was placed under QMV for the first time (Art. 137(1) EEC). Two additional QMV competences – worker information and consultation and integration of persons excluded from the labour market – were introduced (Art. 137(1) and 137(2) EEC) and unanimous decision-making was extended to five new topics – social security and protection of workers; protection of workers when the employment contract is terminated; collective interest representation; employment of third-country nationals; and financing measures to integrate the excluded. Yet, in order to tame the scope of the new treaty clauses, three topics were explicitly declared off-limits: pay; the right of association; and the right to strike and to impose lock-outs (Art. 137(5) EEC).

A second attempt to raise social policy on the European agenda via legislative means was made through the so-called ‘Euro-corporatist’ procedures established by the Maastricht Social Agreement in 1992 and then universalised in Amsterdam in what became Art. 138-39 (ex 118a and 118b) EEC. However these procedures, which allow the official representatives of employers and employees to enter into voluntary agreements that are subsequently enacted as directives by the Council, have not yet proved to be very productive (Falkner 1996; Rhodes 2005). A long-delayed European Works Councils Directive was the first piece of legislation to be considered, but the social partners eventually failed to reach an agreement on the matter. A directive on parental leave was adopted in 1996, one on part-time work in 1997 and one on fixed-term work in 1999. Nevertheless, this ‘contractual’ route to legislation has so far led to nothing else.

In the face of the failure of EU interventions based on legislation, then, a new middle path was chosen between the adoption of directives and resorting to forms of ‘neo-voluntarism’ (Streeck 1996) leaving policy entirely in the hands of the member states. The insertion of a title on employment in the Treaty of Amsterdam and the launch of a stronger form of coordination of member states’ employment policies were advocated by a transnational coalition composed of the European Commission, the European Trade Union Confederation (ETUC), the Party of European Socialists (PES), the Nordic member states and individual policy entrepreneurs – especially Allan

Larsson, a former Finance Minister of Sweden and Director General of the Employment and Social Affairs DG of the Commission between 1995 and 2000 (Johansson 1999). The trend toward open coordination, as said above, was also undoubtedly influenced by developments in the field of public administration and law. New public management and new regulatory paradigms based on alternatives to traditional regulation provided the background wherein ‘soft’ policy coordination could be seen as a better way forward, and no longer a second-best option, in cases in which legislation could not be produced (Radaelli 2003b). In the mid-1990s, a consensus emerged among various academic and political networks around a new ‘method’ to address the social dimension of Europe, which was to involve agreement on non-binding common objectives and a surveillance procedure, so as to progressively establish a European-level framework for analysis and action (De La Porte and Pochet 2002). The model of policy coordination it entailed drew upon the economic convergence process built around the annual Broad Economic Policy Guidelines (BEPGs) (Hodson and Maher 2001). It was also inspired by the ‘recommendation policy’ and peer review of the OECD Job Study (Casey 2004; Marcussen 2004), as well as by the benchmarking exercises of private companies (De La Porte, Pochet and Room 2001).

Employment policy coordination has actually been present in the Treaties since 1957. Art. 118 EEC listed a number of ‘social fields’ (employment, labour law and working conditions, vocational training, social security, occupational health and safety, collective bargaining and the right of association) where member states were encouraged to ‘cooperate closely’. A Standing Employment Committee composed of Ministers of Labour, social partner and Commission representatives was set up in 1970 with the aim to coordinate national employment policies, but it soon proved ineffective due to the member governments’ unwillingness to facilitate its functioning (Goetschy 1999). Employment issues were put on the European agenda some years later by the Delors Commission with the 1993 White Paper on ‘Growth, Competitiveness, and Employment’ (European Commission 1993)¹⁸. The White Paper’s ambition was to combine the seemingly contradictory aims of meeting the convergence criteria of EMU, the implications of which were deflationary, and achieving higher levels of employment. For this purpose, the Commission proposed an economic strategy that entailed both supply-side and Keynesian measures. On the one hand, the White Paper claimed that the only way to increase employment passed through greater flexibility, lower non-wage labour costs and more active labour market policies. On the other hand, it proposed a grand pan-European project of investments in infrastructure that was to mobilise 600 million ECU and promised to create 15 million jobs in five years. In immediately political terms the

¹⁸ In the 1990-91 IGC that led to the Maastricht Treaty some attempt was made to cover issues relating to common economic governance (*gouvernement économique*) and matters close to employment, but to no effect (Dyson and Featherstone 1999).

initiative failed, as member states swiftly rejected such an ambitious and costly approach. A more long-lasting achievement, though, was that employment became a prominent part of the agenda of every subsequent European Council (Regent 2003).

The strategy for employment suggested by the Delors White Paper took a clearer shape at the 1994 Essen European Council, where its main axes were translated into five overriding 'priorities': (1) promoting investment in vocational training and encouraging lifelong learning; (2) increasing the employment intensiveness of growth through a more flexible organisation of work and working time, wage restraint and job creation in local environmental and social services; (3) reducing non-wage labour costs, particularly for low-skilled workers; (4) developing active labour market policies through the reform of employment services, the encouragement of occupational and the development of incentives for the unemployed to return to work; (5) targeting measures to help groups particularly affected by long-term unemployment (women, youth, older workers). A multilateral monitoring procedure was also established, requiring member states to translate these priorities into long-term programmes in the light of their specific economic and social circumstances and to submit annual progress reports. On the basis of the national reports, the Commission, in conjunction with ECOFIN and the Labour and Social Affairs Council, was to prepare an annual assessment of progress for the December European Council. The summit would then review the priorities, issue further recommendations and launch new initiatives at the Community level (European Council 1994).

The procedures set up at Essen, however, proved to be largely ineffective due to the lack of quantified and measurable objectives and an insufficient political consensus (Regent 2003). Yet the Commission had succeeded in keeping employment on the EU agenda. In June 1996, the newly-appointed Commission President, Jacques Santer, tried to give new impetus to the reforms envisaged in the White Paper by proposing a European 'Confidence Pact', conceived as a counterweight to the SGP advocated at that time by the German Finance Minister Theo Waigel in order to ensure budgetary discipline among the members of EMU (Goetschy 1999). The Confidence Pact was intended to reinforce the dynamics of EMU and maximise the potential of the internal market by speeding up the reform of employment policies in line with the Essen priorities and developing Community-level initiatives to encourage employment-creation. This was to be achieved, *inter alia*, by increasing the budget for Trans-European networks and redirecting structural fund financing toward employment-related objectives. To this end, the social partners were urged to agree on employment-generating measures both at Community and at the local level through 'territorial employment pacts'. Yet again, however, concrete actions converting words into practice went missing (Regent 2003).

The EES was, then, finally established with the inclusion of a Title on employment in the Amsterdam Treaty. Employment was not originally on the agenda of the intergovernmental conference, but it soon became a priority due to the lack of progress in other areas (institutional reform, Common Foreign and Security Policy) and to the victory of social democratic parties in the British and French general elections of early 1997 (Goetschy 1999; Johansson 1999). The result was an extremely formalised cyclical process, with a systematic in-built monitoring system, quantified targets and a high level of political participation, supporting a strategy for the reform of employment and labour market policies based on a compromise between the liberal model of the Anglo-Saxon countries and the social-democratic model of the Scandinavian member states (Bertozzi and Bonoli 2002).

2. The governance of the European Employment Strategy: process and reform

Title VIII of the Amsterdam Treaty (Art. 125-130 EEC) outlines the main features of the EES. According to Art. 126, member states shall regard employment as a '*matter of common concern*' and shall develop a coordinated strategy aimed, in particular, at '*promoting a skilled, trained and adaptable workforce and labour markets responsive to economic change*' (Art. 125). The main lines of the strategy are drawn by Art. 128. Every year, the Labour and Social Affairs Council, '*acting by qualified majority on a proposal from the Commission and after consulting the European Parliament, the Economic and Social Committee, the Committee of the Regions and the Employment Committee*', shall '*draw up guidelines which the member states shall take into account in their employment policies*'. These guidelines shall be consistent with the BEPGs referred to in Art. 99(2) TEU. Each member state shall then '*provide the Council and the Commission with an annual report on the measures taken to implement its employment policy in the light of the guidelines*'. On the basis of the national reports, the Council, '*having received the views of the Employment Committee, shall each year carry out an examination of the implementation of the employment policies of the member states in the light of the guidelines*', and may, if it deems it necessary, make recommendations to the member states acting by qualified majority on a recommendation from the Commission. Hence, the Council and the Commission shall submit '*a joint annual report to the European Council on the employment situation of the Community and the implementation of the guidelines for employment*' and plan for a new set of guidelines for the following year. Finally, Art. 130 establishes the above mentioned Employment Committee with advisory status and provides that it shall be composed of two members from each member state and two from the Commission. In fulfilling its mandate, the Committee shall consult the social partners.

The approach to policy coordination that lies at the basis of the EES was first adopted by the EU in 1993 for the purpose of coordinating national macroeconomic policies under the Maastricht Treaty (Hodson and Maher 2001) and was later dubbed 'Open Method of Coordination' (OMC) by the 2000 Lisbon European Council. The OMC was launched with a view to implementing the new ten-year goal for the Union to become '*the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion*' (European Council 2000: par.5). In its purest form, it consists of four fundamental elements (*ibidem*: par.37): (1) the fixing of guidelines for the Union combined with specific timetables for achieving the goals which they set in the short, medium and long terms; (2) the establishment, where appropriate, of quantitative and qualitative indicators and benchmarks against the best in the world and tailored to the needs of different member states and sectors as a means of comparing best practice; (3) the translation of the European guidelines into national and regional policies by setting specific targets and adopting measures, taking into account national and regional differences; (4) periodic monitoring, evaluation and peer review organised as mutual learning processes. The method is designed to set in motion an EU-level process aimed at helping member states to develop their own policies. It differs in some key respects from more traditional 'soft law' measures such as codes of conduct, recommendations or resolutions as it is not only a provision, but also a process that has its own method of sanctioning – based on peer pressure, 'naming and shaming' and multilateral surveillance – and a follow-up system that significantly limits the scope for circumvention (Regent 2003). The purpose is to organise a learning process based on the exchange and emulation of best practices. The aim is not harmonisation or mutual recognition, but rather convergence on agreed common priorities and targets, while respecting national and local differences (European Council 2000).

The EES, and the OMC, have been hailed by academic observers as a 'new mode of governance' that differs in several respects from the classic 'Community method', which entails the adoption of legally-binding acts by the Council and the European Parliament on the initiative of the Commission (European Commission 2001; Scharpf 2001; Wincott 2001). The relevant literature (Mosher 2000; Scott and Trubek 2002; Cohen and Sabel 2003; Borràs and Jacobsson 2004) identified a number of key characteristics that set new governance apart from more traditional modes of policy-making and legislation. To start with, new governance is designed to foster the participation of stakeholders and a degree of deliberation and power-sharing among them. It accepts the possibility of continuing national diversity and relies on open-ended standards, flexible and revisable guidelines and other forms of 'soft' law rather than binding legislation. Finally, new governance is aimed to facilitate experimentation and learning by encouraging extensive

deliberation among participants, multilateral surveillance, benchmarking of performance and the exchange of experience and information.

Since Lisbon, versions of the OMC have been applied to such a diverse blend of policy areas as education, enterprise, better regulation, information society, research and development, taxation¹⁹. Successive European Councils in Gothenburg, Stockholm and Laeken in 2001 launched fresh coordination processes in the areas of social inclusion, sustainable development, healthcare and pensions. Finally, forms of open coordination have been proposed in a number of other sectors where the possibility of adopting ‘harder’ legal measures already exists, such as immigration and asylum, disability policy and market liberalisation in certain formerly public services like telecommunications (De Búrca 2003; Laffan and Shaw 2005). It is worth noting that open coordination does not always correspond to the template presented above. So much so, in fact, that it has been argued that there is no single ‘open method’, but rather *‘a range of different kinds, all broadly sharing some characteristics but with variations and distinctive features according to the particular policy area’* (De Búrca 2003: p.824). The literature, indeed, identified ‘lighter’ and ‘heavier’ versions of the OMC, depending on the presence or absence of a number of structural features: a legal basis in the treaties; the adoption of guidelines and recommendations; the adoption of explicit indicators and targets; the requirement to produce periodic ‘action plans’ subject to peer review processes; the yearly or multi-annual nature of the coordination ‘cycles’; the degree of openness to the participation of non-governmental actors (De La Porte 2002; De La Porte and Pochet 2002; Radaelli 2003b; Laffan and Shaw 2005). On the basis of these criteria, although it is not ‘OMC’ in the strict sense since it was launched before 2000, the EES must count as the most structured version of open coordination as it contains all the elements of the ideal-type identified by the literature. By way of comparison, the pensions process, whereby the member states are under the only obligation to report every three or four years on how they are including the ‘commonly agreed objectives’ (not guidelines) into national policy, is considerably lighter.

Does the practice of the EES’ governance measure up to the ideal-type of ‘new governance’? The available evidence paints a somewhat different picture. Although the Employment Title is not explicit on the point, subsequent EU summits insisted that national governments should engage parliaments, social partners, local and regional authorities and various civil society actors both in developing and in implementing the National Action Plans (NAPs). The participation of a large number of stakeholders was meant to serve the double purpose of improving the transparency and democratic legitimacy of the process and of building support for reform – or ‘partnerships for reform’ in the Strategy’s somewhat obscure jargon (Council of the European

¹⁹ Policy coordination on taxation issues was first proposed by the so-called ‘Primarolo group’ in 1999 and then officially called for by the Feira European Council in June 2000 (Laffan and Shaw 2005).

Union, various years). Yet empirical research has shown the EES process to be remarkably closed, elitist and arguably even less democratic and accountable than the Community method, as parliamentary influence (both national and European) is extremely limited, there is no possibility for judicial review as the guidelines are non-binding and the degree of social partner participation varies widely across member states (Radaelli 2003b; De La Porte and Nanz 2004; Rhodes 2005).

The governance of the EES is, thus, best described as the result of the sole interaction between the Commission and member state representatives, mostly taking place behind closed doors. Final authority over policy-making stays with the member states, while the EU's task is to organise and structure the coordination exercise. EU-level decision-making is in the hands of the Council, which approves the guidelines and recommendations by qualified majority voting (QMV). The Commission's institutional position is somewhat weaker than under the Community method – its proposals can be amended by the Council with no need for unanimity –, but it is involved in almost every step of the process. It drafts the guidelines, organises the exchange of best practices, proposes indicators and benchmarks and provides support to the processes of implementation, monitoring and peer review. The Commission's position in relation to member state governments in the EES governance system is best illustrated by its role within the Employment Committee (EMCO) established by Art. 130 EEC²⁰, which lies at the very heart of the day-to-day functioning of the Strategy. The EMCO is the only preparatory body below the Labour and Social Affairs Council. The latter's decisions are often a mere stamp of approval on agreements reached by member state representatives – usually Director Generals in the national Ministries of Labour – and Commission officials within the Committee (Salais 2004; Deganis 2006). The EMCO is, thus, the principal setting in which the various actors involved in the EES interact. Discussions within EMCO often resemble the prototype of hard-nosed bargaining rather than open-ended deliberation, especially when it comes to deciding on politically salient issues like guidelines or indicators²¹, with the Commission acting, alternatively, either as a 'policy broker' between different coalitions of member states or as a competence-maximiser to the detriment of member states' control on the process (Jacobsson and Vifell 2003; Deganis 2006). Deganis (2006), in particular, has shown that the Commission has consistently tried to maximise its influence within EMCO by using to this end its hold on the Committee's Secretariat, which is in charge of drafting minutes and opinions, and by establishing a fictitious right of initiative through the practice of starting the Committee's works from the discussion of Commission papers. In his study on the adoption of the 2003 Employment Guidelines, moreover, Jobelius (2003) has demonstrated that the Commission tried to push for the adoption of a large number of quantitative targets and indicators in order to capitalise on its

²⁰ See above.

²¹ See below.

monitoring role, but was eventually forced to drop most of them by the necessity to reach agreement within the Council.

This state of affairs is unlikely to change as the twelve new member states of the EU – eight central and east European states plus Cyprus and Malta since May 2004, Romania and Bulgaria since January 2007 – start to participate fully in the EES. Starting from 1999, they have been involved with the Commission in a preparatory policy review exercise based on country-specific Joint Assessment Reports (JAPs) and then produced their first full-blown NAPs in 2004 and 2007 (Fischer and Tholoniat 2006). Their accession, if anything, further complicated the EES ‘game’, as they formed new coalitions with the old members within the Council and EMCO (Deganis 2006), and made it more difficult for the Commission to steer the process. Arguably, therefore, the Eastern enlargement is likely to change the balance of power between the member states and the Commission, by further weakening the latter’s agenda-setting capabilities over time.

The Strategy’s governance framework underwent two major overhauls, as it came under considerable attack in recent years for its perceived lack of impact on domestic employment policies. In order to improve performance and raise member states’ commitment, the Commission’s mid-term evaluation of the EES recommended a drastic simplification of the Employment Guidelines (EGs) and greater consistency and complementarity with other relevant EU processes (European Commission 2002). As a result, it was decided to synchronise, starting from 2003, the employment and the economic policy coordination processes (the above mentioned BEPGs), as well as the Cardiff process on product and capital market reform (the so-called ‘Internal Market Strategy’, IMS) and the nascent open methods on social inclusion and pensions (Council 2003). The format of the guidelines was also thoroughly overhauled²². The latest revamp of the Strategy’s governance came on the occasion of the mid-term review of the Lisbon Strategy. Based on the report of the High Level Group chaired by Wim Kok (Kok 2004) and the release of a Commission report in February (European Commission 2005) that pointed to a serious implementation ‘gap’ on the part of the member governments, the 2005 Spring European Council set up a new simplified arrangement relying on three-year coordination ‘cycles’ (European Council 2005). The Council is now asked to adopt a set of ‘Integrated Guidelines’ incorporating both the BEPGs and the Employment Guidelines (EGs). On this basis, member states shall draw up ‘national reform programmes’ (NRPs) and the Commission a ‘Community Lisbon programme’ covering all appropriate action to be undertaken at the national and European levels, respectively. National reports on the follow-up to the Lisbon Strategy, exhausting in a single document all the previous reporting obligations, will be sent to the Commission every year for it to report on and the European

²² See below.

Council to discuss. The Integrated Guidelines, the NRPs and the Community Lisbon programme shall then be reviewed at the end of each three-year cycle.

In both cases the aims were facilitating the identification of priorities, increasing member state commitment and streamlining the monitoring procedures. Some positive steps in these directions have, indeed, been taken. Reporting and monitoring procedures have been greatly simplified. The Strategy's discourse has been streamlined and inserted more clearly within the broader framework of the Lisbon Strategy under the banner of 'growth and jobs'²³. Renewed emphasis has been put on participation and 'ownership' of national actors, including parliaments, social partners, civil society, with a view to mustering their support and exploiting their legitimacy to push forward Lisbon's reform agenda. Nevertheless, despite the fact that the Kok report called for greater efforts to be made to 'name and shame' member states into complying with the terms of the Strategy, the emphasis seems to be shifting further away from multilateral surveillance and peer pressure. The 2005 Spring European Council conclusions mention neither the Lisbon overall 2010 goal nor more specific goals like the employment rate targets (European Council 2005). The 2005 Commission Spring Report openly called for a shift in focus from multilateral surveillance involving all member state governments and the Commission to bilateral discussions between the Commission itself and single member states on the structure of the national programmes (European Commission 2005). For this purpose, bilateral IMF-like meetings have taken place in June/July 2005 between Commission and national officials. In addition to this, the Commission decided not to propose country-specific recommendations in 2006 (European Commission 2006) as the 2005 NRPs contained only a forward-looking section specifying the measures they are planning to adopt in the next three years and no backward-looking section reporting on what has already been done.²⁴ In sum, the structure of incentives and sanctions attached to the Strategy's governance system has not substantively changed. As a consequence, it can be argued that what was brought about by the reform of the governance framework of EES (and of the broader Lisbon Strategy) is not fundamentally different from what was already in existence²⁵.

The issue of incentives and sanctions will be analysed in more detail in the last section. Meanwhile, the next section illustrates the content of the EGs and traces the policy model behind the EES as a strategy for reform.

²³ The social inclusion and sustainable development components of the Lisbon Strategy, once presented as equally important 'legs' of the same quadrilateral, have been increasingly marginalised. Social policy coordination has been organised around a new 'streamlined' OMC, which looks like a satellite of the process turning around the integrated guidelines, while the Sustainable Development Strategy has been re-defined as no more than a long-term complement to Lisbon's medium-term goals (Armstrong 2008).

²⁴ It must be noted, though, that the national reports on the follow-up to the Lisbon strategy to be submitted as of 2006 include both a forward- and a backward-looking section.

²⁵ This argument is presented in detail in Chiattelli (2006).

3. The EES: discourse and strategy

The EES has developed in a significant way as a form of centralisation of employment policy knowledge and discourse. The EGs have shown considerable stability over the years and common indicators based on comparable statistics have been developed as a crucial tool for the monitoring and evaluation of policies. In 1999 member states were urged to support the process of defining and collecting comparable data in order to implement the Community-wide targets set in the guidelines. In 2000, the Commission presented a report on 'structural indicators' across four policy domains, which was annexed to the conclusions of the Stockholm European Council (European Council 2001)²⁶. Country-specific recommendations on the implementation of the guidelines were first issued in 2000 and proved to be at first a rather uncomfortable finger-pointing session for some member states (De La Porte, Pochet and Room 2001). Yet over time the process became considerably less divisive, as member states were consulted by the Commission at an earlier stage and more account was taken of the peculiarities of national labour markets (Goetschy 2001). More than fifty recommendations were issued by the Council every year. Although the same countries tend to receive approximately the same number of recommendations every year, the number of recommendations per country varies widely and can be considered as a reflection of good and bad performance from the Strategy's perspective. The Scandinavian member states plus the Netherlands, Ireland, Luxembourg and Portugal are the only countries to receive, on average, less than four recommendations a year. On the contrary, most of the countries with Continental and Southern employment policy traditions and the U.K. so far received more than four a year and are to be counted among the bad performers.

Table 2. Employment Recommendations 2000-2004²⁷

	2000	2001	2002	2003	2004	Total
The Netherlands	2	2	2	2	3	11
Denmark	2	3	2	2	3	12
Ireland	3	2	3	3	3	14
Sweden	2	3	3	3	3	14

²⁶ The employment indicators are: the employment rate; the female employment rate; employment growth rate; the employment rate of older workers; the unemployment rate; the tax rate on low wage earners, lifelong learning (adult participation in education and training).

²⁷ As a consequence of the reform of the Lisbon Strategy, the Commission decided not to issue recommendations in 2005. Starting from 2006, the employment recommendations changed format and were merged with the recommendations on macro- and microeconomic policy in the context of the Integrated Guidelines for Growth and Jobs (see above).

Austria	3	3	3	3	3	15
Finland	3	3	3	3	3	15
Luxembourg	3	3	3	3	3	15
Portugal	3	4	3	3	3	16
United Kingdom	4	4	4	4	4	20
Belgium	4	5	5	5	4	23
France	4	5	5	5	4	23
Spain	4	5	5	5	4	23
Germany	5	5	5	5	5	25
Italy	5	5	5	5	5	25
Greece	6	6	6	6	5	29
Total	53	58	57	57	55	280

Source: Council Recommendations on the implementation of member states' employment policies (various years).

Thus, over the years, the EES developed a distinct employment policy model and a specific way of looking at the problems of European labour markets. This was broadly based on the international consensus built in the early 1990s around the causes of Europe's stagnating growth and rising unemployment (Visser 2005). On the one hand, it was argued, the rigidity of business and labour market regulation made European economies unable to handle economic shocks, so that, after every bout of recession since the 1970s, unemployment stabilised at a higher level than before. The decision to embark on Economic and Monetary Union added further urgency to the perceived need to increase labour market flexibility, as a single monetary policy caused governments and observers to look for alternative means to adjust to asymmetric shocks (Talani 2004). On the other hand, Europe's social security systems were deemed unable to handle the structural transformations of the economy. Their generosity and method of financing – especially in those states in which benefits are funded by payroll taxes – had the effect of increasing labour costs and discourage new hirings, while no incentives or sanctions were generally provided for those who did not actively look for new jobs. The combined effect of the above was a two-speed labour market, stratified between an older cohort of mostly male workers and heads of family whose jobs in the industrial or public sectors had the full gamut of employment guarantees and social protection, and a newly entering cohort composed mainly by female and younger workers who took up less protected jobs in the services sector (Esping-Andersen 1999; Esping-Andersen and Regini 2000).

This is the normative and cognitive drive behind both the Commission's 1993 White Paper on Growth, Competitiveness and Employment²⁸ and the OECD Jobs Study (OECD 1994) launched around the same time. Both see unemployment as being fundamentally the result of market rigidities and both recommend to deal with it by improving the skills of the workforce, removing disincentives to take up paid work, matching demand and supply of labour by reforming employment services, making firms more competitive and adaptable to market changes and decreasing the cost of hiring new workers. The OECD, however, put much more emphasis than the EU on deregulation and flexibility of labour markets and industrial relations, and openly held up the experience of the United States and, to a lesser degree, of the U. K. as a model to be followed (Casey 2004). The EES, by contrast, has much more warmly embraced the discourse of 'activating' social and labour market policy and placed great emphasis on the link between employment performance and the welfare state and on the contribution of the social partners to policy-making and implementation. The EES represent an attempt on the part of the EU to strike a balance between different employment policy regimes and to develop a common definition of the problems of European labour markets as well as of the appropriate solutions. The recommended policy measures are based on a compromise between the liberal model of the Anglo-Saxon countries and the social-democratic model of the Scandinavian member states (Bertozzi and Bonoli 2002). On the one hand, the Strategy seems to have taken from the liberal model the policies that concern labour demand and job creation, with its emphasis on labour market deregulation and tax reductions. On the other hand, the guidelines are much closer to the social-democratic model when it comes to labour supply, focusing on training and active labour market policies, as well as on equal opportunities and gender mainstreaming. At the same time, fashionable experiences of the 1990s like the 35 hours working week in France did not play any significant role in shaping the content of the guidelines, thus showing that the Strategy was not just a minimum common denominator between existing welfare models, but a clear attempt to draw from the two which produced the best results in terms of employment rates (Bertozzi and Bonoli *ibidem*).

It is worth noting, however, that the issue of the total volume of employment, which was addressed by the 1993 Delors White Paper that recommended, as said above, an increase in public and private investments, was completely disregarded by the Strategy launched only four years later. The reason for this has to do with the fact that the set-up of EMU, mandating a single monetary policy for the whole Euro-area and constraints on public spending, ruled out macroeconomic policy as a lever to combat unemployment (Raveaud 2003; Salais 2004; Talani 2004). The EES, in fact, is closely linked to the politics and ideologies of the Maastricht process and EMU (Chalmers and

²⁸ See above.

Lodge 2003; Rhodes 2005). Its very existence and institutionalisation are partly the result of the perceived need to gain support for the Monetary Union by showing concern for its effects on employment²⁹. This link helped to make the Strategy stronger than other forms of OMC (Rhodes *ibidem*). Yet, as a result, the EES was never conceived as a fulsome action plan for employment, but rather as a more limited supply-side labour market strategy.

The need to compromise and the reliance on vague terms like ‘activation’, moreover, has given rise to problems of interpretation. Differences in interpretation and focus may come from the ideological orientation of the governments in power or from prevailing national discourses. Differences in focus may also arise from existing policy legacies – some member states, for instance, have a more developed system of public employment services and income support policies than others –, labour market performance, the identity and preferences of the actors involved in employment policy-making. Only in-depth national case studies such as the two presented in this work can show the extent and nature of these differences³⁰. Broadly speaking, however, at least two coalitions of member states can be identified around different perspectives on the Strategy’s message (Deganis 2006). On the one hand, a ‘liberal’ coalition, comprising the UK, Denmark, Finland, the Netherlands, Italy under Berlusconi, Spain under Aznar and new members such as Slovakia, Poland, Cyprus and Malta, emphasised labour market flexibility as a fundamental tool to retain economic competitiveness and stresses the importance of individual responsibility in a residual US-style welfare state. On the other hand, a ‘social model’ coalition, regrouping states like Germany, France, Belgium, Sweden, Spain (after 2004) and Italy (before 2001 and after 2006), did not repudiate the goal of full employment and emphasised the need to provide a measure of security and quality at work.

The first set of EGs was issued by a special Council meeting held in Luxembourg in November 1997, before the Treaty of Amsterdam came into force. Around twenty guidelines have been produced every year until 2003, not all of them corresponding to quantified targets. Since Luxembourg, the EGs have been organised under four ‘pillars’ – dubbed, respectively, employability, entrepreneurship, adaptability and equal opportunities –, chosen to reflect the main perceived weaknesses of European labour markets: the skills gap (mismatch between the capacities of the unemployed and employer requirements); the job creation gap (bureaucratic or fiscal barriers to establishing new businesses); the adjustment gap (restrictive contractual arrangements that prevent firms from expanding employment opportunities); and the gender gap (low employment rates among women, the young and the elderly) (Watt 2004). The pillars, though, were never given equal weight. ‘Employability’, in fact, was the object of more guidelines and quantified targets and

²⁹ See above.

³⁰ See also the country studies collected by Zeitlin *et al.* (2005).

was regarded from the start as the most important pillar by national and EU actors (Barbier and Samba Sylla 2001). As the 2002 mid-term review of the Strategy concluded that the pillar structure was too complex and there were too many guidelines, in 2003 the EGs were reduced in number to 10, each containing several sub-sections. In the context of the new Lisbon Strategy's governance arrangement, finally, the EGs have been merged into the Integrated Guidelines for growth and jobs for the period 2005-2008 (guidelines 17 to 24). Notwithstanding all these changes in format, however, it is contended that the content of the guidelines has been remarkably stable over the years.

In the first set of EGs, adopted in 1997 and valid for the year 1998 (Council 1998), the first pillar contained 7 guidelines. Member states were asked to '*develop preventative and employability-oriented strategies*' with a view to offering a '*new start*' before 6 months of unemployment for young persons (EG 1) and before 12 months for adults (EG 2) in the form of training, retraining, work practice, a job '*or other employability measure*'. Member states should ensure the '*transition from passive measures to active measures*' and review their benefit and training systems with a view to providing the unemployed with real incentives to take up work. To this end, at least 20% of the unemployed should be offered training or any similar measure (EG 3). The social partners were encouraged to conclude agreements aimed to increasing the possibilities for training, work experience, traineeships or other employability measures (EG 4) as well as to develop possibilities for lifelong learning (EG 5). Furthermore, in order to improve the employment prospects of early school-leavers, member states were asked to ease '*the transition from school to work*' by reducing school drop-outs substantially (EG 6) and providing young people with skills relevant to the labour market (EG 7).

The entrepreneurship pillar contained five guidelines. In order to make it easier to start and run new businesses, member governments were advised to reduce overhead costs and administrative burdens for firms (EG 8) and to encourage self-employment and the setting up of small businesses (EG 9). In order to exploit every opportunity to create jobs, member states should look into the social economy and the new activities linked to needs not yet satisfied by the market with the aim of reducing any obstacles to their development (EG 10). In addition, in order to make the taxation system more employment-friendly, governments were asked to set a target for reducing the fiscal pressure on labour and non-wage labour costs, especially on unskilled and low-paid labour (EG 11), and to consider the possibility of reducing VAT on labour-intensive services not exposed to cross-border competition (EG 12).

The adaptability pillar contained three guidelines. The social partners were called upon to negotiate agreements to modernise the organisation of work, covering issues like the management

and reduction of work time, lifelong learning and career breaks (EG 13). Member states, for their part, would examine the possibility of introducing more flexible types of work contracts, provided that those involved enjoy an adequate level of security (EG 14). Moreover, the ‘adaptability’ of undertakings should be supported and skill levels within them improved by re-examining the existing obstacles, particularly tax-related, to investment in human resources (EG 15).

Finally, the equal opportunities pillar was composed of four guidelines. Member states were asked to reduce the gap in unemployment rates between women and men (EG 16), raise levels of access to care services in order to support women’s entry into the labour market (EG 17) and facilitate the return to paid work after periods of absence (EG 18). Last but not least, member state governments were urged to give special attention to the problems people with disabilities may encounter in finding and keeping a job (EG 19).

The EGs kept the same format for the following four years. The 1999 guidelines (Council 1999) introduced a new EG 4 dealing specifically with the reform of tax and benefit systems in order to provide incentives for the inactive to take up jobs and for firms to hire new people and, for the first time, mentioned ‘active ageing’. A new EG 13 invoked the full exploitation of the employment potential of the services sector, and especially of information society and the environmental sector, in order to create ‘*more and better jobs*’. ‘*Gender mainstreaming*’ in the implementation of all four pillars was introduced by EG 19. The 2001 EGs included five new ‘horizontal objectives’ (Council 2001), the first of which made explicit reference to the EU-wide employment rate targets set in Lisbon (70% for the labour force as a whole and 60% for women by 2010) and mentioned for the first time the issue of the quality of jobs. Further employment rate targets were set in Stockholm (50% for older workers by 2010 and the intermediate targets of 67% overall and 57% for women by 2005) (European Council 2001) and then inserted in the EGs for 2002 (Council 2002).

A major review of the EGs, as said above, was conducted in 2003. As a result, the vague pillar structure and the horizontal objectives were replaced by three ‘*overarching and interrelated objectives*’: full employment, improving quality and productivity at work and strengthening social cohesion and inclusion. These were to be achieved through action along ten ‘*priorities for action*’ (Council 2003):

- Develop and implement active and preventative measures for the unemployed and the inactive;
- Encourage the creation of more and better jobs by fostering entrepreneurship, innovation, investment capacity and a favourable business environment;
- Facilitate the adaptability of workers and firms to change;

- Implement lifelong learning strategies, improve the quality and efficiency of education and training systems;
- Increase labour supply and promote active ageing;
- Promote gender equality in employment and pay;
- Combat discrimination against disadvantaged groups;
- Improve financial incentives to make work pay, review tax and benefit systems with a view to eliminating unemployment, poverty and inactivity traps;
- Transform undeclared work into regular employment;
- Address regional employment disparities.

The replacement of the four pillars and twenty-odd guidelines with ten ‘priorities’ was a step forward in presentational terms. Each guideline now reflected a concrete goal of public policy rather than being structured around abstract concepts like ‘employability’. Yet, except for the new guidelines on undeclared work and regional disparities, the substance of the Strategy was almost intact. Thus the 2003 amendments, it has been argued (Watt 2004), are best described as little more than a change in presentation. An interesting addition was the inclusion of new quantitative and qualitative targets, which had been a controversial point in the negotiations on the new EGs (Jobelius 2003; Büchs 2005). The new set of guidelines contains 13 quantitative and 2 non-quantitative targets, most of them to be reached by 2010. The Lisbon employment goals are cited under the first ‘overarching objective’. In addition, 25% of the unemployed should be offered active measures (instead of the 20% of previous versions) (EG 1) and all job-seekers should be able to access information on vacancies through the employment services of all member states (EG 3). At least 85% of all 22 year-olds in the EU should have completed upper-secondary education and at least 12.5% of the adult working age population should participate in lifelong learning (EG 4). The effective average exit age from the labour market should be raised by 5 years (EG 5), childcare services should be provided for at least 90 % of children between 3 years of age and the mandatory school age and for at least 33% of children under 3 (EG 6) and the average rate of early school leavers in the EU should not be above 10% (EG 7). Gender gaps in employment, unemployment and pay (EG 6) and the tax burden on low-paid workers (EG 7) should be ‘*substantially reduced*’. Finally, member states should set their own national targets for the reduction of unemployment gaps for people at a disadvantage as well as between EU and non-EU nationals (EG 7).

The 2005 review further reduced the number of the guidelines from 10 to 8, while keeping the three overarching objectives introduced in 2003. Guideline 17 of the ‘Integrated Guidelines for Growth and Jobs’ (Council 2005) recalls the Lisbon employment rate targets and requires member states (no less) to ‘*implement employment policies aimed at achieving full employment, improving*

quality and productivity at work, and strengthening social and territorial cohesion'. Guideline 18 calls for the promotion of a '*life-cycle approach to work*' by reducing youth unemployment, increasing women's participation in the labour market and improving the provision of care services, supporting active ageing and building modern social protection systems. Guideline 19 requires member states to '*ensure inclusive labour markets, enhance work attractiveness, and make work pay for job-seekers*' through the implementation of active and preventative measures for the unemployed, periodic reviews of the incentives and disincentives resulting from tax and benefit systems, the development of new sources of jobs in the services sector. Guideline 20 emphasises the matching of labour market needs through the modernisation of employment services and the promotion of the mobility of workers across Europe. Guideline 21 asks for the promotion of flexibility, via the adaptation of employment legislation and the dissemination of innovative forms of work organisation, combined with employment security via the anticipation and '*positive management*' of economic restructuring. Guideline 22 calls for employment-friendly labour cost and wage-setting developments. Finally, member states are required to increase investment in human capital and lifelong learning (guideline 23) and adapt education and training systems to new needs (guideline 24). The targets and benchmarks agreed in 2003 are reiterated in an annex.

In sum, in less than ten years the format of the guidelines underwent two major changes. Objectives and targets were added to reflect the preferences of the Commission and some member states. The shift of focus to the employment – as opposed to unemployment – rate was made apparent after the launch of the Lisbon Strategy in 2000. The dominance of right-wing parties in government in the early 2000s is the likely cause of the greater emphasis that was gradually put on such issues as labour market flexibility, the reform of tax and benefit systems, '*making work pay*'. However, these are only changes in emphasis, as the main inspiration of the EES as a supply-side strategy focusing on activation, the creation of a better environment for business and the modernisation of work organisation was there from the start. The final section of this chapter reviews the literature on the EES' impact on national employment policies with a view to gaining further insights into its nature and functioning.

4. Theorising the domestic impact of the EES: incentives and sanctions, policy learning and discourse

The domestic impact of the EES and the OMC at large has aroused a considerable amount of interest in the scholarly literature. The list of concepts employed by researchers is diverse, ranging

from policy learning, transfer, diffusion and mimicking to deliberation and participation and peer pressure and shaming. The next sub-sections will group the existing theoretical approaches, much along the lines of what has already been attempted by Borràs and Jacobsson (2004), Trubek and Trubek (2005) and Büchs (2005, 2008), with a view to assessing their explanatory power as well as their pitfalls. They will discuss, in turn, the notions of incentives and sanctions, policy learning and discourse. The merits and shortcomings of each approach will be summed up in the conclusion.

4.1. Incentives and sanctions

The presence or absence of incentives or coercive mechanisms of sorts is generally regarded by scholars concerned with issues of international co-operation as a key factor to ensure the compliance of sovereign states with internationally agreed rules (Borràs and Jacobsson 2004). The basic idea is that states are rational, benefit-maximising actors who will only comply with rules if there are considerable gains to be reaped or if the costs of free riding are high. Thus, for instance, national decision-makers will put in place programmes in line with the EGs in order to receive the EU funds that are attached to them. Alternatively, member state governments will try to avoid being 'named' and 'shamed' by the EU, other member states or opposition parties for not meeting the EES targets in order to avoid incurring reputational costs, which could be damaging in electoral terms or diminish the trust of economic investors.

It is worth noting that the EES is, in fact, complemented by some EU financial resources and is also, in theory, able to impose sanctions of a certain kind for non-compliance. € 195 billion coming from the Community structural funds represented the financial instrument available over the 2000-2006 period to support the attainment of the employment objectives, of which € 70 billion were devoted to human resource development through the European Social Fund (ESF) (Goetschy 2001). OMC processes, moreover, have their own method of sanctioning, which is comparatively strong in the EES. The Strategy does provide its own kind of 'soft' sanctions in the form of single-country recommendations and multilateral surveillance based on benchmarking according to agreed indicators and quantified targets. Peer review is strongly institutionalised in the EES through procedures that closely resemble those already in use in the OECD (Marcussen 2004). The NAPs, whose aim is to report on the implementation of the guidelines as well as on future policy developments, are submitted to the Commission for cross-national comparison and evaluation. Member state representatives review each other's performance within the EMCO and are encouraged to make particular programmes available for examination under a special peer review

process organised through the Commission, the so-called ‘Cambridge process’, which consists of national experts’ travelling to a host country to study the operation and performance of specific programmes (Casey 2004; Casey and Gold 2005). The results of cross-national comparisons are published in the Joint Employment Report (JER) approved annually by the Commission and the Council, which includes benchmarking of countries and the identification of best practices.

Nevertheless, the incentives provided were arguably too small and the threatened sanctions too soft to have significant effects. Regulation (EC) No. 1260/1999 incorporated the EES objectives under ‘Objective 3’ funding (i.e. human resource development) and created a system of *ex ante*, mid-term and *ex post* programme evaluations combined with performance rewards and punishments in the form of the so-called ‘performance reserve allocations’. However, even though member states were encouraged to use structural fund, and especially ESF, finance to support some of the initiatives included in their NAPs, the ESF budget was always determined and distributed independently of the strategy (Govecor 2004). In addition, the performance reserve allocations introduced in 1999 amounted to as little as 4% of the overall funding allocated to each member state, which was way too little to influence state behaviour in a significant way (Franzese and Hays 2006).

By contrast, there is some evidence that peer pressure and associated practices have an influence on the behaviour of national governments. The available qualitative studies on this issue (Jacobsson and Vifell 2003; Zeitlin 2005b) have concluded that national representatives in EU committee and Council meetings do feel the pressure to reach common targets and carry out mutually agreed commitments, or at least to be seen to be doing so by the other participants. Also, member state governments want to avoid EU recommendations or reprimands as a potential source of embarrassment in domestic politics. However, the effectiveness of such a ‘soft’ system of sanctioning relies fundamentally on the ability of the relevant EU-level processes to impose reputational costs on bad performers and laggards, which, in turn, depends on two further conditions. First, all member states must take the coordination procedure seriously, otherwise those who decide to comply might experience a competitive disadvantage (Büchs 2008). Yet Franzese and Hays (2006) have demonstrated that the adoption of active labour market policies of the kind recommended by the Strategy entails significant positive externalities and, therefore, provide considerable incentives for member states to free-ride on their neighbours’ willingness to reform. Second, the public opinion must be aware of the Strategy and concerned about the results of the evaluations and peer reviews carried out in its context. However, it is worth noting that the diffusion of information about the strategy nationally has so far been extremely limited. Although the EES received a good deal of attention in the first few years of its operation, it has gradually disappeared

from the main media and is essentially lost on all but those who are directly or indirectly involved (Meyer 2005). The conclusion to be drawn from the above, thus, is that the incentives and sanctions provided by the Strategy are too ‘soft’ significantly to affect member states’ behaviour. Some other mechanism must, therefore, be found to explain its impact on national employment policies.

4.2. Policy learning, transfer and mimicking

In contrast to models that stress the role of coercion in spurring policy change, the literature on policy learning assumes that policy-makers’ perceptions – and, eventually, also policies – change voluntarily as they rationally evaluate past experience and new information. The concept of policy-oriented learning offers an alternative view of the policy process to that of purely rationalist accounts, which emphasise the role of power and resources and utility-maximising behaviour based on pre-determined interests, and assumes that policy-makers are in constant search of new and better ways of conceptualising and solving problems. In Heclo’s words, *‘politics finds its sources not only in power, but also in uncertainty – men collectively wondering what to do [...]’*.

Governments not only “power” [...], they also “puzzle”. Policy-making is a form of collective puzzlement on society’s behalf. [...] Much political interaction has constituted a process of social learning expressed through policy’ (Heclo 1974: pp.305-306). Learning theories, by placing constraints on the informational capacities and motivations of actors, belong to the class of theories of bounded rationality: they theorise explicitly that the capacity of individuals and organisations to process and evaluate information is limited, and that choice behaviour is driven by routines that have developed on the basis of selection and adaptation rather than rational calculation (Hemerjick and Visser 2003).

Policy learning is defined as a ‘relatively enduring’ change ‘*in thought or behavioural intention*’ resulting ‘*from experience and/or new information concerned with the attainment or revision of policy objectives*’ (Heclo 1974: p.306). It should bring about ‘*a deliberate attempt to adjust the goals or techniques of policy*’ and ‘*is indicated when policy changes as the result of such a process*’ (Hall 1993: p.278). In order to count as instances of learning, thus, the observed ideational and/or behavioural changes should be ‘relatively enduring’ and policy change should be taken as the ultimate proof that a process of learning has occurred. Learning can involve both the overarching goals that guide policy in a particular field and the techniques or policy instruments used to attain them, down to the precise settings of these instruments (Hall 1993). Policy-makers look for new policy ideas and solutions both at home and abroad. The proponents of social

learning³¹ (Heclo 1974; Hall 1993) look at eminently domestic processes. Learning, in their view, is mainly inward and backward-looking: policy-makers draw lessons from past failures and apply these lessons together with new knowledge when dealing with the future. By contrast, the literature on policy transfer and mimicking (Dolowitz and Marsh 1996, 2000; Evans and Davies 1999; Radaelli 2000; Bomberg and Peterson 2000) suggests that policy-makers examine best practices and learn successful lessons from the experience of others. This can be a very efficient learning mechanism, especially when uncertainty is accompanied by ambiguous goals and unclear technology. Students of organisational sociology have shown that mimicking – or mimetism, or mimicry – stems from the need to cope with uncertainty by imitating organisations perceived to be more legitimate or successful, thus minimising the chance of negative sanctions from various stakeholders (Di Maggio and Powell 1991).

Both the EES and the OECD's Job Study are clearly international procedures set up with a view to encouraging the latter kind of learning in the area of employment policy. Both share, indeed, several features that could promote policy learning. As highlighted by students of governance (Mosher 2000; Trubek and Mosher 2003), these include: (1) mechanisms that bring together people with diverse viewpoints and forces them to share information, experience and good practices in settings that require sustained deliberation on problem-solving, with the aim to destabilise existing understandings; (2) an approach to policy that brings down boundaries between policy domains that are traditionally kept separate, requires the involvement of non governmental actors and of different levels of government and encourages decentralised experimentation; (3) a cyclical, iterative process that obliges (European and national, governmental and non-governmental, central and local) actors collectively to redefine objectives and policies. The OECD, however, follows a very centralised approach, while the EES explicitly relies on cooperation from the member states in the provision of data (through the NAPs) and the organisation of peer review, and is therefore more contextualised by domestic concerns and also more binding (Visser 2002). Moreover, the EES is a much more politically salient process, characterised by higher visibility and a much higher level of participation, involving EU institutions, national governments and various other European, national and sub-national actors. For all these reasons, the EES is much more likely to be effective than its OECD counterpart.

Empirical work on the EES' domestic impact does, in fact, show some evidence that it has contributed to specific policy changes in individual member states. The Strategy, for example, seems to have played a prominent role in the adoption in France of programmes promoting a

³¹ The term 'social learning' is here used to mean a different kind of phenomenon from that referred to by constructivist scholars, which is essentially the result of socialisation and deliberation (see, for instance, Checkel 2001).

preventative and individualised approach to fighting unemployment³² and was explicitly referred to by the Schröder government in Germany as the inspiration and justification for initiatives such as the 'Immediate Programme for the Reduction of Youth Unemployment' (JUMP), the amendment of the Work Promotion Act to incorporate a more preventative and targeted approach and the 'Hartz Laws' on the reform of labour market regulation and unemployment insurance (Zeitlin 2005b).

Significant instances of EES influence have also been shown in the area of equal opportunities (Rubery 2002, 2005), especially in terms of improved access for women to active labour market and lifelong learning schemes, measures to reduce gender segregation and the gender pay gap and the adoption of childcare provision targets at both the EU and at the national level. Possibly the most easily traceable impact of the EES, though, is its contribution to shifts in governance and policy-making arrangements (Govecor 2004; Ferrera and Sacchi 2005; Jacobsson and Vifell 2005).

Member states have generally shown a high degree of compliance with the coordination procedures and have been dedicated to fulfilling the monitoring requirements, such as producing the NAPs, delivering them on time and so forth. Inter-ministerial coordination has improved in nearly all countries. The procedures and requirements attached to the EES seem to have facilitated links between policy areas and the erosion of boundaries between policy domains and different stakeholders. The Strategy has reportedly spread the use of policy evaluation and impact-assessment practices in countries where these did not exist, it has introduced a more long-term perspective in employment policy-making and added a common European framework and an element of structure with the annual processes of planning and review.

Nevertheless, identifying the precise causal impact of the EES on national policies raises difficult problems of interpretation and requires very careful tracing of the process behind relevant policy choices. Member governments might try to make selective reference to the Strategy or even have their policy preferences included in the guidelines in order to support their own domestic agendas (Visser 2005; Büchs 2008). The Strategy, in addition, has not entirely kept the promises made by the governance literature in terms of providing a framework conducive to policy learning. As said above, the EES has actually developed as a largely inter-governmental process, often completely insulated from the day-to-day functioning of domestic employment policy-making (Jacobsson and Shmid 2002; Radaelli 2003b; Govecor 2004; De La Porte and Nanz 2004). The NAPs are not conceived of as guiding documents, or indeed 'action plans', but merely as government reports on domestic policy for an international audience. In contrast to what the EGs recommend, national parliaments, regional and local governments and civil society actors have not been systematically integrated in the NAP drafting process. Even the participation of the social

³² See Chapters 3 and 4.

partners has proved to be uneven, depending on the presence or absence of previous corporatist traditions at the national level. As a result of all this and of the limited diffusion of information about the Strategy at the national level, the EES has gradually emerged as a rather ‘top-down’, technocratic procedure, mainly targeted at governmental actors and, to some extent, the social partners. This relatively low level of participation of non-governmental and sub-national actors, in turn, has seriously hampered bottom-up learning, which was one of the Strategy’s main promises (Zeitlin 2005b).

Lastly, and more fundamentally, learning theories seem to disregard the importance of institutional constraints and the role of political agency. National employment policy regimes are embedded in a thick network of social, political and economic institutions, which makes them difficult to change and tends to hinder voluntary and ‘rational’ learning (Rhodes 2005). Moreover, as argued in Chapter 1, the choice of which problems to concentrate on and where to search for effective solutions requires political advocacy and support. The last sub-section focuses on ideational factors and the role of discourse.

4.3. Discourse, learning and socialisation

As discussed in Chapter 1, discourse-based approaches emphasise the role of ideas, language and communication in the construction of the social world, actors’ identities and behaviour. This perspective resonates with those who are persuaded that the main impact of the EES is to be found at ‘*the level of ideas*’ (Bertozzi and Bonoli 2002: p.12) and is consistent with a sociological institutionalist approach focusing on the cognitive effects of the strategy. In this view, the EES – and the OMC at large – is best understood as involving a ‘*discursive practice*’, which ‘*suggests a particular perspective and a cognitive structure for understanding and describing the labour market*’ (Jacobsson and Schmid 2002: p.88). Jacobsson (2004) made the argument more explicit by pointing to the EES as a ‘*discursive regulatory mechanism*’ relying on a number of specific tools: joint language use (key concepts and discourse); the working out of common classifications and operationalisations (indicators); the building of a common knowledge base (including collection and standardisation of statistics); the strategic use of comparisons and evaluations; the systematic editing and diffusion of knowledge and evaluation of results; all of the above combined with social pressure (peer review) and time pressure.

In order to explain how the Strategy impacts on domestic arrangements, the proponents of this approach combine a focus on discourse with theories of social interaction and socialisation. In a few words, the governmental and non-governmental actors meeting regularly within the

institutional settings provided by the Strategy are expected to be gradually ‘socialised’ into or ‘learn’ to adopt the discourse promoted and diffused by the EES through mechanisms similar to those sketched out by Jacobsson. The concept of learning used here is very different from the rational, voluntary learning outlined in the previous sub-section (see, for instance, Checkel 2001, 2003). The discourse or language-based notion of learning assumes that actors are much less rational and more passive in the face of their environment. Learning of this kind occurs when the *‘relevant actors accept or become convinced that new concepts or combinations of concepts are more suitable as descriptions of a given social reality’* (Nedergaard 2005: p.3), as is the case, for instance, when policy-makers in the field of employment come to accept ‘early activation’ as a key tool to avoid long-term unemployment or that increasing labour supply will help remedy – and not exacerbate – the problem of unemployment.

This definition of policy learning captures the fact that discourses are always fluid and somewhat precarious and that there is always more than one possible discourse or paradigm in every policy sector. The process through which one particular discourse becomes hegemonic and assumes a taken-for-granted quality is the ultimate assertion of power³³. In Jacobsson’s words (2004: p.366), *‘the most effective form of political control is to make one’s conception of the world hegemonic, to set the political agenda in such a way that ideology becomes conceived of as natural or normal’*. In this view, the EES is essentially an attempt to diffuse a specific, supply-side interpretation of the problems of European labour markets and of their appropriate solutions and introduce a different rationality to policy-making, based on the re-definition of policy choices in the light of specific challenges rather than in terms of re-distributing resources among societal groups (Laffan and Shaw 2005). In so doing, the ultimate aim is to impose the Strategy’s discourse as hegemonic, thus ‘de-politicising’ employment policy-making and reducing the cost of and opposition to domestic reforms.

In sum, discourse-based accounts are of great help in understanding the discursive nature of the Strategy and its use as an instrument of power. The diffusion of the Strategy’s discourse across the member states is, indeed, one of the most widely attested claims of existing empirical research. The most widely cited examples of the incorporation of EU concepts and categories into domestic debates concern the shift of emphasis from reducing unemployment to raising employment rates, from passive income support to activation of the unemployed and from a curative to a preventative approach to fighting unemployment (Zeitlin 2005b). For all its merits, however, this approach, much like the previous one, does not take into account the reality of national policy-making and

³³ See Chapter 1.

underestimates the fact that policy change is constrained by the institutional settings in which it takes place and that domestic politics and the strategies of political actors play a role.

Conclusion

The three broad theoretical approaches to the EES' domestic effects outlined in the last section of this chapter provide some useful insights into the Strategy's nature and operation. They stress the fact that the incentives and sanctions attached to it are too weak to force member governments into complying with the guidelines and recommendations. The analysis of the evidence provided by the existing empirical studies shows that, despite the promises of participation and mutual learning made by the governance literature, the Strategy has proved to be an essentially closed, inter-governmental process. Finally, they highlight the EES' essentially discursive nature and its potential as an instrument of power. Nevertheless, it is concluded, none of them pays enough attention to the realities of domestic policy-making, that is, to the identity and activities of different domestic actors and groups who support or oppose the Strategy's recommendations and guidelines and to the role of domestic institutional settings in facilitating or hampering norm diffusion and, eventually, policy change.

The country studies presented in the next part of the thesis seek to fill this gap in the literature and test the hypotheses outlined in Chapter 1 by tracing the process behind some key domestic policy decisions made after the inception of the EES. The present chapter has mapped out the functional and political origins of the Strategy in order to provide the necessary empirical and theoretical basis for the following.

Two key contentions have been advanced here. First, although it was conceived and presented as a new way for the Union to intervene in areas of EU-wide concern based on deliberation, participation and learning, the EES process is best depicted as an almost exclusive interaction between the Commission and member state representatives, with the EMCO as the main setting in which actual decisions concerning guidelines, recommendations and reports are made. Second, the Strategy is to be interpreted essentially as an attempt, supported by the Commission and pro-integration elites, to re-define the problems of European labour markets and impose specific solutions in domestic debates. The guidelines (as well as the single-country recommendations that are based on them) have shown considerable stability over the years and provided a comprehensive employment policy model. The result is a 'residual', supply-side labour market strategy that seeks to find a compromise between different employment policy models while respecting the macro-economic policy constraints imposed by EMU.

The non-inclusive, government-led character of EES policy-making, the scope for interpretation left by the vagueness of some key principles and the absence of clear sanctions and incentives encouraging implementation all suggest that adaptation of the Employment Strategy at

the national level will essentially depend on the initiative of domestic actors in and around government. These are, in turn, likely to be faced by institutional constraints and other actors' resistance. The two case studies presented in the next chapters will show the efforts made by domestic actor coalitions to diffuse and promote the EES' norms and discourse, their identity and motivations as well as the degree and type of resistance they met.

PART II

CASE STUDIES

CHAPTER III

EMPLOYMENT POLICIES AND POLICY-MAKING IN POST-WAR FRANCE: THE PREDOMINANCE OF THE STATE AND THE EXCLUSION OF LABOUR

After the Second World War, French governments pursued a highly *dirigiste* strategy of state-led growth, which was predicated upon the exclusion of organised labour from policy-making. In a period of sustained growth and low unemployment, the role of public authorities was confined to promoting workers' mobility and providing orientation and training. Only when the economic turmoil of the 1970s hit home, then, did the state begin to intervene more directly in the labour market. This chapter seeks to trace the evolution of employment policies and policy-making in France. In so doing, it serves a two-fold purpose. On the one hand, the attention paid to outlining the features of the French employment policy model as well as to the evolution of public debates concerning employment-related issues is meant to sketch out the background against which the launch of the EES was set in the late 1990s. Only the careful tracing of existing policies and discourses can, indeed, single out instances of change in the Strategy's direction. On the other hand, the following sections identify the main actors of French employment politics and outline their strategies, their resources and the institutional framework in which they took action. As indicated by the second and fifth hypotheses put forth in Chapter 1, the specificities of national systems of policy-making are likely to be crucial determinants of the composition and effectiveness of the national coalitions advocating the EES discourse.

Section 1 goes back to the *Trente Glorieuses*, the thirty glorious years of post-war economic expansion, and re-traces the growth strategies of the time, based on central planning and voluntarist industrial policies, as well as their consequences on labour market regulation. The first *politiques publiques de l'emploi* were put in place in the wake of the economic slowdown of the mid-1970s, with a view to shedding excess labour, protecting workers in core sectors from unemployment and loss of income, and subsidising the jobs of particular groups. As slow growth and rising unemployment continued into the 1980s and the use of public spending as a recipe was discredited once and for all by the Socialist experiment of 1981-82, flexibility, competitiveness and industrial dynamism became the imperatives of public policy. The debate concentrated on reducing labour market rigidities and compensating the losers from industrial restructuring. Thus some important regulatory changes were introduced on decentralised bargaining, hiring and firing rules and the use of temporary labour contracts. At the same time, the network of benefits and active policies for the unemployed was completed and extended.

Section 2 focuses on the actors involved in policy-making. The French state enjoys a very high level of legitimacy and is remarkably insulated from the demands of social groups. Over the post-war years and in the passage between the Fourth and the Fifth Republic, a considerably strengthened executive was endowed with a number of important instruments relevant to policy, such as a highly professionalized bureaucracy, access to information and expertise and control over the destination of funds and capital flows. On the contrary, both the trade unions and the employers' association were weakly organised, divided and often too radical to serve as credible interlocutors. As a result, policy initiatives tended to come from within the state machine – the executive, the high civil service, the parties in power – and were very rarely negotiated with anyone other than a few selected industrial managers.

Sections 3 and 4, finally, concentrate on the policies and debates of the 1990s and 2000s. The 1990s were a period of high political instability and growing unemployment. The repeated attempts to reform employment and social policies that were required, *inter alia*, by the consequences of the Single Market programme and by EMU were met with considerable opposition. As a result, the social partners, despite their continuing weakness, were increasingly involved in policy-making. Unions and employers were consulted regarding the design and implementation of policy to an extent that was unprecedented in France and, following an initiative of the main employers' association (the MEDEF), even started a series of inter-professional negotiations in order to regulate independently matters (unemployment insurance, complementary pensions, vocational training) that were deemed to be within their domain. In this context, some new themes now entered French employment policy debates. The activation of the unemployed, active ageing, lifelong learning, the reform of tax and benefit systems were somewhat alien to the French tradition and were, instead, very much in line with the discourse on employment policy that developed at the European level through the EES. These new objectives and catchwords were adopted by a wide range of actors (the government, the high civil service, the social partners) and formed the basis of a new consensus that produced major policy changes in recent years.

1. French employment policies from the *Trente Glorieuses* to the *politiques publiques de l'emploi*

In the aftermath of World War II France embarked on a voluntarist strategy of state-led growth predicated on the expansion of the nationalised sector, a highly interventionist industrial policy toward the private sector and the development of a sophisticated system of national economic planning. To this end, several private banks and insurance firms, the gas, electricity and coal

industries and the national airline carrier, Air France, were swiftly nationalised. A planning commission, the *Commissariat Général du Plan*, was established in 1946 under the presidency of Jean Monnet with the task of drawing up multi-annual plans identifying the industrial sectors on which economic growth was most likely to depend. The industrial policy outlined in the plans was implemented through the selective allocation of public investment and the control the state exercised over the flow of capital in the economy via the nationalised banks and the *Banque de France* (Hall 1986).

The pursuit of the state's growth strategy was blessed by thirty years of unprecedented economic expansion, known in French debates as the *Trente Glorieuses*. During this period, French governments did not produce much by way of public policies to promote employment or fight the consequences of unemployment. The first few economic plans were mainly concerned with preventing labour shortages in key sectors of the economy and, to this end, envisaged the tasks of public authorities essentially in terms of promoting workers' mobility and providing orientation and training to young and adult workers alike³⁴. Some of the cornerstones of French employment policies were, nonetheless, created in these years (DARES 1996). A national unemployment insurance scheme and the funds in charge of managing it (UNEDIC, ASSEDIC) were set up by an inter-industry agreement signed under government pressure by the trade unions and the employers in December 1958. The *Fonds National de l'Emploi* (FNE), which was to become the essential budgetary tool for public interventions on the labour market, was established in 1963 to support workers' mobility, training and re-training. A new public employment agency (the *Agence Nationale de l'Emploi*, ANPE), created in 1967, replaced the old *services de la main-d'œuvre*, which were widely criticised for being ineffective. The agency was to provide certification of employment and unemployment and was put in charge of such tasks as job placement, orientation and counselling.

This lack of explicit policies for employment was due to the sustained growth and low unemployment rates of the time. Yet it must also be understood in relation to France's post-war growth model and to the weakness of its interest organisations that allowed the government largely to ignore organised labour and leave the regulation of industrial relations to the market³⁵. The weakness of France's labour movement, in fact, permitted the government to keep a very activist stance toward the labour market and relegated the system of industrial relations in a state of instability and weak institutionalisation (Flanagan *et al.* 1983; Howell 1992). From the perspective

³⁴ See Plans I to VI (Commissariat Général du Plan 1947, 1954, 1958, 1962, 1966, 1971). The first three plans (1947-1961) were almost entirely focused on the necessities of post-war reconstruction, whereas the following three (1962-1975) concentrated on industrial competitiveness and development.

³⁵ See below.

of the state technocrats, social spending was no more than a cost to be contained in order not to deter funds from productive investment on critical industrial sectors (Levy 2000). In line with their *dirigiste* approach to industrial policy, French governments intervened both directly as an employer in the nationalised sector and indirectly in the private sector through the setting of the minimum wage (SMIC, *Salaire Minimum de Croissance*), the use of price controls and the generalisation of wage hikes through the so-called ‘extension’ procedure, which allowed the Minister of Labour to widen the applicability of collective agreements to entire sectors and regions where the social partners were too weak to negotiate themselves.

The momentous economic growth of the immediate post-war years, though, came to a halt as steep increases in commodity and oil prices in 1973-74 followed by a worldwide recession in 1975 plunged the balance of payments into deficit. The change in the terms of trade, in turn, implied reduced unit profitability and international competitiveness and, as a result, unemployment started to rise steadily. The initial response to the economic crisis under Prime Minister Jacques Chirac (1974-76) was to increase the protection of workers from the loss of purchasing power as well as from outright unemployment. The activist use of the SMIC and of the extension procedure greatly increased, and the dense network of unemployment compensation schemes and regulations limiting layoffs that protected the core segments of the workforce was further extended and completed (Howell 1992; DARES 1996). Real wages were allowed to grow by maintaining wage indexation in the public and nationalised sectors and repeatedly raising the minimum wage. In January 1975 the government enacted a new legislation on dismissals that mandated that the ‘economic rationale’ of lay-offs of ten or more workers was to be checked and approved by the *inspection du travail* of the Ministry of Labour. The aim was to use administrative controls to avoid big increases in dismissals, even though in practice less than 7% of the requested authorisations were refused (DARES 1996). In the same year, the government forced the employers’ association (the *Confédération Nationale du Patronat Français*, CNPF) to sign with the unions a new convention on unemployment insurance setting up a special compensation scheme (the *allocation supplémentaire d’attente*) that brought benefits up to as much as 90% of previous earnings. Profit margins were sustained by allowing firms to decrease work-time, but, in order to cushion the effects on workers’ income, it was decided that the government and the employers would each pay a certain amount for each working hour short of the legal work week of 40 hours (Flanagan *et al.* 1983).

After 1976, however, it became clear that the crisis was deeper than expected and that large-scale industrial restructuring would be necessary. The emphasis was now put on the restoration of competitiveness and profitability. Full employment started to be seen less as a goal on its own merit and more as an effect of ‘virtuous’ economic policies (DARES 1996). In order to ensure that wages

would rise strictly in line with inflation, the new Prime Minister Raymond Barre launched a *politique des revenus* (incomes policy) based on the use of price controls and the threat of sanctions for firms that did not comply, such as the denial of government contracts and tax breaks. In a second phase, after the 1978 parliamentary election, prices were almost completely de-controlled and it was decided that state aid to private firms would be given more selectively and that redundancies for ‘economic reasons’ would be made easier (Flanagan *et al.* 1983).

At the same time, the state’s intervention on the labour market took a new course. The goals became to get people *out* of the labour market to limit the growth of unemployment, reduce unemployment compensation to limit expenses, facilitate the insertion of specific groups. Thus bonuses to persuade immigrants to leave the country, increased family allowances to keep women out of the labour force and schemes to compensate older workers who took early retirement all aimed to reduce labour force participation. Under pressure from the government, the special 90% unemployment scheme was abolished in 1979. Furthermore, an entirely new set of programmes, starting with schemes for the disabled in 1975, were created under the banner of *politiques d’insertion* with a view to facilitating the entry of specific groups into the labour market. Between 1977 and 1981, the government and the employers negotiated a series of three “youth employment pacts”, which stipulated that firms would be absolved of a part of the social security costs of employing young workers in return for providing job training (DARES 1996). The *politiques d’insertion* were the first set of explicit employment policies of their kind, known in national debates as *politiques publiques de l’emploi*, to be launched in France. Their rationale was akin to Scandinavian-type ‘activation’, with the state supporting jobs to keep people in employment, though with a distinct Republican solidaristic flavour (Barbier and Fargion 2004; Barbier 2005, 2006).

In 1981, as the economic crisis wore on, the Left was voted into power for the first time since the inception of the Fifth Republic with an expansionary fiscal agenda and a mandate to revive growth. Gambling on a US-led global recovery beginning in 1982, the new socialist President François Mitterrand and his first Prime Minister Pierre Mauroy embarked on an extensive reflationary programme designed to boost demand through large-scale nationalisations, a return to activist industrial policies and more generous social transfers. Thus, by February 1982, thirteen of France’s twenty largest firms and virtually the entire banking sector were placed in public hands. Public enterprises received over 60 bF in subsidies between 1982 and 1986 (Levy 2000). The minimum wage was increased by 15% and social transfers (pensions, family allowances, housing allocations and health insurance benefits) by 12% (Hall 1986).

These policies proved to be somewhat effective in cutting the rate of growth of unemployment and improving the position of the poor, the aged and the low-paid. Nevertheless, instead of recovery, the year 1982 brought the worst recession since the war and reflation, at a time when France's trading partners were engaging in fiscal restraint to combat inflation, caused a surge in the budget and trade deficits – the former rose from 0.4% of GDP in 1981 to 3% in 1982 and the latter from 56 to 93 bF –, thus bringing pressure on the franc (Hall 1986). At this point the socialists chose to change the course of their economic policy radically. A series of severe austerity plans was implemented in 1982 and 1983 to eradicate inflation, limit the public sector deficit and improve the deteriorating financial situation of firms. All wages, except the SMIC, and most prices were frozen until the end of October 1982. Employers' social security contributions were blocked for a year and company tax was reduced by 10%. In 1983 taxes were raised by 40 bF and spending was cut by 24 bF. At the same time, the government discourse underwent a drastic change. The socialist party (*Parti Socialiste*, PS) had swept into power adopting a post-war Marxian discourse that proposed to solve the economic crisis through 'socialism in one nation', a 'break with capitalism' and the end to the class bias in French society. After 1982-83, though, the government switched to justifying austerity by reference to economic necessity, the need to remain within the EMS and to re-launch growth and fight unemployment in the face of the external constraints imposed by globalisation. Flexibility and competitiveness became the new imperatives, with 'competitive disinflation', industrial dynamism and the disengagement of the state as the new catchwords (Schmidt 2001, 2002).

In the field of employment policies proper, the policy response to the changed environment was mixed. On the one hand, great emphasis was put on 'socialising' the costs of unemployment (*traitement social du chômage*), which essentially meant using public expenditure to compensate the losers from industrial restructuring and rising joblessness. Thus new sets of active policies – training programmes, public internships and subsidies for hard-to-place youths and the long-term unemployed – were launched in order to address the difficulties of specific groups. With a view to helping firms to shed excess labour while keeping social peace, the retirement age was lowered to 60 and massive recourse was made to early retirement schemes financed by the FNE. As many as 706,000 workers were allowed to retire early in 1983 alone as against 190,000 in 1980 (DARES 1996). Unemployment benefits remained generous, although conditions of access were tightened and the contributions of employers and employees raised. The system of benefits, social minima and family allowances was reinforced and expanded, thus turning France into a big spender by international standards (Cameron 1991). The greatest innovation in this sector was the creation in 1988 of a non-contributory universal minimum income scheme, the *Revenu Minimum d'Insertion*

(RMI), designed to guarantee a minimum level of resources to those aged 25 or over with very low or no income³⁶. The RMI was also meant to have an important ‘activation’ dimension, as beneficiaries were asked to take part in a re-insertion programme consisting of job-seeking, internships, vocational training, or various other kinds of activities designed to enhance their social autonomy. This dimension of the RMI, however, proved difficult to implement: three years after its inception only 40% of recipients had signed a contract detailing the re-insertion actions to be taken (*contrat d'insertion* or *projet d'insertion*), and the content of the contracts that were signed was often reduced to mere formalities. Regardless of this, seven other social minima were launched in recent years, so that the overall coverage of these programmes became so wide that it has been calculated that about 10% of the entire French population currently benefits from one or the other (Palier 2002, 2006).

On the other hand, employment policy debates throughout the 1980s focused also on the need to reduce labour market rigidities and cut labour costs. Around the same time as a similar shift in thinking was taking place in the OECD and the EU, successive papers and reports in France argued for the return to a neo-classical view of labour market equilibrium as an explanation for unemployment, focusing on the sets of incentives and constraints facing individual demand and supply behaviour (Palier 2000, 2002, 2006; Serré and Palier 2004; Ehrel and Zajdela 2004). As a result of the growing concern with flexibility, thus, French policy-makers intervened to relax labour regulation. The administrative authorisation on layoffs for ‘economic reasons’ was repealed in 1986 by the neo-gaullist right, which after the 1981 election loss had adopted a neo-liberal thatcherite discourse (Schmidt 2001). An *ordonnance* of the same year made the recourse to short-term and part-time contracts easier for employers, and a law passed in June 1987 introduced incentives to enhance flexibility in the management of working time in order to allow firms to adjust more promptly to changes in demand (DARES 1996). These innovations marked a significant break in the way firms resorted to lay-offs and temporary arrangements to solve their labour adjustment needs. The French labour market, however, remained one of the most tightly regulated in Europe. The administrative authorisation was never re-instated, but successive legislation partly restricted the use of atypical contracts and introduced the requirement for firms to draw up a ‘social plan’ for the employees made redundant (Malo *et al.* 2000).

The cost of labour and the weight of social contributions became a major concern in French debates around the late 1980s-early 1990s. The employers’ organisation, many well-known

³⁶ This aim was partially to offset the comparatively high level of income inequality in France. This is largely due to the structure of the taxation system that raises more revenue from social charges on employers and employees and less from income taxes than most developed nations and, as a consequence, has very little redistributive effects (Cameron 1991; Hall 2006).

economists as well as virtually every report on the financing of the French social protection system underlined the role of the *charges sociales* in preventing labour creation and the need to lower them in order to cut labour costs (Levy 2000; Palier 2000, 2002, 2006). Hence, starting from the late 1980s, governments of different political colour adopted increasingly wide-ranging contribution cuts and exemptions in favour of employers in order to encourage hirings. These measures were generally targeted either on some specific groups of workers (the low-paid, the young, the long-term unemployed) or on small firms, which were thought to be the most affected by the high cost of labour. Moreover, in order to generalise the move toward lowering labour costs, successive governments have sought to replace contributions with taxation in the financing of non-contributory benefits. Thus in 1990 the cabinet led by the socialist Michel Rocard created a new tax, the *Contribution Sociale Généralisée* (CSG), raised on all types of personal income (wages, capital revenues and welfare benefits). The CSG was originally levied on 1.1% of income, but it was subsequently increased on a number of occasions and currently (at a rate of 7.5%) finances over 20% of overall social spending and 35% of health care spending (Palier 2006).

2. The actors in French employment policy-making

As hypothesised in Chapter 1, the ease with which new discourses coming from a different level of governance might get diffused and adopted is likely to depend on key features of national systems of policy-making, notably the degree to which decision-making authority is concentrated in the executive and the range of actors and institutions involved in policy formulation, adoption and implementation. In this respect, the unusual feature of the public policy process in post-war France is its substantial unclassifiability in the comparative literature. The French state was too activist and *dirigiste*, as well as too professionalized and insulated, to compare to either northern or southern European experiences (Levy 2000). State/society relations in France resemble very closely the ideal-types of Jacobinism and *étatism* (Hall 1986), whereby the state – characteristically a very cohesive, centralised unit – stands somewhat above society and has a recognised ability to speak for the public interest. The state has few points of contact with societal institutions and groups and a remarkable control over policy-related levers, including access to relevant information and expertise, control over capital flows, influence over private income and investment and effective recourse to sanctioning mechanisms when necessary.

This ‘state above society’ pattern is characteristic in some measure of many of the regimes that ruled France over the last two centuries (Dyson 1980). Yet it is particularly akin to the Fifth Republic, with its strong executive, large political parties and highly professionalized bureaucracy.

State control over key policy-related resources built on some important institutional innovations that were introduced in the post-war period in order to reinforce the state machine's ability to steer the economy. The production and analysis of information relevant to policy, in particular, were consistently used as a crucial lever to shape policy debates and narrow the range of options being considered. Specialised public agencies like the INSEE were created with the aim to centralise the collection and analysis of economic data and, over the years, financed much of the economics research that was undertaken in France³⁷. Economic planning itself was a deliberate attempt to influence the terms of national policy debates by selecting the options available to policy-makers (Hall 1986).

It is worth noting that, although economic planning ended in the 1990s, the government has consistently sought to improve its access to policy-related information and analysis in a broad range of sectors. A growing number of bodies attached to the Prime Minister's office have thus been created in recent years with functions of policy research, analysis and proposal in specific fields. Hence the *Conseil d'analyse économique* (CAE) was created in 1997 by Prime Minister Lionel Jospin with the task to 'clarify, by comparing analyses and points of view, the government's choices on economic matters'³⁸. A *Conseil d'orientation des retraites* (COR) and a *Conseil d'orientation de l'emploi* (COE) were set up, respectively, in 2000 and 2005 to perform similar tasks in the fields of pensions and labour policies. Finally, the *Commissariat Général du Plan* was replaced in 2006 by a new agency called *Conseil d'analyse stratégique* (CAS), charged with the steering and monitoring of the process of economic and social policy reform having to do with the Lisbon strategy³⁹. These bodies perform similar functions, but their composition is extremely varied: the CAE is composed exclusively of academics, the CAS of civil servants, and the COR and COE by a mix of experts, MPs, civil servants and representatives of social partners and local authorities.

In a context in which the state is so centralised, resourceful and insulated from society's demands, the initiatives for policy are likely to come from within the state itself. Thus, in a political system such as this, it is within the state apparatus – in and around the executive, in the political parties in power, in the *haute administration* – that one must look in order to trace the origin of policy initiatives and ideas. The position of trade unions and employers' organisations is, by contrast, somewhat peculiar in France. On the one hand, the 'social partners', as they are known in national debates, play an important role in the management of social security funds, which affords them considerable resources and a strong say on issues concerning welfare reform. On the other

³⁷ Fouquet, A. Interview with the author on 9 March 2007. Paris.

³⁸ See <http://www.cae.gouv.fr/> (own translation).

³⁹ *Les Echos*, 4 January 2006.

hand, interest organisations have long been ideologically divided and organisationally weak, which has allowed the state consistently to marginalise them in labour regulation.

The French welfare system, in fact, is mainly based on a set of non-state agencies called *la Sécurité sociale*, which was gradually built up after the war. Following a typically bismarckian, insurance-based logic, the system is fragmented into a number of different schemes (*régimes*) covering different occupational groups. These are managed by specific funds (*caisses*), each of which is headed by a governing board composed of representatives of employers and employees, with a chairman elected from their ranks. Since the system is meant to be managed by those who pay for it and have an interest in it, based on a principle called *paritarisme* or *démocratie sociale*, the state's involvement is formally limited to a supervisory role. In practice, however, the *conventions* between the employers and the unions on unemployment insurance could not be agreed without the government's approval and it was the government that generally decided the level of benefits and contributions, especially when these decisions became difficult (Palier 2000, 2002).

Despite its involvement in the management of the welfare state, however, the French labour movement was one of the weakest of the industrialised world (Despax and Rojot 1987; Ferner and Hyman 1992). Throughout the post-war period, barely 15-20% of the labour force was unionised and membership was split among five or six major confederations that were bitterly divided along ideological lines. In the passage between the Fourth (1946-58) and the Fifth Republic (1958 onward) French politics was dominated by conservative parties (Christian Democrats, Gaullists), whereas the left (the Communist PCF and the Socialist PS) was excluded from government until 1981. As a result, in France, unlike in countries like Britain or Germany, the unions never had a privileged access to the executive (Bergonioux 1983; Bridgford 1991). French governments found it easier to by-pass the unions – as well as the employers' association, the CNPF, which had to grapple with deep internal divisions of its own and was long dominated by small and medium-sized companies (Hall 1986) – and forge alliances directly with the patrons of large industrial firms. Economic planning itself, which had started out as a widely participatory process, was quickly transformed into one through which the state could forge a series of alliances with selected industrial managers, whereas labour unions were systematically excluded. So much so, in fact, that two of the country's largest unions, the *Confédération Générale du Travail* (CGT) and *Force Ouvrière*, boycotted the preparations of the Plans until the 1980s (Hall 1986).

In this context, the regulation of industrial relations was by and large left to market forces. The French labour market was the most weakly institutionalised in western Europe: collective bargaining was virtually non-existent before 1968 and only developed to a limited extent since

(Flanagan *et al.* 1983). The reasons for this are several, having to do with the organisational weakness of the unions, the strategies they pursued and the incentives provided by public policy.

First of all, trade unions have historically faced tremendous difficulties in France. The largest union confederations after the War were the CGT, which had close links with the Communist party, and the *Confédération Française des Travailleurs Chrétiens* (CFTC), which was loosely aligned with the Catholic church and the Christian Democratic party. A third confederation by the name of *Force Ouvrière* (FO) was founded in 1947, when the Socialist minority within the CGT decided to break away from the rest. A fourth confederation emerged in 1964 when the majority of the CFTC decided to sever the link with the Catholic church and to adopt a new name, *Confédération Française Démocratique du Travail* (CFDT). The internal minority opted to form a new, very small union and to keep the discarded name of CFTC. Two smaller, more sectoral unions are also of significance: the *Fédération d'Education Nationale* (FEN), which groups together the teaching unions, and the *Confédération Générale des Cadres* (CGC), which represents white-collar workers (Flanagan *et al.* 1983; Howell 1992). The main confederations organise in each industry and each occupation, but their presence at the firm level is historically weak as the traditional predominance of small, family-controlled firms created a deeply hostile environment to any form of workers' organisation. French unions have limited funds and tiny organisational apparatuses, as union income from dues is minimal in comparison with other countries. At the peak of union density in the 1960s, for instance, the whole CGT had only about eighty full-time employees including officers and technical assistants (Flanagan *et al.* 1983). As a result of all this, the French unions' ability to mobilise members both in the private and in the public sector was typically very low in comparison with other west European countries and, in turn, the unions' inability to control their rank-and-file did not give the employers much of an incentive to enter into agreements with them (Flanagan *et al.* 1983; Ferner and Hyman 1992; Howell 1992).

A second reason for the unions' scarce involvement in policy-making was their ideological radicalism and the nature of the political strategies they adopted. The CGT, for instance, stubbornly refused to negotiate with the government and the employers in order to go along with the electoral interests of the Communist party, which aimed to assert the contradictions of French capitalism and the futility of reform from within the system (Bergonioux 1983; Flanagan *et al.* 1983). Though with no formal links to any political party, the other two large confederations, the CFDT and FO, adopted a radical syndicalist stance and actively opposed cooperating with the government and the employers until the late 1970s.

Third and finally, public policy played an important role in discouraging collective bargaining and side-lining the unions. The 1950 law on collective bargaining, which, albeit in much

amended form, still forms the basis of the industrial relations system in France, built a somewhat permissive regulatory environment which prevented the unions from serious involvement in bargaining (Despax and Rojot 1987; Howell 1992). The law provided that industry- and plant-level agreements must be signed by all or some of the 'most representative' trade unions and employers' organisations. Yet no real incentives were provided for either side to engage in bargaining. A single union signature sufficed for agreements to be valid, so that it was all too easy for the others not to follow and to accuse the signatories of giving in too quickly and failing to gain additional concessions. If the parties could not arrive at a new agreement, then the previous one continued in force even after its period of application had elapsed. Once in force, then, agreements could be (and increasingly often were) 'extended' to entire industries and sectors by the Minister of Labour.

Weak unions and badly organised workers gave the government in France the option, unavailable elsewhere, to step in and regulate the labour market from above, ignore the labour movement altogether and then gamble on the consequences. Ignoring labour, however, created a very unstable situation, whereby periods of low bargaining power of the workers, when real wages grew slowly and grievances accumulated, were occasionally followed by shorter periods of frequent strikes. The events of May 1968 were possibly the most extreme case of an accumulation of grievances in a context of industry rationalisation, deflation and incomes restraint that, ignited by a student revolt, burst into a general strike (Flanagan *et al.* 1983). The strike wave of 1968 was, then, followed by a short-lived attempt to institutionalise collective bargaining as a means to prevent labour market instability and industrial strife. Between 1969 and 1972 President Georges Pompidou and Prime Minister Jacques Chaban-Delmas attempted to develop an effective wage bargaining system in the public sector and to push the employers into bargaining with the unions at all levels in the private sector. To this end, the framework law on collective bargaining was reformed in 1971 so as to make firm-level negotiations more attractive for both unions and employers and to make the extension procedure easier by reducing the veto power of union confederations. Chaban-Delmas' programme, dubbed 'New Society' in a famous parliamentary speech, aimed at ensuring social peace by empowering the unions and involving them in effective bargaining. It did have some success to the extent that a large number of agreements were signed and the number of workers covered by collective bargaining grew steadily, thanks also to the widespread use of the extension procedure (Despax and Rojot 1987; Howell 1992). The 'New Society' programme, however, fell short of providing a flexible framework for incomes policy in which real wages could be moderated to restore profitability as became necessary when international economic turmoil began to affect France after 1974. Consequently, collective bargaining was quickly abandoned once again.

It was only at the end of the decade, after the Right surprisingly retained its majority in the general election of March 1978, that Raymond Barre attempted to breathe new life into collective bargaining. The aim was to promote a form of labour regulation that was more consistent with the new economic realities of the late 1970s, as he understood them. This entailed, above all, a withdrawal of the state from labour regulation and an attempt to decentralise bargaining to the level of the branch or even the firm, where wages and working conditions could be tailored to the needs of particular sectors and companies. In order to magnify the coverage of bargaining, the government passed a law that further facilitated the recourse to the extension procedure by removing the veto power of 'representative' unions (Howell 1992). On 27 April 1978 Barre sent a letter to the social partners urging them to begin negotiations on a series of issues including sector-specific minimum wages, the reduction and flexibility of work time and unemployment compensation. This initiative followed a series of informal discussions between members of the executive and the management of the CFDT, which in those years was trying to move away from the radical positions of the past in favour of a more open stance that would later be dubbed *recenterage* (Branciard 1990; Mathiot 2000). In 1978-79, thus, the government engaged in bilateral talks with unions and employers to explore the possibility of trading legislation on workers' rights, the length of the work-week and the minimum wage for a measure of wage restraint. No real progress was made before the 1981 elections, but the adoption of a new strategy on the part of a key union confederation would have important consequences in the years to come.

The socialist u-turn of 1982-83⁴⁰ represents a further example of the fact that, in a system like the French one, it is at the restricted circle of cabinet Ministers close to the President, policy advisors, party leaders and top civil servants that one must look in order to trace the origin of policy choices, whereas the input of the social partners and opposition parties was minimal. The conversion of the Socialists to flexibility and fiscal restraint was surprisingly rapid and thorough, but it would be too easy to interpret it with hindsight as a necessary step in the light of the failure of old recipes. In reality, as shown by previous research (Bauchard 1986; Hall 1986; Howell 1992; Schmidt 2002), the opportunity of a policy u-turn was highly disputed. The radical re-direction of government policy in 1982-83 was the outcome of a long and at times painful conflict within the executive and the PS over the interpretation of the problems at hand and the identification of the appropriate solutions. The French socialist party, it is worth noting, was less a unified force than a collection of competing *tendances* or currents loosely gathered into one party in 1972. Mitterrand managed to keep a tight leash on the party by forging a series of shifting alliances with the party's currents, and the unevenness of the record of his first years in government reflected this

⁴⁰ See above.

ambivalence. Mitterrand's own 1981 electoral platform had been written by people like Pierre Bérégovoy and Laurent Fabius, who supported a Keynesian blend of Jacobinism that maintained a strong role of the state in stimulating economic growth and re-distributing wealth among the population (Parti Socialiste 1981). The ideas of social democrats like the Minister of Finance Jacques Delors, who came from the CFDT and as key advisor to Jacques Chaban-Delmas had inspired the 'New Society' programme in the early 1970s (Howell 1992), had surprisingly little influence on government policy. Faced with spiralling inflation and deficits, Mauroy and Delors advocated austerity and fiscal restraint, whereas other members of the executive like Bérégovoy, Fabius and Chevènement argued for France's exit from the European Monetary System (EMS), the imposition of barriers to trade and further public spending to boost domestic production and consumption. In the end, the choice was made by Mitterrand alone: after seriously considering France's exit from the EMS, he decided to opt for austerity only after he learnt from the Director General of the Treasury Michel Camdessus that the official reserves of the *Banque de France* were not sufficient to defend the franc against massive devaluation (Bauchard 1986).

This abrupt change in policy programme and discourse was not entirely unannounced. Since the 1970s more and more scholars and academics had started to question the assumptions behind economic *dirigisme* and the all-intrusive attitude of state authorities. The ranks of the upper civil service were slowly being filled with the graduates of the *grandes écoles* (especially the *Ecole Nationale d'Administration* and the *Institut d'Etudes Politiques*), who had a solid economics background and were imbued with pro-market notions. More and more politicians on the centre and the right of the political spectrum decided to embrace the imperatives of neo-liberalism (Schmidt 2001, 2002). The 'conversion' of the socialists themselves was greatly facilitated by the ambiguous ideological heritage of the party. When Keynesianism and social democracy started to look like part of the problem rather than a possible solution, a different ideological strand was available to justify a different agenda. A third current within the PS, in fact, gathered around the notion of *autogestion* (literally, 'self-management') and favoured a decentralised form of socialism that was based on the direct and unmediated expression of workers' and citizens' demands and was wary of intermediary bodies like the unions and public authorities. Howell (1992) convincingly argued that it was this third strand of PS thinking that formed the nucleus of the Socialist government's wholesale ideological shift to flexibility. The Socialists encouraged flexibility, on the one hand, by passing legislation that relaxed labour market regulation and empowered non-state actors and, on the other hand, by using employment, social and education policies to promote firms' adjustment and industrial restructuring, while at the same time compensating the losers and keeping social peace.

Thus the period from the mid-1980s onward saw French governments seek to empower various actors in civil society, especially employers and unions, and disengage the state from the choices of companies and individuals (Culpepper 2006). Notwithstanding early attempts to impose labour market regulation in a *dirigiste* fashion, like the statutory reduction of the work-week from 40 to 39 hours decided by Mitterrand in January 1982, subsequent policy choices went in a different direction. A thorough-going reform of industrial relations was adopted with a series of five laws pushed through between August 1982 and July 1983, known as 'Auroux Laws' after the then Labour Minister, which re-wrote about one-third of the Labour Code and touched upon almost every aspect of industrial relations, including workers' liberties, workplace representation, health and safety regulations. An obligation to bargain annually (though not necessarily to conclude agreements) was introduced both at the branch and at the firm level in all firms with one or more union sections. Within the firm, bargaining had to take place on work time and real wages and firm-level agreements could now 'derogate' from legislation and confederal or branch agreements. The extension procedure was made even easier by allowing the Minister of Labour to override opposition to a proposed extension under certain circumstances (Despax and Rojot 1987; Ferner and Hyman 1992; Howell 1992).

The aim of the Auroux Laws was to encourage decentralised decisions by employers and workers at the lowest possible level. Yet they were to have far-reaching and largely unintended consequences on the structure of French industrial relations. In the following years, a large number of agreements was signed both in the public and in the private sector. The CGT and CFDT dropped their radical rhetoric and usual suspicion of government initiatives and attempted to make the reforms work. Thanks to the generous use of the extension procedure, the effective proportion of the workforce covered by collective bargaining grew from 64% in 1980 to 94% in 1985 (Culpepper 2006). Yet French unions had tiny organisational apparatuses and a very weak presence at the firm level. Local union sections had neither the experience nor the resources to perform the type of social democratic functions that Auroux had carved out for them (Howell 1992; Hancké 2001). As a result, the unions almost collapsed in an attempt to meet the new requirements. In the 1990s barely 9% of the workforce was unionised (5% in the private sector alone) and France had become a low-strike country (Hancké 2001; Lallement 2006).

The employers, on the contrary, were well-placed to make the most of the new opportunities that were offered to them by the new legislation to by-pass the unions. As the flow of public subsidies gradually dried out, employment and social policies took the place of the industrial policies of the past by providing companies with the tools they needed to re-structure their workforce. Massive recourse to pre-retirement benefits allowed firms to rid themselves of excess

labour⁴¹, while government policy took care of up-dating the skills of the younger cohorts of workers. In the field of education the official goals became to improve the educational attainment of the school population and to reorganise the contents of vocational and technical training programmes. The first goal was pursued with some success: by 1995 around 75% of the 1977 age cohort achieved a high school certificate (the *baccalauréat*) and almost 50% went into higher education (16% chose a technical-commercial degree, the so-called *bac +2*) (Hancké 2001). As for vocational training, which in France is mainly financed by the state and provided by the public school system, the curriculum reforms adopted in the 1980s and early 1990s matched very closely the needs of large firms. Some firms even managed to have new technical diplomas sanctioned and financed for them by the Ministry of Education (Hancké 2001; Culpepper 2001, 2006).

3. The emergence of European constraints and the politics of welfare retrenchment

The previous discussion indicates that, with respect to the hypotheses advanced in Chapter 1, France looks like an ideal-typical ‘single-actor’ system⁴², in which policy-making authority is concentrated in the executive and policy formulation is in the hands of restricted circles of governmental actors (Ministers, advisors, top civil servants)⁴³. Yet the changed conditions of the 1990s would affect this pattern somewhat. The 1990s, indeed, were a period of relative government instability, with six different cabinets (the ones led by Rocard, Cresson, Bérégovoy, Balladur, Juppé and Jospin) in less than ten years. In spite of the proliferation of the early retirement and make-work programmes⁴⁴, the French labour market was plagued by high unemployment for the best part of the decade. After the economy was hit by recession in 1993, the unemployment rate remained consistently above 11% and peaked at 12.6% in May 1997. In the same year the number of RMI beneficiaries reached 1,000,000 and a further 500,000 received the solidarity allowance (*Allocation Spéciale de Solidarité*, ASS) that is granted to the unemployed whose entitlement to the insurance scheme has expired.⁴⁵ At the same time, new sets of external constraints changed the context in which employment and social policies were made. The completion of the single market in 1992 strengthened intra-EU competition, thus making the issues of competitiveness and labour costs even more central in policy debates. In addition to this, the criteria agreed in Maastricht for entry into

⁴¹ See above.

⁴² See Chapter 1.

⁴³ See Chapter 4.

⁴⁴ See above.

⁴⁵ The above data can be found on the French NAP for 1998:
http://ec.europa.eu/employment_social/employment_strategy/nap_1998/fr_fr.pdf.

EMU placed tight constraints on public finances, of which social spending was the single largest item.

Faced with changing economic conditions and new European constraints, the French state gradually modified the ways in which it intervened in the labour market. Although it had progressively forsaken the voluntarist approach to economic management of the past, the government still intervened heavily in the distribution of employment through selective cuts and exemptions in social charges, subsidised jobs for hard-to-place youths, the mandatory reduction of working time. All these measures largely completed and extended the policies put in place in previous years. The number of beneficiaries of government measures went from 450,000 in 1984 to 1,900,000 in 1994 and public expenditure for employment policies grew from 0.9% of GDP in 1973 to around 4% in the mid-1990s (DARES 1996; Hall 2006). This high-spending, pro-active attitude of French public authorities would continue in the following years. In the early to mid-1990s, though, the attention of policy-makers was mainly directed toward containing welfare expenditure, cutting the cost of labour, creating jobs in specific sectors and manage work-time as a means to boost employment.

In 1995 social spending surpassed 30% of GDP and the social security funds ran a cumulative deficit of almost 300 bF from 1991 to 1997 (Levy 2000). The option of raising the level of social contributions, as was regularly done whenever financing problems arose in the 1970s and 1980s, was no longer available in the more integrated and competitive EU markets of the 1990s (Palier 2000, 2002, 2006). Welfare retrenchment, thus, became the order of the day. Several attempts were made in these years to cut or contain costs in the areas of pensions, health care and unemployment benefits, most of which were only partially successful. Changes took a long time to be accepted and were introduced only gradually, usually starting from the margins of the system. Since the French welfare state enjoyed a very high level of legitimacy, whenever the government tried to proceed without consulting all interested parties it met with considerable opposition, as was the case, for instance, with the 1995 *plan Juppé* that included a number of measures concerning healthcare and public pensions. Although union density had reached an exceptionally low level by the mid-1990s⁴⁶, union confederations proved to be very effective in opposing change thanks to their role in the management of welfare funds and their ability to exploit public protests. Thus, in front of the failure of old-style *dirigisme*, it became necessary to form coalitions with at least some of the relevant stakeholders. Great efforts were put into spreading shared interpretations of the existing problems and economic difficulties through the proliferation of expert committees and reports. A coalition of senior civil servants played a key role in developing awareness of the need

⁴⁶ See above.

for change, while successive governments, the CNPF and some trade unions all took part in the implementation of the reforms (Palier 2006). Political parties, on the contrary, tended to take a step back and followed the traditional left-right divide without moving much from the positions of the governments they supported. The CFDT was alone among the large union confederations to adopt a cooperative stance on welfare reform building on the strategy of *recentrage* it had taken on in the late 1970s, whereas the CGT and FO remained very defensive and opposed every reform proposal. Thus in the 1990s the CFDT became an vocal supporter of work-time reduction, re-insertion policies and, later in time, of active policies for the unemployed.

Cutting costs and containing expenditure became the name of the game also in the field of employment policy. An important reform of unemployment insurance aiming to cut costs and reduce expenditure was agreed with the employers and the CFDT in 1992. The reform mandated the replacement of all existing unemployment benefits with a new one, called *Allocation Unique Dégressive* (AUD). The amount of the allowance depended on the contribution record of the claimant and, as suggested by its name, decreased sharply with time. For instance, someone who had worked 14 of the previous 24 months would receive a full benefit for 9 months and then lose 17% of it every four months (six months after 1996) for a maximum of 30 months altogether (Palier 2000). This reform did bring substantial savings to the funds in charge of managing unemployment insurance (UNEDIC and ASSEDIC), but its beneficial effect for public finances was quickly offset by a more liberal recourse to other benefits. As the AUD started to provide less generous benefits for a shorter period at a time of economic recession and growing unemployment, a bigger role was played by means-tested benefits financed by general taxation like the RMI, the number of whose beneficiaries had a remarkable increase (Malo *et al.* 2000; Palier 2000).

The reduction of labour costs, especially for the young and the unskilled, became a dominating theme in French employment policy debates around the mid-1990s (Malo *et al.* 2000). Although labour cost reduction was generally accepted as a tool to combat unemployment, though, there was no consensus as to how it might be achieved in practice. Wage reduction, in fact, proved to be politically difficult. A proposal put forth by the Balladur government in 1994 to introduce a lower minimum salary for young employees (a 'SMIC-jeunes') triggered a wave of protests and was promptly withdrawn (Levy 2000). The reduction of payroll taxes, on the contrary, was more widely accepted as an option. Thus the move toward cuts in social contributions that started in the 1980s was gradually generalised and extended. A plan for the reduction of the *charges sociales* on the salary of unskilled young workers dubbed *Exo-jeunes* and a 30% cut in employers' contributions on part-time contracts were launched in 1991 and 1992, respectively. A general measure of reduction of social contributions on low-paid and newly-employed workers was subsequently enacted in

1993, following very closely a series of recommendation formulated in the preparations of the eleventh plan and by an expert group chaired by the President of the Economic and Social Council, Jean Mattéoli (Commissariat Général du Plan 1993; DARES 1996). The 'Five-year Law on Labour Market Regulation, Employment and Vocational Training' adopted by the Balladur government in December 1993⁴⁷ introduced generous cuts in employers' social contributions up to a given wage level (1.33 SMIC in 1996) as well as a complete exemption from social charges for workers at their first, second and third job contract. Contribution cuts have been further extended by the Aubry laws on work-time reduction and again by the right-wing governments that followed the 2002 parliamentary election. The percentage of the workforce presently affected by some form of reduction of social charges is around 60% and is expected to increase further in the years to come, which implies that this measure can now be considered as permanent (Barbier and Fargion 2004; Barbier 2006).

A further recurrent theme in the debates of this period was the apparent inability of the French economy to create jobs in the services sector. Compared with other European countries, in fact, the services sector in France was relatively underdeveloped. A major initiative to address this problem was launched in 1997 by the cabinet led by the socialist Lionel Jospin. The programme, called *Nouveaux Services – Emplois Jeunes*, offered a wage-cost subsidy to employers who hired young job-seekers in one of a list of service areas. Under its very generous terms, the state paid for all social security contributions and 80% of the workers' wage, leaving only the remaining 20% to the charge of the employer. In order to avoid substitution effects in the private sector, the programme was confined to public sector employers (mainly local public services) and non-profit associations. When the programme expired in 2002, roughly 350,000 contracts had been signed under its terms (Le Cacheux and Touya 2004). The right-wing Raffarin government subsequently decided to phase it out, but created for similar purposes a new type of contract (the 'contracts for the young') meant to subsidise jobs for young people in the private services sector.

A last long-standing theme in the French debates of the 1990s was work-time management and reduction. The use of work time reduction or 'work sharing' as a means both to improve working conditions and to boost employment had been debated for nearly two decades. The length of the work-week had already been the subject of discussions between the social partners and the government in the late 1970s on the basis of a proposal of the CFDT⁴⁸. The idea that work had become a scarce good that should be shared among more people in order to combat unemployment quickly became very popular with the social democratic current of the PS and with the group of experts around Jacques Delors (Mathiot 2000). Mitterrand's election programme promised to bring

⁴⁷ Loi, 93-1313, 1993-20-12, *quinquennale relative au travail, à l'emploi et à la formation professionnelle*.

⁴⁸ See above.

the work-week down to 35 hours by 1985, even though he eventually only managed to reduce it to 39 and introduce a fifth week of paid holidays. Some provisions for the flexible use of working time – the calculation of working hours on a yearly basis, their distribution throughout the year – were adopted in 1987 and 1993. In 1996 the so-called Robien law⁴⁹ encouraged the signing of collective agreements to reduce working time in firms on a voluntary basis. As soon as the socialists returned to government in 1997, however, they changed approach and announced plans to legislate on the subject. Two laws adopted in 1998 and 2000, known as Aubry laws after the then Labour Minister⁵⁰, established a 35-hour statutory working week to be enacted as of January 2000 by all firms and organisations employing more than 20 people (including public services) and as of January 2002 by the smaller ones. Work-time reduction was to be achieved through bargaining at the level of the branch and the firm, and a system of incentives and sanctions in the form of reductions or increases in social charges was put in place to award good practices and discourage laggards⁵¹. This initiative was met with great hostility on the part of the right-wing opposition in parliament and especially of the employers, on the grounds that the matter should be left to collective bargaining without any interference of the state. The president of the CNPF, Jean Gandois, resigned in protest and the organisation, under a new name (*Mouvement des Entreprises de France* or MEDEF) and a new chairman, Ernest-Antoine Seillière, mounted a grand-scale campaign against government interference⁵². Nevertheless, the 35 hour week has proved to be popular with French workers and the relevant legislation is still in force even though subsequent governments relaxed some of its key provisions, in particular regarding overtime (Le Cacheux and Touya 2004).

In sum, most of the major employment policies of the 1990s, such as work-time management, labour cost reduction and publicly funded programmes to create jobs in specific sectors, have their roots in the decisions and debates of the 1970s and 1980s. Yet, as argued in the final section of this chapter, the terms of the debate would change again and some innovative policy choices would be made later in the decade reflecting an approach to job supply that was alien to the French tradition and was, instead, very much in line with the EES, which was launched around the same time.

⁴⁹ Loi, 96-502, 1996-11-06, *tendant à favoriser l'emploi par l'aménagement et la réduction conventionnels du temps de travail*.

⁵⁰ Loi, 98-461, 1998-06-13, *d'orientation et d'incitation relative à la réduction du temps de travail* and Loi, 2000-37, 2000-01-19, *relative à la réduction négociée du temps de travail*.

⁵¹ Detailed information on the 35-hour working week legislation and the reactions to it is available on www.35h.travail.gov.fr and on the website of the mutual learning programme of the EES: <http://www.mutual-learning-employment.net/peerreviews/2000/04/18-19>.

⁵² See below.

4. Continuity and change in French employment policies after 1997

By the time the socialist Lionel Jospin became Prime Minister in the Spring of 1997, unemployment had crossed the threshold of 12% and reached much higher levels for those at the margins of the labour market, such as the young (24.3%) and the long-term unemployed (37.4%)⁵³. GDP growth then quickly picked up between 1997 and 2001 and unemployment started to decrease steeply, until a new period of slow growth hit the whole euro-area between 2002 and 2005, with unemployment on the rise again. The employment rate followed a similar trend, gradually rising until 2003 and then falling somewhat in 2004. Be that as it may, both the total employment rate and the employment rate of older workers remained considerably below the Lisbon and Stockholm targets⁵⁴. A notable exception to this was the employment rate for women, which in 2006 was approaching the 2010 target of 60% (see Table 3).

Table 3. Employment and unemployment rates in France (1997-2006)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Unemployment rate	11.5%	11.0%	10.4%	9.0%	8.3%	8.6%	9.0%	9.3%	9.2%	9.2%
Employment rate	59.6%	60.2%	60.9%	62.1%	62.8%	63.0%	64.0%	63.7%	63.9%	63.8%
Employment rate (women)	52.4%	53.1%	54.0%	55.2%	56.0%	56.7%	58.2%	58.2%	58.5%	58.8%
Employment rate (older workers)	29.0%	28.3%	28.8%	29.9%	31.9%	34.7%	37.0%	37.6%	38.7%	38.1%

Source: Eurostat (<http://epp.eurostat.ec.europa.eu>)

In the meantime, the French state kept its traditional interventionist attitude toward the labour market. Throughout the 1990s public expenditure on employment policies bordered 4% of GDP every year and has not decreased since (DARES 1996; DARES 2006). As a result, in particular, of a cobweb of make-work programmes for target groups (the young, the disabled, the long-term unemployed) and social charges cuts on low wages, by the end of the 1990s the government subsidised over 2 million jobs. Between 1990 and 2001 the number of workers employed directly by the state grew by 10% (Hall 2006). At the same time, over 10% of the

⁵³ French NAP for 1998: http://ec.europa.eu/employment_social/employment_strategy/nap_1998/fr_fr.pdf.

⁵⁴ See Chapter 2.

population received a minimum income set by the state, not to mention the millions of others who received state pensions⁵⁵.

As the preceding discussion indicates, aside from some differences in style and emphasis, the terms of the debate and the proposed policy solutions advanced in the 1990s showed a remarkable degree of continuity as governments of different political colour alternated in power. The right-wing cabinets of Edouard Balladur (1993-95) and Alain Juppé (1995-97) introduced €6 billion worth of cuts in employers' social contributions in order to reduce labour costs on low wages. Roughly the same amount of resources was spent every year to subsidise job contracts for specific groups of unemployed, the most common of which was the *Contrat emploi-solidarité* (CES) created in 1990 by the socialist government of Michel Rocard. Finally, the so-called *loi Robien* adopted in 1996 provided a series of incentives to encourage firm-level negotiations on the reduction of work time, the expectation being that this would allow firms more flexibility in organising production and ultimately stimulate them to hire new employees.

The overall direction of employment policy did not change much as a broad left-wing coalition composed of socialists, communists and greens swept into power in 1997. Since the Right's repeated attempts to push through an agenda of welfare reforms aimed at retrenching expenditure and cutting costs had been met by little success in the face of widespread public protests, the newly formed Jospin government chose to put aside highly controversial issues, such as pensions, and focused instead on a few high-profile initiatives in the field of employment that would show its attachment to a progressive agenda without touching upon the interests of left-wing constituents (Levy 2000). As said above, the first was a generous wage-cost subsidy to hire 350,000 young unemployed in the public or non profit sectors (the *Nouveaux Services – Emplois Jeunes*) and the second a generalised measure of mandatory work time reduction matched with a new cut of the charges on labour (the two *lois Aubry*). The new cuts amounted to 26% of total charges at the level of the minimum wage and then gradually decreased up to a limit of 1.8 times the SMIC (DARES 2006).

The *Emplois Jeunes* and the mandatory reduction of work time were harshly criticised by the then right-wing opposition for being too expensive for public finances and too *dirigiste*. Yet both clearly followed and extended measures that were already in place. A greater degree of discontinuity with the past, though, was evident in the discourse and policy style chosen by the Jospin government. The Left in power, in fact, sought to adopt a more reassuring discourse, seeking to persuade the public that reforms could promote both economic efficiency and social equality at the same time (Schmidt 2001, 2002). Moreover, despite the controversies raised by the legislation

⁵⁵ See above.

on work-time reduction, the government tried to adopt a more inclusive policy style. Whereas Juppé had openly bragged that no more than ten people had seen his pension reform plan before it was presented to Parliament, Jospin expressed the intention to involve societal actors in policy-making to a greater extent than hitherto. As regards the shortening of the work-week, for instance, the government acted by setting a broad objective while leaving it to the social partners to work out the best way to achieve it in a decentralised manner. As a result of the obligation to bargain on the reduction of work time, collective bargaining reached record levels after 1998 (DARES 2006). In other cases, expert reports were commissioned and often used to elicit new policy ideas or receive feedback from interested parties before policy decisions were made⁵⁶. A widely read report written for the Prime Minister by the economist Jean Pisani-Ferry, for instance, proposed to establish a negative income tax to support the revenue of the low paid, thus giving them real incentives to take up jobs (Pisani-Ferry 2000). On the basis of the report's recommendations, the Jospin government decided to create in 2001 a new tax credit called *Prime pour l'emploi* ('premium for employment') designed to make work more attractive than social minima and non-employment benefits.

Interest organisations in France are nowadays weaker than ever. Trade unions are gradually disappearing from the workplace: the rate of unionisation has gradually come down to around 8% of the workforce and is as low as 5.2% in the private sector. The main employers' association, the MEDEF, has had to face problems of its own, as deep divisions between small and large firms brought about significant losses in membership and a weakened commitment among activists (Lallement 2006). Notwithstanding all this, the social partners have become much more active in policy-making, either following a governmental stimulus or on their own initiative. Apart from the wave of branch-level negotiations mandated by the new legislation on work time, in fact, the MEDEF managed to lure the five major union confederations (CGT, CFDT, FO, CFTC, CGC) and two other employers associations (CGPME and UPA) into undertaking an ambitious set of inter-professional negotiations. This initiative, somewhat boastfully dubbed *la refondation sociale* (literally 'new social foundation'), was the main outcome of the campaign mounted by the MEDEF against the 35-hour work week legislation and represented an attempt to regain some of the ground that collective bargaining had allegedly lost to the legislator (Palier 2002; Lallement 2006)⁵⁷. Negotiations were announced in February 2000 on eight different issues, all of them at the core of the French system of industrial relations: the reform of collective bargaining; the reform of unemployment insurance; health and safety in the workplace; complementary retirement plans;

⁵⁶ In the field of employment, in particular, the government received reports on the cost of labour and the reform of employers' social charges (*Rapport Malinvaud*), on equal opportunities between men and women (*Rapport Génisson*) and on how to return to full employment (*Rapport Pisani-Ferry*).

⁵⁷ Julien, E. Interview with the author on 7 March 2007. Paris.

vocational training; equal opportunities; the role of management within firms; and welfare reform (pensions, healthcare, family allowances).

The novelty of this initiative, which was strongly pushed for by the new leadership of the MEDEF – especially by its president, Ernest-Antoine Seillière, and director-general, Denis Kessler – can hardly be overstated, since even inter-professional negotiations in France are generally sparked off by a government request⁵⁸. The strategy followed by the MEDEF was similar in each round of negotiations: it started the discussions by tabling a few radical proposals for reform and then tried to back them up with specific threats, such as that it would quit the management of social security funds or block the renewal of the *convention* on unemployment insurance (Palier 2002). Yet this strategy proved to be only partially successful. It was clear to all interested parties that the employers' bargaining tactics were not entirely credible, as their withdrawal from the social security funds would potentially entail enormous losses for them in terms of power and legitimacy (Lallement 2006)⁵⁹. Thus negotiations started on only some of the announced *dossiers* – the reform of family allowances, the role of management and equal opportunities, for instance, were never discussed – and even fewer agreements were eventually signed. The agreements that were finalised were generally signed by the employers and, among the unions, by the CFDT, which since the late 1970s had gradually adopted a more moderate and open stance toward negotiating with the employers⁶⁰, as well as by the smaller CFTC and CGC. The CGT and FO, instead, consistently refused to compromise with the *patronat*.

The first and most important agreement to be signed was the one on unemployment insurance. The employers accepted the abolition of the progressive scaling down of benefits introduced in 1992⁶¹ in exchange for the unions' agreement that the receipt of benefits be subject to the beneficiaries' participation in personalised back-to-work assistance programmes called PARE (*plan d'aide au retour à l'emploi*) to be managed by the public employment agency (ANPE). This agreement, which marks the advent of the notions of conditionality and activation in the French debate, triggered a violent confrontation between the signatories and the Minister of Labour of the time, Martine Aubry, and was only ratified by the government in December 2000, nearly a year after the previous *convention* had expired⁶². Two more accords were signed within the framework of the *refondation sociale*, one on health and safety at work and another on the reform of collective

⁵⁸ Boutroue, M.-F. Interview with the author on 27 March 2007. Paris.

⁵⁹ The MEDEF temporarily quit the funds in charge of health insurance and family benefits in 2001. Nevertheless this was never intended to be a permanent move and Seillière quickly took care of clarifying the conditions to be met by the government so that his organisation would resume its responsibilities.

⁶⁰ See above.

⁶¹ See above.

⁶² See Chapter 4.

bargaining. The latter, in particular, subsequently inspired the 2004 *loi Fillon*⁶³, which established the principle, agreed on this occasion, that only collective agreements signed by organisations representing the majority of workers would be considered valid (Lallement 2006). Conversely, the issues of complementary pensions and health insurance proved to be too controversial to produce an agreement. The negotiations on vocational training also proved difficult, especially as regards whether training should take place within or without the work time limits set by the law.

Negotiations of this issue, though, were to be promptly resumed in 2003 at the government's request⁶⁴.

The *refondation sociale* kept the social partners busy for most of 2000 and 2001 and only came to a halt as the 2002 presidential and parliamentary elections approached. Its story is interesting not only for its novelty with respect to the practice of industrial relations in France, but also because the negotiations that did take place signalled the introduction in the French debate of new themes and policy ideas that would have some success in the following years. The concern with labour market rigidities as an explanation for unemployment that had established itself since the mid-1980s was now complemented by a new interest in the role of public policy in keeping as many people as possible in employment, helping the unemployed in their search for a job and eliminating the disincentives that might keep them from accepting possible job offers (Serré and Palier 2004; Ehrel and Zajdela 2004). This new focus, which was diffused by several reports and recommendations produced since the mid-1990s by such international bodies as the OECD and, especially, the EU, planted the seeds of some of the more innovative policy choices of recent years.

The employment policies pursued by the right-wing government led by the Gaullist Jean-Pierre Raffarin in office between 2002 and 2005 were, again, a mix of continuity and change. Some of the main measures taken by the new Labour Minister, François Fillon, were anything but new with respect to French policy traditions. In an attempt to create lasting jobs for young unemployed in the private sector, the *Emplois Jeunes* were gradually phased out and replaced by a new type of contract (the *contrats jeunes en entreprise*) that was meant to subsidise jobs for young people in private firms. The other types of subsidised contracts were rationalised and refocused⁶⁵ and the number of beneficiaries went down by about a third with respect to 1999, though still remaining high in absolute terms (about 1,400,000 in 2004) (DARES 2006). The 35-hour work week legislation, accused of making work organisation too rigid and being a cause of higher labour costs and slower productivity growth, was relaxed by increasing the maximum amount of overtime per

⁶³ Loi, 2004-391, 2004-05-04, *relative à la formation professionnelle tout au long de la vie et au dialogue social*.

⁶⁴ See Chapter 4.

⁶⁵ The number of *contrats aidés* was cut from fourteen to seven in 2005 (*Le Monde* 24 September 2004; see also the 2005 French National Reform Programme, p.29).

worker that firms could have recourse to in one year. Moreover, in order to encourage firms to create new jobs, the cuts in employers' social charges were extended and de-linked from work time reduction so that even firms that had not moved to 35 hours could benefit from contribution cuts on salaries up to 1.7 SMIC (1.6 from 2005) (DARES 2006). Finally, the *Prime pour l'emploi* was raised every year since 2003 in order to improve the incentives facing the recipients of social minima to take up temporary, part-time and low-paid jobs.

Other measures, however, clearly show elements of discontinuity with established policy traditions and seem to mirror new concerns. To start with, in order to 'activate' RMI beneficiaries and increase their incentives to work, the Raffarin government created in 2003 a *Revenu Minimum d'Activité* (RMA) for those who had received RMI support for over two years, making the receipt of benefits conditional on taking up part-time employment. This initiative, which was accused by the opposition and by charities dealing with social exclusion of forcing the recipients of social minima into conditions of 'under-employment'⁶⁶, is still in force even though it was substantially watered down after the Right's defeat in the 2004 regional elections. François Fillon had more luck with the reform of vocational training, which had been one of the main campaign themes of the 2002 presidential election, with both Chirac and Jospin promising the reform of the framework law of 1971. Fillon demanded that the social partners resume the negotiations on this issue that had been interrupted in 2001 and threatened that, in the absence of an agreement by the end of 2003, the government would push through new legislation on its own terms⁶⁷. As a consequence, an inter-professional agreement was signed by all social partners except the CGT on 20 September 2003 and was eventually transposed into law in May 2004⁶⁸. The law grants workers on permanent contracts an individual right to training of 20 hours a year that can be cumulated over a maximum of six years even in case of lay-off or change of employer. The priorities to be pursued by training are to be identified by the social partners in the context of *ad hoc* branch-level negotiations⁶⁹.

Two further important policy changes were discussed under Fillon, but then only adopted by his successor, Jean-Louis Borloo. The first one is the reform of public employment services, with the aim to strengthen the services offered to job-seekers and improve the effectiveness of their action to prevent long-term unemployment⁷⁰. Following a widely publicised report written by Jean Marimbert, a former Director of the ANPE (Marimbert 2004), which recommended much closer coordination between the agency and the UNEDIC, three sets of changes were introduced by law in

⁶⁶ *Les Echos* 10 June 2004.

⁶⁷ *Les Echos* 4 April 2003.

⁶⁸ Loi, 2004-391, 2004-05-04, *relative à la formation professionnelle tout au long de la vie et au dialogue social*.

⁶⁹ See Chapter 4.

⁷⁰ See Chapter 4.

2005⁷¹: the gradual integration of ANPE and UNEDIC (unified offices at the regional level, unified data bases on beneficiaries); the founding of new *maisons de l'emploi* that would bring together at the local level all the services providing support for the unemployed facing the greatest difficulties (ANPE, UNEDIC, the State, local charities); the end of the ANPE's monopoly over job placement and the possibility for private companies to offer placement services at no cost for job-seekers. In order to tighten control over the recipients of unemployment insurance, a system of gradual sanctions was introduced in August 2005 for those refusing more than two relevant job offers⁷². Finally, the individualised support offered to the unemployed, already stepped up with the launch of the PARE programme in 2001⁷³, was further strengthened in 2006 as the unemployed now can benefit from monthly interviews starting from their fourth month of unemployment (République Française 2006).

The second important development of recent years is the adoption of an action plan for older workers agreed by the government and the social partners in 2006 on the basis of a previous accord negotiated by the employers and the unions for most of 2005 and finally signed in March 2006 (Conseil Economique et Social 2006)⁷⁴. The plan, which was agreed for a period of five years and allocated a budget of €10 million, laid out a series of measures aimed at keeping workers over 55 years of age in employment for longer: the so-called *contribution Delalande*, a fee to be paid by employers who fired workers over 45, was to be gradually abolished; a new temporary contract with longer-than-normal time limits (36 rather than 18 months) was launched specifically for the unemployed over the age of 57; and a number of financial incentives were introduced for those who wish to keep working after having matured the right to a full pension or even whilst receiving a pension (République Française 2006). This plan marks a clean break with the practice of facilitating the retirement *en masse* of older cohorts of workers in order to limit the growth of unemployment French governments had indulged in since the late 1970s⁷⁵ and was hailed by some as a sheer 'cultural revolution'⁷⁶. It is, however, too early to give an assessment of its impact on employment rates.

The above changes correspond to a new conception not only of the settings and instruments of employment policy, but also of its very goals. In this sense, they entail a change of the 'paradigm' underlying employment policy in France (Hall 1993; Palier 2002, 2006). Moreover, their novelty lies not only in their content, but also in the way they were formulated and

⁷¹ Loi, 2005-32, 2005-01-18, *de programmation pour la cohésion sociale*.

⁷² Décret, 2005-915, 2005-08-02, *relatif au suivi de la recherche d'emploi*.

⁷³ See above.

⁷⁴ See Chapter 4.

⁷⁵ See above.

⁷⁶ *Le Monde*, 14 October 2005.

implemented. All of them were anticipated or followed by agreements between the social partners or between them and the State, thus completing and reinforcing a trend initiated with the welfare reforms of the 1990s⁷⁷. What is more, this newfound inclusiveness was given the formal seal of the law. The 2004 *loi Fillon* that reformed vocational training, in fact, contained also an important overhaul of the rules governing collective bargaining. Apart from the introduction of the above mentioned ‘majority principle’ regarding the signing of agreements, the new norms established that recourse must be made to bargaining before any new piece of legislation was passed on issues of concern to the social partners⁷⁸. French governments, to be sure, did not give up completely their old statist habits, but when they tried to go it alone they ended up facing some fierce opposition. The most evident such case dates back to the beginning of 2006. When Jacques Chirac’s last Prime Minister, Dominique de Villepin, tried to introduce without the unions’ assent a new flexible work contract for the young (the *Contrat première embauche*) that allowed employers to fire workers under the age of 26 without motive, a wave of protests were staged all over the country for months. Eventually, first President Chirac and then the Prime Minister were forced to concede and the government withdrew the measure⁷⁹.

Conclusion

This chapter has sought to trace French employment policies and debates from the immediate post-war years. It has told a story of changing growth patterns and changing modes of intervention of public policy in the labour market. In doing so it has focused, on the one hand, on the changing conception of the problems of the French labour market and of the appropriate solutions and, on the other hand, on the evolution of employment policy-making – i.e. the actors who were involved in policy choices, the institutional framework in which they made them and the resources at their disposal. The aims were to determine a clear empirical focus for the next chapter – which policy choices of recent years might have been inspired by the EES? – and to identify relevant actors and institutional settings. The next chapter investigates in detail how these policy choices were made and whether a link can be established between these and the Strategy.

The first contention this chapter makes is that the ways in which the French state intervenes in the labour market have changed over time. The first explicit policies for employment were launched in the wake of the economic crisis of the 1970s to protect workers in the core industrial

⁷⁷ See above.

⁷⁸ The 2004 reform of collective bargaining provides also that firm-level agreements must no longer be consistent with higher-level ones, thereby further reinforcing the trend toward microcorporatism and decentralisation French industrial relations had experienced from the 1980s (Howell 1992; Lallement 2006).

⁷⁹ *Le Monde*, 8 April 2006.

sectors and promote the insertion of specific groups (the young, the disabled). In the 1980s the network of publicly funded benefits and make-work programmes was extended and the first attempts were made to introduce elements of flexibility and de-regulation in an otherwise tightly regulated labour market. In the 1990s, in the face of rising unemployment and new European constraints, governments of different political colour focused on cutting labour costs, containing public expenditure, creating jobs in specific sectors and managing work-time as a means to boost employment. Many of the initiatives taken after the launch of the EES stand in continuity with this trend (the *Emplois Jeunes*, the *lois Aubry*). Yet other policy choices reflected a new interest in keeping as many people as possible in employment, helping the unemployed to find new jobs and eliminating the disincentives that might keep them from taking up paid employment. Thus the reform of public employment services, the reform of the vocational training system and the launch of an action plan to promote the employment of older workers all resonate with the EES and respond to new themes in the French debate (prevention of long-term unemployment, lifelong learning, active ageing).

The second argument advanced by this chapter is that employment policy-making in France is characterised by the predominance of public authorities and the marginalisation of interest organisations. With respect to the hypotheses advanced in Chapter 1, thus, France looks like a typical 'single-actor' system (Schmidt and Radaelli 2004) in which only restricted circles of governmental actors (Ministers, advisors, top civil servants) are involved in policy-making. Here again, however, things have changed over the last fifty years. For most of the post-war period collective bargaining was almost non-existent and the state found it easier to manage the labour market from above by setting wage levels and extending the few agreements that were signed to entire regions and sectors. In the 1990s, though, the need to reform social policies and retrench expenditure made it necessary to forge coalitions with the more moderate fringes of the labour movement. Efforts were made to spread shared interpretations of the existing problems through the proliferation of expert committees and reports. A wave of inter-professional negotiations was launched in 2000-01 with the aim of dealing independently with issues that unions and employers deemed to be within their domain. Thus, although French employment policy-making is still very much the province of governmental initiative, it is today more inclusive than it has ever been. The origin of policy choices must, therefore, be searched not only *in*, but also *around* government, i.e. in the leadership of the trade unions and of the employers' organisation as well as in the networks of experts and civil servants that compose the boards of public agencies (ANPE, UNEDIC) and advisory bodies (COE, COR, CAS).

CHAPTER IV

THE EUROPEAN EMPLOYMENT STRATEGY AND POLICY CHANGE IN FRANCE: THE DIFFUSION OF THE EES DISCOURSE AS AN INSTRUMENT OF STATE POWER

The previous chapter has charted the evolution of employment policies and policy-making in France before and after the launch of the EES. It was shown that the 1990s were a period of high political instability and growing unemployment, where repeated attempts to reform employment and social policies in the wake of the completion of the Single Market and the run-up to EMU were met with considerable opposition. Despite their continuing weakness, unions and employers were frequently involved in the design and implementation of policy to an extent that was unprecedented in France. The MEDEF and the five major union confederations even started a series of inter-professional negotiations in order to regulate independently matters such as unemployment insurance, complementary pensions and vocational training. Thus some new themes entered French employment policy debates. Notions such as the activation of the unemployed, active ageing, lifelong learning were somewhat alien to the French tradition and were, instead, very much in line with the employment policy discourse promoted by the EES.

The following sections seek to analyse a number of select policy changes identified by the previous chapter (the reform of employment services, the action plan for the employment of older workers, the reform of vocational training), trace the process behind them and investigate the relation between them and the Strategy. Section 1 examines how the drafting of the NAPs was conducted in France and the administrative adjustments that had to be made in order to meet the coordination requirements. Section 2 analyses these changes in more detail and investigates their consequences on French policy-making. It is maintained that, even though the government lost interest in the Strategy after the first couple of years of its operation, it was the *haute administration*, traditionally powerful in France, that took charge of it as a means to influence the development of policy debates. Great efforts were made to diffuse information on the guidelines and to include the social partners in the drafting of the NAPs. However, notwithstanding this and despite the fact that the adoption of new analytical tools (especially of the employment rate as a headline indicator instead of the unemployment rate) strengthened the position of those who used arguments consistent with the Strategy, the coalition advocating the EES discourse always remained narrow and secluded within restricted circles. Section 3, finally, analyses in detail three cases of policy change in areas that had been highlighted by the EES recommendations as inconsistent with the guidelines, so as to show the role that the Strategy played in the process leading to them.

The analysis investigates the link French actors (the higher civil service, the social partners, public agencies like the ANPE) drew between domestic and EU-level arguments and debates and how that affected the changes that were made. It is contended here that the specificity of the French context, in which few actors are involved in decision-making and an important role is played by central state authorities in adopting and implementing policy, allowed the narrow coalition advocating the EES discourse to have an influence on policy change. The diffusion of the Strategy's policy model, it is argued, was meant to spread awareness of the need for change and provide a language that was acceptable to all, thereby facilitating agreement in a system of industrial relations marked by conflict. In so doing, the goal sought by the coalition advocating the EES discourse was to increase the power of the state to push through change in a context in which reform had often been blocked by popular protests and the opposition of interest organisations. The nature of the impact on policy outcomes depended, in turn, on the non-binding and vague character of the Employment Guidelines. The EU guidelines and targets, it is contended, had a significant influence on the conception of policy problems and goals, but only rarely did they affect the design of specific policy provisions and the institutional settings that were meant to deliver them. In the cases of reform discussed in this chapter the goals and problems to be addressed have been re-directed and given new content, but specific policy provisions and institutional settings have kept some of their national specificity.

1. The European Employment Strategy in France

The Jospin government actively pushed for the insertion of an employment title in the Treaty of Amsterdam as a means of redressing the perceived imbalance between the economic and social dimensions of European integration. Yet, according to the interviews with senior civil servants cited by Barbier and Samba Sylla (2001) and Salais *et al.* (2002), France was less effective in trying to influence the content of the strategy. The French delegation is said to have simply supported a pre-existing project, which had been largely the work of Allan Larsson, then Director General of DG-Employment, with the backing of the Council Presidency held by Luxembourg's Prime Minister Jean-Claude Juncker⁸⁰. The Labour Minister of the time, Martine Aubry, was mainly concerned at the time with the *grandes lois* on the 35-hour work week and the *Emplois Jeunes* and did not pay much attention to the process.

⁸⁰ In an interview cited in Barbier and Samba Sylla (2004 : pp.47-48) Allan Larsson himself confirms this point: 'France helped in... building up a "window of opportunity" in the political process by calling for the implementation of the EES prior to Treaty ratification, but the content was already there. We were in an exceptional situation, where Luxembourg played a crucial role... The UK government wanted to "operationalise" the welfare-to-work programmes and wanted to see the results of the Cardiff process'.

As a result, the employment policy model upheld by the EES appears somewhat distant from French traditions and the employment guidelines use a vocabulary that is somewhat alien to the French debates of the time at which the Strategy was launched. By way of comparison, the five-year law adopted by the Balladur government in 1993⁸¹, possibly the most developed example of a systemic intervention on the French labour market in the 1990s, already reflects some of the concerns that would later appear in the guidelines, notably the lowering of labour costs, the development of employment in the services sector, the reduction of the administrative burden on companies, the involvement of local authorities in the domain of vocational training, the modernisation of work time and organisation. Nevertheless, there is still no trace of some of the EES' main catchwords: 'prevention' of long-term unemployment, 'active ageing', 'adaptability' and 'entrepreneurship'. There is no mention of such issues as the transition from assistance to work, 'lifelong learning' or 'making work pay'. At the same time, such high-profile initiatives of the French government of the time as work-time reduction were never taken up in the context of the Strategy. On the contrary, in some instances these were openly criticised at the EU level. The 1998 BEPGs, for instance, warned that '*a compulsory and across the board reduction in working time..., in part prompted by the desire to increase the level of employment, may have adverse consequences and should therefore be avoided*' (European Commission 1998: p.19). When the Commission and the Council started to adopt single country recommendations in 2000, France was one of the member states that received the highest number of them every year⁸².

The reaction to this was, at least in the early stages, one of resistance. French policy-makers resented the use of international English as a *lingua franca* by the Strategy, arguing that the specificity of national policy traditions would be lost. For instance, one of Barbier and Samba Sylla's interviewees mentions the fact that the Strategy's chosen language disregarded the difference between income taxes (*impôts*) and social charges (*cotisations*) (Barbier and Samba Sylla 2001: p.72). Considerable efforts were thus made since the beginning to adapt the Strategy's vocabulary and to make it politically acceptable to the government of the day. Hence 'employability' became '*capacité d'insertion professionnelle*' (ability to enter the labour market) and 'flexibility' became '*souplesse*' (suppleness). There is evidence, however, that this resistance eased as time went by. For instance, the very word 'employability' was at first banned from French documents. One of Salais' interviewees, though, recalls that the word started to circulate in notes and briefings between quotation marks and then slowly entered the everyday jargon of the administration (Salais *et al.* 2002: p.27).

⁸¹ LOI, 93-1313, 1993-12-20, *quinquennale relative au travail, à l'emploi et à la formation professionnelle* (see Chapter 3).

⁸² See below.

French civil servants now take pride in having always accepted and responded to the employment recommendations, and in having never negotiated them beforehand with the Commission (Barbier and Samba Sylla 2001). The French contribution to the mid-term evaluation of the EES, which was prepared by the Ministry of Labour on the basis of a number of contributions written by internal and external experts, expresses a great deal of enthusiasm about the Strategy and its positive impact on France's policies and policy processes (France 2002). The EES is referred to as having provided French employment policies with a new frame of reference (the Employment Guidelines), changed the content and focus of existing policies (the employment as opposed to the unemployment rate, a 'preventative' as opposed to a 'curative' approach to unemployment), involved actors and stakeholders who were not previously involved in employment policy-making (the social partners, the Ministries of Finance, Industry, Education). The instances of policy change discussed in the last section of this chapter show that EES influence was indeed significant, although it took a somewhat indirect route⁸³.

Although the Jospin government was very active in supporting the insertion of a title on employment in the Amsterdam Treaty, it took some time for the French administration to adjust to the new requirements of the coordination exercise. The drafting of the first two NAPs was slow and uncertain, and was met by a degree of resistance from parts of the central administration. The Ministry of Labour, which was expected to take charge of the document, was very busy at the time with the preparation of the *lois Aubry* on the reduction of work time and with the implementation of the *Emplois Jeunes*. The Ministry of Finance, which was meant to provide concrete budgetary figures to uphold the commitments made in the plan, had considerable reservations regarding the multi-annual character of the NAP and was only reassured by the insertion of a statement on the 'yearly recurrence of budgetary choices' (Salais *et al.* 2002: p.14). As a result, in 1998 and 1999 the process was marred by continuous delays. In both years it was the Prime Minister's office that was eventually forced to take the lead through a service called SGCI (*Secrétariat Général pour la Coordination Interministérielle sur les Affaires Européennes*), which took care of coordinating the exercise, apportioning the tasks to the Ministries concerned (Labour, Finance, Education) and putting together a full draft of the document⁸⁴. In order to draw attention on the exercise, the NAPs were published by the *Documentation Française*, the government's official publishing house, and prefaced by the Prime Minister himself.

In the first few plans the emphasis was put on the main initiatives of the Jospin government in the field of employment. Since some of these had proved to be controversial, the NAP was a

⁸³ See below.

⁸⁴ Favarel, B. Interview with the author on 21 February 2007. Paris.

good opportunity to re-package them so as to show that they were 'in line with Europe'⁸⁵. Thus the statutory reduction of work time was presented as a response to the guidelines regarding the modernisation of work organisation (third pillar). The *Emplois Jeunes* were presented under the guidelines on the promotion of new activities in the services sector (second pillar) and the programme *Nouvelles Chances* (a plan of the Ministry of Education to prevent school drop-outs) under those on improving workers' skills and employability (first pillar). Yet the novelty of the exercise and the interest shown for it at the highest political level prompted the insertion in the plan of innovative measures as well. The 1998 NAP, thus, announced the launch of a new programme called, paraphrasing the first Employment Guideline, *Nouveau Départ* (literally, 'new start'), which was meant to provide individualised support for job-seekers after a given period of unemployment⁸⁶. Interestingly, this move caused some friction between the Ministry of Labour and the Ministry of Finance, as the former used the announcement of the launch of *Nouveau Départ* to ask for (and obtain) more funds for the public employment agency in the budget negotiations of the following autumn. As a consequence, since 1999 the Ministry of Finance took great care to check and validate the final version of the plan before it was sent to Brussels, in order to make sure that the government would not make spending commitments it had not agreed to (Salais *et al.* 2002; Erhel *et al.* 2005).

After 2000, however, the nature of the drafting process changed radically⁸⁷. The lead was now taken by the Ministry of Labour, whereas neither the Prime Minister's office nor other Ministries were involved to the same extent as before. The procedure that was followed generally started with a meeting at the *Hôtel de Matignon* (the residence of the Prime Minister) where the main lines of the new NAP were agreed. The post then passed to the Directorate-General for employment and vocational training (DGEFP) and the Direction in charge of research and statistics (DARES) of the Ministry of Labour, which did most of the writing and researching. The final draft of the document, which included also contributions from the other Ministries involved (mainly Finance and Education) as well as of other relevant services like the ANPE and the AFPA (a semi-public body in charge of providing vocational training for adults), was then circulated again to all the concerned parties and to the Prime Minister's office for validation before being sent off⁸⁸. The drafting process thus gradually became more routinised and bureaucratic and the plans became more repetitive, even though they improved in terms of presentation and of the use of data and indicators (Barbier and Samba Sylla 2001; Ehrel *et al.* 2005). Predictably, the NAPs quickly lost

⁸⁵ *Le Figaro*, 16 April 1998.

⁸⁶ See below.

⁸⁷ Favarel, B. Interview with the author on 21 February 2007. Paris. Julien, E. Interview with the author on 7 March 2007. Paris. Boutroue, M.-F. Interview with the author on 27 March 2007. Paris.

⁸⁸ Favarel, B. Interview with the author on 21 February 2007. Paris.

political salience and the media lost interest in them. Although the adoption of the first few plans had been reported by the main quality newspapers, after 2000 the Strategy became practically invisible to the public eye.

As the political level lost interest in the Strategy, though, the *haute administration* was quick to grasp its potential. Thus, although the involvement of the Ministers of this period (Martine Aubry, Elisabeth Guigou, François Fillon, Jean-Louis Borloo) remained somewhat superficial⁸⁹, the Ministry's bureaucracy became an enthusiastic participant in the coordination exercise, both at the EU and at the national level. In the year 2000, as the Labour Ministry acquired a leading role in the drafting process of the NAPs, two new Director-Generals were appointed in the two Directions of the Ministry that were given the task to deal with it: the DGEFP (Catherine Barbaroux) and the DARES (Annie Fouquet). It was the new Directors-General that represented France in the meetings of the Employment Committee, and not some lower-ranked officers or experts of labour law or European affairs as was the case for other member states (IGAS 2006). French civil servants were very active in the process of building the Strategy's indicators and Mrs. Fouquet even served as Vice-President of the Committee and President of the Indicators Group between 2003 and 2005⁹⁰. Furthermore, representatives of the Ministry and independent French experts took part in several peer review sessions organised by the Commission, and the relevant reports were subsequently the object of seminars and meetings organised back home⁹¹.

Yet the most considerable efforts were made to attract the interest of the social partners, whose involvement in the writing of the first two NAPs had been very limited. In order to consult the unions and the employers on all matters concerning the EES, in 1998 it was decided to revive an informal committee within the Ministry's Direction for European and International Affairs (DAEI) known as '*comité Blanchard*' after a former Inspector General who had represented France in the ILO. The committee was re-named CDSEI (*Comité du Dialogue Social pour les Questions Européennes et Internationales*) and its composition and functions were re-defined by a ministerial decree. The CDSEI was to provide a formal framework for discussion with the five union confederations and the main employers' associations on all European and international issues that were of interest to them, but consultation on the NAPs occupied since the beginning a large part of

⁸⁹ Barbaroux, C. Interview with the author on 28 March 2007. Paris: 'moi j'ai eu la plus grande difficulté à intéresser les Ministres. Au fond ils lisaiient les papiers qu'on préparait, mais il n'y avait pas une réelle implication. Mais ça tient au fait qu'en France le Ministre des affaires sociales délègue beaucoup la stratégie au Ministre des affaires européennes ou au Ministre des affaires étrangères et ne passe pas beaucoup de temps sur les questions internationales. Nous n'avons pas un pays encore culturellement très ouvert sur l'international dans le secteur des affaires sociales, je veux dire'.

⁹⁰ Fouquet, A. Interview with the author on 9 March 2007. Paris. Charpail, C. Interview with the author on 28 March 2007. Paris.

⁹¹ Barbaroux, C. Interview with the author on 28 March 2007. Paris.

the Committee's activities⁹². Although in 1998 and 1999 employers and unions were given the plans when they were already in their final form and about to be sent to Brussels, from 2000 an entirely new procedure was adopted. The social partners were now consulted in the framework of the CDSEI from the very early stages of the drafting process, starting from the project for the new set of Employment Guidelines for the following year before it was even passed by the Council. Furthermore, in order to reach a common interpretation of the guidelines five working groups were set up on the issues that were deemed to be the most 'critical' for France: lifelong learning; the employment of older workers; wages and qualifications; work conditions; and gender equality⁹³. Detailed discussions on the NAP were held regularly within the CDSEI, so that, by the time a final version was reached, all the interested parties would be aware of its content. The NAP remained a fully governmental document in the sense that its text was never negotiated in its entirety with the social partners. Yet employers and unions were encouraged to give their original contributions, which were first annexed and then (in 2004) included in separate boxes into the body of the plan. In addition, the social partners were invited to participate in the bilateral meetings with the Commission in Brussels. After an initial period of adjustment in which the representatives of the Ministry and those of the social partners were called in to discuss the French NAPs with the Commission in separate sessions, it was agreed to hold single meetings with both parties both in 2003 and in 2004⁹⁴.

With the reform of the Lisbon Strategy's governance framework and the introduction of new reporting obligations in 2005, the drafting process changed radically yet again. The Prime Minister's office took back responsibility for coordinating the process and selecting the priorities to be included in the three-year National Reform Programme (NRP). The secretariat in charge of EU affairs (the old SGCI), recently re-named *Secretariat Général aux Affaires Européennes* (SGAE), takes care of coordinating the exercise and putting together the contributions of the different Ministries involved (Finance, Industry, Labour, Education and Research) into a single document. The Ministry of Labour (and the DGEFP within it) is now only in charge of drafting the sections on employment, but must follow a blueprint decided *a priori*. As a result, not all the issues that it considered important were included in the plan: equal opportunities and quality of work, for instance, are practically absent. Also, the Ministry had to fight to put more emphasis than it had originally been established on the employment of older workers⁹⁵. Moreover, as the highest political level took over from the bureaucracy of the Labour Ministry, the process immediately became less

⁹² Favarel, B. Interview with the author on 21 February 2007. Paris.

⁹³ Fouquet, A. Interview with the author on 9 March 2007. Paris.

⁹⁴ Fouquet, A. Interview with the author on 9 March 2007. Paris. Barbaroux, C. Interview with the author on 28 March 2007. Paris.

⁹⁵ Mechlin, C. Interview with the author on 22 February 2007. Paris.

inclusive. The NRP was simply ‘presented’ to the social partners in the CDSEI by Jean-Louis Borloo on 21 October, that is, ten days after it was adopted by the Council of Ministers, even though their written comments on the plan were duly transmitted to the Commission along with it (République Française 2006).

The drafting of the French NAPs on employment, in sum, has so far been a somewhat contested process in which the lead was taken, at different times, by the political leadership of the government and by the *haute administration*. At times when the Prime Minister’s office took charge, the exercise was conducted mainly through inter-ministerial coordination and remained almost entirely impenetrable to non-governmental actors. Then, as the political level lost interest in the process and the responsibility of the plan passed almost entirely to the Ministry of Labour, it was the very top of the Ministry’s bureaucracy that proved eager to take command. The most evident consequence was that the plans became more repetitive and bureaucratic. Yet, at the same time, this stimulated a number of administrative adjustments, facilitated the diffusion of information and greatly improved the involvement of the social partners. The next section analyses these changes in more detail and begins to investigate their consequences.

2. The diffusion of the EES discourse as an instrument of state power

The previous chapter argued that the main attribute of French policy-making is the *dirigiste* attitude of a remarkably powerful and insulated State machine, characterised by a strong executive, large political parties and a considerable control over key policy-related resources, such as the control over the flow of funds in the economy and access to relevant information and expertise. The high civil service, recruited and trained by the *grandes écoles* created after the war, always played an important role in policy-making and implementation, both in and around government. Unlike in Italy, it was the *haute administration* that always represented the French government in international organisations and fora⁹⁶. It was top-level *fonctionnaires* who often ran the public-sector companies that implemented the State’s industrial and labour policies (Hancké 2001).

Whereas in Italy the production and analysis of information and the selection of policy options has long involved experts and academics external to the administration, following a trend that greatly increased in the 1990s⁹⁷, in France considerable efforts were made to keep it within the State apparatus. Thus the practice of economic planning as well as the many reports requested over the years from senior civil servants in different policy sectors greatly contributed to setting the terms of

⁹⁶ Favarel, B. Interview with the author on 21 February 2007. Paris.

⁹⁷ See Chapters 5 and 6.

national policy debates⁹⁸. It was the higher civil service, finally, that led the public agencies in charge of collecting and treating policy-related information (the INSEE, the *Commissariat Général du Plan*) and composed most of the boards of the advisory bodies created in recent years with functions of policy research, analysis and proposal in specific fields – the *Conseil d'orientation des retraites* (COR) for pensions, the *Conseil d'orientation de l'emploi* (COE) for employment and the *Conseil d'analyse stratégique* (CAS) for economic and social policy reform⁹⁹.

In this context, that fact that, faced with the relative indifference of the political level, the *haute administration* in France developed an active interest in the EES becomes significant. This seems to confirm the hypothesis (hypothesis 2¹⁰⁰) that the composition of domestic coalitions advocating the Strategy's discourse would depend on the specific features of national systems of policy-making, such as the role assigned to top civil servants in policy formulation. This also seems to validate hypothesis 3, which postulates that, given the non-transparent, bureaucratic nature of the NAPs, national coalitions are only likely to involve actors coming from restricted ministerial circles¹⁰¹.

It is contended here, in particular, that the EES was seen by the *haute administration* of the Ministry of Labour as a resource, a lever to gain influence over the conduct of employment policy. The reasons for this were, as suggested by hypothesis 1¹⁰², a mix of normative and strategic considerations. On the one hand, it is worth noting that the new Directors-General of the DGEFP and the DARES appointed in 2000 did not come from the civil service but, respectively, from the private corporate sector and academic research¹⁰³, which implies that they felt less of an attachment to the policy models and decisions that were adopted before they took on direct policy responsibilities. During their tenure, they spent as much as 15/20% of their time following the Strategy's procedures in Brussels (meetings of the EMCO, bilateral encounters with the Commission, peer reviews) on top of the work to be done in Paris to draft the NAPs. They quickly became very familiar with the workings and content of the EES, and were persuaded of its potential for structuring the national policy debates and introducing new issues on the agenda¹⁰⁴. The interviews conducted for this work with the French civil servants involved in the coordination process reveal that they were personally convinced that the policy model upheld by the Strategy

⁹⁸ See Chapter 3.

⁹⁹ See Chapter 3.

¹⁰⁰ See Chapter 1.

¹⁰¹ See Chapter 1.

¹⁰² See Chapter 1.

¹⁰³ Catherine Barbaroux had been responsible for human resources at Pinault-Printemps-Redoute and Annie Fouquet came from the academia and from a long experience in the INSEE.

¹⁰⁴ Barbaroux, C. Interview with the author on 28 March 2007. Paris. In my understanding, it is to this structuring effect that the French civil servants interviewed in the impact studies on the Strategy refer to when they speak about the 'coherence' that the EES has brought to French employment policies (Barbier and Samba Sylla 2001; Salais *et al.* 2002; France 2002; IGAS 2006).

represented a 'balanced solution' to the problems of the French labour market¹⁰⁵. The fact was also mentioned that this model was consistent with a widespread international employment policy consensus, which was reflected, with some differences in emphasis, by the recommendations bodies like the OECD had repeatedly addressed to France.

On the other hand, this broad normative thrust was complemented by a more strategic interest in advocating the EES discourse. As convincingly argued by Smith (2006), the quick acceleration of the European integration process has the potential further to strengthen the concentration of policy-making authority within the state apparatus. As a result of the growing number of sectors in which policy must conform to the *acquis communautaire* or secure EU approval, and of the many others in which the Union structures different forms of coordination among member states, the way in which policy is formulated now centres on coordinating among Ministries in a quasi-diplomatic fashion a unitary French position to be presented at the EU level. The emphasis is now more on forging coalitions across issue-areas in Europe and less on striking compromises with the affected interests back home. Consequently, as policy positions are formulated *within* the government and/or at the EU level, policy-making has become even less transparent and inclusive than before. On the other hand, the frame of reference of national policy debates has shifted to privilege European, rather than just French, lines of argument (Hall 2006; Smith 2006). Experts and civil servants have a somewhat vested interest in advocating the adoption of EU discourses as these are typically technical and unintelligible by the larger public. This, in turn, tends to privilege those who master technical argumentation and have an understanding of the modalities of power within European networks. Thus, for those who are familiar with it, the diffusion of the EU discourse is inherently an instrument of power. As argued in Chapter 1, power here should be understood as an instrument of *prise de parole*, that is, as the ability to define the problems to be addressed and the range of possible courses of action to be taken in response. The advocacy and diffusion of the EES discourse, therefore, may be seen in the French case as an instrument to reaffirm the centralisation of policy-making authority within the state apparatus¹⁰⁶.

A first adjustment prompted by the EES was the upgrading of analytical tools and the adoption of new or unused indicators. This was used as a means to highlight the urgency of policy change. The main example cited by the existing studies on the Strategy's impact on French policies (Barbier and Samba Sylla 2001; Salais *et al.* 2002; France 2002; IGAS 2006) is the adoption by the 2000 Lisbon European Council of the employment rate as a headline indicator for the Strategy. This

¹⁰⁵ Favarel, B. Interview with the author on 21 February 2007. Paris. Fouquet, A. Interview with the author on 9 March 2007. Paris. Gauvin, A. Interview with the author on 26 March 2007. Paris. Barbaroux, C. Interview with the author on 28 March 2007. Paris.

¹⁰⁶ See below.

apparently minor change of focus from the traditional attention paid to the unemployment or the activity rates in reality entailed a significant shift in thinking, in particular as regards the definition of the problems faced by groups that are underrepresented in the French labour market (especially workers under the age of 25 and over the age of 55)¹⁰⁷. It is worth noting that while the exact definition of more specific, less visible indicators such as those on the quality of jobs or the weight of the working poor triggered some heated discussions within the indicators group of the EMCO, the definition of the employment rate proved to be relatively uncontroversial. Even though the adoption of the gross rate (instead of the full-time equivalent) and of 15 to 64 as the reference age range to calculate it (instead of, for instance, 20 to 59) put France's situation in a particularly bad light, these were accepted by French officials almost without objections (IGAS 2006)¹⁰⁸.

In addition to this, in order to make the most of the opportunities offered by the EES, the *haute administration* tried to exploit the adjustments prompted by the NAP drafting process. Great importance was attached to the dialogue with the social partners and the work of the CDSEI. As the discussion in the previous chapter indicates, even though the State still plays a large role in the distribution of resources, France is today a more open and negotiated polity, where it is not uncommon that policy-making and implementation might depend on the agreement of non-governmental actors and local governments (Hall 2006). The social partners, albeit weakly organised and scarcely representative, have become influential actors in the politics of employment and welfare reform and successive governments have had to gain the support of at least some of them for their reform efforts. In this context, the higher civil service found that the EES used a language that was acceptable to all and had the potential to diminish the level of conflict that characterised French industrial relations. Thus one of the Strategy's weaknesses according to the literature – i.e. its flexibility and indeterminateness, designed to cater for different interests and policy traditions (see Barbier 2005) – was turned into a resource. Consultation on the NAPs entailed discussions between the government and the social partners on a range of issues that was absolutely unprecedented in France. Involving them in EU-wide discussions regarding such issues as job placement and the services to be offered to the unemployed, lifelong learning, the taxation of labour and the employment of older workers was also a means of providing the social partners with additional resources (ideas, projects, arguments)¹⁰⁹ at a time when their weakness was seen as one of the reasons for France's difficulties to reform its social policies (Palier 2002, 2006).

¹⁰⁷ See below.

¹⁰⁸ France's employment rate expressed in full-time equivalent, in fact, is higher than the EU-15 average (58.7% as opposed to 58.5% in 2005). Also, the adoption of the 15-64 age range as a reference penalises France's performance given the absence of a developed apprenticeship system for the 15-19 year olds, on the one hand, and the retirement age set at 60, on the other (IGAS 2006: pp.208-209).

¹⁰⁹ Barbaroux, C. Interview with the author on 28 March 2007. Paris.

Hence, in order to add some clout to the CDSEI's meetings, these were often chaired by the Director of the DGEFP, traditionally considered as the most influential Directorate of the Ministry of Labour since it is in charge, among other things, of distributing public aid for industrial restructuring and of giving advice on the validation of collective agreements¹¹⁰. Remarkably, the social partners, who in the first few years of the Strategy had been represented at the CDSEI mainly by experts of international affairs of relatively low rank, gradually started to send top-level officials¹¹¹. Notwithstanding the social partners' continuing mistrust toward the value of the NAP as a planning document, the growing interest shown by the *haute administration* contributed to legitimising the exercise, which had been criticised by some at the beginning¹¹². Even the union confederations that had shown the biggest reservations like the CGT and FO started to see some value in it as a means to modernise French industrial relations¹¹³. All the social partner representatives interviewed¹¹⁴ report a degree of satisfaction with the modalities with which they have been consulted, a good level of awareness of the EES for those at the top of their organisations (whereas the activists on the ground ignore it almost without exception), as well as a liking for the employment policy model it supports.

An additional consequence of the social partners' involvement that was also acknowledged by all those interviewed is a greater awareness of the policy choices of other member states. A large number of seminars and colloquia involving a broad range of stakeholders were organised by the DGEFP and the DARES on issues included in the guidelines and recommendations so as to improve the diffusion of information thereon. French representatives participated eagerly in a number of peer review sessions abroad¹¹⁵. Some of the ensuing reports were the objects of thorough discussions back home, such as, for instance, the Finnish *dossier* on active ageing¹¹⁶. The circulation of information regarding the employment policies of France's partners, in turn, fostered a series of bilateral and multilateral contacts outside the framework of the Strategy. Thus the French trade unions have started to network with their peers in other member states in order to analyse each other's NAPs in the context of an association called 'Eurexter'¹¹⁷. In recent years a number of *ad hoc* missions involving representatives of the Ministry and of the social partners were organised in

¹¹⁰ Barbaroux, C. Interview with the author on 28 March 2007. Paris.

¹¹¹ Fouquet, A. Interview with the author on 9 March 2007. Paris.

¹¹² Favarel, B. Interview with the author on 21 February 2007. Paris.

¹¹³ Dedieu, T. Interview with the author on 8 March 2007. Paris. Boutroue, M.-F. Interview with the author on 27 March 2007. Paris.

¹¹⁴ Julien, E. Interview with the author on 7 March 2007. Paris. Dedieu, T. Interview with the author on 8 March 2007. Paris. Boutroue, M.-F. Interview with the author on 27 March 2007. Paris.

¹¹⁵ See above.

¹¹⁶ Barbaroux, C. Interview with the author on 28 March 2007. Paris.

¹¹⁷ Boutroue, M.-F. Interview with the author on 27 March 2007. Paris.

countries like Sweden and Denmark with a view to studying the functioning of the Scandinavian welfare states¹¹⁸.

In sum, the *haute administration* in France promoted the EES as a means of structuring national policy debates, highlighting the urgency of policy change and introducing new issues on the agenda. The institutional innovations prompted by the NAP drafting process (in particular the CDSEI) and the adoption of new analytical tools (new indicators) were used to diffuse information regarding the Strategy and strengthen the arguments in line with the guidelines and recommendations. Great efforts were made, in particular, to involve the social partners and provide them with additional resources (information, ideas, arguments) that their organisational weakness made it difficult for them to access otherwise¹¹⁹. The diffusion of the Strategy's new language (activation of the unemployed, active ageing, lifelong learning) was aimed to diminish the level of conflict, facilitate agreement among the social partners and between them and the government and, ultimately, unblock policy changes that had been opposed in the past. In this sense, the advocacy and diffusion of the EES discourse must be seen in the broader framework of the attempts made in the 1990s to gain the agreement of at least some interest organisations in order to push through social and employment policy reforms. Top civil servants, as discussed in Chapter 3, had long played an important role in this strategy, by trying to diffuse shared interpretations of the existing problems and of the appropriate solutions via the circulation of high-level reports and the results of the work of expert committees¹²⁰. The active interest taken by the *haute administration* in the diffusion of the EU employment policy discourse, therefore, had the purpose of empowering state authorities to introduce changes in the existing policies. As such, it can be said that the advocacy and diffusion of the EES discourse was used in France as an instrument of state power.

Yet, as said above, due to the lack of interest of the media and the progressive bureaucratisation of the NAPs¹²¹, the relevant national coalition always remained narrow and secluded within restricted ministerial circles. Awareness of the EES discourse was limited to top civil servants in the Ministries involved (mainly Labour), the leadership of the trade unions and of the MEDEF, the management of the public bodies dealing with employment policy (ANPE, AFPA). However, according to the fifth hypothesis advanced by this work, in a system like the French one, where policy-making authority is highly concentrated, even this narrow coalition can

¹¹⁸ *Le Monde*, 11 November 2004 and 25 October 2005.

¹¹⁹ Barbaroux, C. Interview with the author on 28 March 2007. Paris: 'moi dans toute cette période là je les ai trouvés très fragiles [les partenaires sociaux]. Ils étaient peu nombreux, ils étaient peu informés, ils n'avaient pas beaucoup de temps, pas beaucoup de moyens. Et donc voilà il n'y avait que deux personnes qui s'occupaient d'affaires internationales au MEDEF. Il y avait un brave garçon (Emmanuel Julien) et il y avait Mm. Martin. Pour la CFDT il y avait un tout petit peu plus d'investissement... Notre problème majeur il a été à un moment donné qu'on était nous plus impliqués dans la construction de la Stratégie que les partenaires sociaux.'

¹²⁰ See Chapter 3.

¹²¹ See above.

be expected to have exercised significant influence. In order to validate these hypotheses, the last section of this chapter focuses on some select instances of policy change in areas highlighted by the employment recommendations as in need of reform (the reform of employment services, the reform of pre-retirement benefits, the reform of vocational training).

3. The EES and employment policy change in France

Despite some long-standing themes of French policy debates, such as the reduction of non-wage labour costs, were adopted at the European level since Delors' 1993 White Paper, the French employment policy model remained somewhat distant from the one supported by the EES¹²².

Accordingly, from 2000 France was given a consistently high number of single country recommendations by the Commission and the Council. As can be deduced from Table 4 below, the content of the recommendations was stable over time and focused on some long-standing features of the French system.

Table 4. Recommendations to France

Recommendations	2000	2001	2002	2003	2004
Review early retirement schemes and keep older workers longer in employment	yes	yes	yes	yes	yes
Reduce the administrative burden on companies	yes	yes	no	no	no
Reduce fiscal pressure on labour, reform tax and benefit systems	yes	yes	yes	no	no
Modernise work organisation, monitor the effects of the 35-hour work week legislation	yes	yes	yes	no	no
Implement individualised and early intervention schemes for the unemployed	no	yes	yes	yes	yes
Promote lifelong learning	no	yes	yes	yes	yes
Strengthen the social dialogue	yes	no	no	yes	no
Avoid labour market segmentation	no	no	no	no	yes
Reduce early school leaving	no	no	no	no	yes

Source: http://ec.europa.eu/employment_social/employment_strategy/recomm_en.htm.

The most recurrent recommendations – i.e. the ones on active ageing, preventative individualised schemes for the unemployed, lifelong learning – are linked to issues that the Commission seemed to consider as structural, whereas the others make reference to problems that, in its view, either have been subsequently tackled (the administrative burden on companies, reform

¹²² See Chapter 3.

of tax and benefit systems) or are emerging (labour market segmentation, early school leaving). The recommendations on the monitoring of the effects of work time reduction are to be read as a critique of one of the *mesures phares* of the Jospin government and suddenly disappeared as soon as the government changed in 2002. Finally, the 2000 and 2003 recommendations on social dialogue are suggestions of method that recur over the years in many other specific recommendations, such as those on active ageing and lifelong learning.

Interestingly, the areas and issues highlighted by the recommendations are those in which the governments of recent years have taken some of their most innovative initiatives with respect to the established policy traditions and debates described in the previous chapter: the reform of the unemployment insurance and the launch of personalised services for the unemployed; the reform of vocational training; the *Plan seniors*. Whereas the previous section has tried to identify the actors who sought to advocate and diffuse the Strategy's policy model and to investigate their strategies and motivations, the following sub-sections look for evidence of discourse diffusion and of its impact on policy. They trace the process behind each of these policies with a view to investigating the role the Strategy played in their development. Particular attention is paid to the role of the *haute administration* in diffusing information about the Strategy and on that of actors outside the central administration, such as the public employment agency and the social partners, in advocating it in the context of their interactions with each other and with the government. Great emphasis is put on the conditions that make discourse diffusion possible. In particular, hypothesis 5 of this thesis posits that discourse diffusion is more likely in 'single-actor' systems like France where a limited number of actors have a say over policy-making¹²³.

A further hypothesis to be tested (hypothesis 6¹²⁴) concerns the types of policy impacts one should observe. Based on Visser (2005), a distinction is drawn here among various types of influence that the EES can have on national policies: on the definition of the problems to be tackled; on the overall goals and ambitions to be reached; and on the actual design of policy solutions and the institutional settings that are meant to deliver them. A further distinction is drawn between two different types of objectives set by the Strategy: specific objectives detailing the policy means to put in practice the content of the guidelines and broader targets meant to mobilise the member states in the larger context of the Lisbon Strategy, such as the employment rate targets set in Lisbon and Stockholm. The hypothesis is that specific objectives play a role in the definition of the problems and the actual design of policy, but not of its overall goals and ambitions, whereas the broader targets will influence the latter as well as the definition of policy problems, but not the design of policy itself.

¹²³ See Chapter 1.

¹²⁴ See Chapter 1.

3.1. Individualised programmes for the unemployed: from 'Nouveau Départ' to PARE and PAP-ND

The EES has since the beginning put a great deal of emphasis on the role of public employment services and on the prevention of long-term unemployment. This issue was constantly addressed in the first guideline, even after the format of the guidelines changed in 2003, and was always complemented by specific quantitative targets. The content of the guideline remained remarkably stable since 1998 and reads as follows:

"In order to influence the trend in youth and long-term unemployment the Member States will develop preventive and employability-oriented strategies, building on the early identification of individual needs; within a period to be determined by each Member State which may not exceed five years and which may be longer in Member States with particularly high unemployment, Member States will ensure that:

- every unemployed young person is offered a new start before reaching six months of unemployment, in the form of training, retraining, work practice, a job or other employability measure;
- unemployed adults are also offered a fresh start before reaching twelve months of unemployment by one of the aforementioned means or, more generally, by accompanying individual vocational guidance."

This certainly constituted a great challenge for France, which by the late 1990s faced considerable problems of long-term and youth unemployment¹²⁵. The public employment agency (ANPE) has long been considered ineffective. The agency, which was created in 1967 as a relatively small organisation with limited funds and staff and with the task to deal with job placement in a period of full employment, was utterly unprepared to deal with the quick progression of unemployment that started the mid-1970s (1 million unemployed in 1976, 2 million in 1982). A few adjustments introducing result-oriented criteria of management were introduced in 1990, as a new device called *contrat de progrès* regulated the relationship between the ANPE and the State linking the supply of funds to the achievement of specific targets (Marimbert 2004). A new *offre de services* was put in place in 1996, extending the range of services offered by the agency from access to relevant information and orientation, expert support (skills appraisals, CV building, interview practice etc.) and individual advice on the part of professional counsellors, to the so-called 'social support' (*accompagnement social*) for those who are in need of help with accommodation, health-related issues and the like. Yet all available surveys still showed that users had a negative opinion of the ANPE's work (Tuchsirer 2002).

It was against this background that the 1998 French NAP announced the launch of the *Nouveau Départ* (literally, 'fresh start') programme, or, as its full name goes, the *Service Personnalisé pour un Nouveau Départ vers l'Emploi* (SPNDE):

¹²⁵ See Chapter 3.

"France has decided to put together the prevention and treatment of long-term unemployment and social exclusion. In practice, our goal is to offer a 'fresh start' to the young as well as the adult job-seekers before they slide into long-term unemployment. [...] it is obviously impossible to ensure that everybody will find a new job before 6 or 12 months of being registered with the employment services. In order to speed up the process, this *Nouveau Départ* is based on regular interviews and on individualised initiatives geared toward meeting the specific difficulties of each job-seeker [...] (France, 1998: p.5)."

Under the terms of the new programme, all those who had been registered with the ANPE for a given period of time must be proposed a 'fresh start' suited for their specific needs. The goal was to come up with an individual plan aimed to help specific groups of unemployed to re-enter the labour market. The SPNDE was addressed to three types of beneficiaries: the young (less than 25 years of age) starting from their sixth month of unemployment; the unemployed adults during their twelfth month of unemployment; and job-seekers at risk of social exclusion (the young unemployed for longer than one year, the adults unemployed for longer than two years, RMI beneficiaries). The services offered encompassed the full range of instruments available to the ANPE as upgraded in 1996, as well as the means and financial resources mobilised for a new support programme for youths in difficulty launched in 1998 and called TRACE¹²⁶.

The main lines of *Nouveau Départ*, along with its name, were taken literally from guideline 1 of 1998. Its launch represented a radical innovation with respect to the traditional French attitude toward the unemployed, which focused on the treatment of social exclusion rather than on getting people back into the labour market¹²⁷. The intended timing of the agency's interventions (6 and 12 months, and then 18 and 24 in case of ongoing failure to find employment) was explicitly drawn from the Strategy. The third *contrat de progrès* between the ANPE and the state, which covered the period between 1999 and 2003, re-focused the agency's goals and targets to suit the new programme and detailed the specific policy instruments at its disposal. These belonged to the French tradition and, in particular, to the toolkit introduced by the *nouvelle offre de services* before the inception of the Strategy. Above all, however, a clear link between the SPNDE and the EES was drawn by the Labour Ministry, which deliberately referred to the Employment Guidelines to demand a considerable increase of the ANPE's means. The management of the agency requested a short consultancy paper that showed that, to undertake comparable tasks, the German, British and Swedish employment services were given much more funds. This paper was submitted to Martine Aubry and subsequently formed the basis of the negotiations of that autumn between the DGEFP and the Ministry of the budget as a result of which the agency's financial resources were substantially increased (Salais *et al.* 2002). On account of the ANPE's new tasks a gradual augmentation of its staff was planned and included in the NAPs from 1998 to 2002. As a further

¹²⁶ See the description of TRACE on the website of the mutual learning programme of the EES: <http://www.mutual-learning-employment.net/peerreviews/2001/10/2-3>.

¹²⁷ Gauvin, A. Interview with the author on 26 March 2007. Paris.

illustration of the nexus between the Strategy and the agency's improved resources, within the administration these additional jobs were often dubbed '*emplois Luxembourg*',¹²⁸.

In 1999 about 800,000 job-seekers entered the SPNDE, and the number rose to about 1,100,000 in 2000 (DARES 2006). Yet in these early stages the programme focused in particular on those who were already experiencing long-term unemployment (around 70% of beneficiaries), thus privileging a 'curative' rather than a 'preventative' approach in the Strategy's jargon. The Commission harshly criticised this choice, arguing that if the employment services only treated the 'stock' of unemployment rather than tackling the 'flux' (i.e. job-seekers in their first few months without work) then the former would constantly re-generate itself and ultimately never decrease¹²⁹. It is for this reason that, notwithstanding the launch of the SPNDE was overtly inspired by the EES, France received several country-specific recommendations concerning the implementation of early intervention schemes for the unemployed.

Compliance with the Employment Guidelines improved in 2000/2001 as the SNPDE was extended to all job-seekers and coupled with the reform of unemployment insurance. This was the result of an initiative launched by the MEDEF in the framework of the *refondation sociale*¹³⁰. The employers insisted that unemployment benefits should not only compensate for income losses, but also encourage people to find new jobs. For these purposes, the 2000 agreement on the reform of unemployment insurance created a new programme, the *Plan d'aide au retour à l'emploi* (PARE), which effectively made unemployment benefits conditional on the beneficiaries' actively looking for new employment. The unemployment benefit (now called *Allocation d'aide au retour à l'emploi*) no longer decreased over time as agreed in 1992¹³¹ and its coverage was extended. In exchange for this, all job-seekers are now asked to participate in individual 'roadmaps' (*Plans d'action personnalisés pour un nouveau départ*, PAP-ND) drawn up by the employment agency and updated at least every six months. As a consequence of PARE entering into force, thus, the number of beneficiaries being sanctioned for not abiding by the job search commitments detailed in their PAP increased sharply. In 2002/2003 the number of *radiations*, i.e. cases of withdrawal of unemployment insurance support, averaged at 35,000 per month for a total of 340,000 people forfeiting their claim a year. By way of comparison, in 1991, in similar labour market conditions, the number of *radiations* reached no more than 50,000 in the whole year (Barbier and Fargion 2004).

¹²⁸ Favarel, B. Interview with the author on 21 February 2007. Paris. Fouquet, A. Interview with the author on 9 March 2007. Paris. Gauvin, A. Interview with the author 26 March 2007. Paris.

¹²⁹ Favarel, B. Interview with the author on 21 February 2007. Paris. Fouquet, A. Interview with the author on 9 March 2007. Paris.

¹³⁰ See Chapter 3.

¹³¹ See Chapter 3.

The adoption of PARE was the outcome of a long and tormented process. All the periodic *conventions d'assurance-chômage* that regulate the French unemployment insurance system since 1958 must first be agreed by the social partners that participate in the management of the insurance fund (UNEDIC) and then be ratified by the government, otherwise they cannot formally come into force. Generally the *conventions* introduce minimal changes to the regime and are quickly agreed by the interested parties. However, the *convention* negotiated in 2000, denominated '*Convention relative à l'aide au retour à l'emploi et à l'indemnisation du chômage*' (agreement on the aid to regain employment and unemployment insurance) and agreed by the employers and three of the five union confederations (CFDT, CFTC and CGC), was initially met by the staunch opposition of the government of the time and eventually only signed in October 2000 after a few previous versions had been openly rejected. What, then, made it possible finally to come to an agreement?

The conditionality of unemployment benefits had long been a major point in the agenda of the employers' association¹³². The novelty of PARE/PAP was that it coupled conditionality with the supply of personalised services for the unemployed, which proceeded directly from the French reaction to the first set of Employment Guidelines and the launch of *Nouveau Départ*, of which PARE was essentially an extension (Tuchsirer 2002). Although the Employment Guidelines were not put explicitly on the table, the influence of foreign experiences was always present in the negotiations. For instance, one of the main promoters of the *refondation sociale*, the director-general of the MEDEF Denis Kessler, tried to steer the debate by organising well-attended conferences where the policy choices of other EU member states were presented in order to support arguments for reform in different sectors, among which, obviously, the treatment of the unemployed. Since, the MEDEF lacked significant organisational resources¹³³, it is reasonable to expect that they exploited the information that was circulated in the context of the Strategy and discussed within the CDSEI.

The French trade unions had for a long time refused the notion of conditionality, which was accused of hurting the dignity of the unemployed, and only accepted to negotiate the proposals of the MEDEF once a link was established between unemployment insurance and the 'activation' of the unemployed through individualised activation services¹³⁴. Eventually, only the more moderate union confederations decided to uphold the new *convention*. Unlike the CGT and FO, in fact, the CFDT had forsaken the radical syndicalism of the past and developed over the years a more moderate stance and accepted to negotiate with the government and the employers on employment

¹³² Julien, E. Interview with the author on 7 March 2007. Paris.

¹³³ See above.

¹³⁴ *Le Monde*, 20 March 2000.

and welfare reform¹³⁵. Thus the attempts made to diffuse the EES discourse found fertile ground in the leadership of the CFDT, which was already persuaded of the necessity of coupling income support with the fight against unemployment¹³⁶.

The notion of conditionality had long been met with strong resistance within the state apparatus as well¹³⁷. Yet, crucially, the government did not dispute the main lines of the *convention* launching PARE. This proves the hypothesis, confirmed by all the civil servants interviewed for this work, that the notions of ‘employability’ and ‘activation’, which entered the vocabulary of the administration via the EES, enjoyed by 2000 an unprecedented degree of legitimacy¹³⁸. Thus the contrast between the signatories and the government did not concern the content of the agreement, but rather the modalities of its application. The government did not object to the conditionality of benefits, but demanded that a public body, the ANPE, be put in charge of deciding and implementing the sanctions. The government never disputed the goal of ‘activating’ the unemployed by putting in place a system of *ad hoc* individualised services, but insisted that these be offered to all job-seekers and not just to those covered by the unemployment insurance. Finally, the government accepted a significant cut of employers’ contributions, but asked for the UNEDIC to contribute to the financing of the new programme and the additional services to be provided by the ANPE.

It is worth noting, in the end, that the entry into force of PARE was a turning point in the life of the employment agency. Its launch magnified the ANPE’s tasks as well as its budget, which swelled from €180 million in 2001 to over €500 million in 2005, €267 million of which provided by the UNEDIC¹³⁹. The implementation of SPNDE and PARE triggered a process that ultimately led to the momentous institutional changes of recent years, from the *rapprochement* of ANPE and UNEDIC to the end of the latter’s monopoly on job placement¹⁴⁰. PARE/PAP also seems to have had an impact on the lives of job-seekers, as recent opinion surveys show that the agency is now considered to be more effective and successful than before. Moreover, the existing studies on the

¹³⁵ See Chapter 3.

¹³⁶ Dedieu, T. Interview with the author on 8 March 2007. Paris.

¹³⁷ Annie Fouquet (interview with the author on 9 March 2007, Paris), for instance, recalls that her predecessor as the Director of DARES was virulently opposed to the notions of ‘profiling’ – that is, the drawing up of a profile of the job-seeker identifying his/her strengths and weaknesses as well as the future actions to be taken to address them – and even of ‘employability’. Apparently, he accused them of being a way of forcing the unemployed into paths decided deterministically by others and, thus, as forms of ‘totalitarianism’.

¹³⁸ See above on the resistance of the French administration to the notion of employability. Favarel, B. Interview with the author on 21 February 2007. Paris. Fouquet, A. Interview with the author on 9 March 2007. Paris. Gauvin, A. Interview with the author 26 March 2007. Paris. Barbaroux, C. Interview with the author on 28 March 2007. Paris.

¹³⁹ See the website of the mutual learning programme of the EES: <http://www.mutual-learning-employment.net/peerreviews/2004/10/18-19>.

¹⁴⁰ See Chapter 3. Gauvin, A. Interview with the author on 26 March 2007. Paris.

impact of personalised assistance programmes prove that they have had positive effects on the duration of unemployment spells (DARES 2006).

3.2. Active ageing and the reform of pre-retirement benefits

The issue of active ageing is present in the Employment Guidelines since 1999. Guideline 4 asked member states to '*develop, in the context of a policy for active ageing, measures such as maintaining working capacity, lifelong learning and other flexible working arrangements, so that older workers are also able to participate actively in working life*'. After the re-focusing of the Strategy around the employment rate targets set in Lisbon and Stockholm, the emphasis on active ageing increased. Guideline 3 of 2001 and 2002 read as follows:

'Member states, if appropriate with the social partners, will [...] develop policies for active ageing with the aim of enhancing the capacity of, and incentives for, older workers to remain in the labour force as long as possible, in particular by:

- adopting positive measures to maintain working capacity and skills of older workers, [...] in particular through sufficient access to education and training, to introduce flexible working arrangements including, for example, part-time work if workers so choose, and to raise employers' awareness of the potential of older workers; and
- reviewing tax and benefit systems in order to reduce disincentives and make it more attractive for older workers to continue participating in the labour market.'

France's employment rate was (and still is) one of the lowest in the EU as far as the 55-64 age cohort is concerned. With an employment rate of 28.8% in 1999, it was only tressed by Italy and Belgium on this indicator among the EU-15 member states. Even though some improvements were made over the years, it consistently under-performed when compared to the EU average (37% in 2003 as against an EU-15 average of 40%). Unsurprisingly, thus, France received country-specific recommendations on active ageing every year since 2000. Recommendation 1 of 2000, for instance, provides that '*France should review existing benefit schemes, particularly those facilitating early retirement, in order to keep older workers longer in active life*'.

Notwithstanding this, the numbers of those benefiting from early retirement measures showed no significant drop in recent years. In 2001 204,000 workers took part in various early retirement schemes and a further 365,000 assisted unemployed over 55 years of age were allowed not to seek new jobs. In 1994 the corresponding figures were 210,000 and 284,000 respectively (Barbier and Fargion 2004; Barbier 2006). These numbers point to the considerable endurance of inherited practices in this field, which is to be explained by reference to a widespread social and political consensus around early retirement (Ehrel *et al.* 2005). French firms have long used these

schemes as a tool to modernise work organisation and renew the labour force. Trade unions tended to see them as a matter of social justice and as a means of compensating workers for difficult working conditions. Governments, finally, never really abandoned the logic of *traitement social du chômage* and kept on making recourse to early retirement to fight unemployment and keep social peace. The existence of such a consensus, mixing economic efficiency, social justice and political considerations, has made reform attempts extremely difficult for a long time.

Against this background, the French NAPs seem to show a gradual process of *prise de conscience*. Whereas the 1998 NAP focuses almost exclusively on the fight against unemployment and on offering a *Nouveau Départ* to those at risk of long-term unemployment, the issue of the employment of older workers appears for the first time in 1999. The plans written under the Jospin government, i.e. those until 2002, put growing emphasis on the issue and list a first series of measures taken to address it: the increase of the fee to be paid by firms that choose to fire workers over the age of 50 (*contribution Delalande*); the gradual decrease and re-focusing of public pre-retirement schemes; measures encouraging a gradual transition from work to retirement. No explicit employment rate target is set for the 55-64 year olds, but reference is made to the efforts made to reach a 'shared interpretation' of the problem with the social partners both within the CDSEI and the *Conseil d'orientation des retraites* (COR). The NAPs for 2003 and 2004 and the 2005 NRP, then, confirm the diagnosis of the problems caused by the low participation of older workers, especially with reference to labour shortages in several sectors and the future retirement *en masse* of the baby boomers' generation. The 2003 NAP fixes for the first time some quantitative targets: increase by 5 percentage points the employment rate of older workers and increase of the average age of retirement to 59 by 2008. Mention is made of the 2003 pension reform that raised to forty the years of contributions necessary to access a full pension and raised taxes on firms' pre-retirement schemes. The 2004 NAP mentions the reform of vocational training¹⁴¹, saying that the action in favour of lifelong learning would benefit older workers, who are generally those who participate the least in training activities. Finally, the NRP puts great emphasis on the social partners' agreement on the employment of older workers negotiated in 2005 and announces for 2006 an action plan on the issue (the *Plan seniors*) with a view to reforming all the existing measures to keep older workers in employment or encourage their return to the labour market. The plan (Conseil Economique et Social 2006) provides for the gradual demise of the *contribution Delalande*, which had proved to work as a disincentive for firms to hire workers approaching the age of 50, introduces a new

¹⁴¹ See below.

temporary contract destined to the unemployed over the age of 57 and financial incentives for those who wish to keep working after having matured the right to a full pension¹⁴².

The problems linked to the employment of older workers were discussed in France as early as in 1960, when a commission chaired by Pierre Laroque, the father of the French welfare state, was set up to study the issues of population ageing and the sustainability of retirement systems (IGAS 2006). Yet they have clearly become the focus of renewed attention around the year 2000, and the discussions and debates conducted since make explicit reference to EU objectives and recommendations. The emphasis put on the employment rate as a major component of the European employment discourse seems to have played an important role in developing a new awareness of the problems of specific segments of the workforce: women, the young and, especially, workers over 55 years of age. The EU is not the only international body that refers frequently to the employment rate – the OECD adopted it years before –, but the Lisbon targets gave it a visibility and a political saliency it never had before. Unsurprisingly, this shift was met by some resistance. For instance, when Allan Larsson paid a visit to Paris to plead for the use of the employment rate as early as in March 1998 the civil servants that were present were reportedly somewhat shocked to hear for the first time that pre-retirement benefits were the source of macro-economic imbalances (Salais *et al.* 2002: p.33). Yet French policy-makers became quickly familiar with it. So much so that, as the previous discussion indicates, the French representatives in the EMCO deliberately accepted definition of the employment rate that put their labour market performance in a particularly bad light. According to the interviews conducted for this work¹⁴³, the discussions that took place within the CDSEI and the circulation of information on the topic played an important role in the emergence of a consensus among a wide range of interested parties, which was apparent in the discussions in Brussels on pre-retirement benefits between the European Commission, on one side, and the French government and social partners, on the other. This consensus is also evident in a series of reports produced by bodies in which the social partners are represented alongside the government. The COR consistently made reference to the Lisbon and Stockholm objectives since its first report (COR 2001), and so does the 2001 report of the *Conseil économique et social* on age and employment (Conseil Economique et Social 2001). Finally, both the inter-professional agreement and the *Plan seniors* cite the target set in Stockholm of a 50% employment rate for older workers by 2010 as their main goal. The former, in particular, mentions since the introduction the weakness of the French employment rate when compared to the European average and spells out the social partners' commitment to pursuing the Lisbon and Stockholm objectives: '*by the present accord, the*

¹⁴² See Chapter 3.

¹⁴³ Favarel, B. Interview with the author on 21 February 2007. Paris. Fouquet, A. Interview with the author on 9 March 2007. Paris. Barbaroux, C. Interview with the author on 28 March 2007. Paris.

*signatories intend to partake, in their respective domains, in the achievement of this objective by contributing to the defence and increase of the employment of older workers*¹⁴⁴.

The reform of pre-retirement benefits, thus, is an area where diffusion of information regarding the EES and the adoption of the analytical tools and targets it promotes brought about a significant shift in the conception of policy problems and policy goals. Even though it is too early to gauge the effects of the *Plan seniors*, however, the studies conducted by the DARES leave little room for optimism. The rise in the employment rate of 55-64 year olds recorded in recent years, in fact, is said to be the effect of the entry in this age cohort of the generation of baby boomers. Once they will reach the age of retirement, the present progression of the employment rate is likely to slow down and eventually stop around 2011 (DARES 2006; IGAS 2006).

3.3. Lifelong learning and the reform of vocational training

Lifelong learning was present in the Employment Guidelines since the first set was adopted in 1998. The emphasis put on it increased over the years: lifelong learning was first mentioned in the guidelines on active ageing and the modernisation of work organisation, then it was made the object of a specific guideline since 1999 and, starting from 2001, of a specific horizontal objective. Guideline 4 of the new format of the guidelines adopted in 2003 is entitled '*Promote the Development of Human Capital and Lifelong Learning*':

'Member States will implement lifelong learning strategies, including through improving the quality and efficiency of education and training systems, in order to equip all individuals with the skills required for a modern workforce in a knowledge-based society, to permit their career development and to reduce skills mismatch and bottlenecks in the labour market.'

In accordance with national priorities, policies will aim in particular to achieve the following outcomes by 2010:

- [...] the European Union average level of participation in lifelong learning should be at least 12.5% of the adult working-age population (25 to 64 age group).

Policies will aim in particular to achieve an increase in investment in human resources. In this context, it is important that there is a significant increase in investment by enterprises in the training of adults with a view to promoting productivity, competitiveness and active ageing. Efficient investment in human capital by employers and individuals will be facilitated.'

Despite organisational reforms and substantial amounts of public spending (0.31% of GDP in 2003), the French system of vocational training has long suffered from some serious shortcomings: inequalities are very strong (the most skilled get the most training) and the lifelong learning perspective is almost completely missing, which is partly explained by the preference French firms and workers developed since the 1980s for early retirement instead of investment on workers' skills

¹⁴⁴ Cited in IGAS (2006: p.216), own translation.

as a means to restructure and adapt the workforce. In order to leave the organisation of vocational training for adults closer to local needs, the relative competence was given to the regions in 1993. However, in the absence of well-organised local interest organisations capable of transmitting information on the needs of firms, the results of decentralisation were never satisfactory (Culpepper 2001, 2006). More recently the Aubry laws on work time reduction encouraged bargaining on the possibility for workers to take time off work to train or re-train through individual 'training accounts'. This measure, however, had little success (Ehrel *et al.* 2005).

It is for such reasons that France was addressed recommendations on lifelong learning every year since 2001. Recommendation 5 of 2002, for instance, asked France to '*pursue efforts within the framework of the social dialogue to improve the efficiency of the continuous training system and to promote a comprehensive lifelong learning strategy*'. Since then lifelong learning or, as it is known in domestic parlance, *formation tout au long de la vie* has become one of the main catchwords of French employment policy debates. After the inter-professional negotiations started in 2001 at the initiative of the MEDEF failed on the issue of whether training should take place within or without working time¹⁴⁵, the reform of vocational training became one of the main themes of the election campaign of 2002. Jospin made lifelong learning the centrepiece of its promised strategy to cut unemployment by 900,000 units in 5 years. He announced the establishment of a public training agency and the introduction of individual 'training accounts' to be used over the entire course of a person's working life¹⁴⁶. Chirac's campaign manifesto, which focused primarily on social charges' cuts as a means of fighting unemployment, made strikingly similar promises on vocational training: individual training accounts, profiling and individual counselling and orientation services for workers¹⁴⁷. After the election, the new Labour Minister, François Fillon, asked the social partners to resume the negotiations and an inter-professional accord was eventually signed by all the parties involved except the CGT in September 2003. The law of May 2004 that transposed the main lines of the accord¹⁴⁸ introduced an individual right to training of 20 hours a year and provided that the priorities to be pursued by training be defined by branch-level bargaining¹⁴⁹.

The 2004 reform of the French system of vocational training is a very complex device that overhauls specific measures, bodies and funds set up by a framework law that dates back to 1971¹⁵⁰. Yet the adoption of the language of lifelong learning, which was alien to the French tradition, helped

¹⁴⁵ See Chapter 3.

¹⁴⁶ *Les Echos*, 22 February 2002.

¹⁴⁷ *Le Figaro*, 23 February 2002.

¹⁴⁸ Loi, 2004-391, 2004-05-04, *relative à la formation professionnelle tout au long de la vie et au dialogue social*.

¹⁴⁹ See Chapter 3.

¹⁵⁰ Dedieu, T. Interview with the author on 8 March 2007. Paris. Boutroue, M.-F. Interview with the author on 27 March 2007. Paris.

unblock negotiations that were stuck on relatively minor details and contributed to shaping, under government impulse, some key parts of the reform¹⁵¹. Important provisions, for instance, were made to safeguard the access to training of women and older workers. As suggested in the guidelines, the contribution of employers to the financing of vocational training was increased: the contribution of firms with more than 10 employees was raised from 1.5% to 1.6% of gross wages, that of firms with less than 10 employees from 0.25% to 0.55%. Finally, the importance given to branch-level negotiations reflected to a great extent several pronouncements on the issue by the European Commission¹⁵². As a result, branch-level negotiations received an sheer boost: as many as 102 accords were signed in one year in application of the law of May 2004 (DARES 2006).

The reform of vocational training is, therefore, an example of a policy area in which the adoption of the Strategy's language and the diffusion of information thereon among a wide range of interested actors contributed to re-frame and unblock a reform process as well as to introduce new policy goals. Even though the EES was never explicitly mentioned, the terms of the negotiations and the issues on the agenda were set by the government¹⁵³ much along the same lines as the Employment Guidelines. The social partners never disputed them as such, since they had had the opportunity to discuss them at length within the CDSEI and in Brussels with the Commission. Once lifelong learning had entered the social partner's language and had been accepted as a goal¹⁵⁴, such items as the necessity to improve access of older workers to training or raising firm's contributions were put on the agenda without meeting resistance.

Conclusion

This chapter has sought to trace the process behind three instances of employment policy change in France in order to find out whether the EES provided the actors involved with resources and cognitive drives, or else was irrelevant. It has been argued that the EES discourse was advocated by a group of actors coming from the *haute administration* of the Labour Ministry, who made great efforts to diffuse information concerning the Strategy and to involve the social partners. As predicted by hypothesis 1, these actors were motivated by a mix of normative and strategic considerations. On the one hand, the Strategy's policy model was accepted as a balanced solution to some of the problems of the French labour market, a solution consistent with a widespread international employment policy consensus. On the other hand, the adoption and diffusion of the EU discourse at

¹⁵¹ Fouquet, A. Interview with the author on 9 March 2007. Paris. Barbaroux, C. Interview with the author on 28 March 2007. Paris.

¹⁵² Mechlin, C. Interview with the author on 22 February 2007. Paris.

¹⁵³ Boutroue, M.-F. Interview with the author on 27 March 2007. Paris.

¹⁵⁴ Fouquet, A. Interview with the author on 9 March 2007. Paris.

a time in which governments' attempts to reform social and employment policies faced great opposition, it is argued, was used as an instrument to reaffirm the authority of the state. By providing a language that was acceptable to all, it served to diminish the level of conflict and helped the government push through long-awaited reforms. Hence the attempt to involve the trade unions and the employers' organisation, which in France are traditionally weak but often effective in blocking policy change, and provide them with resources (information, ideas, arguments) that their scant organisational apparatuses made it difficult for them to access. Thus a new consensus could be reached around arguments borrowed from the EES involving the state, the employers and the more moderate unions. Although the national coalition advocating the EES discourse always remained narrow due to the bureaucratic nature of the NAP-drafting process and the lack of public interest in the Strategy (hypotheses 2 and 3), the specificities of the French system, in which few actors are involved in policy-making and the state has a preponderant role in the adoption and implementation of policy decisions, allowed them to have significant influence (hypothesis 5). By contrast, hypothesis 4 (the success of national coalitions depended on the extent to which their members' participation in the drafting of the NAPs strengthened their positions within their organisations) does not seem to be relevant to the French case, as coalition members were already at the top of the state administration.

The three cases of policy change presented here prove these points. First, the adoption of the principles of conditionality in the reform of unemployment insurance had long been demanded by the employers, but only became acceptable to part of the labour movement (in particular the CFDT) and to the government when it was coupled with the reform of public employment services under the umbrella of 'activation'. The Labour Ministry only ratified the *convention* on unemployment insurance on the conditions that the public employment agency be put in charge of deciding on sanctions and that the new services financed by the unemployment insurance fund be offered not only to the beneficiaries of income support, but to all unemployed. Second, the reform of pre-retirement benefits ran against a diffuse social and political consensus. The adoption of an action plan for the employment of older workers is the outcome of a long process of *prise de conscience* of the problems of a specific segment of the workforce that is evident in successive French NAPs and seemed to turn around the adoption of the employment rate as a headline indicator of the EES. Thus a new consensus has been forming among a wide range of actors (unions, employers, the state) on the need to keep workers longer in active life. Third, the reform of the vocational training system provides a further example of how the reframing of a long-debated issue created the space for a wide agreement. The introduction of the language of lifelong learning, in fact, helped unblock inter-professional negotiations that in the past had been stuck on relatively minor details – training should

take place within or without the legal work-time? – and led to an agreement which was signed by all but the most hard-nosed union (the CGT) and subsequently turned into law.

Finally, as was hypothesised (hypothesis 6), in all three cases the level at which the EES' impact was visible depended on the degree of specificity of the relevant guidelines and targets. Where the relevant guidelines sketched out specific policy means these seemed to play a role in the actual design of policy, as was the case, for instance, for the main lines of the *Nouveau Départ* programme, which were modelled on guideline 1 of 1998. In the (more frequent) cases in which the Strategy provides only broad targets its influence can be noticed in the definition of the problems to be tackled and of the goals to be reached by policy. The details of policy choices and the institutional settings that are meant to deliver them, by contrast, kept their national specificities, such as the continuing use of the ANPE's traditional means of intervention, the gradual phasing out of pre-retirement schemes, the resilience of existing arrangements in the field of vocational training.

CHAPTER V

EMPLOYMENT POLICIES AND POLICY-MAKING IN POST-WAR ITALY: WEAK GOVERNMENT AND THE POLITICS OF CONSENSUS

The Italian labour market has long been one of the most tightly regulated in the industrialised world (Samek Lodovici 2000), especially as regards hiring and firing rules, placement services and the limits placed on the recourse to temporary and part-time contracts. Legal guarantees surrounding the individual employment relationship and the design of income support policies were geared toward the protection of workers in the public sector and large firms, whereas much greater flexibility was allowed in smaller undertakings and expenditure on labour market programmes remained consistently low by European standards. A measure of flexibility in the use of the labour force within firms and a first set of active policies were introduced as economic growth slowed down and unemployment started to rise since the mid-1970s. Yet it was only in the 1990s that, in the face of the new constraints imposed by European market and monetary integration and of the deep crisis of public finances, a new consensus began to form around the need to increase external flexibility and to create a more balanced and efficient system of employment policies. As was done for the French case¹⁵⁵, this chapter serves a double purpose. It, first, reconstructs the evolution of employment policies and debates in order to identify instances of change in line with the EES. Second, it analyses the key features of employment policy-making in post-war Italy in order to situate the Italian case with respect to the hypotheses regarding the institutional conditions for discourse diffusion set out in Chapter 1 (hypotheses 2 and 5). The main contention made here is that employment policy-making in Italy was characterised by a weak governmental machine that consistently needed the agreement of relatively powerful interest organisations before adopting major pieces of legislation. Despite the often high level of conflict among the social partners and between them and the state, the development of employment and welfare policies has followed a remarkably consensual pattern. Unlike in France, policy-making and implementation always involved a large number of governmental and non-governmental actors and different levels of government.

Section 1 traces the model of labour market regulation that was adopted in Italy, resting upon the extensive protection of the individual employment relationship, an over-bureaucratic network of public employment services and a system of non-employment benefits built around low ordinary wage subsidies and a generous system of support for temporary job loss in large firms. As the impetuous economic growth of the immediate post-war years came to a halt in the mid-1970s and unemployment started to grow quickly, the first wave of neo-corporatist agreements in Italian history

¹⁵⁵ See Chapter 3.

introduced wage restraint, cuts to the wage indexation system and a measure of flexibility in the use of labour within firms in exchange for fiscal compensations for workers and a first, timid set of active employment policies.

Section 2 investigates the role of the state and the social partners in employment policy-making as well as the functioning of the industrial relations system. The striking feature of the Italian case, in stark contrast to France, is the weakness and permeability of the state apparatus and the relative strength of interest organisations. The post-war Italian state combined a highly interventionist stance, either as an employer via its holding companies or through its extensive reliance on direct transfers to firms or categories of workers, with a tradition of weak and indecisive government relying on an ineffective bureaucracy in which power was dispersed among several centres of authority at the national and local level. This lack of centralised authority offered ample opportunities to block policy changes that touched upon particularistic interests and meant, again unlike France, that major pieces of legislation had to gain the acceptance of the social partners. Until the early 1990s, industrial relations remained relatively uninstitutionalised, but, regardless of the level of conflict between unions and employers and with the state, the pattern of welfare and employment policy development was highly consensual.

Sections 3 and 4 deal with the radically changed conditions of the 1990s and early 2000s, the shifts in employment policy discourse that ensued and the series of reforms that were introduced as a result. In the throes of a serious crisis of traditional political parties in the 1990s, the imperative to qualify for EMU was met through an unprecedented season of neo-corporatist agreements that ensured wage moderation and helped to curb inflation. After the *emergenza occupazionale* (employment emergency) of the years 1993-95, in which the unemployment rate grew relentlessly and the employment rate decreased for the first time in over thirty years, the centre-left cabinet led by Romano Prodi introduced a number of policy reforms aimed at dealing with some of the long-standing features of the Italian labour market. Thus recourse to non-permanent job contracts was made easier, employment services were liberalised and new policies for local development based on the principle of negotiated planning were introduced. Subsequently, entry into Economic and Monetary Union and the re-consolidation of the party system weakened the need for consensus on the part of all stakeholders. Hence, the centre-right Berlusconi government, voted in power in 2001 with a large parliamentary majority, was in a position to adopt a more unilateral policy style and pass controversial pieces of legislation further expanding recourse to atypical labour contracts and raising the retirement age without seeking the support of all social partners.

1. The Italian ‘model’ of labour market regulation and income support policies

The long economic ‘miracle’ of the first thirty years after the Second World War turned Italy from the most industrially backward member of the EEC into a successful modern economy. In 1950 more than 40% of the labour force was employed in the agricultural sector. By 1990 this proportion had gone down to 9%, even though the labour force continued to display some traditional traits, such as a comparatively low female participation rate and a high incidence (around 20%) of the self-employed (Ferner and Hyman 1992; Ferrera and Gualmini 2004). Internal inequalities are among the most extreme in western Europe. On the one hand, the structure of production is markedly bi-polar, with a small number of large manufacturing firms traditionally concentrated in the north-west and a very large number of smaller undertakings, some of them integrated in so-called ‘industrial districts’. On the other hand, notwithstanding decades of public investment, southern Italy remains comparatively under-developed, with unemployment rates averaging over twice the rate in the rest of the country.

The Italian labour market is governed by a complex web of legal regulations that has evolved over the years in an incremental, case-by-case fashion rather than being shaped – with the striking exception of the 1970 Workers’ Statute¹⁵⁶ – by comprehensive legislative initiatives. The post-war system provided for as many as ten different modes of hiring, five or six forms of unemployment insurance and eight or nine tripartite commissions (comprising representatives of the unions, the employers and the state) with the task to oversee specific aspects of labour market regulation (Ferner and Hyman 1992). A large number of legal constraints were placed on the individual employment relationship. Part-time and short-term contracts were permitted only under narrowly specified circumstances. ‘Protective’ restrictions, such as the prohibition of night-work, applied to women workers. No specific minimum wage legislation was ever enacted, but a constitutional provision mandating ‘proportionate’ and ‘decent’ wages (Art. 36) was interpreted by law courts as requiring adherence to the minima contained in collective agreements. Most importantly, perhaps, private employment agencies were illegal and firms were required to recruit labour via the system of public employment services set up in 1949. The unemployed had to register on compulsory lists and periodically confirm their availability for work. In a typically bureaucratic fashion, employers were then asked to notify the placement offices (*uffici di collocamento*) of the skills they needed and the workers were automatically assigned to them, depending on their position on the list and the qualifications required (Ferrera and Gualmini 2004).

¹⁵⁶ See below.

Considerable protection of individual employment was provided by law 604 of 1966¹⁵⁷, which allowed lay-offs in firms with more than 35 employees only for ‘just’ (i.e. demonstrable) cause. If a lay-off was declared illegal, then the employer could choose whether to re-hire the worker or pay a substitutive allowance corresponding to between 5 and 12 months pay. Employee rights were further extended by the introduction of the so-called Workers’ Statute (*Statuto dei lavoratori*)¹⁵⁸. The Statute, which reflected the dramatic rise in union power following the ‘hot autumn’ of 1969 (see below) and is still in force today, introduced rules for the defence of union political activities and for the exercise of a rich set of individual and collective rights connected to the working life. With regard to the regulation of lay-offs, in particular, the Statute introduced one of the most restrictive regimes in Europe. Art. 18 of the Statute amended the 1966 law and provided for compulsory re-hiring in case of dismissals without just cause, thus abolishing the option of paying the penalty instead.

Non-employment benefits were built around low ordinary wage subsidies and a generous system of support for temporary job loss in large firms. The ordinary unemployment insurance scheme was first introduced in 1919 and was addressed to private sector workers with at least two years of contributions. The allowance was based on a flat daily rate and, even though the amount was adjusted on numerous occasions, it always remained very low in comparison to wages¹⁵⁹. A *Cassa integrazione guadagni* (CIG) scheme was introduced between 1945 and 1947 in order to protect workers temporarily hit by working time reductions and whose re-entry into the firm was deemed to be certain. The allowance required a minimum period of contributions, but was linked to previous earnings (60-65%). The CIG was complemented in 1968 with the introduction of an ‘extraordinary’ wage integration scheme, the *Cassa integrazione guadagni straordinaria* (CIGS)¹⁶⁰, which was based on the same logic, but was meant to guarantee workers in cases of industrial restructuring, reorganisation or conversion. The benefits, which were partly financed through employers’ and workers’ contributions, amounted to up to 80% of the pay¹⁶¹. Over time, other schemes were introduced to cope with more specific issues. Early retirement measures were used since the late 1960s to ease industrial restructuring. A generous ‘mobility benefit’ (*Indennità di mobilità*) was established in favour of workers who had an employment record of at least 12 months

¹⁵⁷ Law of 15 July 1966, n. 604.

¹⁵⁸ Law of 20 May 1970, n. 300.

¹⁵⁹ The ratio of the ordinary unemployment benefit to the average industrial wage was 9% in 1974 (Ferrera and Gualmini 2004).

¹⁶⁰ Law of 5 November 1968, n. 1115.

¹⁶¹ After an agreement struck in 1975 between the trade unions and *Confindustria* (the main employers’ association) the replacement rates if both CIG and CIGS were unified at the level of 80%, a record high for temporary wage subsidies in Europe (Ferrera and Gualmini 2004).

and had been laid off within collective dismissals¹⁶². Even disability pensions were frequently used as assistance benefits for workers in long-term unemployment, especially in the poorer southern regions (Dell'Aringa and Samek Lodovici 1997)¹⁶³.

The model of employment policies adopted in Italy, therefore, based as it was on a high degree of fragmentation and significant disparities in coverage between sectors and categories of workers, a low and unbalanced pattern of expenditure and an inefficient and bureaucratised network of public employment services, represents in many ways a paradigm of what Ferrera (1996) called the 'southern model' of welfare state. In the early 1990s, Italy had the lowest level of expenditure on labour programmes in the EU (1.8% of GDP as against a European average of 2.9% and a figure of nearly 4% for France¹⁶⁴) and a comparatively low percentage of the working population with access to income support during spells of unemployment (only 20% compared with an average of 40% in the EU) (Dell'Aringa and Samek Lodovici 1997). Neither the extensive protection afforded by the Workers' Statute nor the generous support of the CIG, early retirement and mobility benefits applied to the public sector (where firings, anyway, are extremely rare) or to private firms with less than 15 employees, thus leaving out a large chunk of the workforce employed in small firms. The latter were left with relatively low ordinary unemployment benefits, whereas no assistance whatsoever was provided for the long-term unemployed, new entrants in the labour market with no or little contribution record and the self-employed (Dell'Aringa and Samek Lodovici 1997; Gualmini 1998; Ferrera and Gualmini 2004). Last but not least, the procedures for placement had a strong bias toward those who were already in employment, as the rule of the 'numérical call' (i.e. the numerical order of the list) was only applicable to first-time job seekers and produced a clear incentive to hire the former to the disadvantage of the latter (Ichino 1982).

The overprotection of workers in the public and 'core' industrial sectors (generally middle-aged men) to the disadvantage of other groups (especially women and young job seekers) was consistent with the political cultures of the Christian Democrat (*Democrazia cristiana*, DC) and Communist (*Partito comunista italiano*, PCI) parties that dominated Italian politics in the post-war era (Ferrera and Gualmini 1999, 2004). It was also consistent with the preferences of the trade unions, whose membership was concentrated in the public sector and in large manufacturing firms. Such a strong orientation of social protection in favour of the 'insiders' reflected the traditional goal of public intervention in this sector, i.e. the protection of the existing levels of employment. In Italy, unlike France, this was never balanced by a system of active policies and measures geared to

¹⁶² Law of 23 July 1991, n. 223.

¹⁶³ In the 1970s it was decided that the 'degree' of disability – and thus the amount of the pension allowance – was to be determined taking into account the claimant's 'social and economic environment'.

¹⁶⁴ See Chapter 3.

support the outsiders' entry into the labour market. This, nevertheless, was not the case. The most significant active measure available before the 1990s was the system of work-and-training contracts (*contratti di formazione e lavoro*) introduced in 1984, combining work experience and vocational training for young workers aged between 15 and 29 in firms that benefited from a substantial discount in social contributions. Part-time work and 'solidarity contracts' – an interesting attempt at preventing employment reductions in industrial and large-scale commercial firms through forms of job-sharing – were also introduced in 1984, but were hardly used at all by employers. Vocational training was the object of a framework law adopted in 1978¹⁶⁵ with the aim to provide guidelines for the regions, which had been assigned all responsibilities in this area since their creation in 1970. However, the deficiency of financial resources and the lack of coordination between different regions and with the public education system impacted negatively on the quality and effectiveness of programmes (Gualmini 1998).

The shortcomings of Italian employment policies, which had been mostly created during the thirty years of virtually uninterrupted economic growth after the end of the war, became apparent as the performance of the labour market substantially worsened since the mid-1970s in the wake of stagnating growth and floating inflation. The economic consequences of international monetary instability and rising energy prices, indeed, hit Italy harder than other major European countries. Inflation rates averaged over 13% in the 1970-78 period (17.2% in 1974-78) and productivity growth decreased dramatically (from 6.1% in 1965-70 to 0.8% in 1974-78), while unemployment approached 8% of the workforce by the end of the decade (Flanagan *et al.* 1983)¹⁶⁶.

The first attempts to make adjustments were made through a series of neo-corporatist agreements, the first ever in Italy, which culminated in the so-called 'EUR' assembly of February 1978, after the neighbourhood in Rome where it took place, where the union confederations agreed for the first time to take into account macro-economic constraints¹⁶⁷. In January 1977 unions and employers subscribed a *patto sociale* that allowed greater flexibility in the use of labour as a substitute for more employment. The *patto* covered an increase in shift work, greater use of overtime, the end of restrictions on internal mobility within factories and a more production-friendly distribution of workers' holidays through the year. In its part, the government announced a partial fiscalisation of employers' social contributions that was meant to cut labour costs by nearly 5% (Flanagan *et al.* 1983) and negotiated with the unions a number of legislative measures intended to find novel ways to combat unemployment. These *leggi contrattate* (negotiated laws) represent

¹⁶⁵ Law of 21 December 1978, n. 845.

¹⁶⁶ See also AMECO Database:

http://ec.europa.eu/economy_finance/indicators/annual_macro_economic_database/ameco_en.htm.

¹⁶⁷ See below.

the first explicit attempt to introduce a set of active employment policies in Italy. Apart from the already mentioned law on vocational training and an unsuccessful bill to reform the pension system, parliament passed a law on youth employment¹⁶⁸, which provided the regions with special funds for organising vocational training and job creation initiatives for young people, and one on industrial restructuring¹⁶⁹, introducing measures that allowed the transfer of redundant workers from one firm or even one region to another (the so-called *mobilità esterna*) (Ferrera and Gualmini 2004). This first set of active employment policies, though, was never fully implemented as the public service was often unwilling or unable to adopt the innovative practices they required and the executive frequently failed to adopt the necessary implementation measures (Regalia and Regini 1998). Instead, in the face of a continuing haemorrhage of jobs in large firms in the early 1980s, the government found it easier to resort to such traditional kinds of passive support measures as early retirement benefits or CIG support.

As unemployment continued to rise, partly due to demographic trends and to the entry into the labour market of growing numbers of women, it became clear that it was no longer possible to rely solely on short-term interventions based on income subsidies. The idea of a new 'anti-inflationary' agreement between the government and the social partners started being widely debated, the aim being not only to protect the existing levels of employment, but also to restrain wage costs and introduce new active labour policies so as to expand the productive capacity of firms and foster job creation (Regini 1997; Regini and Regalia 1997; Regalia and Regini 1998). In this way, the words 'deregulation' and 'flexibility' officially entered the political discourse. The employers' organisation Confindustria (*Confederazione generale dell'industria italiana*) had started to complain vociferously about the rigidity of Italian labour markets and found scientific support in the well-known academics whose opinions were published almost daily by the country's most prestigious economic newspaper, '*Il Sole-24 Ore*'. Initially proposed by the government in 1981, a new tripartite accord (known as *lodo Scotti* after the then Labour Minister) was signed in January 1983. The *lodo Scotti* was the result of a complex political exchange involving a 15% cut to the wage indexation system¹⁷⁰ – known in the Italian debate as *scala mobile* (literally 'the escalator') – to curb inflation, the unions' consent to a more flexible use of the labour force within firms and a reform of the collective bargaining system imposing strict limits on firm-level bargaining. In return, the government offered a partial transfer of employers' social contributions to general taxation, a reform of income tax and an increase in family allowances to support the workers' purchasing

¹⁶⁸ Law of 1 June 1977, n. 285.

¹⁶⁹ Law of 12 August 1977, n. 675.

¹⁷⁰ It was agreed on that occasion that 100% indexation for the average wage earner would be phased in by February 1977. All workers were to be given the same absolute amount for every point increase in the cost-of-living index, thereby adding a clearly egalitarian emphasis to the system first agreed in 1956 (Flanagan *et al.* 1983).

power (CNEL 1983). In addition, a new set of active policy instruments – the above mentioned solidarity contracts, work-and-training contracts and the re-regulation of part-time –, all belonging to the family of de-regulative policies, were introduced by law in 1984¹⁷¹ with a view to favouring higher labour market flexibility and the creation of employment for the outsiders of the labour market, especially women and the young unemployed (Ferrera and Gualmini 2004).

This short-lived season of neo-corporatism abruptly ended when a new anti-inflationary pact including a substantial cut to the *scala mobile* (CNEL 1984) was adopted by the executive by decree disregarding the opposition of part of the labour movement¹⁷². Further attempts introduce active employment policies were made at the end of the decade. In 1986 a set of financial incentives were made available for young employers residing in the South¹⁷³. A 1987 law¹⁷⁴ reorganised the structure of the Ministry of Labour, established new regional agencies with the task of promoting active policies and modified the procedures for placement. This law, whose goals were to give the Ministry the ability to monitor occupational trends and evaluate the impact of policy as well as to convert the old placement offices from mere bureaucratic *loci* of certification into structures able to plan and implement active job-creation policies, was the first step toward the reform of employment services that would be passed in the following decade (Ferrera and Gualmini 2004). A new body, called Observatory of the Labour Market, was established within the Ministry with the task to produce data and analysis and the old Directorate General for Workforce Placement was replaced by a Directorate General for Employment that was entrusted with a range of new responsibilities in the field of active policies. Special committees for employment were set up at the local level in order to coordinate and implement active policies for mobility. Finally, placement procedures were modified so as to allow employment services to disregard the automatic rule of the numerical call for new recruitment, particularly in the presence of specific sectoral agreements.

The 1980s, in sum, were an ambiguous decade for Italian employment policies. An element of flexibility was introduced in an otherwise highly regulated labour market and a first set of active job creation policies was put in place so as to support the weaker segments of the labour force. Expenditure on active policies rose, thereby improving the balance between these and passive policies in financing terms: between 1985 and 1989 active policies expenditure increased from 0.45% to 0.77% of GDP, whereas spending on passive measures decreased from 1.33% to 0.9% (Ferrera and Gualmini 2004). Yet these figures remained relatively small when compared, for instance, to France and the state bureaucracy generally proved unable to adopt the innovative

¹⁷¹ Law of 19 December 1984, n. 863.

¹⁷² See below.

¹⁷³ Law of 28 February 1986, n. 44.

¹⁷⁴ Law of 28 February 1987, n. 56.

attitudes necessary to implement them (Ferrera and Gualmini 2000, 2004). The performance of the Italian labour market worsened considerably through most of the following decade and became intertwined with the crisis of the political system and the emergence of pressing European constraints. Before turning to these issues, however, the next section investigates the role of the actors involved in employment policy-making.

2. The role of the state and interest organisations in employment policy-making

According to the hypotheses put forth in Chapter 1, the range and identity of the actors involved in employment policy-making and the institutional settings in which they interact are likely to determine the ease with which new policy discourses are diffused and adopted. How does the Italian case fare in this respect? The distinctive feature of employment policy-making in post-war Italy is the seemingly contradictory combination of a tradition of state interventionism in the economy and a history of weak and indecisive government (Ferner and Hyman 1992). On the one hand, through its huge holding companies – the most important of which were IRI (*Istituto per la ricostruzione industriale*) and ENI (*Ente nazionale idrocarburi*) – the Italian state controlled large parts of the country's industrial and banking sectors. This allowed it extensive leverage to steer industrial development as well as to intervene directly in industrial relations as an employer. The state also had for a long time a considerable capacity to allocate resources directly thanks to a style of public spending that gave priority to monetary transfers rather than public services and its extensive recourse to debt as a means of financing (Regini and Regalia 1998). On the other hand, unlike France, Italy lacked an effective centralised state apparatus. Power was dispersed among several centres of authority at the national and local level, which had not changed much since fascist times and were highly permeable to non-state interests. Particularistic relationships with economic actors and the use of public employment as a means of furthering the influence of the parties in power resulted into widespread clientelism and corruption, particularly at the regional and local level. This, in turn, offered ample opportunities to block legislation that touched upon particularistic interests, weakened the authority of the central government and tarnished its legitimacy. In the field of employment policy and industrial relations, this lack of authority and legitimacy has meant, again unlike France, that all major pieces of legislation adopted in the last thirty years had to gain the acceptance of the social partners (Flanagan *et al.* 1983; Ferner and Hyman 1992), either covertly and informally or, less often, overtly through social pacts.

Italian workers' organisations are overwhelmingly grouped under the banner of three large union confederations. In line with the tradition of continental European unionism, they are divided

along ideological and party-political lines and aspire to organise all the country's workers rather than to provide representation for specific occupational groups or sectors (Golden 1988; Regalia and Regini 1998). The largest confederation, CGIL (*Confederazione generale italiana del lavoro*), was founded when free trade unionism, illegal in the fascist period, was reinstated in 1944. CGIL initially contained all the political factions that were represented in government in the immediate post-war years. However, soon after the eviction of Communists and Socialists from the executive in May 1947, unity of action began to fall apart. In 1948-49 two new, smaller confederations – CISL (*Confederazione italiana sindacati lavoratori*) and UIL (*Unione italiana del lavoro*) – were formed by the Christian Democratic and Social Democratic and Republican wings of the former unitary organisation, respectively. Union density was always higher than in France, averaging 35% in the late 1960s, reaching a record high of over 49% in 1980 and then going back to around 35% only in the late 1990s (Ferner and Hyman 1992; Baccaro *et al.* 2003). Inter-confederal relations swung from heated ideological confrontation during the peak years of the Cold War to increasing unity of action in the late 1960s and 1970s¹⁷⁵. Regardless of the level of conflict among the unions and between these and the employers, however, the major national organisations on each side have long adhered to mutually agreed norms of conduct and functioned as a source of national stability and order (Ferner and Hyman 1992; Regini and Regalia 1997). The attitudes of interest organisations together with the state's need for legitimacy help to explain why major changes in public policy and in the organisation of production have been achieved with a high degree of consensus.

By far the largest employer organisation in Italy is Confindustria¹⁷⁶, which was founded after the First World War and supported Fascism in the 1920s and 1930s, but was reconstituted on a more 'apolitical' basis after 1945. In 1990 it had some 110,000 affiliated firms with some 4.2 million employees a further enlargement of its membership took place after 1993-94 with the privatisation of publicly owned enterprises (Regalia and Regini 1998). Yet due to the peculiar structure of the Italian economy, characterised by the coexistence of a small number of large firms and large numbers of small and medium-sized enterprises (SMEs) relative to France, Germany and the UK, Confindustria has been unable to impose itself as an encompassing organisation. Many SMEs are affiliated to CONFAPI (*Confederazione della piccola e media industria*), which counted around 30,000 member firms in 1987 (Regalia and Regini 1998), whereas firms in the artisan, agricultural and services sectors are organised in smaller sectoral organisations, such as *Confesercenti*, *Confcommercio*, *Confagricoltura*, *Coldiretti*. Confindustria has, thus, long been dominated by few large companies, such as Montedison, Olivetti, Pirelli and especially Fiat,

¹⁷⁵ A short-lived attempt to return to organisational unity was made between 1972 and 1984 (Regalia and Regini 1998).

¹⁷⁶ See above.

producing consumer goods in labour-intensive sectors. These employed large work forces concentrated in relatively few establishments and were faced with a strong union presence. Their need to reduce labour conflict and institutionalise industrial relations, in turn, explains Confindustria's cooperative stance toward the unions, which culminated in the presidency of Fiat's Giovanni Agnelli between 1972 and 1975 (Flanagan *et al.* 1983; Golden 1988; Ferner and Hyman 1992).

In contrast with its elaborate system of individual labour law, industrial relations in Italy are less regulated than elsewhere in Europe. The 1948 Constitution (Art. 39 and 40) states that workers are entitled to organise collectively and to strike, but unions have very few specific rights and obligations of their own. Their internal organisation and objectives are subject to hardly any external regulation and, at least until legislation on disputes in essential public services was passed in 1990, strike action was virtually unconstrained by law (Golden 1988). In the 1950s and early 1960s the system of industrial relations closely resembled that of France: weak and ideologically divided unions were unable to articulate rank-and-file demands and were constrained by the employers' and the government's unwillingness to compromise. Plant and industry-level bargaining were virtually non-existent and, although a number of inter-confederal agreements were struck on such items as collective and individual dismissals, works councils, wage indexation and minimum wages, they were often disregarded by employers, who were generally left free to determine hiring and firing rules, conditions of work and rates of pay (Flanagan *et al.* 1983). The government allowed business to minimise union pressure by suppressing industrial action and enacting restrictive macroeconomic policies that kept real wages low and unemployment relatively high. Like in France, the low level of institutionalisation of industrial relations produced an unstable situation in which the unrestrained accumulation of grievances gave way to successive waves of strikes, which were followed by deflation and wage restraint in order to restore competitiveness and profitability and, in turn, by new waves of strikes (Flanagan *et al.* 1983).

It was, in fact, the wage explosion of the mid-1960s and the subsequent strong deflation that led to the unprecedented industrial confrontation of 1968 and 1969, during which the strike volume reached a level three times higher than that of the entire period 1959-67 (Regalia and Regini 1998). The intensity of the strike wave in Italy, which was even higher than in other continental European countries (including France), had to do with the problems caused by the mass migration of unskilled or semi-skilled workers from the south to the industrialised north of the country and the inability of public authorities to provide adequate services, healthcare, housing, education and transport, especially in the metropolitan areas of Turin and Milan (Flanagan *et al.* 1983). The outcome was a dramatic power shift in favour of the unions, which skilfully exploited the mobilisation to organise

more effectively at the plant level, loosen their ties with political parties and include semi-skilled industrial workers. In keeping with the interests of the latter, an agenda of new 'egalitarian' union demands was pursued, claiming workers' control over the organisation of production, employment security and the reduction of inequalities of pay and status (Flanagan *et al.* 1983; Golden 1988; Ferner and Hyman 1992). Greater union effectiveness at the plant and industry level was symbolised by the 1969 Metalworkers' agreement, which provided for flat increases in pay, the reduction of the work-week to 40 hours, the limitation of overtime and the removal of constraints on plant-level bargaining. The 1970 Workers' Statute was agreed with the unions before it was turned into law and contained, *inter alia*, a sweeping prohibition of any obstacle to union activity at the plant level¹⁷⁷. At the inter-confederal level, Confidustria was forced into negotiating exceedingly favourable terms with the union confederations in order to curb the uncontrolled wage expansion of the early 1970s. As union power ruled out deflation as a policy option, the employers led by Agnelli agreed in 1975 to a marked upgrade of the *scala mobile*¹⁷⁸ in exchange for a measure of wage restraint (Flanagan *et al.* 1983; Ferrera and Gualmini 1999, 2004).

The 1975 inter-confederal agreement is generally regarded as the peak of union success. Soon after, though, the agenda of the government and the social partners had to change radically. In a context of economic turmoil and of the security threat posed by terrorist groups, a striking success obtained by the PCI at the 1976 general election convinced the DC to accept the former's parliamentary support for a 'national solidarity' cabinet led by the conservative Catholic Giulio Andreotti. In exchange for its involvement in government, the PCI was prepared to use its links with the unions, and especially the CGIL, to enforce wage restraint and support the deflationary policies of the executive. The unions, on their part, were concerned with retaining their hard-fought influence and started advocating the maintenance of industrial competitiveness as a condition for the preservation of the jobs of their members (Flanagan *et al.* 1983; Regalia and Regini 1998). The result of this convergence of strategies were the neo-corporatist agreements of the late 1970s and union acceptance of wage moderation and of a policy of deflation that had the effect to increase unemployment by half a million by the end of 1977.

This first wave of tripartite agreements continued into the early 1980s. The 1983 *lodo Scotti* allowed a cut in wage indexation and the introduction of a measure of flexibility in the use of labour within firms in exchange for fiscal transfers and a first set of active employment policies¹⁷⁹. Hailed by some as a breakthrough in the relationship with the social partners, the *lodo* was harshly

¹⁷⁷ See above.

¹⁷⁸ It was agreed on that occasion that 100% indexation for the average wage earner would be phased in by February 1977. All workers were to be given the same absolute amount for every point increase in the cost-of-living index, thereby adding a clearly egalitarian emphasis to the system first agreed in 1956 (Flanagan *et al.* 1983).

¹⁷⁹ See above.

criticised by others for the lavish use of public expenditure to gain agreement at a time of growing budget deficits (Regini and Regalia 1997; Regalia and Regini 1998). In any case, fresh negotiations started in earnest for a new anti-inflationary social pact. This time, however, the government was unable to draw on further financial resources, but could only stress the general benefits of reduced inflation as an incentive for the unions and employers to concur. Yet this proved to be too little as a proposed accord including a substantial cut to the *scala mobile* (CNEL 1984) was accepted by the Confindustria and the two smaller confederations, but refused by the Communist-dominated CGIL. The cabinet led by the Socialist Bettino Craxi, then, decided to disregard the CGIL's opposition and adopted the main part of the accord by decree, thus breaking the unwritten rule whereby major policy decisions were made by consensus. Although a popular referendum against the decree promoted by the PCI and CGIL resulted in a narrow defeat in June 1985, this bitter confrontation put an end to the short-lived season of anti-inflationary social pacts (Golden 1988; Regalia and Regini 1998; Ferrera and Gualmini 2004; Talani 2004).

The eventual collapse of tripartite agreements in the 1980s was due to a new change in the balance of power between the actors involved (Regini 1984; Regini and Regalia 1997; Regalia and Regini 1998). The government, faced with huge public deficits, found it increasingly difficult to offer compensation to the social partners for the sacrifices required of them. After suffering a burning defeat in 1980, when a strike lasted thirty-three days at the Fiat plants in Turin was resolved in terms very favourable to the company (Flanagan *et al.* 1983), the unions underwent a crisis of representation and became very vulnerable to the internal splits created by the divergent strategies pursued by the political parties to which they were affiliated. Yet, notwithstanding the renewed level of antagonism shown at the central and official level, new forms of cooperation arose in the workplace and in industrial districts based on the acknowledgement that firms were compelled to restructure in order to compete in increasingly open international markets. The executive kept on consulting the union confederations informally before the adoption of important policy measures like the annual budget.

3. The emergence of European constraints, institutional innovation and 'marginal' flexibility in the 1990s

The previous section showed that, with regard to the hypotheses put forth in Chapter 1, Italy resembles a typical 'multi-actor' system¹⁸⁰, where a weak executive needed to negotiate – either formally through social pacts or (more often) informally – major pieces of employment legislation

¹⁸⁰ See Chapter 1.

with relatively powerful interest organisations. Interestingly, however, whereas French unilateralism had to be tempered in a context of economic difficulties and emerging European constraints¹⁸¹, the Italian attitude toward consensual decision-making would be, if anything, reinforced and further institutionalised.

The Italian labour market entered the 1990s in alarming conditions. After a bout of recession in 1992-93 the unemployment rate spiralled out of control, eventually crossing the threshold of 11% in 1995. More worryingly still, the employment rate started to decrease in 1993 after 20 years of uninterrupted growth and reached a record low of 50.6% in 1995. Despite a slight recovery toward the end of the decade – the unemployment rate dropped to 9.1% by 2001, the most positive figure since 1989 –, some deeply rooted features of the Italian labour market, such as long-term unemployment (the highest in the EU at 61% of total unemployed in 2000 compared to 48% in 1993), youth unemployment (which rose from 30.4% in 1993 to 31.1% in 2000) and the north-south divide (in 2000 the unemployment rate reached 27.6% in the south against 4.9% in the north), remained substantially unaffected (Ferrera and Gualmini 2004).

Much like in France, employment policy debates were framed by the emergence of new constraints coming from the European level. The completion of the Single Market in 1992 and the need to meet the Maastricht convergence criteria for EMU forced Italian firms to operate in an integrated European market without relying on frequent currency devaluations to shore up their competitiveness. The issue of labour flexibility came to the fore once again. Until the mid-1980s the Italian approach to regulation, based as it was on the protection of core industrial workers by the strict regulation of employment relations and the use of targeted income support schemes (the CIG, in particular), had generally been accepted by both unions and employers, who did not have to bear the cost of industrial restructuring and could rely on high internal flexibility. Governments were not keen on greater flexibility either, as the public monopoly on placement and the practice of discussing and agreeing collective dismissals in large firms with the social partners were important political instruments (Samek Lodovici 2000). Now, faced with growing international competition and tight constraints on public spending, the social partners' attitudes toward flexibility began to change. The British strategy of deregulation, the massive flexibilisation of employment contracts attempted in Spain, the 'Dutch miracle' based on concerted flexibility and the widespread reliance on temporary work were presented as experiences to be imitated (Ferrera and Gualmini 2000; Giuliani 2000). Trade unions and workers came to accept more flexibility as a necessary evil to fight high unemployment, but called for rules to prevent a totally unregulated market. Employers demanded unanimously more freedom to hire and fire workers and the set-up of an adequate system

¹⁸¹ See Chapter 3.

of income support (*ammortizzatori sociali* in the Italian parlance) to buffer the likely social consequences. At the same time, as growing competition made it more difficult for firms to compete only on flexibility or product quality, curbing labour costs and cutting the rate of inflation became again a major concern for policy-makers and employers alike. Growing emphasis was put on cutting public spending, alleviating the fiscal burden on companies and improving the quality of public services (Regini and Regalia 1997).

The increasing pressure exercised by the European context and the shift in policy debates took place in the context of a double crisis of legitimacy: that of the political parties that, in various guises, had led the country since the war and that of public, and particularly welfare, spending. In 1992-93 a pool of Milan magistrates started to uncover a widespread network of kickbacks and illegal party financing that involved the highest spheres of the government. The public outcry caused by the investigation, known in the press as *Tangentopoli* (literally 'kickback town'), deeply affected the parties in power – especially the seemingly all-mighty Christian Democrats and Socialists –, which collapsed virtually overnight. This produced an extremely fluid political landscape and left room for the emergence of new political formations and alliances often based on the personalities of their leaders (Silvio Berlusconi's *Forza Italia*, for instance) rather than the glue of ideology (Radaelli 1998).

The collapse of the old political system happened at the same time, and was probably accelerated by, a deep crisis of public finances. Public deficits had stayed consistently above 10% of GDP almost every year since 1975 and public debt, after crossing the threshold of 100% of GDP in 1991, reached the staggering height of 122.7% in 1995 (Della Sala 1997). Notwithstanding its relatively moderate aggregate value – 25.8% of GDP in 1993 as against an EU average of 27.7% –, social spending (especially the burdensome pension system) was commonly indicted as one of the main culprits for the country's severe financial problems (Ferrera 1997). Even though Italy's expenditure on employment policies was (and still is) one of the lowest in Europe¹⁸², these were generally deemed to be ineffective, uneven across social groups and regions and inadequate to address the new international context. All this contributed to creating a climate of diffuse 'negativism' against welfare and employment policies, thus offering an important source of legitimacy to the reformist efforts of the governments of the period.

Against this background, the effort put into employment policy reform was remarkable, especially when compared to the little that had been done in previous years. In the course of the decade, the public discourse centred mainly around two areas of intervention, with some overlaps between the two: institutional innovation, concerning in particular the structure of collective

¹⁸² See above.

bargaining and the organisation of employment services; and the flexibility of labour contracts and work organisation¹⁸³. Policy changes were publicly and formally negotiated with the social partners. After the partial failure of tripartite bargaining in 1977-84, a new wave of neo-corporatist agreements was struck starting from 1992. These were no longer based on a political exchange between the participants, but were motivated instead by the need to solve specific policy problems, such as inflation, the structure of collective bargaining, pension reform.

Recourse to peak-level agreements between the government and interest organisations became widespread in most west European countries in the 1990s (France¹⁸⁴ and Great Britain being the most notable exceptions to this) as a means to grapple with the need to rein in labour costs and reform their welfare states (Pochet and Fajertag 2000). The choice for tripartite agreements, though, was especially surprising for a country like Italy, which had few, if any at all, of the institutional preconditions outlined by the literature on neo-corporatism (stable governments, peaceful relations between unions and employers, centralised and hierarchically organised interest organisations) (Dell'Aringa and Samek Lodovici 1992; Regini 1997, Baccaro 2002). Nevertheless, social pacts in the 1990s became an almost yearly occurrence due to two reasons. First, the diffuse perception of economic vulnerability provided a powerful incentive for domestic actors to cooperate (Baccaro 2002; Biagioli 2003). Second, the weakness of the governments of the 1990s created the need to share the responsibility of potentially unpopular choices with workers' and employers' organisations. In the midst of the crisis of political parties, tripartite bargaining was a way for the technocrats coming from the academia or branches of the public service (especially the Treasury and the Bank of Italy) who had been given direct government responsibilities to gain extra-parliamentary legitimacy (Regini 1997; Regini and Regalia 1997). These agreements devolved a significant degree of policy-making authority to collective bargaining and some of them were even put to workers' referendums (as was the case for the 1993 *Accordo Ciampi* and the 1995 pension reform) (Regini and Regalia 1997; Baccaro 2002). The influence of parliament was hardly noticeable in this phase and its role consisted mainly of approving measures agreed outside its walls. The political parties' ability to set the policy agenda weakened considerably, their positions being stuck on the traditional left-right cleavage 'pro or against flexibility' or 'pro or against cuts in social spending'. Policy initiatives were by and large left to the Minister of Labour and his staff and to interest organisations (Ferrera and Gualmini 2000).

As far as institutional innovation is concerned, two major social pacts agreed in 1992 and 1993 (dubbed, respectively, *Accordo Amato* (CNEL 1992) and *Accordo Ciampi* (CNEL 1993) after

¹⁸³ This intuition has been confirmed by Paolo Sestito of the Bank of Italy. Sestito, P. Interview with the author on 27 March 2006. Rome.

¹⁸⁴ See Chapter 3.

the two Prime Ministers who negotiated them) finally abolished the *scala mobile*, which had long been criticised as an inflation-maximiser, and reformed the collective bargaining system. The 1993 *Accordo Ciampi* established a two-level hierarchical system, with the national level fixing the general standards with regard to wage-setting and the territorial or plant level dealing with the regulation of more specific aspects. In order to keep inflation under control, wage dynamics were to follow the planned rate of inflation agreed annually by the government and the social partners. Although this system is commonly regarded as having played a fundamental role in curbing inflation and helping Italy to qualify for EMU, a further reform of collective bargaining, providing for a stronger role of the territorial level and greater wage flexibility to suit the existing disparities between regions and sectors, was discussed well into the 2006 general election campaign, with the centre-right coalition, Confindustria and two of the main union confederations (CISL and UIL) making the case for reform and CGIL staunchly opposing it.

The reform of employment services has also been a long-standing theme in the Italian employment policy discourse of recent years. The public monopoly on placement was for many years virtually undisputed in Italian policy debates. When in 1982 the sociologist Pietro Ichino, then a young Communist MP, published a book that openly criticised the public placement system for its inefficiency (Ichino 1982) he was immediately banned from his party. Placement offices were allowed for the first time to deviate from the automatic numerical call rule in 1987¹⁸⁵. The numerical call was finally abolished by Law n. 223 of 1991¹⁸⁶, which introduced the principle of free choice for all categories of workers. More radical reforms, though, were to come only a few years later. In 1993 the above mentioned *Accordo Ciampi* called for a 'reorganisation of the peripheral offices of the Ministry of Labour so as to enable them to perform tasks of active employment policy' (CNEL 1993: p.9). Three years later, a new 'Pact for Labour' signed by the social partners and a centre-left cabinet led by Romano Prodi, an economics professor who had served in the 1980s as President of IRI, announced a reform of employment services based on institutional decentralisation and an opening of the sector to private providers (CNEL 1996). This part of the pact was turned into law in December 1997¹⁸⁷. The responsibility for placement was transferred from the Ministry to the regions and the running of placement offices (now called *centri per l'impiego*, employment centres) to the provinces. After almost fifty years of public monopoly, private providers such as unions, employers' associations, non-profit organisations were allowed into the sector, although they were not permitted to offer services other than simple placement. Finally, it was provided that public employment services should go beyond the mere bureaucratic

¹⁸⁵ See above.

¹⁸⁶ Law of 23 July 1991, n. 223.

¹⁸⁷ Decreto legislativo of 23 December 1997, n. 469.

certification of unemployment, but instead should actively help the unemployed to find new jobs by offering services ranging from consultancy and orientation to training and pre-selection. The aim was to introduce a brand new approach to placement, more in line with the experience of northern European countries. As shown in the next chapter, though, the reform of employment services is still ongoing and poses a great challenge to the traditional attitudes of Italian bureaucracies, especially in the southern parts of the country where labour market conditions are more problematic.

The promotion of flexible work contracts and the reduction of working time were presented throughout the 1990s as a way to prevent unemployment and create new jobs for the weaker segments of the labour force, thus further developing a process that had already begun with the introduction of the first set of 'atypical' contracts in 1984¹⁸⁸. As said, this suited both the employers and the trade unions, which were concerned about the widespread disregard for the existing rules and had long argued for the introduction of forms of work-sharing. 'Work less to let all work' ('*Lavorare meno per lavorare tutti*') was the title of an essay by the French philosopher Guy Aznar that was published in Italian in 1994 and immediately became widely read (Gualmini 1998). However, since the generous regulation of permanent contracts, including compulsory re-hiring in case of firing without 'just cause', was left almost untouched, the approach that was chosen in Italy, as in other southern European countries, consisted of expanding the opportunities for flexibility 'at the margins' of the labour market (Sestito 2002; Molina and Rhodes 2007a). Over time, this has brought about a growing segmentation in the labour market, with the bulk of workers on permanent contracts (mainly middle-aged males working in the public sector and in large firms) on one side, and growing numbers of workers on temporary or part-time contracts (typically younger workers and women) on the other.

A first important step in the direction of greater 'external' flexibility of employment relations (i.e. hiring and firing) was taken with the introduction in 1991 of new legislation regulating collective dismissals¹⁸⁹, which had hitherto been dealt with by collective agreements on a case-by-case basis. Although the regulation of individual dismissals remained extremely restrictive, the new legislation provided that groups of workers in the industrial sector, large commercial firms and other small sectors in crisis could be made redundant and placed on 'mobility lists', which entitled them to mobility benefits and re-employment facilities (Samek Lodovici 2000; Barbier and Fargion 2004). Yet the most important developments concerned the extension of atypical contracts. The introduction of agency work (*lavoro interinale* in Italian), that is, the possibility for employers

¹⁸⁸ In Italy, like in France, the 'typical' labour contract is deemed to be permanent and full-time, with full entitlement to benefits and to the protection offered to workers by the Workers' Statute.

¹⁸⁹ Law of 23 July 1991, n. 223.

to rent workers from specialised agencies, had been announced by the *Accordo Ciampi* and was eventually regulated by Law n. 196 of 1997 (the so-called *Pacchetto Treu* after the Labour Minister of the time, Tiziano Treu). Agency work was progressively extended to various branches of the private sector and subsequently even to the public sector, for both skilled and unskilled jobs. The *Pacchetto Treu* also provided for greater flexibility in the use of temporary contracts by increasing the number of times these are renewable and reducing sanctions in case of breach of contract regulations. Subsequently, the automatic conversion of temporary into permanent contracts was abolished, the need for employers to demonstrate their reasons for fixing the term of a contract was eliminated and the role of collective bargaining in establishing the maximum number of workers a firm could employ on temporary contracts was weakened¹⁹⁰. In order to favour the diffusion of part-time, tax credits were offered to employers who hired new staff on part-time contracts, overtime payments were reduced and the period of notice required for working time changes was shortened from ten days to 48 hours¹⁹¹. Finally, the so-called 'quasi-employment contracts' (*lavoro parasubordinato*) experienced a remarkable expansion. These types of contracts (the best-known of which are the so-called *Collaborazioni coordinate e continuative*, co. co. co.) allowed forms of cooperation between a firm and a worker for specific tasks or projects that did not involve a traditional employer-employee relation. The fact that their regulation was extremely vague and that they were relatively inexpensive in terms of social contributions (around 12% of the gross salary as opposed to 33% for a permanent contract) made them very popular with employers¹⁹².

It is widely recognised that the promotion of flexible contracts has contributed to the good labour market performance of the late 1990s. Around 1.5 million jobs were created between 1995 and 2001 and unemployment started to go down again (Sestito 2002). At the end of the decade, the diffusion of labour flexibility seemed to be an incontrovertible trend, even though the risk of job insecurity (*precarietà*) and the bad quality of the jobs created were pointed to with growing insistence in public debates. Nevertheless, the emphasis on flexibility intensified with the advent of a centre-right coalition in government in 2001.

A last notable development of the mid-1990s was the introduction of new active measures of employment promotion, comprising a reform of the vocational training system and new policies for local development. The main novelties of the reform of vocational training sketched out by the 1996 Pact for Labour were the link with the public education system and the overhaul of work contracts with a training content. The 1997 *Pacchetto Treu* devised a new model of work-and-training and apprenticeship contracts that raised the age limit of potential users from 29 to 32 and provided for

¹⁹⁰ *Decreto legislativo* of 6 September 2001, n. 368.

¹⁹¹ *Decreto legislativo* of 26 February 2001, n. 100.

¹⁹² Tavernese, G. Interview with the author on 28 March 2006. Rome.

longer contract duration. Special provisions aimed at improving their training content and (in the case of apprenticeship contracts) made it possible to lower entry wages (Samek Lodovici 2000). New policies to attract investment and create new employment in less developed areas were introduced under the heading of 'negotiated planning' (*programmazione negoziata*) between 1995 and 1997. These policies can hardly be considered as labour policies only, as they incorporate wider goals of social, urban and industrial development with a view to re-vitalising depressed areas as a whole (Ferrera and Gualmini 2004). The most significant such policies – area contracts¹⁹³ and territorial pacts¹⁹⁴ – provide for state financing of local development or industrial restructuring projects agreed and partially funded by public and private actors: not only social partners and local authorities, but also banks, chambers of commerce, charities. In consideration of the special needs of the area, the parties are allowed to deviate from national contractual standards and agree to measures of wage and regulatory flexibility. Negotiated planning proved to be an immediate success – more than 100 territorial pacts had been submitted by 2000 and 15 area contracts corresponding to 16,328 new jobs were in operation in the same year (Ferrera and Gualmini 2004). However, the available resources were substantially cut after 2001. As for vocational training, the data concerning Italy remain substantially under the EU average both in terms on funding (0.23% in 2004 against an EU average of 0.27% and a peak of 0.54% in Denmark) and employee participation (26% compared to around 40%) (Ciccarone and Raitano 2006), thus pointing to the low impact of the reforms undertaken in the 1990s.

4. Continuity and change in Italian employment policies and policy-making after 1997

Labour market trends in France¹⁹⁵ and Italy show some remarkably similar features, though perhaps in the case of Italy these assume an even more extreme character. Much like in France, the Italian labour market approached the year 2000 in dire conditions. The unemployment rate peaked at 11.3% in 1997, but then started a remarkable descent. The employment rate rose steadily over the same period in a context of slow – for most of the early 2000s even stagnating – GDP growth (see Table 5).

¹⁹³ Law of 8 August 1995, n. 341.

¹⁹⁴ Law of 24 June 1997, n. 196.

¹⁹⁵ See Chapter 3.

Table 5. Employment and unemployment rates in Italy (1997-2006)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Unemployment rate	11.3%	11.3%	10.9%	10.1%	9.1%	8.6%	8.4%	8.0%	7.7%	6.8%
Employment rate (total)	51.3%	51.9%	52.7%	53.7%	54.8%	55.5%	56.1%	57.6%	57.6%	58.4%
Employment rate (women)	36.4%	37.3%	38.3%	39.6%	41.1%	42.0%	42.7%	45.2%	45.3%	46.3%
Employment rate (older workers)	27.9%	27.6%	27.7%	27.7%	28.0%	28.9%	30.3%	30.5%	31.4%	32.5%

Source: Eurostat (<http://epp.eurostat.ec.europa.eu>).

Notwithstanding this positive trend, Italy's unemployment rate was above the EU-15 average until 2004. The Italian employment rate, like the French one, was below the EU-15 average (66.9% in 2006¹⁹⁶) and still very far from the Lisbon 70% target. Yet, at 58.4% in 2006, Italy's employment rate was by far the lowest among the EU-15 member states. The employment rate for older workers was, again, lower than the EU average in both countries, although it was even lower in Italy than in France (32.5% in 2006 against 38.1% in France). Two noticeable differences must, however, be highlighted. First, whereas France has a comparatively high employment rate for women (58.8% in 2006 against an EU-15 average of 58.7%), the figure for Italy is the lowest in the EU-15 (46.3%). Second, wide regional differentials persist in Italy: the total employment rate in 2003 was 64.9% in the north-east of the country and only 43.2% in the south (Signorelli 2004). Finally, in both countries the number of workers on fixed-term and quasi-subordinate contracts is growing quickly. In Italy the share of fixed-term contracts increased by 20% between 2000 and 2004 and the number of quasi-subordinate contracts doubled between 1996 and 2006 (Ciccarone and Raitano 2006).

The Italian government contributed very little to the original design of the EES, probably due to the fact that all the attention was concentrated at the time on the last efforts to qualify for EMU (Ferrera and Gualmini 2002). This resulted in the Italian 'model' looking very distant from the European guidelines and recommendations. Whereas the Strategy focused on active and preventative measures, the traditional goal of Italian employment policies was the protection of the existing levels of employment, to be achieved through state-funded passive policies and a rich set of legal guarantees in favour of workers on permanent contracts. Public employment services performed only bureaucratic functions of intermediation between demand and supply of labour and active policies were virtually non-existent. Fresh 'activation' initiatives and discourses appeared

¹⁹⁶ Eurostat website:

http://epp.eurostat.ec.europa.eu/portal/page?pageid=1996,39140985&dad=portal&schema=PORTAL&screen=detai1ref&language=en&product=STRIND_EMPLOI&root=STRIND_EMPLOI/emploi/em011

only with the centre-left governments of 1996-2001. The emphasis placed by Prodi's Pact for Labour¹⁹⁷ on active policies and the aim of raising the employment rate (as opposed to protecting existing employment or fighting unemployment) was unprecedented in the Italian scenario. The commitment to an '*active management of employment dynamics*' was subsequently reaffirmed by the so-called 'Christmas Pact' signed in December 1998 by the government and over thirty interest organisations (CNEL 1998: p.2). The Pact confirmed the two-level bargaining structure introduced by the Ciampi accord of 1993 and restated the principles of de-centralisation and privatisation guiding the reform of employment services and the provision of active policies.

Employment policy debates in the late 1990s and early 2000s focused broadly on the same big themes as the previous period, that is, institutional innovation (collective bargaining, employment services) and the flexibility of labour relations and work organisation. Aside from some differences in style and emphasis, the terms of the debate and the proposed policy solutions showed a remarkable degree of continuity as different party coalitions alternated in power. The most noticeable change concerned the policy style that was adopted. After the country qualified for EMU, the neo-corporatist bargaining (*concertazione* in the Italian jargon) which had underpinned all the major policy changes of the 1990s was increasingly blamed for Italy's lacklustre economic performance and, eventually, was outright rejected by the centre-right government that followed the 2001 general election (Ferrera and Gualmini 2004; Molina and Rhodes 2007b). At the same time, the party system started a long and difficult process of realignment after the crisis of the early 1990s and this restricted the space for union involvement in policy-making. Unity of action among the union confederations foundered as differences re-emerged between CGIL, on one side, and CISL and UIL, on the other, regarding key issues such as union democracy, collective bargaining and the flexibilisation of wages and working conditions (Baccaro *et al.* 2003). Party alignments also played a role as CGIL placed itself firmly on the centre-left camp in the run-up to the 2001 general election, whereas CISL and UIL maintained a more neutral position. At the same time, Confindustria assumed a less cooperative stance as a shift in the internal balance of power brought Antonio D'Amato, the candidate of SMEs, to the presidency in 2000. During his tenure the employers' organisation broke with its strategy of dialogue with the unions and broadly aligned itself with the centre-right government of Silvio Berlusconi, thus abandoning its traditional 'equidistance' from political parties.

Thus the 1998 Christmas Pact was the highest point (but also, as it turned out, the last episode) of this phase of *concertazione*. The Pact aimed to institutionalise tripartism and further extend its remit by introducing a contractual obligation for the government to consult the social

¹⁹⁷ See above.

partners on all social and employment policy matters and even to devolve regulatory authority directly to them over issues that did not involve public spending. The Pact gave a mandate to the executive to introduce measures of administrative simplification, invest in infrastructures and reform social shock-absorbers and the education and training systems. Employers pledged to boost productive investment in return for the executive to cut taxes on firms and for the unions to ensure wage moderation. In the end, however, the Pact delivered little. Its ambitious attempt to institutionalise a model of neo-corporatism *all'italiana* remained largely unimplemented due to fundamental disagreements on policy options both between unions and employers and within the labour movement itself, as well as by the executive's reluctance to enter into long-term commitments (Molina and Rhodes 2007b). Trade union unity was eventually formally broken by CGIL's refusal in February 2000 to sign a local pact for employment in the city of Milan (*Milano lavoro*), which extended the use of flexible employment contracts for specific categories of workers (Baccaro *et al.* 2003)¹⁹⁸.

During the dying years of the centre-left governments the employment policy discourse became utterly fragmented. Romano Prodi was forced to resign within a few months of qualifying for EMU and the two Prime Ministers (Massimo D'Alema and Giuliano Amato) that succeeded him were supported by increasingly fraught parliamentary majorities. As the concerns over inflation and the state of public finances became less pressing, the problems of competitiveness, sluggish growth and persistently high unemployment became the main focus of public discourse (Radaelli 2002). D'Alema and Amato repeatedly called for the introduction of greater labour market flexibility, investments in education and training, the improvement of employment services and, especially after the March 2000 Lisbon European Council, a shift of focus toward raising employment rates. A few days before Lisbon, Prime Minister D'Alema signed a joint document with his British counterpart Tony Blair advocating the adoption of *workfare* policies for the activation of the unemployed and the strengthening of local or firm-level bargaining¹⁹⁹. Other members of the government, however, raised rather different concerns. Cesare Salvi, a left-wing Senator who was appointed Labour Minister in 1999, declared that '*the government will not go down the road of savage flexibility*'²⁰⁰ and proposed '*a European-wide plan of investments*'²⁰¹ to raise employment levels, thus reviving an old idea of the Delors White Paper. The voices of interest organisations were equally cacophonic. They all lamented the ineffectiveness of the government's employment policies, but their recipes for the future diverged radically. *Confindustria* and CISL asked for

¹⁹⁸ See Chapter 6.

¹⁹⁹ *La Stampa*, 21 March 2000.

²⁰⁰ *Corriere della Sera*, 17 September 1999.

²⁰¹ *Corriere della Sera*, 25 June 1999.

greater wage and regulatory flexibility, while CGIL opposed it and called, instead, for a new wave of public investments to foster job creation and active policies for the unemployed. Only as the 2001 general election drew closer the divisions within the centre-left seemed to recompose around the new candidate for Palazzo Chigi²⁰², the Mayor of Rome Francesco Rutelli, who promised that employment would be the priority of the next term of parliament and chose for his campaign some (vague) slogans clearly borrowed from the EES jargon, such as 'more and better jobs', 'quality in work', 'flexicurity' and 'lifelong learning'.

Yet little was achieved by way of policy innovation until after the 2001 general election. The vetoes posed by CGIL and the more left-wing components of the parliamentary majority proved too high a hurdle for the weak cabinets that followed Prodi's demise (Treu 2001). The 2001 general election, then, resulted in a landslide victory for a centre-right coalition led by the media tycoon Silvio Berlusconi on a markedly neo-liberal platform. Given what he saw as the abject failure of the previous governments in delivering growth and promoting employment, Berlusconi proposed a seemingly straightforward formula based on lower taxes on individuals and firms, massive investments in infrastructure and greater labour market flexibility²⁰³. The new Labour Minister, Roberto Maroni, repeatedly stated that getting more people into employment and raising the employment rate was to be the primary goal of employment policy and that '*there should be no taboos regarding flexibility*'²⁰⁴, that is, firms should be granted more freedom to hire and fire workers.

The government's plans with regard to employment policy were set out in a White Paper on the Labour Market that was circulated in October 2001 (Ministero del lavoro 2001). The White Paper was meant to trigger a debate around the government's proposals, some of which were anticipated as being unpopular with the trade unions. The Lisbon and Stockholm objectives and the EES guidelines and recommendations were mentioned throughout the document, be it to outline the objectives of governmental action, be it to emphasise the failure of past policy:

'Italy is the European country with the lowest overall employment rate, the lowest female employment rate, the highest long-term unemployment rate, the largest regional unbalances. The recommendations addressed to Italy by the European Union within the framework of the Luxembourg Process [...] have emphasised the ineffectiveness of the policies adopted so far and the lack of interventions able substantially to improve the performance of its labour market' (Ministero del lavoro 2001: p.5).

Against this background, the White Paper puts forth a comprehensive reform programme aimed to promote an '*active society*' providing more employment opportunities for all and more modern

²⁰² Palazzo Chigi is the main seat of the Prime Minister's office in Rome.

²⁰³ In Berlusconi's own words, '*we will apply the recipe of Reagan, Thatcher and Aznar: lower taxes for families and firms; less laws, less regulations, less prohibitions; less unproductive public spending; more investments in infrastructures, less rigidities in the labour market*' (ANSA 1 May 2001).

²⁰⁴ *Corriere della Sera*, 15 June 2001.

rules presiding over work relations. The policy innovations that were proposed concerned, variously, boosting the role of employment services (improving the efficiency of public services, allowing private providers to compete with them), investing in vocational training (supporting the demand for lifelong learning, reforming work contracts with a training component), reforming social shock-absorbers (improving coverage, providing recipients with incentives to get back into employment) and, last but not least, an extension of the use of flexible labour contracts. The White Paper also contained a critique of the method of *concertazione*, deemed to be cumbersome and ineffective, and advocated in its stead a looser '*social dialogue*', a term explicitly borrowed from the EU jargon, as a more appropriate mode of interaction with the social partners. Under the aegis of social dialogue, the social partners would be consulted on all matters that could be of interest to them, but they would hold no power of veto as the executive would retain the ultimate responsibility to decide.

Union reactions were, again, varied. CGIL kept a militant stance and staunchly refused to discuss the White Paper's content, whereas CISL and UIL agreed to hold talks with the executive. Discussions, however, broke down at the end of 2001 due to a governmental proposal, unannounced in the White Paper, to relax the protection against unfair dismissals granted by Art. 18 of the *Statuto dei lavoratori*²⁰⁵. Negotiations were resumed after a general strike was called in March 2002. The government sought to exploit the divisions within the labour movement in order to isolate CGIL and gain as much support as it could from the other confederations (Molina and Rhodes 2007b). The result of this strategy was the signing of a new social pact in July between the government and over thirty interest organisations (but not CGIL). The so-called 'Pact for Italy' (*Patto per l'Italia*) (CNEL 2002) included a watered-down version of the proposed changes to Art. 18 of the Workers' Statute²⁰⁶ and essentially reiterated many of the policy ideas already outlined in the 2001 White Paper (reform of employment services, reform of work-and-training contracts, upgrading of ordinary unemployment benefits, introduction of flexible work contracts). In addition to this, the government promised to cut taxes on low incomes and to implement various initiatives for the development of the *Mezzogiorno* (the traditional jargon name of southern Italy).

Having gained the consensus of most interest organisations on its reform plans, the government was now free to turn them into law. Law n. 30 of 2003²⁰⁷, also known as *legge Biagi* after the Minister's consultant who had first drafted it, included the reform of employment contracts and that of placement services, while the long-awaited reform of social shock absorbers and the

²⁰⁵ See above.

²⁰⁶ Art. 18 of the *Statuto dei lavoratori* was not to be applied for a period of three years to those firms which, by hiring new workers, had crossed the threshold of 15 employees beyond which the Statute applies.

²⁰⁷ Law of 14 February 2003, n. 30.

planned changes to Art. 18 were postponed and have not as yet been accomplished²⁰⁸. Employment services were fully liberalised: private employment agencies, chambers of commerce, trade unions, universities are now allowed to offer the full gamut of employment services, from placement to training and orientation. A new national placement information system (*Borsa continua nazionale del lavoro*) was established so as to facilitate the matching of labour demand and supply. New types of contracts were introduced – job on call, job-sharing, staff leasing – and other types that were already allowed (part-time, work and training, apprenticeship, co. co. co.) were thoroughly reformed. The new contract rules were meant to make it easier for employers to hire new workers while improving the regulation of the more flexible contracts in order to avoid abuse: the infamous co. co. co.²⁰⁹, for instance, were regulated more restrictively and their contributory weight raised from around 12% to nearly 18% of the gross salary.

This law was admittedly the highest point of the reformist endeavours of the Berlusconi government in the field of employment and triggered a heated debate that is still ongoing. Its explicit aims were to raise employment levels, increase the number of workers in stable employment and facilitate the access of disadvantaged groups to the labour market (Tiraboschi 2004, 2005). Be that as it may, academic commentators divided between those who held that Law n. 30 made the Italian labour market more transparent and efficient (Signorelli 2004) and those who reckoned, instead, that it did not even get close to solving its real problems, i.e. high segmentation between groups and sectors and large regional imbalances (Rodano 2004). CGIL, which had never accepted to negotiate with the government, repeatedly called for the law to be repealed in all its parts²¹⁰, whereas CISL, UIL and *Confindustria*, with different degrees of enthusiasm, defended it and asked that it be complemented with a reformed system of social buffers so as to compensate workers on temporary contracts for the income losses suffered during spells of unemployment²¹¹. As for politicians, the confrontation between centre-right and centre-left on the *legge Biagi* continued into the 2006 election campaign. The former pointed to the positive trend shown by labour market indicators²¹² as evidence of the law's positive effects, while the latter were divided between those who called for its outright abrogation and those who proposed to modify it in order

²⁰⁸ See Chapter 6.

²⁰⁹ See above.

²¹⁰ Treves, C. Interview with the author on 4 April 2006. Rome.

²¹¹ Tavernese, G. Interview with the author on 28 March 2006. Rome. Marchetti, M. Interview with the author on 11 April 2006. Rome. Rossi, S. Interview with the author on 11 April 2006. Rome.

²¹² See Table 5.

to tame the potentially perverse effects of the widespread recourse to flexible contracts in terms of labour market segmentation and constant job insecurity for disadvantaged groups²¹³.

In the final years of the centre-right's term in government, deteriorating economic conditions helped to restore unity of action among the union confederations and seemed to re-create the conditions for cooperation with the employers (Molina and Rhodes 2007b). The three union confederations jointly called a general strike in November 2004 in protest against the Berlusconi government's financial and tax policies. Similar criticism came from *Confindustria*, whose newly-elected president, Fiat's and Ferrari's chairman Luca Cordero di Montezemolo, called for a new season of cooperation between employers and workers. Notwithstanding a series of inter-confederal agreements signed between 2003 and 2005²¹⁴, however, old divisions between the social partners persisted, especially regarding thorny issues like the reform of collective bargaining. Meanwhile, the government continued to disregard union views on important issues of their concern. The unilateral introduction in 2004 of a pension reform that raised the minimum retirement age from 57 to 60 and the minimum number of years of contributions from 35 to 40 from 2008 is the most striking example of the government's attitude toward a renewal of *concertazione*.

Thus the politics of Italian employment policies changed considerably after the country's entry into EMU. As the external constraint provided by the prospect of euro membership disappeared, social and political actors felt free to pursue their own agendas and the neo-corporatist bargaining that had formed the basis of economic and social policy-making for most of the 1990s quickly faded. Concurrently, as the party system started to re-gain its strength and legitimacy, the executive felt increasingly entitled to act without seeking the consensus of all. The Berlusconi government enjoyed a large parliamentary majority and an uncommon (for Italy's standards) degree of internal cohesion that allowed it to claim a primacy over parliament and the social partners that had no precedent in post-war Italian history (Ferrera and Gualmini 2004). Beyond the stark differences in rhetoric and policy style, however, the employment policy discourse in the years of the centre-right shows important elements of continuity with its predecessors. The government's public discourse was much less fragmented than hitherto. The main focus of policy changed – raising employment rates instead of protecting the existing employment levels or fighting unemployment – and the executive's policy agenda was made public from the very beginning with explicit numerical targets – the Lisbon employment rate targets and the specific targets set in a

²¹³ For instance, the leader of the centre-left coalition, Romano Prodi, claimed that it was necessary to make '*partial, but substantial, changes [to the legge Biagi]* ... *flexibility is useful to help young people to enter the labour market, but today we are falling into a condition of permanent insecurity (precarietà)*' (*Il Sole-24 Ore*, 13 March 2005).

²¹⁴ The Pact for Employment, Competitiveness and Development (June 2003), the Agreement to Re-launch the Development and Competitiveness of the South of Italy (November 2004) and the Manifesto for the Development of Italy's *Mezzogiorno* (December 2005) (Molina and Rhodes 2007b).

document added to the 2001 NAP²¹⁵ – against which its performance could be judged. The adoption of a White Paper on labour market reform was itself an innovation in terms of policy style, this too borrowed from an established EU practice. However, when one considers the policy content of the White Paper the continuity with the past is more evident. The *legge Biagi* can be interpreted as a further step in the direction traced by the *Pacchetto Treu*, insofar as both seek to increase flexibility of labour relations without touching upon the generous protection afforded to workers on permanent contracts. Berlusconi's controversial attempt to abolish the obligatory reinstatement in case of unfair dismissal under Art. 18 of the Workers' Statute was a long-standing employers' request and had been the object of a popular referendum in 2000 (Baccaro and Simoni 2004).

Conclusion

This chapter has sought to trace Italian employment policies and debates before and after the launch of the EES. In doing so, it focused, on the one hand, on the evolution of employment policy-making and, on the other hand, on the changing conception of labour market problems and of the appropriate solutions. In order to serve this thesis' comparative purpose, constant reference has been made to the points of similarity and difference with France, as well as with other member states or EU average data on specific aspects. As in Chapter 3 as regards the French case study, the aims here were to determine a clear empirical focus for the next chapter – which policy choices of recent years might have been inspired by the EES? – and to identify relevant actors and institutional settings – who was involved in relevant policy choices? What was the institutional framework in which these were made? What kind of resources did they have at their disposal?

As far as employment policies and discourses are concerned, it has been argued that the Italian 'model', much like the French one, is based on the tight regulation of the individual employment relationship and a network of public employment services performing eminently bureaucratic functions. Unlike France, though, Italy never had a generous and developed system of social shock absorbers, nor a significant set of active policies for the insertion of specific groups of unemployed. Public expenditure on labour market programmes and vocational training always remained comparatively low. Employment policy discourses changed radically in the 1990s, in the context of more integrated European markets and growing constraints on public spending. New demands arose for greater flexibility of employment relations, lower labour costs, better public services and a more effective system of income support policies. A remarkable number of reforms were put in place by a series of centre-left executives amidst deteriorating labour market conditions:

²¹⁵ See Chapter 6.

the collective bargaining system was reorganised and automatic wage indexation abolished; employment services were de-centralised and liberalised; recourse to temporary and part-time contracts was extended and facilitated. New themes entered employment policy discourses around the time the EES was launched: a more active role of employment services, lifelong learning, getting more people into employment for longer. Notwithstanding some stark differences in rhetoric, the interventions of the centre-right cabinet that took power in 2001 followed the same broad lines as its predecessors: the liberalisation of employment services was completed; recourse to atypical labour contracts was further extended. The attempts that were made to relax the protective regulation of permanent contracts were staunchly opposed by the unions, whereas the promises made to develop the system of social shock-absorbers were never kept.

The second contention put forth in this chapter is that employment policy-making in Italy is characterised by the weakness of public authorities and the constant involvement, either formally or informally, of interest organisations in decision-making. Thus, with respect to the hypotheses advanced in Chapter 1, Italy looks like a 'multi-actor' system, in which a large number of actors coming from different institutional settings have a say over policy-making. State authorities have long been weak and highly permeable to outside interests, and responsibility over decision-making and implementation diffused among a number of national and local centres of authority. Union power, by contrast, grew relentlessly after the 1968 strike wave. As a result, when the need came to adjust to the economic slowdown of the mid-1970s, this was done in accord with both unions and employers. Although the first attempts to strike tripartite agreements foundered in the 1980s, the social partners kept on being consulted before the adoption of new employment legislation. Neo-corporatist bargaining was then resumed in the early 1990s, in the midst of a deep crisis both of public finances and of the political parties that had governed the country since the war. Some of the reforms agreed in the social pacts of the 1990s (the new policies for local development, the reform of employment services) entailed the active participation of social partners and local authorities, thus reinforcing the existing tendencies to de-centralised and inclusive governance. After entry into EMU, however, the concerns over public finance and inflation became less pressing. Thus the Berlusconi government, in power with a large parliamentary majority since 2001, felt free to adopt a more unilateral policy style and disregard at least part of the labour movement (notably CGIL). Union opposition, though, still proved strong enough as to block attempts to pass controversial reforms, such as the relaxation of the rules on firing.

In sum, the recent history of Italian employment policies is a mix of continuity and change. New themes entered policy debates – issues like the reform of employment services and of social shock-absorbers, for instance, acquired an 'activation' bias after the launch of the EES that was

alien to the Italian tradition –, but the complexity of policy-making made adopting and implementing policy more difficult than elsewhere. The next chapter looks into how Italy participated in the EES, whether and how new themes entered domestic policy debates and, finally, whether the change in the terms of the debate ever actually led to changes in policy.

CHAPTER VI

THE EUROPEAN EMPLOYMENT STRATEGY AND POLICY CHANGE IN ITALY: DISCOURSE CHANGE, CONTINUITY AND THE ROLE OF EXPERTS

The previous chapter has traced the evolution of employment policies and policy-making in Italy since the immediate post-war years. It was shown that Italian employment policies were going through a lively process of reform at the time when the EES was launched. The Italian government's employment policy discourse was broadly in line with the EES since the Prodi years (1996-98), as new themes like the activation of the unemployed, prevention of long-term unemployment and lifelong learning entered public debates. These new themes continued to inhabit governmental discourses even after the centre-right Berlusconi government came into power in 2001. Notwithstanding clear differences in rhetoric and policy style, indeed, there was a striking continuity both in policy discourse and in policy choices between the centre-left and centre-right cabinets that governed the country in recent years. The discussion in the present chapter, however, indicates that policy change and implementation did not necessarily follow.

The following sections investigate the relation between Italy's participation in the EES and the appearance of these new themes in employment policy debates. Particular emphasis is put on two policy areas that the EES recommendations identified as in need of reform (public employment services and social shock-absorbers) in order to observe possible instances of discourse or policy change. Sections 1 and 2 analyse the way in which Italy participated in the coordination process, the adjustments that Italian ministerial structures had to make in order to comply with the new reporting obligations of the Strategy and how this played into the internal politics of the Labour Ministry. It is argued that the policy model advocated by the Strategy was brokered into the Italian Labour Ministry by a group of experts and technocrats who were close to EU institutions and discourses and who, as in most other sectors, had come to occupy an influential position in policy-making in the wake of the political crisis of the 1990s. The NAP-drafting process and the measure of institutional upgrading it demanded from the ministerial bureaucracy further institutionalised the position of this expert coalition and provided it with tools and evidence to support their arguments. Thus, apart from a short period in which the post of Labour Minister was occupied by Cesare Salvi, a left-winger close to the positions of CGIL, these actors came to dominate the government's employment policy discourse.

A second major contention this chapter makes is that this coalition always remained somewhat narrow and confined to ministerial circles. The case studies presented in Section 3 show that the complexity of Italian policy-making made it difficult for the EES discourse to become

diffused and remain relevant outside the limited competence of the Labour Ministry. In the case of the reform of public employment services, the old hyper-bureaucratic *uffici di collocamento* were redesigned to perform the active and preventative tasks prescribed by the Strategy, but the inaction of regional authorities (particularly in the south) and the lack of adequate skills on the part of the Ministry's peripheral staff slowed the pace of implementation. The reform of the system of *ammortizzatori sociali*, announced by the 2002 Pact for Italy along the lines of conditionality and activation advocated by the employment guidelines, had to be repeatedly postponed due to the opposition to expenditure rises on the part of the powerful Ministry of the Economy as well as to the social partners' continuing attachment to the existing arrangements. Thus, in spite of significant shifts in discourse, the complexity of Italian policy-making hindered policy innovation and, even when new policy in line with the Strategy was passed, implementation proved slow and difficult.

1. The European Employment Strategy in Italy

Italy was, along with France, one of the member states that supported the insertion of a Title on employment in the Amsterdam Treaty (Ferrera and Gualmini 2002; Fantacone 2004). The explicit aim was, for both, to strike a balance between social and economic issues on the European agenda after the adoption of the Stability and Growth Pact. Neither, though, were able substantially to influence the content of the Strategy, which turned out to be especially alien to the Italian tradition²¹⁶. Italy, like France, had a low employment rate, particularly for women and older workers, and an inefficient network of public employment services. Yet, unlike France, it did not spend much on vocational training and labour market programmes and had no significant experience of active 'insertion' policies for specific groups of unemployed²¹⁷. Thus, unsurprisingly, the EES was at times criticised for being too biased toward northern European and Anglo-Saxon policy models and ultimately unsuited for the needs of the Italian labour market. The most explicit such case was a report prepared by ISFOL, a public policy research centre attached to the Ministry of Labour, for the 2002 impact evaluation of the Strategy. Referring to Italian unemployment as a cause, mainly, of economic backwardness and public order issues in the south of the country, the report pointed out that '*while the emphasis on the active and preventative approach cannot be contested as such, [the EES] has neglected the fact that active employment policies are important but not sufficient in a context like the Italian one, where many of the parties and matters involved have to be dealt with outside the labour market first*' (ISFOL 2002: p.4).

²¹⁶ See Chapters 4 and 5.

²¹⁷ See Chapter 5.

Notwithstanding this, all the major employment policy documents produced around and after the time at which the Strategy was launched made constant references to EU-level developments. The Pact for Labour recalls that '*the government and the social partners confirm the priorities set in Essen*' and states that '*the main lines of employment policy are inspired by the content of Delors' White Paper on growth, competitiveness and employment, especially where it emphasises the importance of infrastructure, vocational training and research, services for small and medium-sized enterprises, on opportunities for employment in new sectors*' (CNEL 1996: p.3). The 1998 Christmas Pact openly mentions the EES, launched only a year earlier, and calls for '*... a European initiative for employment that should exploit the remaining margins for manoeuvre after the completion of EMU and should give employment a standing equal to that attributed in recent years to budgetary convergence*' (CNEL 1998: p.3). The 2001 White Paper on the labour market, as said above, refers extensively to the EES, and so does the 2002 Pact for Italy. For instance, the preliminary agreement subscribed in June by the government and the social partners announced that '*[the Accordo Ciampi] allowed Italy to meet the Maastricht criteria, just like the one agreed today [the Pact for Italy] will accompany the attainment of the Lisbon and Barcelona objectives*'²¹⁸.

All these documents were the product of eminently domestic processes and debates and it is difficult to tell how far they have been influenced by contextual European developments. The quotes listed above may, thus, mean very little, especially considering that references to European commitments have often been used instrumentally by Italian decision-makers to justify potentially unpopular choices, fiscal restraint in the run-up to EMU being the paramount example (Dyson and Featherstone 1996; Radaelli 2002; Ferrera and Gualmini 2004). Yet what the above quotes do say is that the authors of these documents were acutely aware of the EU discourse on employment. It is worth noting, on this point, that an influential figure like Tiziano Treu, Labour Minister of the Dini (1995-96) and Prodi (1996-98) governments, had long followed EU-level developments as a scholar and had even participated in a working group established after the 1994 Essen summit with the task to come up with a model of open coordination²¹⁹.

The launch of the EES and, less than three years later, of the Lisbon Strategy were welcomed with some enthusiasm by the Italian government and by the public opinion. Like in France, the issuing of guidelines and recommendations and the adoption of the NAPs were initially widely reported in the quality press. However, Italian ministerial bureaucracies proved at first dramatically unprepared to perform the reporting and monitoring duties entailed by the coordination exercise (Ferrera and Gualmini 2002, 2004; Sacchi 2004; Ferrera and Sacchi 2005).

²¹⁸ *Il Sole-24 Ore*, 1 June 2002.

²¹⁹ Sestito, P. Interview with the author on 27 March 2006. Rome.

Notwithstanding a reform of its internal structures enacted in 1987²²⁰, the Ministry of Labour, which from the start had been given the task of drafting the NAPs, was characterised by a high degree of internal fragmentation and staffed by personnel trained almost exclusively to deal with legal matters. The representation of the Ministry in international organisations and agencies was scarcely formalised, and relations with such bodies as the OECD, the ILO and the EU were kept on the basis of personal ties and contingent events. In addition to this, at the time the EES was launched the Ministry was going through a delicate phase of institutional transition as the responsibility over job placement and employment services were being handed to the regions and the national level was only left with a role of general orientation and supervision²²¹.

The drafting of the first few NAPs, thus, was carried out in haste and outside the formal structure of the Ministry. The 1998 and 1999 plans were drafted by two *ad hoc* committees composed of about ten experts each with little direct involvement of the Ministry's staff and other branches of the administration. Contacts with the social partners and regional authorities at this early stage were rare and informal, and had little impact on the content of the plans (Ferrera and Gualmini 2002). The first plan mostly reiterated the projects set out in the Pact for Labour and in the Christmas Pact that was being negotiated around that time: the decentralisation and privatisation of public employment services, the reform of the vocational training system, the new policies for local development, the planned reform of social shock absorbers. It essentially recorded the structural distance between the Employment Guidelines and Italy, which was faced with the enormous task of building a network of employment services providing active and preventative support for job-seekers practically from scratch²²². The second plan, conjured up in a more timely manner with the help of the economics department of the Prime Minister's office, showed a more assertive stance. In particular, in line with the preferences of the Labour Minister of the time (Antonio Bassolino, then mayor of Naples), the plan underlined some typically Italian specificities – notably regional differentials – and put great emphasis on the attempts that were being made to address them – especially the new approach to local development based on negotiated planning²²³.

The procedures adopted for the first two NAPs, however, soon proved to be inadequate. The expert committees that had drafted the plans quickly disbanded after these were sent to Brussels, thus leaving the delicate task of defending them in front of the Commission and the other member states to Labour Ministry officials who felt neither involved nor able to do it (Sacchi 2004; Ferrera and Sacchi 2005). Moreover, the obligation to produce an Implementation Report to be attached to

²²⁰ See Chapter 5.

²²¹ See Chapter 5.

²²² Sestito, P. Interview with the author on 27 March 2006. Rome.

²²³ See Chapter 5.

the NAP could not be immediately met due to the lack of comparable and up-to-date data on the impact of existing policies. Things started to change in the winter of 2000, when a new unit called 'Monitoring Group' (*Gruppo di monitoraggio*) was established within the Minister's *cabinet* with the task of collecting and analysing data on labour market trends and evaluating the impact of past policy. The group was initially coordinated by Paolo Sestito, a labour economist of the Bank of Italy who had also worked for the European Commission, and operated as an inter-service committee composed of personnel seconded from various branches of the central administration: not only the Ministry of Labour, but also the Prime Minister's Office, the Bank of Italy, the national institute for social insurance (INPS), the national institute of statistics (ISTAT), the institute for work and training (ISFOL). The Monitoring Reports produced periodically by this group quickly established themselves as a standard reference for information on employment-related issues and policies, thus considerably enhancing the Ministry's capabilities for policy planning and evaluation. In addition, the activism of the Monitoring Group triggered dynamics of internal organisational competition (Sacchi 2004). As a result the Directorate-General charged with IT and statistics was considerably strengthened and the Directorate-General for the Labour Market – traditionally the most prominent branch of the Italian Ministry of Labour – was forced to upgrade its own skills in order to make a contribution to monitoring and evaluation tasks.

In the wake of such developments, and partly because of them, the quality of Italy's participation in the process got remarkably better over the years. The structure and content of the NAPs clearly improved. Explicit employment rate targets (58.5% by 2005 and 61.3% by 2010) were fixed in an *addendum* to the 2001 NAP – an unprecedented effort considering the almost total lack of planning skills of the ministerial bureaucracy only a few years previously. Starting from 2000-2001, regional authorities and the social partners were involved in a more fulsome and timely manner²²⁴. The government itself became more pro-active at the EU level. Prime Minister D'Alema made considerable efforts to shape the agenda of the 2000 Lisbon European Council and managed to get the recognition of the regional dimension of employment policies (a traditional Italian concern) inserted in the Council conclusions and in the 2001 employment guidelines (Sacchi 2004; Ferrera and Sacchi 2005). At the same time, other members of the executive mobilised to put forward their own preferences, albeit with less success. Labour Minister Salvi, a Senator who was close to CGIL and to the left wing of the variegated parliamentary majority that supported the government of the time, signed a joint declaration with his French and Belgian counterparts,

²²⁴ Esposito, T. Interview with the author on 3 March 2006. Rome. Tavernese, G. Interview with the author on 28 March 2006. Rome. Treves, C. Interview with the author on 04 April 2006. Marchetti, M. Interview with the author on 11 April 2006. Rome. Rossi, S. Interview with the author on 11 April 2006. Rome. Iacobelli, C. Interview with the author on 27 April 2006. Rome.

Martine Aubry and Franck Vandenbroucke, calling for a pan-European plan of investments to boost employment²²⁵.

The 2001 NAP was the last one to be drafted by an expert committee, although this time in close cooperation with the Monitoring Group. The new right-wing government that came to power after the general election of that year sent to Brussels an *addendum* to the NAP emphasising its own policy priorities in terms of a greater role for private providers in the field of employment services and a more permissive regulation governing the recourse to atypical work contracts. Starting from 2002, then, the procedures in place were completely overhauled. The drafting of the NAPs was drawn into the structure of the Ministry and overseen directly by a Deputy Minister (*sottosegretario*), Maurizio Sacconi, thereby establishing a closer link between the plans and those responsible for policy. The drafting process was followed by the Directorate-General for the Labour Market, by the Minister's technical secretariat (something in between a political *cabinet* and a purely administrative general secretariat) and by the Monitoring Group, which was itself gradually internalised by the Ministry's structure²²⁶. Starting from 2003, the plans were adopted after the presentation in parliament of the budget for the following year, thus linking them more closely to the allocation of financial resources and integrating them better within the dynamics of national policy-making. Although contacts took place mostly informally and outside specific institutional fora²²⁷, regions and social partners became more closely associated with the process and had their own separate contributions inserted in the text of the plans. Even so, as in most other member states, the NAPs were generally seen as governmental documents on which local governments and non-governmental actors do not ultimately have much of a say²²⁸.

In an interesting parallel with France, as the NAP drafting process acquired stability and became institutionalised it also lost political salience. Whereas in the first few years the Prime Minister's Office as well as some key Ministries (Treasury, Education) insisted to be involved in the process, as the EES slipped out of newspaper headlines they lost interest and the NAPs became an exclusive responsibility of the Ministry of Labour²²⁹. The circle of actors involved changed again

²²⁵ *Corriere della Sera*, 25 June 1999 (see Chapter 5).

²²⁶ Esposito, T. Interview with the author on 3 March 2006. Rome. Battistoni, L. Interview with the author on 10 March 2006. Rome. Pirrone, S. Interview with the author on 10 March 2006. Rome. Sestito, P. Interview with the author on 27 March 2006. Rome.

²²⁷ The formal forum for policy coordination between the state and the regions is the *Conferenza permanente stato-regioni*, but most contacts with the regions concerning the NAPs took place informally and on a bilateral basis. Esposito, T. Interview with the author on 3 March 2006. Rome. Frascarelli, L. Interview with the author on 27 April 2006. Rome. Iacobelli, C. Interview with the author on 27 April 2006. Rome. Mancini, G. Interview with the author on 29 May 2006. Catanzaro. Pacini, S. Interview with the author on 15 June 2006. Florence.

²²⁸ Tavernese, G. Interview with the author on 28 March 2006. Rome. Treves, C. Interview with the author on 04 April 2006. Marchetti, M. Interview with the author on 11 April 2006. Rome. Rossi, S. Interview with the author on 11 April 2006. Rome. Pacini, S. Interview with the author on 15 June 2006. Florence.

²²⁹ Sestito, P. Interview with the author on 27 March 2006. Rome.

following the reform of the Lisbon Strategy's governance framework in 2005. The Prime Minister's Office took full charge of the National Reform Programme (NRP) delegating it to the junior Minister for EU policies, Giorgio La Malfa, who was appointed Italy's 'Mr. Lisbon'. Regional governments, the social partners and even the Ministry of Labour were hardly involved at all²³⁰. This seems to have caused a swift change in focus and discourse. The Italian NRP, which was not discussed in parliament and was barely mentioned in the main newspapers (Quaglia and Radaelli 2007), focuses entirely on a large number of liberalising and growth-enhancing measures, while the part on employment policy is almost completely missing (Presidenza del Consiglio dei Ministri 2005). So much so, in fact, that the EMCO asked the Italian government to provide an *addendum* on employment policy, which was swiftly drafted by the Labour Ministry's staff, again without consulting the social partners, and sent to Brussels at the end of 2005²³¹.

To sum up, the drafting of the Italian NAPs has triggered an intense process of institutional learning on the part of the ministerial bureaucracy. Under the pressure of the new requirements of EU coordination, the Labour Ministry's structures were forced to upgrade their analytical and monitoring skills and to develop capabilities for policy planning and evaluation. New bodies were created and old ones were strengthened. The quality and presentation of the plans improved, as did the participation of sub-national governments and of the social partners. Like in France, though, as the process acquired stability it also lost political interest. The NAPs became the sole responsibility of the Ministry of Labour, turned into a more and more routinised, bureaucratic task and gradually slipped out of newspaper headlines. Yet the administrative adjustments and the new tools acquired facilitated the diffusion of information on the EES and, it is argued here, gave some additional resources to those within the administration who used arguments and advocated policy changes in line with it. The next section looks into the consequences this process had on the politics of the Labour Ministry and through what channels, if at all, the Strategy came to influence the government's employment policy discourse.

2. The EES and Italian policy-making: political crisis and the role of experts

As argued in the previous chapter, despite the alternation of different party coalitions in government, employment policy discourse in Italy showed significant signs of continuity even after the inception of the EES. Most of the policy solutions put forth in the years of the Berlusconi government (2001-2006) had already been discussed in previous years. The liberalisation of placement services and the reform of employment contracts that were introduced by the *legge Biagi*

²³⁰ Battistoni, L. Interview with the author on 10 March 2006. Rome.

²³¹ Battistoni, L. Interview with the author on 10 March 2006. Rome.

can be considered as further developments down the path already taken a few years earlier by the *Pacchetto Treu*. A revision of the two-tier collective bargaining system established in 1993 giving more weight to the local or plant level has been debated well into the current term of parliament. The reform of the *ammortizzatori sociali* (social shock-absorbers) has also been discussed for years and was the object (among other things) of the 1997 Report of a high-level group chaired by Romano Prodi's chief economic advisor, the Bologna economist Paolo Onofri (Onofri 1997). Nevertheless, some important elements of change can also be detected. In particular, the emphasis put on the new 'active' role for public employment services and on a different design of income support policies based on the principles of conditionality and activation was a complete novelty in the Italian scenario.

The last section of this chapter will elaborate further on the extent to which one can speak of continuity or change in specific policy areas. This section, in the meantime, concentrates on what accounts for one or the other and on the role played by the EES. The explanation advanced here focuses on the role of a specific kind of actors – academics, think tank experts, top civil servants – who, in the midst and in the aftermath of the political crisis of the 1990s assumed an exceptionally important position in Italy's policy-making. They exercised great influence in the selection of the policy ideas and options that were considered and at times even took on direct government responsibilities. In this capacity, they performed important functions of liaison between the national and supranational arenas and brokered policy ideas and recipes that were in good currency beyond Italian borders. The EES guidelines and recommendations, it is argued, acquired influence in governmental circles precisely through this channel, thus accounting for some of the elements of discontinuity referred to above. This seems to confirm hypotheses 2 and 3 of this work, which posit that the composition of national coalitions advocating the EES discourse depends on the specificities of domestic policy-making and on the way the drafting of the NAPs was carried out in different domestic settings²³². Nevertheless, as discussed in the next section, in a system like the Italian one in which authority is dispersed and policy-making typically involves a relatively large number of governmental and non-governmental actors, translating the EES into national policy and implementing it on the ground has so far proved to be exceedingly difficult. This responds to the concern raised by hypothesis 5 regarding the difficulties facing discourse diffusion in 'multi-actor' systems like Italy²³³.

The starting point of the argument put forth here is the state of the Italian political system in the 1990s. The 1990s, as shown in the previous chapter, were a momentous decade for Italy. The huge effort at financial adjustment that was required in order to qualify for EMU was made at a

²³² See Chapter 1.

²³³ See Chapter 1.

time in which the political parties that had led the country in the post-war era were experiencing a crisis of consensus and a difficult process of realignment after the end of the Cold War²³⁴. Against the backdrop of the weakness of traditional parties, a prominent role was gradually assigned to high-level technocrats and experts, particularly social scientists with expertise relevant to policy. Small numbers of politically active experts had always been present in ministerial cabinets and in the government's representation to international bodies and organisations (Radaelli 1998). Yet in the 1990s crucial cabinet posts were given to academics or to bureaucrats coming from the most prestigious branches of the state apparatus (the Treasury, the Bank of Italy) who were not affiliated to any party. This was most clearly the case for the Ministries that were directly concerned with financial adjustment in the run-up to EMU, but it was also true for the Ministry of Labour, with such well-respected labour law professors like Gino Giugni and Tiziano Treu acting as Minister at crucial points in time – 1993/94 and 1995/98, respectively. More generally, external experts, academic consultants, leading technocrats and think tank experts were increasingly drawn into the policy process as the governments of the 1990s somewhat institutionalised the habit of setting up independent authorities and expert committees in crucial reform sectors such as welfare, macro-economic adjustment, collective bargaining reform²³⁵. Those people spoke foreign languages, had direct experience of the functioning of EU institutions or had studied them as well as the experience of other countries. As argued by Giuliani (2000), their reports and the results of their consultancy work were widely read and introduced into Italian debates ideas borrowed from different national contexts. Thus the Dutch model of negotiated flexibility, the Irish model of debt reduction or the logic of the EU principle of subsidiarity, once confined to academic debates, began to influence the choices of policy-makers.

The presence of this 'new' constellation of actors had clear consequences in all major areas, but especially so in the field of macro-economic policy, where the paradigm of low inflation and low public deficits upon which the Maastricht criteria for EMU were based was accepted virtually by all (Radaelli 1998; Radaelli and Martini 1998). Starting from the Prodi cabinet of 1996-98, well known EU catchwords like activation, territorial pacts and tax incentives began to characterise the government's employment policy discourse (Giuliani 2000; Barbier and Fargion 2004). Political leadership in this field, as said in the previous chapter, was almost entirely left to the government (i.e. *in primis* the Minister of Labour and his staff) and interest organisations, whereas political parties were almost entirely marginalised. Expert committees were established and reports were written on a host of different issues, from the reform of social shock absorbers to the revision of the

²³⁴ On Italy's political system in the 1990s see the articles published in *West European Politics* 20(1), 1997.

²³⁵ See, for instance, the report of the Onofri committee on welfare reform (Onofri 1997) and that of the Giugni committee on the reform of collective bargaining (Giugni 1997).

Workers' Statute, to the drafting of the first NAPs. Participation in the EES' yearly cycles strengthened this process, as a small but active group of experts – members of the Monitoring Group, the Italian representatives in the Employment Committee in Brussels, some top level consultants of the Minister of Labour – formed over time around the various stages of the coordination process and started acting as brokers between the domestic and the European arenas (Ferrera and Gualmini 2002, 2004; Sacchi 2004; Ferrera and Sacchi 2005). The identity of those who wrote the Italian NAPS and discussed them within the EMCO tended to coincide with that of those who authored key policy documents like the 2001 White Paper²³⁶, especially as the drafting of the NAPs was drawn into the Ministry's structure.

The most striking feature of this process of *prise de parole* (Muller quoted by Radaelli 1998) on the part of experts and bureaucrats is that they represented an element of continuity as Ministers succeeded one another. Apart from Deputy Minister Sacconi, all the other members of the working group which drafted the White Paper on the labour market – Marco Biagi, Carlo Dell'Aringa, Paolo Sestito, Paolo Reboani, Natale Forlani – had already worked in close contact with the Ministers of the centre-left governments²³⁷. Dell'Aringa, a labour economist from Milan's *Università Cattolica*, served as chairman of ARAN – the body that negotiates public employees' wages and working conditions on behalf of the state – until 2000 and subsequently of ISFOL – a research institute attached to the Labour Ministry – until 2004. Forlani served as confederal secretary of CISL until 1998 and in 2000 was appointed CEO of *Italia Lavoro*, an agency of the Labour Ministry in charge of promoting the development of active policies and employment services on the whole national territory. The LSE-educated Sestito and Reboani worked with the Ministry since the 1990s and were involved in the drafting of the NAPs from an early stage (Sestito from 2000, Reboani from the start). Sestito kept his role within the limits of technical support and acted as coordinator of the Monitoring Group in its first years of existence, while Reboani sought a more politically active stance and became head of the technical secretariat of Berlusconi's Minister Roberto Maroni²³⁸.

Probably the best example of a consultant that worked with all the Ministers of these years is Marco Biagi, a labour law professor based at the University of Modena who was assassinated by an extreme-left terrorist cell on 19 March 2002. Prof. Biagi was first called to Rome by Tiziano Treu in 1995 and worked on a number of projects, including the *Pacchetto Treu*²³⁹ and a draft reform of the Workers' Statute. He chaired the group that wrote the first NAP in 1998 and was appointed to

²³⁶ Battistoni, L. Interview with the author on 10 March 2006. Rome. Sestito, P. Interview with the author on 27 March 2006. Rome.

²³⁷ Sacchi, S. Interview with the author on 24 June 2006. Milan.

²³⁸ Sacchi, S. Interview with the author on 24 June 2006. Milan. Sestito, P. Interview with the author on 27 March 2006. Rome.

²³⁹ See Chapter 5.

represent the Italian government in the EMCO, of which he became Vice-President in 2000. After Treu's substitution, Biagi kept his role as consultant during the short-lived tenure of Antonio Bassolino, but his relationship with the Labour Ministry quickly deteriorated with the advent of Cesare Salvi and temporarily ended when he decided to accept a consultancy job for the right-wing Mayor of Milan, Gabriele Albertini. Biagi was asked to come up with ideas to deal with the most disadvantaged segments of the local labour market (migrants, youth from troubled backgrounds, the long-term unemployed, the disabled) and proposed to negotiate a local pact between the City Hall and interest organisations. The policy model that inspired the pact, the above mentioned *Milano lavoro* signed in February 2000, closely resembles that of the subsequent *legge Biagi*: the contracting parties agreed to use flexible contracts (agency work, work and training contracts, co. co. co.) in order to create employment opportunities in sectors of collective interest (street cleaning, facility management, care services etc.). Specific helpdesks were to be set up within the City Hall actively to help job-seekers to train, retrain and participate in the programme (*Patto Milano lavoro* 2000). This episode marked the end of Biagi's collaboration with the centre-left, even though he had been close to CISL and to the left-wing of the Christian Democrats for most of his life. After the centre-right's victory in 2001, then, he was called back to Rome by Maurizio Sacconi and introduced to the newly appointed Minister Maroni. The White Paper on the labour market was Biagi's idea, and it was him who came up with the first draft that served as the basis for the work of the group chaired by Sacconi and himself (Tiraboschi 2003). By the time he was assassinated, he had become the Minister's top consultant and a public figure, loathed by the CGIL and by parts of the political left.

It is contended here that the continuing presence of the same high level experts and consultants as Ministers changed goes a long way toward explaining why the same issues were discussed again and again over the last ten years. This group of experts formed during the years of the centre-left and, despite being somewhat marginalised during Salvi's period as Minister in 1999-2001, became especially prominent under Berlusconi with the backing of Maurizio Sacconi, who was himself a labour policy expert who had worked for years at the OECD. The Berlusconi government's choice to abandon neo-corporatist bargaining in favour of a more unilateral, government-led style of policy-making further empowered the Ministry's experts. Once the executive tried to regain the authority over employment policy-making that its predecessors had shared with interest organisations, it had to look for new a blueprint for action and, for this purpose, it turned to people with relevant policy expertise and accorded them a large amount of freedom in fulfilling their tasks. Biagi, for instance, only accepted to work for Minister Maroni on the condition that he be given *carte blanche* regarding the content of the White Paper (Tiraboschi 2003), which

accounts for the remarkable resemblance it bears to the Pact *Milano lavoro* that he had drafted just over a year earlier. The cohesiveness of this group was not jeopardised even by Biagi's death, as he was replaced by his closest collaborator, Michele Tiraboschi, both as Professor in Modena and as consultant for the Labour Ministry. The enduring influence of Biagi's work is demonstrated by the fact that the Berlusconi government's major policy choices in the field of employment – with the only notable exception of the attempted abolition of Art. 18²⁴⁰ – proceeded from his 2001 White Paper. So much so, in fact, that the parts of it that were still unimplemented were mentioned in the centre-right's programme for the 2006 general election as priorities of action for the new term of parliament (Casa delle libertà 2006).

This group of experts was composed of people with different backgrounds (academics, trade unionists, civil servants), different political leanings (from left-wing Christian Democrats like Biagi and Dell'Aringa to former Socialists gone to Berlusconi's *Forza Italia* like Sacconi) and different degrees of political commitment (from self-professed 'technicians' like Dell'Aringa and Sestito to more political figures like Sacconi and Reboani), but was cohesive and durable enough as to constitute a veritable *coalition*. They shared a common diagnosis of the problems of the Italian labour market that was highly consistent with the recommendations that the Commission addressed to Italy every year – low overall employment rate; low employment rates of women, young and older workers; low levels of participation in education and training; large regional differentials – and a common take on the appropriate policy solutions – liberalisation of employment relations; modernisation of employment services; improved coverage and 'activation' of income support schemes (see Dell'Aringa 2002; Sestito 2002; Sacconi *et al.* 2004). A further contention made here is that this coalition constituted the main channel through which EU guidelines and recommendations trickled into the domestic discourse. As said above, the drafting of the NAPs and the upgrading of the Ministry's administrative capabilities it required strengthened the role of experts in Italian employment policy-making and provided them with additional resources (planning, statistical and monitoring tools) with which to support their arguments. This validates hypothesis 4 about the resources participation in the drafting of the NAPs would provide to the members of national coalitions advocating the EES discourse.

As hypothesised in Chapter 1 (hypothesis 1), their motives for appealing to the EES were both normative and strategic. On the one hand, the members of this coalition seem to have been deeply committed to the Strategy's message and to have learnt things they did not know from their participation in it. As in the French case²⁴¹, the fact that the policy model advocated by the EES is consistent with a widespread international employment policy consensus as well as with the

²⁴⁰ See above.

²⁴¹ See Chapter 4.

recommendations of bodies like the OECD certainly played a role. The experience of the late Prof. Biagi is, again, a fitting example. His belief in the potential of open coordination is testified by one of his last publications in English: '*consistent application of the Luxembourg exercise might over time lead to a convergence of member states' employment and labour market policies not dictated by Brussels, but based on a growing consensus on effective solutions through a process of trial and error*' (Biagi 2000: p.159). According to the memoirs written after his death by Tiraboschi (2003), during his years as a member of EMCO Biagi developed an active interest in comparative research and learnt the use of benchmarking as a crucial methodological tool. The emphasis put on the employment rather than the unemployment rate as a major policy target and the focus on the participation of specific age and gender groups was in Italy, as in France, an absolute novelty²⁴². All of Biagi's major accomplishments as a consultant – not only, as shown above, the 2001 White Paper on the labour market, but also *Milano lavoro*, which explicitly recalls guidelines 12 and 13 of 1999 – use arguments and analytical tools borrowed from the EES and make reference to it as an inspiration and a justification²⁴³. The habit of constantly referring to the Strategy did not end with Biagi's life, but continued as his colleagues carried on his work. Those who drafted the law that carries his name, in fact, took great care of describing it as a deliberate attempt to respond to the EES guidelines and recommendations through measures aimed at creating a modern and efficient system of employment services, at establishing new types of contracts that could help disadvantaged groups to enter the labour market and allow a more flexible organisation of work within firms, at boosting participation in training activities through the reform of contracts with a training purpose (Sacconi *et al.* 2004; Tiraboschi 2004, 2005).

On the other hand, though, coalition members seem to have drawn selectively from the Strategy in order to legitimise the policy plans of the government of the day, thus reproducing the time-honoured Italian habit of using (real or construed) EU commitments to push through potentially unpopular reforms. The White Paper on the Labour Market and the *legge Biagi* have been accused of drawing very selectively on the EES in order to legitimise the government's agenda. For instance, whereas the White Paper itself is presented as a blueprint to meet the European guidelines and recommendations, the issues of job quality and equal opportunities are almost entirely disregarded. The quality of the jobs to be created, for instance, was presented by the White Paper solely in terms of creating more employment opportunities thanks to increased labour market flexibility, with no regard for job security (Sacchi 2004).

The Strategy's discourse, thus, entered the domestic employment policy arena through a small group of experts who played a key role in every major action taken by the Labour Ministry

²⁴² Battistoni, L. Interview with the author on 10 March 2006. Rome.

²⁴³ See above.

over this period. They were convinced of the failure of past policy choices and repeatedly and openly referred to the EES as the way forward. In order to investigate the EES' *transformative* effects further, the last section of this chapter focuses on instances of policy change in specific areas highlighted by the employment recommendations as in need of reform from the Strategy's perspective. The actors' coalition supporting the Strategy always remained extremely narrow and only managed to exercise influence on the government's employment policy discourse and on major policy choices under very specific conditions, which seemed to come about with particular intensity during the first years of the Berlusconi government as a result of its refusal of *concertazione* as a policy style. This chapter's contention is that, as soon as one got out the restricted Ministerial circles in which the EES' discourse was used as a point of reference, this became almost completely irrelevant. Thus, the resistance opposed by other branches of the central administration (i.e. the Ministry of the Treasury), local governments and social partners account for the little success that was met by the attempts to reform and implement policy in line with the Strategy.

3. The EES and employment policy change in Italy

The Italian 'model' of employment policies, based as it was on a hyper-bureaucratic network of public employment services, tight regulation of employment relations and an unbalanced system of passive income support policies, was very distant from the indications of the EES. Unsurprisingly, Italy was, after Greece, the member state that received the highest number of single-country recommendations from the Commission and the Council. The format of the recommendations changed over time, but their content remained remarkably stable and focused on some long-standing features of the Italian system. The most recurrent themes and the years in which they were made the object of specific recommendations are listed in Table 6 below.

Table 6. Recommendations to Italy

Recommendations	2000	2001	2002	2003	2004
Complete the reform of employment services, implement active and preventative policies	yes	yes	yes	yes	yes
Alleviate the administrative burden on companies	yes	no	no	no	no
Reduce the tax burden on labour	yes	yes	yes	no	yes
Reform pensions and other benefit systems in order to reduce the outflow from the labour market into income support	yes	yes	yes	no	no
Address the wide gender gaps in employment and unemployment, sustain growth in employment rates especially	yes	yes	yes	yes	yes

for women and older workers					
Improve the balance in the policy mix across the four pillars	no	yes	no	yes	no
Adopt and implement a coherent strategy on lifelong learning	no	yes	yes	yes	yes
Continue to increase labour market flexibility combined with security to facilitate access to employment	no	no	yes	yes	no
Take action to reduce regional imbalances, fight undeclared work	no	no	no	yes	yes
Reduce labour market segmentation, improve the coverage and effectiveness of unemployment insurance	no	no	no	no	yes
Encourage the social partners to review wage bargaining systems	no	no	no	no	yes
Raise the educational attainment of the workforce	no	no	no	no	yes

Source: http://ec.europa.eu/employment_social/employment_strategy/recomm_en.htm.

As was done in the case study on France, the most recurrent recommendations addressed to Italy – those on the reform of employment services, on the reform of benefit systems, on lifelong learning, on the reduction of gender gaps – are taken as touching upon policy issues that the Commission considers structural. The other, less frequent recommendations are linked either to issues that, in the Commission's view, have been tackled (alleviating the administrative burden on companies, increasing labour market flexibility) or to issues that are emerging (labour market segmentation). Others still refer to sectors or areas that have been included in the EES only recently (regional imbalances, undeclared work) or rather are suggestions of method, like the 2001 recommendation (reiterated in a different form in 2003) regarding the policy mix across the Strategy's four pillars.

The following sub-sections investigate single instances of policy and discourse change (or lack thereof) and trace the process behind them. Since many of the issues emphasised by the Strategy were already being discussed in Italy before it was launched, the main focus here is on the aspects of national employment policies that were highlighted by the Commission's recommendations as those where the 'lack of fit' with the EES was greatest. Since the reduction of gender gaps is by nature a cross-cutting issue, the following will concentrate on employment services and vocational training (which are treated together) and on the reform of social shock-absorbers. As was done in Chapter 4, particular attention is paid to investigating the institutional conditions facilitating or hampering discourse diffusion. In the Italian case, where, as shown below, policy change and implementation have proved especially difficult, great emphasis is put on the actors and institutional settings opposing them. This should enable one to test the relevance of hypothesis 5 of this work, which postulated that the success of the coalitions advocating the EES

discourse in influencing national employment policies is less likely in ‘multi-actor’ systems like Italy where a large number of actors have a say over policy-making²⁴⁴.

Hypothesis 6 regarding the types of impact one expects to observe²⁴⁵ is also at stake here. In addition to those made in Chapter 4 (degrees of specificity of the guidelines, different levels of impact on policy), a further fundamental distinction is drawn here between governmental discourse (based, in particular, on the documents produced by or in collaboration with the Ministry of Labour, in which the actors’ coalition described above operated), actual government policy (which necessarily involves Ministries other than Labour and Parliament) and policy implementation (which in Italy is often in the hands of sub-national authorities and non-state actors). As shown in the following discussion, the most striking difference with the French case is that in Italy, despite noticeable shifts in the government’s discourse and some instances of policy change, the overall outcome in the areas under analysis tended to be policy inertia or lack of implementation. In the case of employment services, the inaction and unpreparedness of regional governments, especially in the south, hampered the implementation of the reform process started by the Prodi government in 1997. In the case of social shock absorbers, tight financial constraints and the opposition of the Treasury and Finance Ministries prevented the adoption of a reform aimed at improving the coverage of benefit schemes and at activating the beneficiaries.

3.1. The reform of employment services and vocational training

Italy has been rebuked by the Commission for lack of action in this area ever since it first proposed its country-specific recommendations on employment. Recommendation 1 of 2000 read:

‘Italy should take decisive, coherent and measurable action to prevent young and adult unemployed people from drifting into long-term unemployment. In particular, strengthened efforts should be made to complete the reform of employment services, to implement preventative policies in compliance with guidelines 1 and 2 and to improve the quality of vocational training [...]’

This refrain was repeated almost *verbatim* in 2001, 2002, 2003 and 2004. The only additions were a reference to the fact that the reform of public employment services should be implemented across the whole country (Recommendations 3 of 2001 and 2002, 2 of 2004) and a mention of the announced introduction of an Employment Information System (Recommendations 3 of 2001 and 5 of 2003). Vocational training was also the object of recurrent recommendations (Recommendations 5 of 2001 and 2002, 3 of 2003 and 2004). According to Recommendation 5 of 2001 Italy should

²⁴⁴ Chapter 1.

²⁴⁵ See Chapter 1.

‘adopt a coherent strategy on lifelong learning, including national targets; social partners should be more active in providing more training opportunities for the workforce.’

A few specifications were added in 2004, when requests were made to monitor recent reforms of the school system to ensure that they raise the educational attainment of the workforce and to increase participation in training through, among other things, an effective development of inter-professional funds.

The emphasis put by the EES on the role of employment services and on active and preventative policies for the unemployed was alien to the Italian employment policy tradition²⁴⁶. The old system established in 1949 turned around a network of *uffici di collocamento* (placement offices) run by the state and charged almost exclusively with the task of certifying hirings and layoffs and granting the status of unemployed on which entitlement to a number of public benefits depended. Expenditure on labour market programmes was comparatively low and biased toward passive income support schemes. In the 1970s, all responsibility for active policies and vocational training was given to the newly-formed regions without much funding or guidance from the centre (Ferrera and Gualmini 2004). Thus, aside from an ineffective framework law on vocational training passed in 1978 and the introduction of work and training contracts in 1984, very little was done in this field until the 1990s. Job-creation programmes, unlike in France, have always been marginal. One such programme for the unemployed youth was launched in 1979, but under union pressure the temporary posts thus created were subsequently turned into permanent public jobs. Such an outcome discredited this policy option in the eyes of the public for the years to come. In fact when, in the early 1990s, the recipients of mobility benefits were required to participate in so-called ‘socially useful jobs’ (*Lavori socialmente utili*) the relevant funding was kept consistently low in order to steer clear of creating further public employment (Barbier and Fargion 2004).

At the time the EES was launched, however, a momentous reform of employment services was being put in place²⁴⁷. Not only was the responsibility for public employment services (PES) delegated to the regions and the sector opened to private providers, but the PES were now asked to perform a range of active and preventative functions – from consultancy to orientation and pre-selection services – geared to getting the unemployed back into the labour market as soon as possible. Within a few months, the personnel and the related functions were transferred from the Labour Ministry to regional and provincial authorities (the latter were now responsible for the daily running of the new *centri per l’impiego*, ‘employment centres’). New advisory bodies involving the social partners and different branches of the administration were established at the local level (‘Tripartite Regional Committees’ and ‘Inter-institutional Coordination Committees’). Regional

²⁴⁶ See Chapter 5.

²⁴⁷ See Chapter 5.

laws transposing the new national legislation were passed by all regional legislatures by the year 2000.

The reform found its inspiration in the experience of Scandinavian countries and represented a sea-change with respect to the traditional attitudes of the Italian bureaucracy²⁴⁸. Above all, there was not a clear sense of what the new employment centres should concretely do²⁴⁹. In this context, the EES is recognised by all interviewees as well as by ISFOL (2002) to have acted as a powerful stimulus. A first, somewhat ruffled reaction to the strategy took place in 1998 when, faced with the prospect of having to present some early results in the first NAP, the Ministry asked the employment centres to interview all the unemployed on their lists. The purpose of the interview, however, was utterly unclear and eventually resulted only in a one-off statistical survey²⁵⁰. A more fulsome response was given by a government decree adopted in 2000, which provided that the PES should offer the unemployed at least an interview and/or opportunities for training or re-training within twelve months in general and six months in the case of young people, women or recipients of unemployment benefits²⁵¹. This decree, overtly based on guidelines 1 and 2 of the 'old' EES, was partially modified in 2002 by the Berlusconi government²⁵². It is now established that the employment centres should offer at least an interview within three months of unemployment and a proposal for training, re-training or other forms of re-entry into the labour market within six months in general and four months for women, the young and the recipients of unemployment benefits. This piece of legislation was the last one to be drafted by Marco Biagi before his death (Tiraboschi 2003) and, although aiming to go beyond the Employment Guidelines, it is plainly based on the same rationale and can, thus, be considered as a further example of a policy reaction to the Strategy.

Nevertheless, the shift from a bureaucratic to a preventative, result-oriented approach has so far proved extremely slow and difficult in practice, especially in the less economically developed southern parts of the country. The lack of funds, the poor definition of the services to be offered and the inadequacy of the PES' staff skills resulted in the reform being still largely unimplemented (Ferrera and Gualmini 2002; Ferrera and Sacchi 2005; Sestito and Pirrone 2006). To start with, the reform of public employment services was attempted without the backing of appropriate financial resources. Most of the regions' employment policy budgets are spent on dealing with company

²⁴⁸ In Sacconi's words, 'the idea that the match between demand and supply of labour should pass through a professional and efficient channel was never present in the DNA of Italians (workers, firms, entrepreneurs). The reform has initiated an operation of genetic engineering of sorts' (*Il Sole-24 Ore*, 16 November 2005).

²⁴⁹ Pirrone, S. Interview with the author on 10 March 2006. Rome.

²⁵⁰ Pirrone, S. Interview with the author on 10 March 2006. Rome. Sestito, P. Interview with the author on 27 March 2006. Rome.

²⁵¹ *Decreto Legislativo* of 21 April 2000, n. 181.

²⁵² *Decreto Legislativo* of 19 December 2002, n. 297.

crises or on providing financial incentives for firms that hire new workers²⁵³. EU funds – and in particular the European Social Fund (ESF) – provided sizeable financial support to Italy's initiatives in the field of active policies and vocational training. During the 2000-2006 structural fund programming period as much as 57% of the resources spent for the reform of the PES, 52% of those spent on equal opportunity policies and 42% of those spent to support the country's lifelong learning strategy came from the ESF²⁵⁴. There is, indeed, some evidence that the priorities of ESF spending have changed in accordance with the employment guidelines, notably as regards the growing attention paid to equal opportunities, which in the 2000-2006 programming period accounted for about 10% of total funds²⁵⁵. Nevertheless, there seems to be little coordination between the programming of the ESF and the NAP/NRP process. Officials coming from the Ministry of Labour do participate in the preparation of structural fund documents, but this is motivated not so much by the need to ensure consistency between the EES and the ESF as by the willingness to participate in the utilisation of the available resources. Further proof of this is the fact that the officials responsible for the ESF within the Ministry are not generally asked to participate in the drafting of the NAPs (Fantacone 2004).

In addition to this, regional authorities have been exceedingly slow in implementing the reform and getting up to the task of providing active policies and more training opportunities. Notwithstanding a continuous process of devolution culminating in a constitutional reform in 2001, which has greatly extended their powers and responsibilities, the institutional capacities of Italian regions are relatively weak and extremely varied throughout the national territory (Ferrera and Gualmini 2002, 2004). Some regional governments have made interesting attempts to conduct forms of employment policy planning. Every regional law transposing the 1997 employment services reform called for multi-annual planning documents to be adopted in the field of employment policies by the local executives. In the absence of clear guidelines from the national government, some regions modelled the plans on the employment guidelines and the NAPs. Tuscany adopted its first Regional Action Plan (RAP) in 1999, integrating the Employment Guidelines with the regional planning of the ESF. Subsequently, other regions of the centre-north – such as Lombardy, Emilia-Romagna, Liguria, Umbria, the autonomous provinces of Trento and Bolzano – followed suit (Tecnostruttura 2004). In most cases, the RAPs were discussed with the social partners within the Tripartite Regional Committees before approval²⁵⁶. Even southern regions are starting to experiment with planning and, when they do, they generally follow the RAP model.

²⁵³ Mancini, G. Interview with the author on 29 May 2006. Catanzaro.

²⁵⁴ *Il Sole-24 Ore*, 10 February 2006.

²⁵⁵ Frascarelli, L. Interview with the author on 27 April 2006. Rome.

²⁵⁶ Iacobelli, C. Interview with the author on 27 April 2006. Rome.

This is the case for Sardinia, which adopted its first RAP in 2002, and Calabria, whose first RAP was being prepared at the time of writing²⁵⁷. This notwithstanding, the performance of PES in southern regions has consistently lagged far behind that of the rest of the country, despite the fact that they face the biggest problems with unemployment and slow growth. According to a recent survey (ISFOL 2004), barely 70% of employment centres in the south carry out some of the activities required of them by the above mentioned 2000 and 2002 government decrees, but this percentage falls to as little as 14% for more sophisticated services like individual job-insertion interviews.

Slow implementation and varying performance is due to the lack of binding central guidelines on standards and services (Sestito and Pirrone 2006; Ciccarone and Raitano 2006) and to the heterogeneity of the skills and expectations of the new PES' staff, about 70% of which came from the old ministerial structures charged with eminently bureaucratic tasks and whose conversion has proved to be particularly slow in the south (Ferrera and Gualmini 2002, 2004). Compliance with the rules established at the centre, however, has not been impeccable even in the rest of the country. For instance, the above mentioned 2000 decree on placement re-defined the status of unemployment along ILO standards as direct availability for work and provided that job-seekers would lose it, along with the benefits it grants, if they refused a job or training offer made by the PES²⁵⁸. This measure, if properly applied, would have introduced a strong welfare-to-work bias in the Italian system. In practice, however, the availability criterion was never put into effect. On the contrary, the number of unemployed officially registered with the employment centres was unduly boosted in recent years²⁵⁹.

As far as vocational training is concerned, recent legislation introduced two main novelties. On the one hand, the levy of a contribution of 0.3% of the salary was provided for in 2000 with a view to funding training initiatives and special 'Inter-professional Funds' were set up to manage them²⁶⁰. On the other hand, the 2003 *legge Biagi* abolished work-and-training contracts²⁶¹, whose training obligations were always bland, and strengthened apprenticeship contracts (Sestito 2004). Furthermore, the *legge Biagi* allowed private parties such as private placement agencies, chambers of commerce, trade unions and universities to offer the full gamut of employment services including training, thus paying heed to the Commission's recommendation calling for greater involvement of non-state actors – especially trade unions – in providing training opportunities (Tiraboschi 2003; Sacconi *et al.* 2004). However, much like in the case of PES reform, the further diffusion of lifelong

²⁵⁷ Mancini, G. Interview with the author on 29 May 2006. Catanzaro.

²⁵⁸ Decreto Legislativo of 21 April 2000, n. 181.

²⁵⁹ Pirrone, S. Interview with the author on 10 March 2006. Rome. See also Barbier and Fargion (2004: p.449).

²⁶⁰ Law of 8 March 2000, n. 53.

²⁶¹ See Chapter 5.

learning initiatives was hampered by lack of funds and difficulties of implementation. The level of public expenditure on vocational training in Italy is lower than the EU average (0.23% of GDP in Italy against an EU-15 average of 0.27%) and the quality and investment on training varies widely from south to north, partly due to the fact that the responsibility for it lies with regional authorities in the absence of strict guidelines from the centre. This, along with the fact that only a tiny minority of Italian firms organise training activities (24% in 1999 against an EU-15 average of 62%), accounts for the persistently low participation of Italian workers in training: only 26% of all employees compared to an average of 40% in the EU-15 (Ciccarone and Raitano 2006).

In sum, public employment services and vocational training in Italy are mainly a responsibility of regional authorities, which were delegated the relative functions without adequate funds and guidance from the centre. National legislation on public placement modelled on the relevant EU guidelines has been recently passed and ESF funding partially re-targeted to match the priorities set by the Strategy. Nevertheless, effective implementation has been thwarted by lack of funds and by the inability of weak regional administrations (especially in the poorer south) to perform new tasks. In the meantime, the future of the Italian PES looks uncertain as job placement has been opened to private providers and the announced reform of social shock absorbers, as is shown below, keeps on being postponed.

3.2. Benefit systems and the activation of the unemployed

The coverage and effectiveness of Italy's income support policies has been criticised by the Employment Recommendations every year since 2000. As put by Recommendation 4 of 2000:

'Italy should [...] continue the implementation of the reform of pensions and other benefit systems in order to reduce the outflow from the labour market into pensions and other schemes'.

Thus, the reform of benefit systems should aim to reduce the disincentives for people to take up paid work, thus contributing to raise employment rates. Moreover, the Commission added in 2004 that the level, coverage and effectiveness of unemployment insurance should be improved in consideration of the growing imbalances between permanent and non-permanent contracts.

The reform of benefit systems, however, has so far proved extremely challenging. The Italian system of social shock absorbers essentially turns around a low ordinary unemployment benefit and generous income subsidies in case of temporary unemployment or reduction of working time (CIG, mobility allowance), in particular for industrial workers (CIGS)²⁶². The system is based on a pure insurance logic: the access to and entity of the benefits depend on the accumulation of

²⁶² See Chapter 5.

social contributions, which leaves occasional and atypical workers without adequate coverage. No public assistance programme exists for those whose entitlements have expired. Most of the public resources spent on income support goes into the generous pension system, which takes up around 15% of GDP²⁶³ as against a mere 0.8% for non-employment benefits (Ciccarone and Raitano 2006). Hence Italian income support policies discriminate between age groups (pensioners are treated better than anyone else), types of risks (old age receives more support than unemployment, and short-term unemployment more than long-term unemployment) and types of contracts (workers on permanent contracts receive better coverage than those on temporary or quasi-subordinate contracts) with no evident economic or social rationale.

The reform of benefit systems has been on the agenda of several governments for about 15 years. Four pension reforms adopted in 1992, 1995, 1997 and 2004 did not succeed in substantially cutting pension expenditure, but improved the financial sustainability of the system, made it more equitable and raised the average retirement age (Ferrera and Gualmini 2004). As for non-employment benefits, in 1997 the above mentioned Onofri Report recommended to re-calibrate and increase expenditure in order to improve coverage. The Report laid out a three-layered system based on income subsidies in case of temporary suspension from work extended to all categories of workers, a benefit for the unemployed who have already worked for a minimum amount of time and a safety net of last resort for those who do not qualify for any of the above (Onofri 1997). In 1999, on the basis of a promise made in the Christmas Pact of the previous year, parliament delegated the executive to put in place a reform along these lines, but nothing was done in the end due to cabinet instability and pressing financial constraints.

The reform of social shock-absorbers was then identified as one of the priorities of the 2001 White Paper on the labour market. Marco Biagi was convinced of the urgency and necessity of a reform of Italian benefit systems at a time when other EU member states (like France) were implementing reforms based on the principles of activation and conditionality advocated by the EES²⁶⁴. Although suggestions regarding the introduction of *workfare*-type arrangements were circulated by a number of sources around those years (see Free 2001), it was Prof. Biagi who brokered into the Ministry of Labour the idea that the *ammortizzatori sociali* should, on the one hand, provide a safety net for the growing use of flexible temporary contracts and, on the other hand, be made conditional on the beneficiaries' active search for new employment (Tiraboschi 2003; Sacconi *et al.* 2004). As was put in the White Paper,

²⁶³ 15.4% in 2005 (*La Repubblica*, 19 June 2006).

²⁶⁴ See Chapters 3 and 4.

‘the experience of the European countries that have successfully reformed their labour markets demonstrate how important it is to put in place even in Italy a new set of incentives and social shock-absorbers with a view to achieving a good balance between flexibility and security. Such a new system must have the ultimate aim to increase the employment rate and minimise the existing forms of precariousness, thus avoiding the emergence of dangerous fractures between generations while the younger segments of the workforce enter the labour market on flexible contracts and the older, less dynamic ones keep their traditional permanent contracts’ (Ministero del lavoro 2001: p.8).

The 2002 Pact for Italy was even more explicit. The Berlusconi government and the social partners agreed on setting up a system of ‘active safeguards’ (*tutele attive*) that should accompany the worker’s expeditious re-entry into the labour market. Remarkably, non-employment benefits were no longer dubbed ‘social shock-absorbers’ but, rather laboriously, ‘forms of support to the re-insertion into the labour market’:

‘the reform of “active safeguards”, which will necessarily have to be incremental and span over a number of years, aims to encourage and assist the workers in the process of re-insertion into the labour market. Hence, one must build a virtuous circle among income support, vocational training, employment and self-employment so as to strengthen the protection of workers in unintentional unemployment, reduce unemployment spells and stimulate a responsible and active attitude toward employment’ (CNEL 2002: p.5).

The concrete proposals were very similar to those put forth by the Onofri Report, with the only noticeable difference that the receipt of benefits was to be made conditional on the unemployed looking for a new job and participating in the initiatives proposed by the employment centres.

If put into practice, these proposals would have aligned the Italian system to what had been done in France through the PARE-PAP programme²⁶⁵. Yet, despite such noticeable shifts in the governmental discourse, a comprehensive reform of income support policies is yet to be realised. The ordinary unemployment benefit was upgraded (to 40% of the previous wage in 2000, then to 50% only for the period 2005-2006) and an experimental minimum income scheme – largely inspired by the French RMI – was run in a limited number of municipalities until the Berlusconi government decided to stop financing it in 2003 (Ferrera 1999; Barbier and Fargion 2004). A so far unsuccessful attempt was also made to introduce an element of conditionality in the operation of the PES²⁶⁶, but a real link between employment services and social shock absorbers (which are managed by an independent public fund called INPS) is still missing. Above all, it is the low level of expenditure and the weak institutional development of the *ammortizzatori sociali* that explains why Italy, unlike France, is not well placed to develop a coherent ‘activation’ policy aimed at getting beneficiaries from welfare dependency back into work. This kind of approach could at best apply to CIG beneficiaries, who numbered only around 80,000 in 2000 (Barbier and Fargion 2004).

²⁶⁵ See Chapters 3 and 4.

²⁶⁶ See above.

A further rise in public expenditure, though, has remained out of the question. Both the 1999 delegation law and the Pact for Italy specify that the reform of *ammortizzatori sociali* should be put in place at no additional cost for the state budget. This systematic priority given to financial concerns over employment policy goals might seem natural in a country whose public debt amounts to over 100% of the yearly GDP²⁶⁷. Yet it must also be understood by reference to the reorganisation of the central government machine that took place during the run-up to EMU, when, in order to control expenditure, the Ministries of the Treasury and the Budget – and from 2001 also the Ministry of Finance – were merged into one. The resulting Ministry of the Economy acquired, in substance if not in form, a status superior to that of other Ministries, including Labour, thus institutionalising in the executive apparatus the EMU paradigm of sound finance (Fantacone 2004). The resistance opposed by the financial Ministries was complemented by that opposed by the social partners, who, despite having adopted a consistent activation rhetoric since the late 1990s, are still fond of schemes like CIG that allow firms to externalise the cost of restructuring while freezing layoffs (Regalia and Regini 1998; Barbier and Fargion 2004). It is worth noting, in this respect, that the few resources (€ 750 million) that were destined to the start of the reform of social shock absorbers after the Pact for Italy were used up, with the support of unions and employers, to re-finance CIG and partially upgrade the existing unemployment insurance scheme²⁶⁸.

Nevertheless it is worth noting that when a package deal was finally reached by the government and the social partners concerning a reorganisation of the pension system, some modifications to the regulation of non-permanent contracts and the reform of the *ammortizzatori sociali*, the discursive shift that had taken place in the previous years seemed to matter notwithstanding the fact that in the meantime the government had changed. The short-lived second Prodi government (2006-2008), indeed, agreed in July 2007 a new tripartite accord with the unions and the employers (CNEL 2007) which was turned into law in December of the same year²⁶⁹. As regards social shock absorbers, the accord provided for an upgrading of the ordinary unemployment benefit (60% of the last wage for 6 months, then 50% for the seventh and eighth month of unemployment), a reorganisation of benefit schemes (the *indennità di mobilità* and the *indennità di disoccupazione* shall be merged, and so shall CIG and CIGS²⁷⁰) and a gradual extension of their coverage. In addition to this, some important *workfare* elements were introduced into the system. The accord calls for a stronger link between the provision of benefits and active policies to help the unemployed to find new jobs. Much along the same lines as PARE-PAP in France, the parties

²⁶⁷ It was still 104% of GDP in 2007 (*Corriere della Sera*, 11 March 2008).

²⁶⁸ Interview with Maurizio Sacconi from *Il Sole 24 Ore*, 6 October 2005.

²⁶⁹ Law of 24 December 2007, n. 247.

²⁷⁰ See Chapter 5 for a description of these schemes.

foresee the signing of a *patto di servizio* (service pact) between the beneficiaries of unemployment insurance and the employment services, making the receipt of benefits conditional on the participation in re-insertion activities. Thus the changes in discourse prompted by the EES, via the advocacy of the domestic coalition of which Prof. Biagi was a member, proved resilient. The intricacies of Italian policy-making made policy change impossible at first. Yet, when a government willing to employ more financial resources to reform benefit systems came to power, it was to the new discourse of conditionality and activation that policy-makers turned to design the new policy.

Conclusion

The present chapter has investigated the role played by the EES in Italian employment policy-making during the ten years after its inception. It has identified a coalition of experts and technocrats who brokered into the Italian Labour Ministry the policy model advocated by the Strategy. Its members had either studied or worked in the EU and were familiar with the EES discourse, which was consistent with a widespread international consensus and with the recommendations of bodies like the OECD (hypothesis 1). It has been argued, in accordance with hypothesis 4 of this work, that the requirements of the coordination process, which forced Italian ministerial bureaucracies to upgrade their analytical skills and to develop new capabilities for policy planning and evaluation, facilitated the diffusion of information on the EES and strengthened the position of coalition members within the Ministry. Thus, even though this coalition remained consistently small (hypothesis 2) and except from the short period (1999-2001) in which the post of Minister was occupied by Cesare Salvi (a social democrat close to the positions of CGIL), it managed to exercise considerable influence over the activity of the Labour Ministry. This was especially the case in the years of Berlusconi as Prime Minister (2001-2006), when the government decided to adopt a more unilateral policy style and break with the tradition of consensus with the social partners. In this context, the members of this group, and especially the labour law specialist Marco Biagi, were given direct responsibility over major policy documents (the 2001 White Paper on the Labour Market) and major regulatory reforms (the 2003 *legge Biagi*). In the pursuit of these activities, they repeatedly and openly referred to the EES discourse as a source of inspiration and as the way forward.

The last section of this chapter focused on instances of policy change in two areas highlighted by the employment recommendations as in need of reform from the Strategy's perspective. It has been shown that, as soon as one got out the restricted Ministerial circles in which the EES discourse was used as a point of reference, this became almost completely irrelevant. The

resistance opposed by other branches of the central administration (i.e. the Ministry of the Treasury), local governments and social partners hampered attempts to reform and implement policy in line with the Strategy. First, the reform of PES decentralised the responsibility for employment services to regional and local authorities and gradually allowed private providers to offer placement and orientation for the unemployed. The new legislation passed in 2000 and 2002 (the latter personally drafted by Biagi), which detailed the range of active and preventative services to be provided by the PES, was clearly modelled on the Employment Guidelines. Yet effective implementation was prevented by the lack of financial resources coming from the central government and by the inability of regional administrations (especially in the south) and of the staff coming from the old *uffici di collocamento* to perform the new tasks. Second, the long-debated reform of benefit systems was delayed for years due to the resistance of the Ministries concerned with financial stability (Treasury and Finance, now merged into one large 'Ministry of the Economy') and to the social partners' attachment to old arrangements like the CIG. A remarkable shift in discourse did, nonetheless, take place. The traditional concern with improving the coverage of benefits, evident in the documents and legislation produced before 2001, gave way during the years of the Berlusconi government to a *workfare*-type approach emphasising the conditionality of income support on the beneficiaries actively seeking new employment. Once again, this shift was brokered into ministerial circles by the members of the above mentioned coalition, and notably by Marco Biagi. Even though the change in the terms of discourse was not translated into policy, it nonetheless proved resilient. Proof of this is the fact that, when a government willing to invest more financial resources on the reform of benefit systems came to power, the new policy was designed along the lines of activation and conditionality that had informed similar reforms in France (the PARE-PAP programme) and had been introduced in the Italian debate only a few years previously.

The comparison with the French case shows a similarly narrow coalition supporting the EES discourse within government. The most noticeable difference between the two is that, in the Italian case, the identified coalition was formed by a different kind of actors – mainly experts and technocrats rather than top civil servants. As predicted by hypothesis 5 of this thesis²⁷¹, however, the success of domestic coalitions in influencing policy depended on the features of national systems of policy-making. The 'single-actor' character of French policy-making allowed the diffusion of information on the Strategy among restricted circles of actors coming from the government and interest organisations to create a new consensus on specific policy issues between the state, on one side, and the employers' association and part of the labour movement, on the other. By contrast, the greater complexity of Italian policy-making and the larger number of actors that

²⁷¹ See Chapter 1.

take part in it meant that the significant shifts in governmental discourse that took place proved hard to translate into actual policy and, even when policies consistent with the EES were actually adopted, these proved hard to implement.

CONCLUSION

THE DIFFUSION AND ADOPTION OF EU DISCOURSE: AGENCY AND INSTITUTIONAL CONDITIONS

This thesis tried to take a novel perspective on the study of the domestic impact of EU 'soft' policy coordination. It did not concentrate on long-term processes of end-states (policy outcomes, labour market performance), which are difficult, if not impossible to trace back to a single source of inspiration. It contended, instead, that the best way to investigate the influence of such non-binding instruments as EU guidelines and recommendations is to trace the process behind specific policy decisions to see whether these provided those involved with resources, ideas, cognitive drives (Radaelli 2003a; see also Van Evera 1997; Checkel 2005). In turn, the need to formulate a number of working hypotheses that could guide a research of this kind spurred a degree theory-building. Hence it was argued that the existing accounts of the effects of the Strategy, which emphasise mechanisms relying on incentives and sanctions, policy-oriented learning and socialisation, do not pay enough attention to the dynamics of domestic politics, that is, the *locus* where employment policy decisions are still made²⁷². In particular, great store was laid by whether and why different national actors and groups might support the EES' proposed policy model in the domestic arena and to the role of different national institutional settings in facilitating or hampering norm diffusion.

Thus the EES was as an attempt to set member states' employment policy agenda by imposing a specific discourse (Radaelli 2003b; Jacobsson 2004) defining the problems of European labour markets and the appropriate policy solutions²⁷³. The availability of a discourse, however, does not necessarily imply that it will be adopted, especially in contexts in which existing policy traditions are somewhat distant from its proposed policy model. Moreover, there is always more than one discourse in every policy sector striving for discursive hegemony (Hajer 1995)²⁷⁴. What, thus, makes a particular discourse prevail over others? Under what conditions can the diffusion of a new discourse have innovative effects with respect to established policy traditions? This thesis aimed to investigate the conditions under which discourses promoted by one level of governance become diffused and accepted in another. It argued, first, that the diffusion of the EES discourse depended on the presence of national coalitions of actors willing to advocate it and, second, that these coalitions' success depended on the institutional resources and constraints facing them in different national contexts. Given the existence of national advocacy coalitions, in particular, it is

²⁷² See Chapter 2.

²⁷³ See Chapters 1 and 2.

²⁷⁴ See Chapter 1.

contended that discourse diffusion is more likely in systems where a limited number of actors and/or organisations have a say over policy-making²⁷⁵.

This conclusion tries to make sense of the results of the comparison between the French and Italian cases as well as to draw further theoretical implications from it. Section 1 sums up the findings of the case studies. Each of the hypotheses put forth in Chapter 1 is compared to what was observed on the field in order to conclude whether each of them is to be considered validated or refuted. Section 2 discusses the contributions this thesis offers to the literatures on Europeanisation and policy change. The thesis' findings, it is maintained, shed light on the importance of discourse in configuring and re-configuring actor coalitions, on the role of domestic coalitions in supporting or opposing EU policies and, as a consequence, in ensuring compliance with EU rules and norms. An assessment is, finally, attempted of the potential of soft law and policy coordination for promoting policy and discourse change. It is contended that the case studies presented by this thesis show that, notwithstanding the limits highlighted by the literature²⁷⁶, the EES can indeed assist the formation of coalitions of like-minded actors and institutionalise their position within national policy-making structures. Given the technocratic nature of the process, these coalitions are likely to be composed of actors who are often unknown to the public (top civil servants, experts, academics), but can nonetheless be influential in setting the terms of policy debates as governments succeed one another.

1. The French and Italian case studies: the results of a comparison

The comparison between France and Italy was built following a 'most similar cases' strategy²⁷⁷. On the one hand, these two countries present similar starting conditions. They have similar employment policy traditions as well as comparable labour market performances. In both cases, these are very far from the model proposed by the EES' guidelines and recommendations. On the other hand, they have remarkably different institutional systems and policy-making arrangements. In France the executive, relying on a very centralised and resourceful state apparatus, has long been in a position to pass policy while practically ignoring interest organisations. Italy, by contrast, has for a long time been governed by weak executives that consistently sought the agreement of the social partners before adopting major pieces of employment legislation. Moreover, an ongoing process of administrative decentralisation meant that regional and local authorities over time acquired an important role in policy-making and implementation.

²⁷⁵ See Chapter 1.

²⁷⁶ See Chapter 2.

²⁷⁷ See the Introduction.

A comparison along these lines was meant to make it easier to signal policy change in line with the Employment Guidelines, rule out explanations relying on path-dependencies and policy traditions and, at the same time, provide enough leverage to investigate the effect of different institutional settings on discourse diffusion. The results of the case studies presented in Part II of the thesis seem to confirm these expectations. The findings provide a remarkable degree of variation of the phenomena under analysis: they show the presence of different kinds of national coalitions meeting different degrees of success in different national settings. The following sub-sections sum up these findings and group them around the six working hypotheses formulated in Chapter 1.

1.1. The advocacy of the EES discourse?

The theoretical approach adopted by this work borrows from garbage can and multiple streams models of political choice the idea that problems and solutions are not always identified in a consequential fashion (Cohen *et al.* 1982; Kingdon 1995; Zahariadis 2003). There are no objective 'truths' out there and actors and organisations find it difficult to interpret reality, as they have little ability to process information and predict the consequences of alternatives courses of action. Such conditions of uncertainty and bounded rationality, as indicated in Chapter 1, are especially relevant to the politics of employment and welfare reform in Europe, since there is no agreement among experts and policy-makers regarding either the causes of sluggish labour market performance and rising costs, or the appropriate solutions (Schelkle 2005).

In order to understand policy change in such conditions, therefore, one must investigate the conceptual frameworks decision-makers rely on, where they come from and how they become diffused and adopted. It was argued that the notion of discourse is useful in this respect²⁷⁸. Based on Schmidt and Radaelli (2002, 2004), policy discourse was defined as entailing both a set of policy ideas regarding the soundness and appropriateness of policy programmes and the processes of policy formulation and communication that serve to generate and disseminate those policies. A focus on discourse, it was contended, has the advantage of adding a 'dynamic' dimension to constructivist accounts, as there is always more than one discourse battling for 'discursive hegemony' in each sector (Hajer 1995). In particular, in order to become accepted a particular discourse must be adopted and advocated by purposeful individuals and groups. Furthermore, discourse diffusion must be seen in institutional context (Schmidt and Radaelli 2004). Different institutional settings might make it easier for new discourses to become diffused and adopted.

²⁷⁸ See Chapter 1.

As discussed in Chapter 2, the EES guidelines and recommendations provide a comprehensive employment policy discourse, which tries to strike a balance between different European models. Yet, since the adoption of a discourse does not depend on its innate qualities alone, this thesis has advanced a number of hypotheses highlighting the conditions under which discourse diffusion might be most likely. Since, as argued in Chapter 1, discourse is essentially a spoken act, all the hypotheses proceeded from the argument that, in order for the EES discourse to become diffused and adopted at the national level, it must be advocated by coalitions of domestic actors. The case studies presented in Part II have shown that, both in France and in Italy, groups of actors involved in policy-making consistently supported the policy model proposed by the EES. They made reference to the EES when interviewed by the author²⁷⁹, in their own writings (see, for instance, Biagi 2000; Sacconi *et al.* 2004; Tiraboschi 2004, 2005), in the policy documents they were in charge of²⁸⁰. They were involved, in different capacities and at different stages, both in national day-to-day policy-making and in the drafting of the NAPs on employment, thus constituting themselves the link between the two levels of governance.

The first three hypotheses concern the composition of national coalitions and the motivations of their members. The first hypothesis put forth by this thesis was that *(1) actors advocating the Strategy's discourse were motivated by both strategic and normative considerations*. The expectation behind this was that, as argued by Finnemore and Sikkink (1998), the distinction between interest-based and norm-driven behaviour, albeit analytically useful, is untenable in practice. As regards the key issue of the composition of national coalitions, the second hypothesis posited that *(2) the composition of national coalitions depends on specific features of national systems of policy-making, such as the identity of those involved in policy formulation and the degree of centralisation of executive authority within the state apparatus*. Hypothesis 3, moreover, stated that, since the drafting of the NAPs constituted possibly the key moment at which information on the Strategy could be diffused at the national level, *(3) the composition of national supporting coalitions and the resources at their disposal depended on how the NAP-drafting process was carried out, notably the degree of involvement of bodies other than Labour Ministries and its incorporation in the broader framework of national policy-making*. The findings of the case studies provide a range of evidence in support of these hypotheses.

First, in both countries the EES remained unknown to the larger public and the NAPs gradually became eminently bureaucratic reporting duties rather than proper policy planning documents. This meant that the Strategy's discourse remained limited to narrow communities of

²⁷⁹ See, for instance, Fouquet, A. Interview with the author on 9 March 2007. Paris. Barbaroux, C. Interview with the author on 28 March 2007. Paris

²⁸⁰ See Biagi's White Paper on the Labour Market (Ministero del lavoro 2001). See Chapters 5 and 6.

actors within the national Ministries (generally Labour Ministries) in charge of the coordination exercise. The composition of these ‘communities’, however, varied considerably. In France, after two years (1998-99) in which the NAP was taken care of at the highest political level, the process turned into a more bureaucratised exercise and became an almost exclusive responsibility of the Labour Ministry’s administration. It was, thus, the *haute administration*, and notably the Directors-General of the two DGs of the Labour Ministry that were involved (DGEFP and DARES), who grasped the potential of the coordination process and actively tried to interest the social partners²⁸¹. In Italy the new reporting and planning duties were initially entrusted to *ad hoc* groups of academics and experts and was only later (since 2002) drawn into ministerial structures. It was shown that it was this group of academics and experts, who came to occupy an influential position within the Labour Ministry in the 1990s and early 2000s, who brokered the EES discourse into ministerial structures²⁸².

Hypotheses 2 and 3, therefore, appear to be relevant. As predicted by hypothesis 3, the scope of national coalitions was limited due to the closed and bureaucratic nature of the coordination process nationally. As predicted by hypothesis 2, the composition of the relevant coalitions varied according to the specific features of national systems of policy-making. In France, where a strong and centralised state apparatus always relied on a powerful and highly trained *haute administration*²⁸³, it was a restricted group of top civil servants who sought to advocate and diffuse the Strategy’s discourse. In Italy, in the midst of a double crisis of public finances and of traditional political parties in the early 1990s, direct government responsibilities were taken by experts coming from the academia or international organisations as well as civil servants coming from the most prestigious branches of the *pubblica amministrazione* (the Treasury, the Bank of Italy). The role of experts with knowledge relevant to policy increased in the course of the decade, with such respected labour law and industrial relations professors as Gino Giugni and Tiziano Treu becoming Labour Minister (in 1993-94 and in 1995-98, respectively)²⁸⁴. It is not surprising, in this context, that the task of drafting the NAPs was given to experts coming from outside the administration, which at the time had very little ability to plan and evaluate policy.

Hypothesis 1 regarding actors’ motivations also seems to hold. Evidence could be found of both normative and strategic motives on the part of national coalition members. On the one hand, their members seemed to be personally convinced of the appropriateness of the Strategy’s model. The fact that it was consistent with an emerging international policy consensus, which was also

²⁸¹ See Chapter 4.

²⁸² See Chapter 6.

²⁸³ See Chapter 3.

²⁸⁴ See Chapter 5.

supported, with some significant differences in emphasis, by the OECD's Job Study²⁸⁵, was mentioned²⁸⁶. Single instances of learning could also be derived from the memoirs of some of the participants²⁸⁷. On the other hand, though, coalition members also seemed to have their own agendas. Particular attention was paid, first, to the kinds of actors who composed the relevant national coalitions. Based on Smith (2006), it was maintained that experts and bureaucrats have an interest in using European rather than purely national lines of argument. These, indeed, tend to be highly complex and unintelligible by the larger public, which privileges those who master technical argumentation and have an understanding of the modalities of power within European networks²⁸⁸. The achievement of such discursive influence²⁸⁹, in turn, was used to serve eminently domestic purposes. In France, it was argued, the diffusion of the EES discourse to interest organisations was meant to diminish the level of social conflict and help the state push through some long-awaited policy changes²⁹⁰. In Italy the EES was often interpreted selectively, thus reproducing the time-honoured habit to make reference to real or construed EU commitments in order to legitimise potentially unpopular reforms²⁹¹.

Given all the above, the issue of the exact characterisation of national coalitions can finally be settled. Among the four types of actor coalitions presented in Chapter 1, it was already resolved that epistemic communities and discourse coalitions were not relevant to this thesis' findings. Epistemic communities are bound together by common knowledge, but their members need not have the same political views or a common agenda. Discourse coalitions are very loose groupings which only share a particular way of talking about one or more issues. At this point, one can also rule out policy coalitions, as the national coalitions that have been identified were not issue-specific, but adopted a common discourse on a range of employment policy-related issues. The coalitions this thesis talks about are small, tightly-knit groups composed of experts, academics, top civil servants who knew each other, worked together for a prolonged period of time, shared the same views and adopted the same discourse over the employment policy issues covered by the EES. Furthermore, as said above, in trying to diffuse the EES discourse they behaved strategically in order to pursue their own agendas. Such coexistence of common beliefs and strategic behaviour on the part of tightly-knit, purposeful groups is, clearly, best described by Sabatier's advocacy

²⁸⁵ See Chapter 2.

²⁸⁶ See, for instance, Fouquet, A. Interview with the author on 9 March 2007. Paris. Sestito, P. Interview with the author on 27 March 2006. Rome.

²⁸⁷ See Chapter 6: Tiraboschi (2003) reports that Marco Biagi learnt the use of benchmarking as a methodological tool during his years as a member of the EMCO.

²⁸⁸ See Chapter 4.

²⁸⁹ See Chapter 1 on power and discourse.

²⁹⁰ See Chapter 4.

²⁹¹ See Chapter 6: the issues of job quality and equal opportunities, for instance, were long disregarded in Italian debates.

coalition framework (Sabatier and Jenkins-Smith 1993; Sabatier 1998)²⁹², which was already applied to discourse and policy paradigm change in Italy by Radaelli (1998). A promising aspect of the advocacy coalition framework that was not highlighted in this work is the emphasis it puts on the interaction of opposing coalitions. This thesis concentrated, instead, on coalition-building and on how this was aided by the EES. In doing so, it brought the level of analysis as deep as possible into the dynamics of national employment policy-making, which, to the author's knowledge, is a significant innovation with respect to the existing literature on the domestic impact of EU 'soft' policy coordination²⁹³.

1.2. The diffusion of the EES' discourse in institutional context?

Having discussed the composition and motivations of the national coalitions advocating the EES discourse, one must now turn to the determinants of their success in diffusing it and, consequently, in influencing policy. Thus it was hypothesised that national institutional and policy-making arrangements can facilitate or hamper discourse diffusion in a number of ways. The fourth hypothesis, in particular, held that *(4) the success of national coalition members in influencing the discourse of their organisations (especially Labour Ministries) depended on the adjustments made to meet the Strategy's reporting obligations and on the extent to which the process became institutionalised*. Beside the resources offered by the coordination process, though, the ease with which new discourses might become diffused and adopted critically depends on factors such as the degree of governmental autonomy from parliament and political parties, the degree of involvement of interest organisations and the degree of centralisation or de-centralisation of the state apparatus. These, indeed, determine the number of actors who have a say in policy-making and implementation and must, therefore, be 'convinced' by a given discourse in order for it to influence policy. Hence, hypothesis 5 posited that *(5) the success of the coalitions advocating the EES discourse in influencing national employment policies is more likely in systems where a limited number of actors have a say over policy-making and implementation*.

As far as hypothesis 4 is concerned, it was noticed how in both countries the requirements of the coordination process caused the adoption of new targets and indicators, the diffusion of a new language and of a new frame of reference. A degree of institution-building was also reported. In France an old informal committee used for OECD-related purposes was re-named (CDSEI, *Comité du Dialogue Social pour les Questions Européennes et Internationales*) and revamped as a forum

²⁹² See Chapter 1.

²⁹³ See Chapter 2.

for discussion with employers and trade unions²⁹⁴. In Italy a new ‘Monitoring Group’ was created in 2000 with the task of developing capabilities for statistical analysis and policy evaluation which the Ministry did not have at the time²⁹⁵. In Italy, again, participation in the drafting of the NAPs contributed to strengthening the position of a group of experts and academics, the best known among whom was probably the late Professor Marco Biagi, who had started working with the Labour Ministry as consultants on international affairs and then, over time, were put in charge of the Ministry’s most prominent initiatives, from the 2001 White Paper on the Labour Market to the 2003 *legge Biagi*²⁹⁶ on the reform of labour market regulation. As a consequence of all this, some remarkable instances of discourse change could be noticed in both countries. The analyses of specific policy areas highlighted by the EES recommendations as in need of reform presented in the last sections of Chapters 4 and 6 showed evidence of the Strategy’s language and indicators in official government initiatives (white papers, social pacts, new legislation), official reports produced by public agencies (such as the reports of the COR and the *Conseil Economique et Social* on active ageing in France), inter-professional agreements (such as the ones on unemployment insurance, lifelong learning and active ageing in France²⁹⁷).

As predicted by hypothesis 5, however, policy change in line with the Strategy proved to be easier in ‘single-actor’ France than in ‘multi-actor’ Italy. Paradoxically, however, by the time the Strategy was launched, French governments could no longer afford to act unilaterally and utterly ignore interest organisations²⁹⁸. The adoption of the EES discourse, instead, was key to get part of the labour movement to agree to some long-debated reforms of unemployment insurance, pre-retirement benefits and the vocational training system. Equally paradoxically, the group of experts and academics that brokered the EES discourse into Italian debates became most influential in a period in which a centre-right government with a large parliamentary majority tried to adopt a more unilateral stance and do away with the consensus of the biggest union confederation (CGIL)²⁹⁹. As the executive sought unilaterally to set the agenda on employment policy, thus, it turned to those with relevant expertise for a blueprint. The intricacies of Italian policy-making, however, made it exceedingly difficult to pass and implement policy in line with the EU discourse. The inability of regional governments, especially in the *Mezzogiorno*, to implement the reform of Public Employment Services meant that the relevant Employment Guidelines (EGs) remain largely unapplied. The opposition of the financial Ministries meant that a reform of *ammortizzatori sociali*

²⁹⁴ See Chapter 4.

²⁹⁵ See Chapter 6.

²⁹⁶ See Chapter 6.

²⁹⁷ See Chapter 4.

²⁹⁸ See Chapter 3.

²⁹⁹ See Chapter 5.

according to principles of conditionality and activation similar to those applied in France through the PARE programme had to be repeatedly postponed³⁰⁰.

Finally, as regards the kinds of impact one expected to observe, it was hypothesised that (6) *the kind of policy impact obtained by the EES depended on the specificity of the relevant guidelines*. Wherever a policy impact could be observed, in fact, it tended to follow this pattern. In the few cases in which the guidelines contained specific policy prescriptions – as was the case with EGs 1 and 2 of the ‘original’ EES – one could discern an impact on the design of the instruments and settings of national policy. The French programme *Nouveau Départ* described in Chapter 4 is one such case, as are the 2000 and 2002 decrees on employment services in Italy discussed in Chapter 6. By contrast, when the guidelines only set broad targets to be reached while leaving it to the member states to determine the means, the impact on national policy was noticeable only at the level of goals and ambitions. This, for instance, was the case for the reform of pre-retirement benefits in France, where the EU employment rate targets had the effect of drawing the attention of policy-makers to the issue of the employment of older workers, but the specific measures that were discussed clearly belonged to the French tradition³⁰¹. In all the cases in which a policy impact could be detected, though, this could be said to be significant. The instances of policy change, whether real or just attempted, that were discussed in Chapters 4 and 6 entailed significant budgetary commitments (see the PARE programme and the *Plan Seniors* in France) and the renunciation of old and entrenched habits, such as the reliance of French firms and unions on pre-retirement as a tool of human resource management. None of these touches upon the traditional ‘core’ of labour market regulation, that is, the rules governing hiring and firing. Yet that is because the EES always shied away from encroaching upon these issues, which were probably thought to be too politically sensitive not to be left to the discretion of national governments.

2. What the European Employment Strategy can do: coalition-building and discursive power

The findings of the research presented by this thesis offered a somewhat different perspective on the domestic impact of the EES from that of most existing studies. The early optimistic accounts produced by the governance literature and discussed in Chapter 2 failed to provide convincing evidence that learning and convergence processes were actually occurring. They were thus soon replaced by accounts stressing the futility of soft coordination (Chalmers and Lodge 2003), its opaqueness and lack of transparency (Radaelli 2003b; De La Porte and Nanz 2004) and even the sheer danger its diffusion represented for the development of EU law (Scott and Trubek 2002). This

³⁰⁰ See Chapter 6.

³⁰¹ See Chapter 4.

thesis, conversely, reached the conclusion that the EES is not entirely futile. Its findings constitute evidence of the fact that, notwithstanding its limits, there are a number of things that the EES can indeed do. The reason for such a more positive view is that the empirical focus and research method adopted by this work, on the one hand, and the theoretical approach chosen, blending elements of discourse theory with the literatures on agenda-setting and historical institutionalism, on the other hand, shed new light on the national processes through which the EES was advocated and diffused. Focusing exclusively on policy outcomes, thus seeking evidence of national compliance with EU demands, was never thought to be appropriate to study the impact of non-binding instruments like guidelines and recommendations. This last section elaborates, in turn, on the implications of this thesis' research focus and of the theoretical approach it adopted.

As far as research focus and methods are concerned, while the greatest part of previous studies on the EES concentrated on its governance at the EU-level (see Goetschy 1999, 2000, 2001, 2003; Scott and Trubek 2002; Trubek and Mosher 2003; Cohen and Sabel 2003), this thesis looked almost exclusively at the dynamics of employment policy-making in two member states. What is more, instead of focusing primarily on policy outcomes, the national case studies investigated the processes of decision and debate through which those outcomes were produced. The adoption of the mix of methods – from personal interviews to content analysis of official documents, press materials and academic publications – that goes under the name of process-tracing³⁰² aimed to uncover the role played by the EES discourse in decision-makers' strategies and beliefs. In so doing, this work followed the advice of Radaelli (2003a) and Olsen (2002), who suggested that researchers studying the domestic impact of EU policies should be less interested in observing end-states or final outcomes and more in analysing processes and the coexistence of different kinds of developments both at the EU and at the national level. With this in mind, this work embraced the notion of multi-causality: none of the policy changes discussed in the empirical chapters was presented as solely (or even mainly in some cases) the product of EES influence. Great emphasis was put on identifying the different levels at which the impact of the guidelines could be observed (specific policy provisions, overall goals and targets). Also, rather than presenting the adoption of the EES discourse as a sort of conversion on the road to Damascus, the case studies paid a great deal of attention to explaining the reasons why national actors decided to take it up. Even though instances of learning have been highlighted whenever evidence of them could be found, these reasons had more often to do with contextual domestic political developments and with the strategies of national coalition members³⁰³.

³⁰² See the Introduction.

³⁰³ See above.

The theoretical approach chosen by this thesis upholds these methodological choices. The EES is conceived of as an attempt on the part of the EU to set the employment policy agenda in the member states by providing a comprehensive legitimising discourse. In this sense, it bears some resemblance to some previous accounts (see Radaelli 2003b; Jacobsson 2004). Yet the present work took a step further with respect to existing studies. It investigated the interactive processes through which the EES discourse was advocated and diffused nationally and took into account the role of domestic institutions as barriers or facilitators. In doing so, this thesis paid heed to the studies of Europeanisation that theorised on the ways in which domestic institutions may act as filters of European stimuli (see Börzel 1999; Green Cowles *et al.* 2001; Börzel and Risse 2003), but went beyond the notion of institutional ‘fit’³⁰⁴ by discussing cases of evident ‘misfit’ which produced, nonetheless, widely diverging outcomes. The focus on the role of national actor coalitions in advocating EU models and discourses also proceeded from the insights of Europeanisation studies, especially as they speculated on the role of domestic ‘mediating factors’ (see Börzel and Risse 2003). Yet, as discussed in Chapter 1, the Europeanisation literature remained remarkably indeterminate as regards the patterns of interaction through which EU influence is felt at the national level. This thesis, by contrast, sought to offer an articulate set of hypotheses which detailed the variables determining the composition, logic of action, resources and success of the relevant actor coalitions.

Such a focus on agency also emphasised the eminently political nature of the processes of national adaptation to EU-level initiatives. This is apparent in the case of the EES guidelines and recommendations, which entail no legal obligation for the member states. Yet, as implied by the results of recent research on the transposition of directives, even compliance with EU law is ultimately a matter of state choice (Haas 1998). The findings of the large-scale study conducted by Falkner *et al.* (2005, 2007), discussed in Chapter 1, confirm the importance of political variables in explaining national patterns of compliance. In other words, member states are most likely to comply with EU legislation if they deem it appropriate or if they think it is in their interest. This suggests, first, that in order to adopt EU-produced rules and norms, whether binding or non-binding, member states must ‘believe’ in them. Second, although formally different, the processes of political choice through which member states deal with EU law, on the one hand, and non-binding instruments like guidelines and recommendations, on the other, are analytically remarkably similar.

Based on the above, this thesis’ research contributes to un-packing the processes through which states come to believe in the appropriateness of EU policies and decide to adopt them. Its findings, in short, point to two kinds of conditions: the presence of supporting actor coalitions and

³⁰⁴ See Chapter 1.

an institutional and policy-making set-up that is conducive to policy change rather than inertia. A further conclusion the thesis findings suggest is that the value-added of open coordination, at least in its most structured version (the EES), is that it can promote the occurrence of the first broad condition (coalition-building). The EES, in other words, may foster the formation of domestic coalitions and provide them with resources to diffuse its discourse.

This has to do, first and foremost, with the role of discourse and policy ideas in configuring and re-configuring coalitions and creating new possibilities for action. As pointed out by Hall (1989), there is indeed a complex relationship between ideas and the material reality. It is immediately evident that a given policy discourse cannot get to inform policy unless it is adopted by actors in a position to influence decision-making. However, ideas and discourse have a force of their own and cannot be reduced to mere rhetorical instruments used to justify a given set of material circumstances. Ideas and discourse are not, as argued by Moravcsik (Checkel and Moravcsik 2001), just 'epiphenomenal': they do not simply reflect group interests and preferences, but can re-define perceptions and definitions of the material reality. This is especially true when one considers the fact that, as pointed out in Chapter 1, conditions of uncertainty and ambiguity are widespread in collective choice situations. New discourses, therefore, may provide the catalyst for the creation of new coalitions and provide them with a blueprint for action.

Given the above, the value-added of the EES lies in what one may call its structuring and institutionalising effects. The Strategy, although broadly based on an international employment policy consensus that was also embraced by the OECD, built its own EU-specific version of it that could be acceptable to all member states and declined it into pillars, guidelines, recommendations, targets and indicators. In turn, the cyclical nature of the coordination process, the reporting duties and peer review sessions it entailed, institutionalised the use of the Strategy's discourse among the participants. The fact that the EES turned out to be a closed, bureaucratic process involving a relatively small number of experts and civil servants, in this sense, does not matter too much. The case studies show that, even so, narrow advocacy coalitions of influential domestic actors formed. It should be clarified once more, at this point, that this thesis does not look at processes of socialisation or social learning of the kind which researchers like Jacobsson (2004) and Nedergaard (2005) talk about³⁰⁵. Where and how coalition members' beliefs were formed is not of interest here. The available evidence points to the fact that these were already broadly in line with the Strategy's indications before it was even launched³⁰⁶. What this work tried to show, instead, is that participation in the EES coordination process had the effect of bringing like-minded actors together and strengthening their position and influence within their organisations.

³⁰⁵ See Chapter 2.

³⁰⁶ See Chapters 4 and 6.

The identity of coalition members inspires a final set of considerations. Given the technocratic nature of the process and the scarce diffusion of information thereon, it is hardly surprising that the relevant national coalitions were composed exclusively of experts and civil servants unknown to the wider public. Since the EES discourse did not travel much beyond these restricted ministerial circles, it was argued, it only managed to have an influence when the responsibility for policy decisions and implementation stayed with a limited number of actors at the central level³⁰⁷. These actors' influence, however, went beyond specific policy applications. They remained in place as different governments succeeded one another, which, as indicated by the empirical chapters, goes a long way to explaining why the same issues were discussed again and again in spite of the relative political instability of the 1990s and early 2000s. This is particularly evident in the Italian case, where the identity of the experts and consultants who drafted the main pieces of labour market legislation in the years of the centre-left (1996-2001) was surprisingly similar to that of those who participated in the major initiatives of the Berlusconi years (2001-2006). By setting the terms of the debate and ensuring continuity in policy discourse, these actors exercised a subtle form of power, a sheer 'discursive power'. They defined the problems to be addressed and identified the range of alternatives among which decision-makers could choose³⁰⁸. Since the EES discourse, as was argued here, entered domestic debates via the intermediation of these actors, then this discursive power was also exercised, albeit indirectly, by the EU. It is thus that the convergence in national employment policy debates, which was mentioned by the European Commission (2002) as the most easily traceable domestic impact of the EES³⁰⁹, can finally be explained.

Conclusion

This thesis investigated the processes through which policy discourses promoted by one level of governance (the EU) become advocated and diffused in another (the member states). It identified a number of conditions under which discourse diffusion is most likely to succeed. This conclusion summed up the results of the national case studies presented in Chapters 3 to 6. It was found that narrow coalitions of national actors advocating the EES discourse emerged around the different stages of the coordination process. Their composition, strategies and degree of success in influencing policy all depended on specific features of national systems of employment policy-making. In particular, coalition success was greater in systems like France where only a restricted

³⁰⁷ See Chapters 4 and 6.

³⁰⁸ See Chapter 1.

³⁰⁹ See Chapter 2.

number of actors at the central level have a say over policy-making. By contrast, in Italy, where policy-making involves a wider range of actors and different levels of government, discourse diffusion proved more difficult. Whenever a policy impact could be observed, this entailed significant budgetary commitments and the reversal of established habits. Yet in both countries, given the vagueness of the guidelines, substantive impacts could generally be observed on policy goals and ambitions, and only rarely on the design of specific policy provisions.

The key contention made by this Conclusion is that the thesis' findings offered a more nuanced view of the potential of EU-level coordination to set the agenda of national employment policies than that provided by existing studies. This was due, on the one hand, to the empirical focus and research method that were adopted. Rather than focusing on policy outcomes, which are virtually impossible to trace back to a single source of inspiration, the empirical research conducted for this work looked into the processes of decision and debate that led to select policy initiatives. This was meant to find out whether non-binding EU guidelines were taken into account by national policy-makers as well as whether these provided them with additional arguments and resources. Moreover, evidence of EES influence was never presented in a top-down fashion, as a necessary national reaction to an EU demand. Rather, policy developments were shown to be at least in part the product of contextual national political developments.

On the other hand, in keeping with these choices of focus and method, the theoretical approach adopted, mixing elements of discourse theory, agenda-setting and historical institutionalism, concentrated on the role of domestic agency in advocating and diffusing EU models and discourses and of different national institutional settings as filters or facilitators. It was suggested in this Conclusion that these propositions can have a more general applicability since, as shown by recent research (Haas 1998; Falkner *et al.* 2005, 2007), even national adaptation to EU legislation is ultimately a matter of political choice. It was contended, in addition, that the thesis findings lead to the conclusion that the value-added of open coordination, at least as organised by the EES, through what has been called its 'structuring' and 'institutionalising' effect, may lie in assisting the creation of national coalitions of like-minded actors. Given the technocratic and non-public nature of the process, it is scarcely surprising that these coalitions were composed exclusively of experts and bureaucrats operating within restricted ministerial circles. Nevertheless, since these kinds of actors tended to stay in place as governments changed, they managed to ensure a remarkable degree of continuity in policy discourse, thereby exercising a subtle but effective form of power over policy-making.

This thesis, in sum, sought to provide a novel way of studying and theorising the national impact of forms of European integration not based on legislation. It tried to investigate the role open

coordination can play in national systems of policy-making and, in particular, its effectiveness in creating the domestic political and institutional conditions which are most likely to allow the diffusion and adoption of EU models and discourses. Achieving a better understanding of these dynamics is all the more necessary given the increasingly narrow scope for the expansion of EU legislation and the application of forms of open coordination in a growing number of sectors of EU activity³¹⁰. Further research should aim to refine this thesis' theoretical contributions by providing more in-depth national case studies. Also, a similar approach should be applied to studying national reactions to the Lisbon Strategy's reformed governance framework turning around the integrated guidelines for growth and jobs. Be that as it may, this should altogether significantly improve our understanding of the dynamics of economic and social policy-making in the complex, multi-layered system of governance that rules the European continent in the twenty-first century.

³¹⁰ See Chapter 2.

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