

The European Employment Strategy, Macroeconomic Policies,
Institutional Regimes, and Transitional Labour Markets

B. Gazier* and A. Lechevalier**

February 2006
ISSN Nr. 15.72.3380-028

*Université Paris I, MATISSE

**University Paris I, MATISSE and Marc Bloch Centre, Berlin)

CITATION:

B. Gazier and A. Lechevalier

The European Employment Strategy, Macroeconomic Policies, Institutional Regimes, and Transitional Labour Markets

TLM.NET 2005 Working Papers No. 2006-28

Amsterdam: SISWO/Social Policy Research

CONTACTINFORMATION:

TLM.NET co-ordinator:
SISWO/Social Policy Research
Plantage Muidersgracht 4
1018 TV Amsterdam
The Netherlands
T +31 20 527 0600
F +31 20 622 9430
E heuvel@siswo.uva.nl

Authors:
gazier@univ-paris1.fr

THE TLM.NET THEMATIC NETWORK:

The TLM.NET papers are published by the 'Managing Social Risks through Transitional Labour Markets' (acronym TLM.NET) thematic network. This network is funded by the Fifth Framework Programme of the European Commission and brings together scientists on the cutting-edge of labour market and social policy research. The author is solely responsible. The TLM.NET Working Paper series do not necessarily represent the opinion of the European Community, and the Community is not responsible for any use that might be made of the data in the paper. For more information on the network's programme and activities, visit the website www.siswo.uva.nl/tlm

1. Introduction

European integration in the field of social and employment policies has recently accelerated and become more complex. The European Employment Strategy (EES), based on the open method of co-ordination (OMC), was introduced in 1997. In 2002, the initiative was extended to include the war on poverty and social isolation. Member states are now expected to adopt a “National Plan for Social Inclusion” as well as a “National Action Plan for Employment”, to be submitted for peer evaluation. Retirement policies have also been targeted by this “soft” co-ordination effort. Employment policies are envisaged to grow and be integrated into a common, multi-annual agenda without, however, abandoning the subsidiary principle according to which each member state remains in control of its own policies, and only final or intermediate results of these policies are evaluated.

The following contribution is meant to add to the on-going debate surrounding the long-term effects of developments in European social and employment policy. This will be accomplished by clarifying how it is possible to refer oneself to one or several “social models”, either current or still under construction in Europe. Many critiques have pointed out that, in the absence of mandatory or voluntary policies, the simple calibration of performance in the various social fields concerned is no more than wishful thinking, despite common trends to liberalise welfare models.

This global diagnosis of a worldwide trend towards liberalisation calls for a discussion on two different levels, both of which should be highlighted. The first remains positive and addresses the reasons of the evolutionary processes. First and foremost, the diagnosis must be precise and specific and analyse the macroeconomic and institutional channels of these economic tendencies and pressures. The appraisal must draw attention to important national nuances, by taking into account the great diversity of national situations and trajectories, as well as the existence of various national systems of social and employment protection. In order to avoid simplification or even neglect of national institutional dynamics or, conversely, an underestimation of the macroeconomic processes, a simultaneous examination of two sets of parameters (macroeconomic and institutional) is necessary. This implies certain methodological considerations by asking how to combine macroeconomic and socio-institutional perspectives without causing the study of the complex benefits of one perspective to lead to a caricature of the benefits of the other.

On a *normative* level (i.e. discussing, not what exists, but what should exist) it could be questioned whether the ongoing strengthening of European co-ordination in the social field does progressively modify the perception of the goals and priorities of the original statements of 1997. It leads to an investigation of the diversity of actual European experiences and of other European social model(s) that are currently pursued. To understand these complexities, we have to place ourselves at the level of the basic agreements present in a given society, the “social pact” itself, while keeping in mind the requirements for reform of the labour market and welfare systems in the context of a “knowledge-based society”. Two options can be delineated: the first seeks to “prepare people for the market” and corresponds to a rationalisation of dominant neo-liberal

tendencies, whereas the second views reforms as part of a far-reaching collective project that seeks to “prepare the market for people”. The second option extends and systematises projects on “Transitional Labour Markets” (Schmid 1995; Schmid and Gazier (eds.) 2002; Gazier 2003) and “social drawing rights” (Supiot (ed.) 1999/2001). It has to be said that the opportunities and conditions of these two options have not yet been comprehensively evaluated.

This paper is organised into two sections. The former considers the nature of the constraints that frame the European Employment Strategy from two perspectives: one that focuses on macroeconomic factors, and the other which evaluates the diversity and resilience of various National Welfare and Employment Systems (NWES) (section 1). The latter reflects on the notion of a liberal model and a renewed social-democratic model, and contrasts both models at the European level with respect to the various NWESs at member state level (section 2).

2. THE EUROPEAN EMPLOYMENT STRATEGY: BETWEEN COMMON ECONOMIC CONSTRAINTS AND NATIONAL DIVERSITY

The European Employment Strategy collides with at least two issues that restrain its design, content, and application. The first issue is related to the current logic behind macroeconomic regulation in the Euro zone, which seeks to promote growth by privileging structural reforms of labour markets. The second issue is related to the diversity of National Welfare and Employment Systems (NWES) with regard to institutions, crisis factors, and the policies that are used to solve crises more generally. Despite the inherent resilience of NWESs to harmonization, due to their embeddedness in “welfare regimes”, we can witness a partial convergence among EU countries. This convergence or integration, which the European Employment Strategy (EES) selectively tries to promote, is mainly noticeable in a trend towards “recommodification” of social protection, specifically in relation to the link between social protection and employment.

2.1 European macroeconomic constraints and competition between national labour markets

Since the Treaty of Rome, European integration has been marred by a split between its economic and social objectives. While at the European level there is an attempt to create a competitive common market for goods and services, member states retain their control over social policies. This schism appears especially problematic in the case of employment policies, which cross these two areas levels (Freyssinet 2004). As a result, a segmented vision of the employment issue has emerged, which is marked by expectations of benefits following from the increasing merger of markets and by limiting direct intervention to creating conditions necessary for this integration (free movement, fight against discrimination). From this perspective, the Amsterdam Treaty and the Luxembourg process constituted a rupture, because they simultaneously introduced a judicial base and methods for co-ordinating employment policies on a European scale.

There is an increasing pressure exerted by BEPGs on the EES within the context of poor performances in growth and employment within the euro zone, notably in the case of the largest countries, which contradict the objectives set forth in Lisbon. Economic governance of the Euro zone rests on three constitutional elements that derive from the so-called “Brussels-Frankfurt-Washington” consensus: macroeconomic policies should focus on stability, structural reforms should focus on increasing the ability to compete successfully, and there should be no *trade-off* between present and future growth. (Fitoussi and Saraceno 2004; Le Cacheux and Sterdyniak 2003). In this perspective, the reform of labour markets, in conjunction with that of goods and services, plays a crucial role in adjusting the economic and institutional structure currently dominant in the EU, which logically constrains the EES.

The Euro zone deprives concerned member States of handling monetary parities, and of course raises the question of concurrent adjustment modalities. The optimal monetary zone approach – which in general questions the relevance of the European framework – assumes that the flexibility of the labour market serves as a substitute adjustment mechanism for the flexibility of rates in case of asymmetric shock. Since labour mobility is considered poor in Europe according to this US-inspired view, adjustment through price variations and relative costs on the labour market is considered the optimal alternative. This logic is widely accepted despite the limited capacity of the European labour market to absorb asymmetrical macroeconomic shocks (i.e. rapid economic changes such as an inflation outburst or a fall in aggregate demand, affecting one nation but not others). It also can be criticised by remarking that labour market adjustments are not tied univocally to existing institutions and adopted regulations (Mazier et al. 2002). In the European context, the call for “structural reforms” and “flexibilisation” leads to the promotion of non-cooperative strategies between the national socio-fiscal and labour allocation areas.

Two paths that have evolved can only be briefly mentioned here: the former relating to increased tax competition and the latter recognises a growing convergence in co-ordinated wage restraint. The first is highlighted in the evolution of tax policies that focus on easing the fiscal burden on the most mobile factors (capital and highly skilled work). However, in order to compensate for the subsequent rises in the level of taxation of labour, policies tend to focus on decreasing social contributions of the unskilled labour force, which is in accordance with recommendations repeatedly put forward by the European Commission.

At the same time, due to the fact that macroeconomic dialogue at the European level has remained rudimentary, there has been an increase in co-ordinated wage negotiations at national level. This can be shown by coverage rates of collective agreements or by the reduction of the gap between actual wages and negotiated wages (wage-drift), although the mode of co-ordination varies depending on national constellations. Evidence also indicates that homogeneity in terms of slower growth rates of wages and labour costs has increased. These co-ordination efforts have led to partial convergence of actual wages and in general to moderation of salary claims.

2.2 European strategy for employment and the diversity of national systems of social and employment protection: which dynamics?

The design and implementation of the EES is not only constrained by the economic and institutional framework in which it is ensconced on a European scale; it also has to cope with the diversity of National Welfare and Employment Systems (NWES).

The notion of a social welfare system refers to stable institutional arrangements. To paraphrase Esping-Andersen, author of the famous *Three Worlds of Welfare Capitalism*, the level of decommodification in social policy¹, the class structure, and the public-private ratio in the supply of social goods constitute three major dimensions of comparison. On the basis of these three criteria and associated indicators, Esping-Andersen distinguishes between liberal, corporatist, and social-democratic welfare regimes. In comparing the regimes he operates with three types of factors: the nature of class mobilisation; the structure of the political class coalition; and the institutional heritage of the regime. Following and furthering his work (Esping-Andersen 1990, chap. 6) we can enlarge the notion of social welfare systems by including another source of societal differences: specific employment systems. The following table represents a synthesis of the major characteristics of National Welfare and Employment Systems (NWES), their components as well as crisis factors and the “path-dependent” responses they offer:

¹ The idea of « decommodification » refers to a collective process of limiting the area of private market adjustments, by delivering numerous public services financed by taxation. Childcare organised by municipalities is a key example of such a process.

Table 1. National Welfare and Employment Systems (NWES) in the EU

Social Welfare Systems			
	Bismarckian Model ("corporatist")	Universalist Model	Liberal Model
Countries concerned	Germany, Austria, Belgium, Netherlands, Southern Europe (with specifics)	Denmark, Finland, Sweden, Norway	United Kingdom, Ireland
Key persons' abilities	Industrial oriented (productive efficiency)	Strongly civic oriented	Market oriented; residual civic orientation
Social Welfare Objectives	Insurance against wage loss (or loss of the capacity to earn a wage)	Redistribution as insurance (contingent on specified constraints)	Avoidance of poverty and unemployment
Functioning principle	Contribution	Universality	Selectivity
Rules for resources allocation (degree of stratification)	Status, employment (strong)	Citizenship, residency (weak)	Need, poverty (weak)
Degree of "decommodification"	Medium-strong	Strong	Weak
Principle of distribution	Proportional (principle of relative equivalence)	Contractual	Dependent on resources
Financing	Contributions	Taxes and contributions	Taxes
Management	Social partnerships	Decentralised government	Centralised government
Employment Systems			
Degree of centralisation	Medium	High (decreasing)	Low
Co-ordination	Medium	High	Low
Wage determination	Collective agreement (branch)	Collective agreement	Enterprise (Ireland: social pact)
Level of unionisation	Medium	High	Low
Unemployment compensation	Medium-High	High	Low
Tax-wedges (difference between wage costs and earned wages)	High	High	Low
Work-Family Relations			

Family “convention”²	Domestic/industrial compromise	Domestic/civic compromise	Domestic/market-oriented compromise
Building principles	“Male bread-winner” and derived rights	Jobs for all	Fight against poverty/ welfare to work
Crisis Factors and “path dependent” responses			
Crisis Factors	Strong pressure on the NWES. Labour cost, importance of labour market withdrawal mechanisms, social exclusion, limited access for women	Moderate pressure. International opening (socio-economic concurrence, mobility of the capital), size of the public sector, and global costs of the system	Moderate pressure. Efficiency and global costs, “Culture of dependence” (households without income, low activity among single mothers), and disincentives to work
Responses: social protection/ employment	Reduction of the tax-wedges and of the cost of unskilled work, <i>recalibration</i> ³ , and demands of counterparts from beneficiaries	Fiscal system reform, generalised reduction in levels of financial assistance (<i>cost containment</i>), rationalisation	“ <i>Recommodification</i> ” targeting and negative income tax rules, welfare to work
Responses: the labour market	Greater co-ordination (“social pact”), “salary moderation”, reduced job protection, and development of part-time work (women)	Development of personal services, reduced job protection, active employment policies	Increased flexibility in labour market and in salary adjustments, opening of the salary hierarchy, low-skilled jobs in services

NWES respond to various crises and reforms in ways specific to their institutional configurations. Furthermore, they are in crisis because they face a multitude of challenges, some common to all (e.g. entering the post-industrial society, globalisation, transformation of family structures and ageing), others specific to each system. There are a number of political and institutional factors within the framework of each system that constrain or frustrate the progress of reforms. The systems have been resilient due to the phenomena of “path dependence” as a result of inherited policies and institutions. NWES, depending on the regime type from which they originate, give rise to different reform agendas, which are in turn shaped by political coalitions and contrasting reform dynamics (i.e. “recommodification”, cost control, recalibration – see table). In accordance with Esping-Andersen’s thesis, the comparative studies show that large social welfare systems are not only characterised by crises but also by reform efforts specific to their regime type.

The theoretical approach of Esping-Andersen has encountered strong criticisms. In the following, two of these criticisms shall be discussed in some detail. Firstly, the idea of decommodification, which is the central feature in Esping-Andersen’s conceptualisation of

² The concept of “convention” as used here has been elaborated by Boltanski and Thévenot (1989) and refers to different sets of moral and political principles organising different “worlds” or “cities”.

³ Recalibration refers to important changes in the levies and the transfers rights, changes affecting some groups; cost containment to an equally distributed limitation of transfers, while “recommodification” refers to an extension of the area of market adjustments.

welfare regimes is problematic in many ways. It leads to a uni-dimensional definition of social rights, whilst ignoring the complexity and dynamics of the institutional arrangements faced by the NWES. Furthermore, it underestimates distributive and conflictual aspects (Rieger 1998) and is based on a reductionist dichotomy of the state and the market. Esping-Andersen seems to envisage a mere substitute for market relationships. A richer perspective, in the Polanyian tradition (Offe 2003), is based on the idea of a statutory order as a precondition of contracts and transactions. This way of thinking suggests to distinguish between different degrees of collective intervention, and most importantly enables to consider a variety of joint functionings of a controlled market and the collective protective measures that surround it.

The second question relates to institutional change, its concrete forms, and its internal and external sources on which Esping-Andersen is hardly explicit, as he is constrained by his ideal-type models. We can however re-examine the logic of his concept in terms of path dependence (Borschert 1998). The neo-institutionalist studies that build on his concept use the approach in terms of institutional veto or different versions in a more-or-less flexible fashion arguing with dependence relating to path. In general they underestimate the degree to which existing institutional arrangements are called into question (Merrien 2002). However, approaches can be distinguished with respect to factors that are directly related to change (Ebbinghaus 2005).

Table 2. Principles and factors of institutional change

	Utilitarian Paradigm	Political Institutionalism	Functionalist Theory	Cultural Institutionalism
Principle of institutional inertia (actor-institution relations)	Problem of coordination between individuals (collective action)	Political conflicts of interest (actor-institutions interactions)	Complementary nature between institutional forms	Normative functions of institutions (toward actors)
Factors of institutional change	Effects of learning, decreasing economy of scales	Shift in power relations and appearance of new interest groups	Endogenous weakening of complementary aspects, or external shock	Delegitimisation of norms and paradigm shifts

Source: Ebbinghaus 2005.

In a context where “globalisation renews the sources of institutional change as well as the level of co-ordination” (Boyer 2004, p.185; co-ordination referring here to economic as well as political coordination) two main factors of institutional change can be highlighted: “hybridisation” and “political change”. Hybridisation can be defined as the result of confrontation of national institutional sets at the international level that occurs during attempts to implement institutional schemes, which seem efficient in one country, in other national contexts. The export of institutions can never be an imitation because it takes place within national frameworks with specific institutional complementarities. From this point

of view, the European Employment Strategy creates an arena of harmonisation of cognitive processes and representations. It helps to rationalise “selective hybridisation” which gives rise to interaction between countries and between the European level and national policies.

The second factor of institutional change relates to the role of politics, supported by statutory law and case law. Whilst establishing institutional rules and forms, politics attempts to codify fundamental social relationships, particularly through rules of distribution. In time of crisis, politics can also renew the hierarchy of “institutionalised compromises” through the definition of new rules of the game (Amable 2005). The European Union has encountered many conflicts in relation to the distribution of responsibilities across levels of government, recently highlighted by the differences over the draft constitutional treaty. This seems still a largely unexplored field of research (Beaud et al. 2004).

By studying the policies which govern the NWES it is possible to emphasize certain tendencies that are common to EU countries, such as a reduction in coverage of public transfers, a reinforcement of the equivalency principle between contribution and benefits (within public systems or by reducing their reach), the restrictions that are imposed by the compensatory systems, and the ways in which appropriate employment is defined and the conditions under which it is accepted (Lechevalier 2003). At the same time, due to the increase in the number of beneficiaries of minimal social benefits and of the working poor, the theme of “poverty traps” has gained importance. In response, an active employment strategy has been developed, with more stringent qualifying conditions for social welfare benefits, some “motivating” mechanisms, and different income tax credit plans aimed at modest-income households and/or at family-related expenses. However, these common tendencies must be considered in light of the resilience factors of NWESs that affect how they are defined and if they are implemented in systematic or specific ways.

How can we understand the role of the EU and the EES in this respect? The “federal pact” which prevails in Europe already plays a regulatory role. As we have seen, two factors are determinant in its present configuration: first, the prevalence of a certain asymmetry between the policies that create the market on a European scale, and those that regulate it and remain essentially in the realm of national jurisdiction; second, the (non) driving macroeconomic methods, which exert pressure on salary income and tax structures, and thus on certain central aspects of national work allocation areas. We should not overestimate the role played by the EES in this context, which merely fosters interaction between selection and hierarchisation of objectives at the European level and national employment policies. Nevertheless, the EES plays a significant role in the process of developing priorities and formulating the agenda for implementing policies. By using the “political change” and “hybridisation” perspectives, the EES can be understood to play a “selectively amplifying role for national reform strategies” (Visser 2004) through “recommodification” of links between social protection systems and employment in the politico-institutional context shaped by the treaties of Maastricht and Nice.

3. WHICH SOCIAL MODEL FOR EUROPE?

The preceding section has emphasised flexibility and constraint factors that affect the building of a social Europe. It also stressed the necessity to make explicit underlying assumptions, both macro-economic and politico-institutional, on which it is founded. In this context, the normative issue of identifying a European social model that should be promoted (or one of the many from which we should choose) becomes relevant. In this second section, our analysis will proceed in three steps. First we will briefly distinguish a liberal from a renewed social-democratic welfare-state reform model. We will then specify their respective content in the context of European strategies for employment and social inclusion, and finally examine dynamics of National Welfare and Employment Systems in order to examine which types of European social projects they imply.

3.1 “Asset-Based Welfare” versus “Transitional Labour Markets”

The early 1990s witnessed a number of new socio-political assessments of welfare policies labelled “social liberalism”, the “third way”, or “asset-based welfare” (see Giddens 1998, 2000 and 2001, and Myles & Quadagno 2000). These diagnoses and propositions argue that the existing welfare systems do not leave adequate room for individual responsibility and initiative. However, the adjustments required according to these approaches should not constitute a simple return to the discipline exercised by the market, as promoted by the neo-liberals. They call for a new form of public intervention that combines the traditional functions of redistribution and control with the new role of the state as and investor making “social investments”. The state should offer extensive access to employment opportunities through professional training. It should no longer compensate for the effects of inequality or poverty, but rather invest in human capital, thereby enabling individuals, through the use of their skills and abilities, to become responsible for their own career path. These approaches promote policies of “social drawing rights” and “individual learning accounts” to which every citizen is entitled. Furthermore, a collective mission is advocated of developing and normalising professional certificates, maximising the transferability of professional skills in cases where individuals have not achieved national diplomas.

What emerges from these new policies is a model of “asset-based welfare” which replaces existing social protection systems with a notion of “welfare” based on the granting of ‘new’ rights that will be assets usable at every stage of one’s life. The goal is to “prepare people for the market”. The new typical employee is no longer a “Fordist” worker, but a professional equipped with a portfolio of multiple evolving skills. They enable them to switch careers or reinvent themselves by making the best of changing conditions as a result of success or failure of companies. Paul Osterman (1999, p.185) has characterised this model ironically as a type of “pack your own parachute” strategy.

However, it should be emphasised that from the perspective of successful labour market policies it is only necessary, but not sufficient to “prepare people for the market”. Thus these initiatives have to be complemented by policies that “prepare the market for the

people”. These policies are advocated by the approach known as “transitional labour market” (TLM) and its recent developments.

The initial formulation of the TLM approach (Schmid, 1995a and b; Schmid & Auer, 1997) focused on a systematic account of movements in and around the labour market. “Transitions” were defined as any departure from full-time employment, and the standpoint is that it could be collectively advantageous to organise them as a whole. The goal is not only to return the initiative in career management to the employees, by giving them additional rights, but to collectively organise the implementation of these rights. The well-known example of the Danish-style leave scheme is a good illustration of such policy: it consists of a large-scale employment-sharing device, which creates for the unemployed opportunities to return to work by replacing employees who are on leave.

The system was abandoned by the end of the 1990’s in Denmark because of a remarkable improvement in the employment situation but also because the linking of leave time-slots with replacements proved too complex. Nevertheless, Denmark continued to develop strong active labour market policies, which have resulted in 10% of workers going through annual training programs and reclassification. It proves the central point that all transitions are linked and their regulation requires large-scale planning and the involvement of collective actors.

So this first formulation advocated a radical reform of labour market policies reintegrating them into a wider set of “social drawing rights”. However, subsequent TLM studies have included employment trajectories within enterprises. The rights granted to workers are intended to give them autonomous management of the risks and opportunities that one is faced with when working within a “knowledge- based society”. Thus, salary relations inside firms also seem fit to be reformed (see Gazier & Schmid, 2001, and Gazier, 2003 and 2004). It is suggested that the predominant role of financial considerations in the running of companies should be re-balanced in order to the benefit workers. Instruments, such as income insurance and time-saving accounts, which complement the mobility rights outlined above, are central for this reorientation.

These reforms of employment and salary policies indicate a reconfiguration of social relations not captured by the liberal model. The development of an “activating” employment policy as proposed by the TLM concept is not limited to improving market fluidity or concentrating efforts on training and on the control of living conditions of early children. Instead the aim is to create a rich variety of sophisticated and tailored services, with stable and well-developed infrastructures, that allow the development of professional as well as family and personal plans. Included are new institutional arrangements of training and social activities that enable collaboration of many actors in defining and implementing new opportunities. Finally, in accordance with the perspective outlined by Alain Supiot, the concrete application of social drawing rights grants individuals access to a series of human rights related to work. In short, measures that are designed to guarantee employment stability should be transferred from the job to the employee. In this sense TLMs constitute the core of a renewed model of social democracy.

3.2 Policies and Scenarios of a Social Europe

It is easy to see that the dividing line traced above, generally reiterates the separation of the liberal Anglo-Saxon type on the one hand, and those of the Nordic or continental type on the other. It also suggests that this divide is relevant when one tries to go beyond the existing arrangements and looks for new projects. However, the symmetry between the social models can be questioned.

To a certain extent recommendations of the liberal model converge with those of the European Employment Strategy. The EES adds to European integration the integration of labour markets and its aim is explicitly to “adapt people to the market”. For example, the first of the four “pillars” set forth by the EES during the Luxembourg Summit of 1997 concerned employability. Its recommendations, although they were many in number, are copied from Tony Blair’s main innovative labour market policy programme, the “New Deal”. However, despite these liberal leanings the EES consists first and foremost of policies that affect labour supply, thereby using as given the conditions of labour demand originating from companies.

However, things are far from being simple. First, there are numerous interpretations of the EES, and many observers have noted that this ambiguity renders it acceptable by a large number of countries with different employment policies, although hampering its efficiency. Second, we witness a paradox. On the one hand, as identified in the first section of the paper, there is pressure on a European scale in favour of “recommodification”, stemming from national adaptations in response to the Broad Economic Policy Guidelines (BEPGs). On the other hand, many proclamations and political projects that are in favour of a liberal model have encountered vivid political opposition within continental Europe, and have not led to their legitimation.

In contrast to the contested alignment of the liberal with the European social model, the normative links between the TLM model and European social policy are more challenging. TLM policies enjoy only ambivalent support from political actors. They demand (a) a strong reorientation of the EES, as well as (b) an ambitious federal perspective on integration.

a) TLM research is international in nature and its recommendations naturally aim at influencing developments at European-wide level in the areas of labour market policies (Schmid 2002) as well as industrial relations and collective bargaining (Gazier & Schmid 2001). The TLM perspective helps to reject misconceptions of the EES, for example that it can and should replace macroeconomic policies or innovation policies pursued at the European level. It suggests instead that labour market policies devised under the EES should be seen as a complement rather than a substitute to macroeconomic policies.

Although the TLM approach insists strongly on strengthening individual responsibilities and employability (see Gazier (ed.) 1999), it is also suspicious of private market adjustments. The objective of TLM policies is not only to enlarge the range of individual activation measures by adding collective measures, but more importantly to modify the

conditions for the use of the first through the intervention of the latter. According to the logic of TLM policies, it is appropriate to allow the most vulnerable employees access to networks that exist in and between companies, in addition to creating jobs that are likely to “put them back in the saddle”. The overall target is a new equilibrium in internal as well as external labour markets.

b) This leaves the question which type of federalism should be promoted within a European framework. Whilst studying the socio-political methods of elaborating European “strategies” and presenting multiple scenarios, B. Théret (2002a) comes to the following conclusion: European integration, in spite of the worries presented by authors who deplore trends towards federal integration, stands a good chance of privileging a Canadian type of logic that promotes social initiatives at the federal level.

If we discard the “stalled Europe” perspective, which is not really feasible, scenarios (b) and (c) appear to be supported by strong actors. However, the scenario of an Americanised Europe has met staunch resistance because it condones submission to the market order and acceptance of inequality and reinforces social tensions. The German model also has its problems since it tends to be too constraining in social matters, especially when the diversity of models and trajectories which we have highlighted are kept in mind. Therefore the (d) “Canadian-style” scenario appears to be the most realistic. This seems to be supported by the fact that the EES extols the virtues of the OMC and of benchmarking, which prepare federal interventions while preserving national specificities.

3.3 Diversity of National Social Welfare and Employment, and the surfacing of one or many European social models

TLM perspectives collide not only with the actual prioritisation of objectives under the current BEPGs and EES but also with other dimensions of social Europe resulting from National Systems of Social Welfare and Employment, previously discussed in section I. An interesting “regulationist” perspective on these conflicts and convergences has been provided in the recent work of B. Amable (2005) who emphasises the complementary nature of the labour market and social welfare as well as financial and productive areas. In his analysis he distinguishes five types of capitalism (“neoliberal”, “continental-European”, “social-democratic”, “Mediterranean”, and “Asian”) and he observes that their resilience during the 1990s is based on different sources of competitiveness, adaptation, and legitimacy. In particular, the text focuses on the resistance of “continental” capitalisms to imports and changes from the “social-liberal” side, even if the liberal pressures are strong and reinforcing. However, centring his effort on the channels of creation and diffusion of innovation, he identifies factors that render each model of capitalism open to change.

Amable’s specific trajectories of resistance or reform according to the type of capitalism can be assessed from a TLM perspective.

For lack of space, we leave aside the “Asian” model, even if the common points and differences between Japan and China define a fascinating field of research; we remain focused on Europe and we limit our comments to a few remarks.

In the case of the “neoliberal capitalism”, Amable shows how the “asset-based welfare” perspective (incomplete and individualistic version of transitions management) is in line with the domination of a strong financial sector in the case of the U.K.. In the case of Nordic social democracy, the TLM perspective provides a possible unifying interpretation of diverse national experiences, because the fact that these countries have a rather well developed collective management of transitions is converging with Amable’s emphasis on their great training and innovation capacities.

In continental Europe on the other hand, a “rapid structural change” of the labour market is necessary and also almost excluded due to strong employment protection that has a slowing down effect. Furthermore diversification of individual risks is limited by the constraint of not increasing social contributions, in order to be acceptable to workers. TLMs are nevertheless attractive, in particular because they introduce opportunities of co-financing of training and recycling efforts, and take advantage of them. These tangible policies enjoy credibility; workers accept to participate, and even contribute financially. TLM policies strengthen this perspective by complementary reforms in two directions. First, they may emphasise and utilise the support of non-profit and associative segments of the economy. Furthermore, an instrument like the Danish-style leave scheme may be relevant in these capitalisms, because it helps to create favourable conditions for small businesses, which are particularly burdened when employees wish to participate in leave schemes, and this may foster the needed adaptation of the workforce. So the picture is both at risk of a blockage and not too gloomy.

As for “Mediterranean” capitalism, one may recall the general opposition of the TLM theory to labour market segmentation (see Schmid & Gazier 2002), so in this context the main task remains to create paths for progress in a setting of acute segmentation between protected and non-protected workers. According to Amable, central issues are threefold: the unblocking of under-investment in education, while avoiding the proliferation of hopeless candidates in the small overprotected sector, and also activating at least in part the informal sector. The TLM perspective suggests that these policies have to rely on existing networks and family solidarity, in order to achieve innovation like in the “industrial districts” experience.

So this analysis shows how introducing new dimensions and constrains may end up in opening some new avenues for policy. However, it must be said that all the policies sketched here in the case of “continental” or “Mediterranean” capitalism demand strong powers of co-ordination and negotiation.

Conclusion

The paper has analysed the contents of the “European social model” by focussing on the constraints that limit or shape its success. It has reviewed links that it establishes or can establish between access to employment and social welfare, and has reached two important results:

The first series of result addresses the present situation, which is marked by the emergence of an open confrontation between the necessity to deepen European social integration and dynamics of market unification. We witness both the pursuit of more global and ambitious projects, and their subordination to the logic of present macroeconomic regulation. In reality very few long-term projects have been achieved that transcend the plurality of existing systems of employment and social welfare and budgetary discipline. However, there are a few, in a still embryonic debate, whose major traits we have tried to characterise by opposing two possible paths for renewal: the liberal path and the social-democratic path. The latter perspective depends on political initiatives, which may or may not yet be on the agenda in the field of macro-economic governance of the EMU. There is nevertheless hope that the EU may finally benefit in this area from the advantages that a common currency bestows upon it.

The second series of results are of a methodological nature. An approach is needed that links a macroeconomic and a politico-institutional analysis. However, this has to be a continuous work in progress. How does one take into account macro dynamics without freezing structures and, conversely, how not to overestimate the inertia of trajectories and social harmonisation? Three particular issues and concepts deserve attention in this context.

The first is the concept of “re-appropriated hybridisation”. It allows not only to demystify certain current integration tendencies that combine actual movements with superficial adjustments, but also to locate the most resilient parts of existing systems.

Second, there are important “nuances” which must be added to the concept of “decommodification” in order to avoid simplistic and static implications. Returning to the concept of embeddedness would allow us to emphasise the a-priori nature of collective control of the market instead of its delimitation.

Finally, an accurate definition of the links between types of federalism, co-ordination methods, and the social model is needed. The important question is how the choice of a federal structure can guarantee that the dynamic of multiple regimes of employment and social welfare remain “inclusive”.

References

- AMABLE BRUNO (2005), *Les cinq capitalismes. Diversité des systèmes économiques et sociaux dans la mondialisation*, Paris : Editions du Seuil.
- BEAUD OLIVIER, LECHEVALIER ARNAUD, PERNICE INGOLF AND STRUDEL SYLVIE (eds) (2004), *L'Europe en voie de constitution. Pour un bilan critique des travaux de la Convention sur l'avenir de l'Europe (Europa auf dem Weg zur Verfassung. Eine kritische Bilanz des Konvents)*, Bruxelles: Editions Bruylant.
- BOCHERT JENS (1998), « Zur Statik und Dynamik wohlfahrtsstaatlicher Regime », in Stephan Lessenich and Ilona Ostener (eds), *Welten des Wohlfahrtskapitalismus...*, p.137-178.
- BOLTANSKI LUC, THEVENOT LAURENT (1989), *De la justification*, Paris, Presses Universitaires de France.
- BOYER ROBERT (2004), « Facteurs et stratégies du changement institutionnel », in *Une théorie du capitalisme est-elle possible ?* Paris : Odile Jacob, p.169-208.
- EBBINGHAUS BERNHARD (2005), *Can Path Dependence Explain Institutional Change ?*, Max Planck-Institut für Gesellschaftsforschung, Discussion Paper 05/2.
- ESPING-ANDERSEN GOSTA (1990), *The three worlds of welfare capitalism*, Cambridge: Polity Press.
- FAYOLLE JACKY (2004), *La politique économique dans l'UEM*, IRES, Document de travail n°04.04.
- FITOUSSI JEAN-PAUL, SARACENO FRANCESCO (2004), *The Brussels-Frankfurt-Whashington Consensus. Old and New Tradeoffs in Economics*, Observatoire Français des Conjonctures Economiques, Working Paper n°2004-02, february.
- FREYSSINET JACQUES (2004), « Les conditions institutionnelles d'une politique de croissance et de création d'emploi en Europe », in Olivier Beaud and coll. (eds) (2004) *L'Europe en voie de constitution. Pour un bilan critique des travaux de la Convention sur l'avenir de l'Europe (Europa auf dem Weg zur Verfassung. Eine kritische Bilanz des Konvents)*, Bruxelles: Editions Bruylant.
- GAZIER BERNARD (ed.) (1999), *Employability. Concepts and Policies*, Berlin : Institute for Applied Socio-Economics.
- GAZIER BERNARD (2003), *Tous « Sublimes ». Vers un nouveau plein emploi*, Paris : Flammarion
- GAZIER BERNARD (2004), « Emploi et transitions : les « Marchés Transitionnels du Travail » comme programme de recherche et comme pièce centrale d'un nouveau modèle social », 72nd ACFAS Conference, Seminar 441 : *L'emploi en transition, les transitions en emploi*, Montréal, may.
- GAZIER BERNARD, SCHMID GÜNTHER (2001), « Transitional Labour Markets and their impact on industrial relations », *Report to the high level group on industrial relations and change*, European Commission, Brussels: Employment and Social Affairs Directorate.
- GIDDENS ANTHONY (1998), *The Third Way*, London : Polity Press.
- GIDDENS ANTHONY (2000), *The Third Way and its Critics*, London : Polity Press.
- GIDDENS ANTHONY (ed.) (2001), *The Global Third Way Debate*, London : Polity Press
- LE CACHEUX JACQUES, STERDYNYIAK HENRI (2003), « Comment améliorer les performances économiques de la zone euro ? Commentaire critique du rapport Sapir », *Revue de l'OFCE*, n°87, october.

LE CACHEUX JACQUES, LECHEVALIER ARNAUD (2004), « Analyse critique du projet de traité constitutionnel de l'UE : institutions et politiques économiques et sociales », in Olivier Beaud and coll. (eds), *L'Europe en voie de constitution...*, p.37-64.

LECHEVALIER ARNAUD (2003a), « Union économique et monétaire et politiques de protection sociale : une mise en perspective », in Patrick Hassenteufel and Hennion-Moreau Sylvie (eds) *Concurrence et protection sociale en Europe*, Rennes : Presses Universitaires de Rennes, p.85-110.

LECHEVALIER ARNAUD (2003b), « La dynamique du pacte social et fédéral en Allemagne », *Sociétés contemporaines*, n°51, 2003, p.33-56.

LESSENICH STEPHAN, OSTNER ILONA (eds) (1998), *Welten des Wohlfahrtskapitalismus. Der Sozialstaat in vergleichender Perspektive*, Franckfurt/New-York, Campus Verlag.

MAZIER JACQUES, OUDINET JOËL, AND SOPHIE SAGLIO (2002), « La flexibilité des prix relatifs et la mobilité du travail en Union monétaire. Une comparaison Europe/Etats-Unis », *Revue de l'OFCE*, n°83, october, p.325-388.

MERRIEN FRANÇOIS-XAVIER (2002), « Etats-providence en devenir. Une relecture critique des recherches récentes », *Revue française de sociologie*, 43-2, april-june, p.211-239.

MYLES JOHN, QUADAGNO JILL (2000), « Envisioning a Third Way : the Welfare State in the Twenty-first Century », *Contemporary Sociology*, vol 29, n°1, pp. 156 –167.

OFFE, KLAUS (2003), “The European model of “social capitalism” : can it survive European integration ?” *The Journal of political philosophy*, 11 (4), pp 437- 469.

PIERSON PAUL (ed.) (2001), *The New Politics of the Welfare State*, Oxford : Oxford University Press.

RIEGER, ELMAR (1998), « Soziologische Theorie und Sozialpolitik im entwickelten Wohlfahrtsstaat », in Stephan Lessenich and Ilona Ostener (eds), *Welten des Wohlfahrtskapitalismus...*, p.59-90.

SCHARPF FRITZ W., SCHMIDT VIVIEN A. (2000), *Welfare and Work in the Open Economy. From Vulnerability to Competitiveness*, Oxford, New-York: Oxford University Press.

SCHMID GÜNTHER (1995a), "Is Full Employment Still Possible ? Transitional Labour Markets as a New Strategy of Labour Market Policy", *Economic and Industrial Democracy*, vol 16, pp 429 – 456.

SCHMID GÜNTHER (1995b), « Le plein emploi est-il encore possible ? Les marchés du travail ‘transitoires’ en tant que nouvelle stratégie dans les politiques d'emploi », *Travail et Emploi* n° 65, pp. 5 – 17.

SCHMID GÜNTHER (2002), *Wege in eine neue Vollbeschäftigung*, Franckfurt: Campus Verlag.

SCHMID GÜNTHER, AUER, PETER (1997), « Transitional Labour Markets. Concepts and Examples in Europe », Contribution to the Conference « New Institutional Arrangements in the Labour Market », Berlin : European Academy of the Urban Environment, 11 et 12 April, 24 f.

SCHMID, GÜNTHER, GAZIER, BERNARD (eds) (2002), *The Dynamics of Full Employment : Social Integration through Transitional Labour Markets*, Cheltenham: Edward Elgar.

SUPIOT ALAIN (1999), *Au delà de l'emploi*, Paris : Flammarion. English translation: (2001) *Beyond Employment. Changes in Work and the Future of Labour Law in Europe*. Oxford: OUP.

THÉRET BRUNO (2002a), « Les récentes politiques sociales de l'Union Européenne au regard de l'expérience canadienne de fédéralisme », *Sociétés Contemporaines*, n° 47, p.50-78.

THÉRET BRUNO (2002b) : *Protection sociale et fédéralisme. L'Europe dans le miroir de l'Amérique du Nord*, Berne and Montréal : Peter Lang/Presses de l'U. de Montréal.

VISSER JELLE (2004), « The EES as selective amplifier for national strategies of reform », Paper presented at the COST 15 Final Conference, Nantes, 21-22 may.