The Bounded Creativity of Domestic Appropriation

Explaining Selective Flexicurity in Continental Countries

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Abstract:

In complementing the insights of historical institutionalism by accounting for the role of strategic action in domestic employment policy reforms, this paper aims to unravel the mechanisms of domestic Europeanization. We argue that creative appropriation constitutes a pivotal strategy of skilled social actors seeking to increase the relevance and legitimacy ascribed to their change project within institutionalized domestic fields. However, their creativity is institutionally framed. In comparing France, Germany and Italy in a most-similar-system design, we provide evidence that the domestic opportunity structure for crafting institutional connectivity and forming a dominant coalition is an important factor for explaining not only the scope but the mechanisms and policy fields of domestic Europeanization.

Résumé :

Ce papier a pour objectif de démêler les mécanismes de l'européanisation des niveaux nationaux en prenant en compte, en complément des apports de l'institutionnalisme historique, le rôle de l'action stratégique dans les réformes des politiques d'emploi nationales. Nous défendons l'idée selon laquelle l'appropriation créative constitue une stratégie centrale pour les acteurs sociaux cherchant à accroître la pertinence et la légitimité de leurs projets de changement dans le cadre de secteurs institutionnalisés au niveau national. Cependant, leur créativité est institutionnellement cadrée. La comparaison des cas les plus similaires que sont la France, l'Allemagne et l'Italie nous permet de montrer que la structure des opportunités permettant de construire des connections institutionnelles et des coalitions dominantes au niveau national est un facteur important afin d'expliquer non seulement la portée mais aussi les mécanismes et les champs de l'européanisation nationale.
Introduction

The major lesson of historical institutionalism is that domestic politics do not take place in neutral arenas but are shaped by pre-existing institutional order (Streeck and Thelen 2005; Mahoney 2000). These specific national, historically evolved arrangements are characterized by mutual complementarities and thus are subject to major domestic stakeholder interests (Hall and Soskice 2001). Therefore, many have expected that compliance to EU demands — particularly in the case of unbinding instruments — would depend on the high similarity of European and domestic institutions (Scharpf 2002; Hamel and Varnhercke 2009), thus asking for different ‘flexicurity pathways’ in Europe (European Expert Group on Flexicurity 2007). Others have countered these expectations by arguing that, due to adaptational pressures, we might expect the more institutional change “the lower the compatibility between European and domestic processes, policies, and institutions” (Börzel and Risse 2000: 5; 2003). Consenting with authors that consider both institutional arguments too blunt to unravel the mechanisms of Europeanization (Falkner et al. 2004), this paper argues that a major factor to explain creative appropriation is the necessity of domestic coalition building (Tsebelis 2002), which in corporatist countries depends not only on parliamentary coalitions but additionally — and maybe more importantly — on coalitions between the government and social partners (Palier 2005). Europeanization thus asks for reconstructing the strategies of domestic actors in appropriating institutions generated at the European level and disentangling the conditions of their successful ‘usage’ as relevant and legitimate resources within domestic interactions (Woll and Jacquot 2010). Hence, in order to understand the process of Europeanization we need to take domestic politics and their institutional confines seriously — linking institutions to strategic action, i.e. structure and agency (Hall and Taylor 1998; Hay and Wincott 1998). We therefore expect that Europeanization is mediated by a doubly institutionally confined creativity of skilled domestic actors: European concepts need to transcend the domestic institutional status quo in order to be perceived as a promising resource for the institutional entrepreneur’s change project, but at the same time the change project needs to be perceived as meaningful and appropriate by domestic coalitionists. Thus, path dependent characteristics of institutional change are the consequence of the institutional entrepreneurs’ unique skill in actively crafting the institutional connectivity coalition building for its change project depends on (Fligstein 2001: 266)

In order to make and test our argument we start by shortly summarizing the pivotal findings on the domestic effects of the Lisbon Strategy (2), illustrating that the commonly used most-different-design approach makes it hard to systematically identify the domestic mechanisms of Europeanization. (3) Complementing historical institutionalism by concepts of institutionally framed agency, we propose to conceptualize domestic reform games as a process of structuration and coalition building in which actors exploit institutions for their institutionally constrained strategic action. (4) Finally, we provide evidence for our expectation by tracing the processes of employment policy reforms in Germany, France and Italy. We demonstrate that in all three countries the Flexicurity concept has been selectively appropriated by policy makers, in creatively crafting the connectivity of one cornerstone of Flexicurity to the problem that was perceived most salient in the domestic employment policy field (activation of long term unemployed in Germany, preventing in-work poverty in France and reducing undeclared work in Italy). Paradoxically though, despite these different legitimizations and justification, reform outcomes prove rather similar. (5) We conclude by proposing that domestic coalition building and the skill of domestic actors to actively craft connectivity in appropriating European concepts are important factors for explaining not only the scope but the forms and policy fields that are the gateway for domestic Europeanization.

1. Explaining Domestic Effects of the Lisbon Strategy

The Lisbon Strategy is governed by a process which was termed ‘Open Method of Coordination’ (OMC) in on the Lisbon summit in 2000. The European Employment Strategy
(EES) - its employment policy pillar - in particular, stresses the self-responsibility of all relevant national stakeholders to modernize domestic employment policy, explicitly including social partners. For long, two explanations on its impact have dominated. Firstly, an individualized approach has conclusively shown that the dense networks and the iterative character of OMC processes contribute to individual transnational learning within epistemic communities (Jacobsson and Vifell 2007). However, “there is a long and vulnerable implementation chain before the common objectives have been translated into practice within the member states” (Jacobsson 2004: 99f). While this approach contributes considerably to understanding the process of bureaucratic transnational learning, it disregards the national constitution of institutional order as well as the variety of actors and interests involved in domestic policy making. Observing considerable inertia – even when implementing European directives (Falkner and Treib 2008; Falkner et al. 2007) - it seems all the more doubtful whether OMC processes provide sufficient incentives to change these historically evolved and deeply institutionalized national orders (Bučer 2007: 51; Dehousse 2003: 15).

Therefore today, there is broad consent that the effectiveness of transnational learning has to be assessed by its impact on domestic institutional change rather than by its mere potential for policy learning (Heidenreich and Zeitlin 2009). However, strongly influenced by historical institutionalism, the debate on the impacts of EES has often focused more on assessing and systematizing the diversity of institutional effects than on explaining institutional change (Zeitlin et al. 2005). Despite these elaborate effect analysis, what was – and to a considerable extend still is - missing was an analytical concept of how and why these exogenous processes influence domestic institutional change, systematically accounting for similarities and differences between countries (Vink and Graziano 2007; Börzel and Risse 2000). The commonly used explanation were often rather general references that the EES had cognitively framed national discourse on ‘good’ employment policy by European ideas in one country (but not explaining failures to do so in other cases) (López-Santana 2006) or that these ideas and concepts had been used as unspecific ‘selective amplifier’ within domestic reform processes (Varnhercke 2009; Visser 2005). However, limited ambition was made in generalizing these different findings, explaining why domestic actors appropriated specific resources (and not another one). As there is growing consent, that “the strongest mechanism of OMC influence on national social and employment policies (…) operates through creative appropriation by domestic actors” (Zeitlin 2009: 231) it seems necessary to account for characteristic social interaction within historically evolved institutional structures. But while more and more studies have analyzed the impact of EES on domestic institutions (Zeitlin 2009; Mailand 2008; Bandelow 2008), the role of domestic politics in appropriating the EES has been surprisingly under-analyzed so far. Thus, taking these domestic politics seriously signifies a shift from assessing effects towards explaining the mechanisms responsible for Europeanization and institutional change (Mayntz 2004).

First comparative attempts have mostly focused on the scope, but rarely the content and policy field of reforms. For example Mailand (2008) distinguished four hypotheses on the likelihood of a ‘strong’ impact of EES: firstly the ‘level of misfit’ (Börzel and Risse 2000); secondly, member states may ‘get used’ to comply to European norms – e.g. by many years of using ESF resources (Jacobsson and West 2009); thirdly, a strong consensus among domestic stakeholders of employment policy may block from stronger impact; and finally “impact also depends upon the degree of Euro-scepticism in the member state” (Mailand 2008: 355). However, the commonly used most-different-design approaches – often not trying to explain similarities but differences – frequently need to explain reform diversity by anecdotal institutional diversity, making it hard to generalize these findings.

This is why we have chosen a most-similar-design study, analyzing the selective appropriation of the Flexicurity paradigm in three countries with rather similar labour market institutions – Germany, France and Italy. All countries face a comparable level of ‘institutional misfit’ in employment policy and have experienced major labour market reforms in the past decade (Clegg 2007; Graziano et al. 2010). Thus, inherent to the ceteris paribus rational of the most-similar-design-approach, we may expect findings on differences in mechanisms of domestic Europeanization, systematically identifying constraining and supporting factors.
within institutionalized domestic practices (George and Bennett 2005; Haverland 2005). By most-similar-design and process tracing, we aim to reduce the problems of attribution not only inevitably linked to the Europeanization hypotheses (Exadaktylos and Radaelli 2009; Vink and Graziano 2007), but inherent to analyzing institutional change (Stiller and van Kersbergen 2008). Additionally, we have triangulated secondary and document analysis, by fifty interviews conducted in the course of the reform processes between 2005 and 2008. In contrasting policy documents by expert interviews with a variety of different actors in the domestic fields of employment policy, we aim to reduce the problem of political answers, under- and/or overstating the role of European resources in the domestic reform process (Barbier 2004). Thus, by restricting our analysis to ‘usages’ of European resources within domestic politics, we not only avoid the complexity of accounting for intertwined up- and downloading (Büchs 2008), but we also reduce the probability of ecological fallacies (Tilly and Tarrow 2007). We share the notion that it often seems hardly possible to isolate the impact of ‘Europe’ on domestic institutional change from other exogenous and endogenous processes (Haverland 2007). But in analyzing mechanisms – ‘usage’, legitimacy and ‘meaningfulness’ – instead of measuring institutional impact, we neither argue that ‘Europe’ has been the only influence on domestic reforms, nor do we compare its relative relevance to other processes and domestic challenges.

2. The Bounded Creativity of Skilled Social Actors

Current understandings of Europeanization distinguish two interdependent processes (Bulmer 2007): On the European level, Europeanization implies „the emergence and development (…) of distinct structures of governance” (Risse et al. 2001: 3), i.e. the emergence and institutionalization of a distinct social field (Fligstein and Stone Sweet 2002); whereas at the domestic level, Europeanization described as a process by which these European institutions „are increasingly taken for granted and structure the behaviour of national actors” (Vink and Graziano 2007: 14). Domestic Europeanization thus signifies the constitution of institutions that are generated at the European level as meaningful, legitimate and relevant resource within domestic arenas (Radaelli and Pasquier 2007: 37; Ladrech 1994: 70). But these domestic arenas are characterized by complex social interactions in which a highly autonomous institutional order evolved, shaped by relatively endurable – yet always provisional – compromises between diverging goals of competing actors. Europeanization thus asks for conceptualising the ‘usage’ of exogenous institutions within institutional change in historically evolved and nationally embedded institutional orders (Woll and Jacquot 2010).

Assuming that “without more explicit attention to interest and agency (…) institutional theorists will be unable to develop (…) persuasive accounts of the origins, reproduction, and erosion of institutionalized practices” (DiMaggio 1988: 10), it seems necessary to develop a better understanding of the interplay between existing institutional order and the strategic action of skilled social actors (Hall and Taylor 1998). After all, institutions do not reproduce in themselves but are mediated by social actors who seek to structure their environment according to their own strategic interests (Fligstein 2001). Highlighting “the limitations placed on action by existing institutions and the importance of actors in structuring” institutional order (Lawrence and Phillips 2004: 709), structuration theory provides an analytical concept for considering the role of institutional structure as well as rationally oriented action of organizational actors (Garud et al. 2007). Accordingly, within the social practice of institutionalized fields, actors constantly compete on the distribution, comparative relevance and interpretation of these institutionalized resources (Bourdieu 1980). In these political games actors seek to dominate the field by ‘exploiting the constraints and opportunities of a situation’ (Friedberg 1993: 117f) for their strategies. Exploiting refers to the skill of actors to constitute institutions as legitimate resource for their action: ‘when faced with a situation, the individual must find a way of recognizing it as well as of responding to it, and the scripts or templates implicit in the institutional world provide the means for accomplishing both of these
tasks" (Hall and Taylor 1996: 498). These games shape the social practice of institutionalized fields and construct the opportunity structure for further interactions to come.

Particularly in corporatist countries’ employment policy, no actor can execute institutional change on its own behalf – but for the success of its change project indispensably depends on cooperation of relevant others (Mayntz 2006). The newly created institutions obtain their legitimacy, social acceptance and power only by the compliance of a majority of relevant actors in the field. It is these mutual dependencies that constitute the institutionalized field and the power structure within that constrain the scope of innovation inherent in the institutional entrepreneur’s change project: it has to be connected to existing beliefs, worldviews and practices of potential coalitionists.

They must develop an interpretation of what is going on which persuades others that their interpretation is correct. This helps to induce cooperation in others by convincing them that the course of action being proposed is in ‘everyone’s interest’. (Fligstein 2001: 266)

Even institutional entrepreneurs that aim at radically changing the present institutional setting rely on coalitionists in the field perceiving their project as meaningful and appropriate, being disposed to support and provide legitimacy to the newly enacted or incrementally changed institutions (DiMaggio 1988: 15). Thus, it has to be considered the unique social skill of institutional entrepreneurs to “connect their change projects to the activities and interests of other actors in the field, crafting their project to fit the conditions in the field itself” (Maguire et al. 2004: 658). Accordingly, institutional change can be considered a consequence of an institutional entrepreneurs’ skill in relating ‘new’ resources to present institutions by creative appropriation to the social practice of institutionalized fields.

Figure 1: The space for crafting institutional connectivity

Conceptualizing this interdependent process of institutional closure at the European and institutional opening at the domestic level (Ferrera 2005) in terms of structuration, we may conceive of the European and the domestic level as two neighbouring institutionalized fields. Domination in these fields is never absolute but – to the contrary – is only expressed by the current, precarious compliance of actors that possess their own action capacities. By ‘opening the game’ to exogenous institutions from ‘neighbouring’ fields, skilled social actors recurrently try to exploit additional resources in order to increase the relevance and legitimacy ascribed to their projects within the domestic field. Accordingly, “Europeanization affects these domestic structures (…) because collective and individual actors (…) have from now access to political resources external to the nation state” (Radaelli and Pasquier 2007: 42). But in order to introduce these ‘European’ institutions, institutional entrepreneurs have to constitute them as meaningful, legitimate and relevant within the domestic field. To what extent their change project succeeds depends on their ability to form a dominant coalition and thus to actively craft connectivity to domestic institutions. Needing to be actively re-interpreted to ‘fit’ the ‘new’ institutional order in field-endogenous processes, they will never
inhabit the same meaning as in the field they are derived from. Yet, by recombining institutions, institutional entrepreneurs construct an institutional tension often expanding beyond the present institutional order. Accordingly, we expect that domestic institutional entrepreneurs will creatively appropriate European institutions in crafting connectivity to domestic institutions. However, domestic actors will perceive European institutions that overly differ from domestic institutions and do not allow for building a dominant coalition as ‘misunderstanding’ and ‘inappropriate’ (cf. fig. 1).

3. Domestic Games on Flexicurity

Within the Lisbon Strategy, equal opportunities for all citizens in the labour market has evolved as major goal of a modern employment policy and Flexicurity became institutionalized as the one best way to achieve this goals (European Commission 2007). This model – dating back to the Dutch and Danish labour market reforms in the mid-1990s – builds on three pillars: a flexible and dynamic labour market, a universal minimum income scheme for employment transition and a strong focus on individual activation (Schmid 2008; Withthagen 2005; Madsen 2002). Thus, flexicurity “attempts, synchronically and in a deliberate way, to enhance the flexibility of labour markets, (...) and to enhance security – employment security and social security – notably for weaker groups in and outside the labour market” (Withthagen and Tros 2004: 169). Asking for the Europeanization of domestic employment policy reforms thus raises the question as to what extent the reform proposals have been paralleling this ‘golden triangle of flexicurity’ generated at the European level. What policy areas have been particularly targeted by the reforms?

In 2000, the three major Continental welfare states (Esping-Andersen 1990), Germany, France and Italy, have faced similar problems, particularly stemming from a strongly segmented labour market between a well protected core labour force and increasingly precariously employed, marginalized outsiders. But while all were experiencing important reforms of employment policy in the past decade, the policy field of reforms and the legitimation of the reforms differed considerably. While the German reforms are considered one of the biggest shifts towards a coherent approach of activation (Lessenich 2008; Dingeldey 2007), in France most reforms have rather targeted in work poverty (Barbier and Kaufmann 2008; Clegg and Palier 2010), and in Italy we observe considerable change in the flexibility of labour law – even though very selective (Graziano et al. 2010). How can we explain these different reform paths? We demonstrate that this selectivity in appropriating the Flexicurity paradigm is due to the institutionally bounded creativity of domestic institutional entrepreneurs in domestic coalition building for their change project.

Figure 2: Comparing Employment Policy Reforms in Germany and France

<table>
<thead>
<tr>
<th>Germany</th>
<th>France</th>
<th>Italy</th>
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<tbody>
<tr>
<td><strong>dominant reform discourse</strong></td>
<td>Combating long-term unemployment</td>
<td>Combating in-work poverty</td>
</tr>
<tr>
<td><strong>labour market effects</strong></td>
<td>Creating and subsidising a low-wage sector of flexible employment</td>
<td>Subsidising and increasing a low wage sector of flexible employment</td>
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Germany: Crafting Connectivity between Combating Long-term Unemployment and Activation

The labour market policy reforms Germany has experienced in the past decade are considered to be "among the most amazing developments in social policies that occurred in the Western world during that time" (Ludwig-Mayerhofer 2005). After the Job-AQTIV law (the abbreviation of: activating, qualifying, training, investing, and placing) started the change towards supply side employment policy, a 'placement scandal' within the Public Employment Service (PES) created a window of opportunity which was used by the government to set up a commission of experts and stakeholders, its proposals radically re-orientating the institutional basis of German labour market policy (Lessenich 2008; Allmendinger et al. 2005). This supply side shift not only parallels the activation pillar of flexicurity, but within the reports explicit references are made to the reforms' 'European dimension' (Kommission Moderne Dienstleistungen am Arbeitsmarkt 2002: 314ff), and the 2002 Employment policy guidelines are appropriated (Council of EU 2002a)

In accordance with the guidelines of the European Union the following overarching goals for German labour market policy can be identified: framing full employment, promoting self-responsibility of employees and employers, promoting fast and sustainable placement, sustaining and developing individual employability, increasing adaptability by flexible work organization and working times, promoting employability and self-employment, promoting equal opportunities, particularly between women and men, improving family-work balance, improving labour market statistics and evaluation. (Kommission Moderne Dienstleistungen am Arbeitsmarkt 2002: 56)

1 Subsequently, we demonstrate that while a comprehensive approach to activation was considered the major reform pillar, by merging income related long-term unemployment and social assistance – largely unintended and un-debated – the reforms have created a tax based universal minimum activity income for all citizens.

From Demand-Side Labour Shedding to Supply-Side Activation

After years in which Germany had adapted to labour market challenges by incremental and path enforcing reforms, in the years 2001 to 2005 it has experienced the most comprehensive reorientation of its employment regime since World War II (Eichhorst et al. 2008; Kemmerling and Bruttel 2006). Within the Job-AQTIV law and the 'Reforms for Modern Services on the Labour Market' (commonly addressed as 'Hartz-reforms') the primary goal of employment policy is no longer demand side 'labour shedding', but the labour market activation of all citizens capable to work (Lessenich 2008) – increasing the quantity and quality of labour supply (Allmendinger et al. 2005; Palier and Martin 2007: 542). While the core element of 'promoting and demanding' is implemented in virtually every element of the labour market policy framework" (Eichhorst et al. 2008: 22), three major pillars of the Hartz reforms can be distinguished (Ludwig-Mayerhofer 2005: 96): the reorganization of the PES and new instruments in counselling, placement and sanctioning (activation in a narrow sense), the merging of long-term unemployment benefits and social assistance (universal minimum activity income) and the punctual introduction of new, more flexible work contracts (flexibilisation).

The first comprehensive reform towards activation has been the Job-AQTIV law approved in late 2001. This reform particularly stressed the promoting elements for activating the long-term unemployed and women (Dingeldey 2007: 829). In explicitly reducing the labour market interventions of the state to counselling, placement and labour market inclusion, one of the most telling (although in itself hardly consequential) changes has been the re-definition of the state’s role on the labour market, renouncing its responsibility to actively create employment (§1 SGB III). This change is stressed by the parliamentary proposal for this ‘change legislation’ (Änderungsgesetz) by referring to EES in the very second sentence - at least using the EES as an argumentative and legitimising resource (Zohlnhöfer and Ostheim 2005)

1 Quotations marked by an asterisk (*) are translated by the author.
Considering the employment policy guidelines of the European Union, the mainly reactive orientation [of German LMP] is being replaced by a preventive approach. (Deutscher Bundestag 2001a)*

In naming three major goals of the reforms (reducing long-term unemployment, creating equal opportunities for men and women on the labour market and reforming vocational training as a first step to lifelong learning) the reform also tacitly picked up the employment policy recommendations discussed in the same period (Council of EU 2002b).

By the first two Hartz-laws in 2002 and 2003, these reforms have been complemented by a multiplicity of schemes entailing a confined flexibilisation of the labour market (introducing new, more flexible work contracts, reducing constraints for temporary work agencies and determined contracts) (Eichhorst et al. 2008: 37; Ludwig-Mayerhofer 2005). However, the aim of these schemes was to improve work opportunities and labour market participation of the low skilled, hoping to reduce long-term unemployment and building a bridge into regular employment. A change in the core labour force’s job protection was not even considered.

The introduction of a universal minimum income scheme by merging unemployment and social assistance to unemployment benefit-2 (Arbeitslosengeld-2, Alg-2) in 2005, surely constitutes the most path breaking of the Hartz reforms (Dingeldey 2007; Lessenich 2008). However, the argumentative goal of this Hartz-IV-reform was not to prevent in-work poverty or even introduce a new form of Beveridgian social protection, but to ‘activate’ the so far inactive group of social assistant beneficiaries. Arguing that in a one-stop-shop (‘Job-Center’) all those seeking work and/or receiving benefits would equally profit from the counselling and insertion schemes of the PES, consequentially reducing the duration of unemployment. By calculating the need in a household context and asking all household members (who are not in education or care for a under three year old child) to actively seek sustainable and ‘need-covering’ work, this minimum income scheme also signifies a policy shift towards accepting subsistence would only be achievable by full-time double income – at least for low-wage earners.

The argumentative core of the Hartz-reforms was activation, particularly of the long-term unemployed. This is expressed by the demand on all those capable of working to ‘end their dependency by own efforts’ (§1 (1) SGB II)*. Particularly by the Hartz-III package this new demand on job-seekers has been complemented by obligating the PES to become a ‘modern service enterprise’ and to radically change and continuously improve its work. This new relationship between jobseekers and counsellors is particularly expressed by the insertion contract (Ludwig-Mayerhofer 2005: 98; Dingeldey 2008: 834). This contract is supposed to fix the mutual rights and responsibilities between the state and the customer, tailored to individual needs and bargained between two equally capable parties. More conditionality and obligations to collaborate – and their sanctioning in case of non-compliance – is to be complemented by individualized counselling, training and quicker and better placement. A pivotal element was introducing individual case managers that personally know their customers. Therefore, the counsellor to customer ratio was supposed to be reduced to 1:75 for under and 1:120 for over 25 year olds – targets literally taken from the EES guidelines, however, by far not matched in practice. Besides ample other measures, a variety of insertion jobs have been introduced, particularly for subsidising vocational training of problematic customers (on an individual basis and with considerable discretion for the case managers in bargaining the conditions with employers) (Eichhorst et al. 2008: 28).

The Paradox of Reforming Social Protection by Activation

The German reforms signify a shift from a paternalistic regime to demanding individual self-responsibility: it is not the state that is responsible for social and labour market inclusion, but the individual, partially assisted in its efforts by the state. This is to be achieved by facilitating the low wage sector and activation schemes tailored to individual needs. Despite this discursive justification, the major institutional shift entailed by the reforms had not been debated at all: the introduction of a minimum activity income “which also means a shift from contribution based to tax-funded passive and active labour market policy schemes” (Eichhorst et al. 2008: 56). Ending tax financed but wage related unemployment assistance
and activating long-term unemployed also entailed the hope to save a huge amount of federal tax payments. However, the contrary was true: while the Hartz-reforms considerably reduced the number of insurance based Alg-1 recipients in the years prior to the crisis, due to establishing a minimum activity income, the number of people entitled to Alg-2 strongly outreached expectations. As in April 2010, 66 percent of the unemployed received Alg-2 benefits, tax financed minimum income protection has become the common standard (Bundesagentur für Arbeit 2010). Thus, Hartz-IV reforms signify a fundamental breach with the Bismarckian insurance logic and a gradual discharge from professionalism and status orientation in German social insurance schemes (Dingeldey 2007).

While former recipients of social assistance as well as single-parents in many aspects are better off than before the reforms, it entailed a considerable status and income loss for a part of the former recipients of unemployment assistance. Recipients of social assistance have been subject to a strong sanctioning regime before, being threatened with complete loss of their eligibility in case of non-compliance (Lahusen and Stark 2003: 368). Furthermore, Alg-2 benefits are considerably higher than within the former social assistance scheme. And finally, they have now access to the counselling, placement services and training as well as insertion schemes of the PES, proving much better than the opportunities of the municipalities before. These equal opportunities for all unemployed in accessing the schemes and placement facilities of the PES are considered the major success of the German reforms (Ludwig-Mayerhofer 2005; Eichhorst et al. 2008: 37). However, as an outcome of the reforms the strong labour market segmentation between short and long-term (often low-skilled) unemployed became more obvious – the divide being even increased by the newly created flexible employment contracts for these groups.

Explaining German Reforms by Bounded Creativity
The ‘placement scandal’ within the public employment service (PES) in 2002 is considered as the starting point of the domestic reform process. However, not only in asking for a stronger evaluation of placements by the PES, the Job-AQTIV reform drafted by the labour ministry in 2001 has prepared the grounds for the reforms to come (Deutscher Bundestag 2001b). The ‘scandal’ was used by the federal government in order to set up a commission for ‘Modern Services at the Labour Market’ (commonly addressed as ‘Hartz-Commission’). By comprising representatives of social partners, labour market analysts, as well as the federal and regional labour ministries and municipalities, the commission included all relevant actors of the German employment policy field. In this process, the labour ministry contributed to create and expand the window of opportunity opening by the ‘placement scandal’ and has influenced reforms in referring to European resources (Büchs 2005: 179; Zirra 2010b). It also ‘very purposely used experiences in other countries’ (D6)*, spread by EES’ joint reports, peer-reviews and the mutual learning process (MLP) (Eichhorst et al. 2008: 24; Fleckenstein 2008). Even specific targets and indicators in the guideline have been used to design certain schemes.

Many points that are now in the law – for example that we have to offer compulsory schemes within a certain time frame, the customer-ratio of 1:75 (…) all these are results of the peer review processes. (D2)*

This holds particularly true for specific schemes the labour ministry and the PES were directly in charge of, “for example strengthening the integration of the elderly, improving the integration of the young, (…) insertion contracts, job-profiling and the customer-case-manager ratio” (D3)*. For quickly substantiating these reforms by specific schemes, considerable cross-national learning of the Hartz commission took place – partially organized within the frame of mutual learning programs of the EES (MLP). All seminars and visits – of experts and the Hartz-commission as a whole – have been organized by civil servants who are in charge of EES.

If I have a certain problem here, and when I am looking for a strategy in a certain field, three phone calls to good friends in Europe are sufficient and the next day ten of

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2 All expressions and quotations marked by an asterisk (*) have been translated by the author.
our specialists are there and study what and how they do things and what the specific circumstances are. (D8)*

Furthermore, in actively referring to EES’ guidelines and recommendations – using them as a trustworthy, external resource in order to prove the ‘truth’ of its arguments – the ministry succeeded in widening the problem perceptions on labour market inequalities within the field of employment policy, particularly addressing the problems of excluding the low-skilled, long-term unemployed.

They [EES’ guidelines] are an important amplifier, in the sense that they help to promote reform processes that exist in a country. (D3)*

These recommendations are important, because they show how the policy of a member state is perceived outside (…) so that you can sometimes nicely use them. We have tried ourselves to introduce this international dimension into the national discourse (…) more strongly. (D6)*

In referring to European resources, the ministry actively crafted the concept of activation as connectable to a deeply rooted belief on conditionality and ‘a mutual give-and-take logic’ of social benefits (Ludwig-Mayerhofer 2005) expressed by ‘no right for laziness’ (Chancellor Gerhard Schröder 2001). In fact in Germany, there has ‘always’ been the notion that social benefits had to be ‘deserved’ and could only be received in case of own efforts (Lahusen and Stark 2003; Dingeldey and Gottschall 2001). The novelty thus was not conditionality, but the consequentiality of comprising all long term unemployed within one strong activation scheme – equally supporting and demanding both formerly separate groups. This new commitment of the federal state, to activation, may thus be considered a path dependent generalization of the German concept of individual responsibility for (un-)employment.

The Hartz report was presented after six months of sporadic meetings. While for a long time, no common agreement seemed possible, in the commissions’ final session, the draft for the final report was – like most other proposals, reports and discussion papers before – presented by the federal labour ministry (Weimar 2004). In order not to admit a complete and embarrassing failure, all involved actors consented on the proposed report. In this dynamic decision process, the heterogeneity of the commission did not block from reforms, but as each participant wanted to see his ‘hobbyhorse’ realized, rather contributed to the broad variety and comprehensiveness of reforms (Ludwig-Mayerhofer 2005: 97).

Figure 3: The Rational of Employment Policy Reform in Germany

<table>
<thead>
<tr>
<th>domestic discourse</th>
<th>substantive reforms</th>
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<tbody>
<tr>
<td><strong>Activation</strong></td>
<td>from reducing to activating labor force potential by ‘supporting (education and training) and demanding’</td>
</tr>
<tr>
<td><strong>Social Protection</strong></td>
<td>combining social and labor market policy</td>
</tr>
<tr>
<td><strong>Flexibilization</strong></td>
<td>any work is better than none (highly contested)</td>
</tr>
<tr>
<td><strong>Reform barriers</strong></td>
<td>perceived ‘disappropriation’ of ‘deserved’ benefits</td>
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However, for successful reforms, the federal ministry has crucially depended on the active involvement of social partners, the Laender, and municipalities, many of whom tended to form a coalition of ‘institutional conservateurs’ (Schmid 2006; Ludwig-Mayerhofer 2005: 111). Thus, institutional change did not prevail without contestation, resistance and setbacks, and „even to date, there is no social consensus on the policy objectives in labour market policies.

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3 Akin Franz Müntefering in 2006, leader of the Social Democratic Party at that time, referred to 2 Thessalonicher 3,10: ‘If any will not work, neither let him eat’, Bebel 1979 [1879]

4 The German notion of ‘rights and responsibilities’ stresses the obligation of the PES to offer training and insertion schemes as the ‘right’ of jobseekers.
Hence, the paradigmatic shift to activation is not yet complete” (Eichhorst et al. 2008: 25; Zirra and Buchkremer 2007). In the reform process, to refer to the fusion of different benefits schemes as activation of the long-term unemployed has permitted all relevant actors for consenting on the reforms; however, it entailed fierce resistance with hindsight. The focus on activation allowed for the DGB to comply with the Hartz report and the very successful but rarely challenged first three ‘activation’ reform packages (commonly addressed as Hartz-I to Hartz-III) – the further elaboration and design of the potentially conflictive Hartz-IV package was referred to a task force on the reform of municipalities’ budget where the same organizations are present and meet regularly (Fleckenstein 2008; Schmachtenberg 2003). Within this commission, the federal labour ministry – in coalition with all actors but the DGB – succeeded in restricting insurance-based, wage-dependent entitlements to twelve months and implementing a flat-rate, means-tested, and tax-financed basic income scheme for all long-term unemployed, while the DGB published a dissent in the final report. In this document, the DGB expressed his opinion, that ‘reducing’ benefits for all long-term unemployed to ‘the level of social assistance’, did not mean a ‘fusion of unemployment and social assistance but an abolishment of unemployment assistance’ (Kommission zur Reform der Gemeindefinanzen 2003: Annex D)*. This demonstrates the strong cognitive reliance of the German trade unions on the entitlements of industrial workers, the ‘principle of professionalism’ and status maintaining social protection (Dingeldey and Gottschall 2001). While the supporting, educative elements of activation have been widely shared by all relevant actors, the breach with the status protecting system of social protection was and – not only by the political left, but also corporatist, labour oriented, catholic conservatives – still is conceived of as ‘disappropriation of deserved entitlements’ (Eichhorst et al. 2008). But having generally agreed in the Hartz-commission, the DGB could not refrain from reforms. The continuous campaigning of this heterogeneous coalition of ‘institutional conservateurs’ against the ‘undue social hardship’ entailed by the Hartz-IV reforms has lead to a partial and successive redemption of equal treatment for all long-term unemployed since 2005. Within the five years that have passed since the reform has been implemented, ever more exemptions for the ‘deserved’ recipients have been employed or are currently discussed – again increasing the institutionalized divide between former regularly employed and precariously employed long-term unemployed. This may be interpreted as a consequence of the failure to discursively treat these implication of the German path to activation in the „silent shift from a social insurance state to a welfare state dominated by basic income support” (Eichhorst et al. 2008: 25).

France: Crafting Connectivity between Preventing In-Work-Poverty and ‘Making Work Pay’

Though they have not been introduced as „part of a clear-cut and conscious political strategy” (Barbier and Kaufmann 2008: 70; Barbier et al. 2006), within the past decade, there has been an ample set of employment policy reforms in France culminating in the introduction of the Active Solidarity Income (Revenu de Solidarité Active – RSA) in 2009 (Clegg and Palier 2010). Guided by the leitmotif of ‘flexi-sécurité à la Française’, reforms in all three cornerstones of Flexicurity have been tackled: A series of reforms of the PES were to increase the activation of unemployed, flexible working contracts were to improve labour market insertion particularly of young jobseekers and a multitude of reforms of subsidized employment contracts were to combat in-work-poverty. In the course of these reforms, due to their low legitimacy, the influence of European resources has been widely neglected by policy makers (Falkner and Treib 2008) – still, one should not underestimate their ‘hidden’ usages (Berthet and Conter 2009). Particularly in creatively appropriating European concepts on ‘making-work-pay’, the labour ministry has actively crafted connectivity to the overarching, argumentative goal of French social policy reforms: preventing from in-work poverty. However, most reforms outreaching social security, failed after fierce public resistance organized by trade unions.
Figure 4: The Rational of Employment Policy Reform in France

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<tr>
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<th>reform discourse</th>
<th>substantive reforms</th>
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<tr>
<td>Activation</td>
<td>establishing ‘rights (financial benefits) and</td>
<td>hesitantly strengthening sanctioning regime,</td>
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<td></td>
<td>responsibilities’</td>
<td>merging ANPE and Assedic to Pôles emploi</td>
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<tr>
<td>Social Protection</td>
<td>making work pay by fighting in-work poverty</td>
<td>RSA and insertion contracts to avoid in-work poverty</td>
</tr>
<tr>
<td>Flexibilization</td>
<td>hegemony of CDI as model</td>
<td>CNE and CPE as limited attempts to flexibilize the</td>
</tr>
<tr>
<td>Reform barriers</td>
<td>state as ‘employer of last resort’ and warrantor</td>
<td>collective responsibility for unemployment</td>
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<td>of social cohesion</td>
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From Labour Shedding to Making-Work-Pay

The current reforms in French social security had been introduced by demand-side programmes of the Jospin government (1997-2002), following a labour shedding logic. Besides schemes targeting labour market insertion of young unemployed (Programme Emploi des Jeunes, PEJ) and a general reduction in working time to 35 hours, the reforms have introduced a minimum activity income (revenu minimum d’activité, RMA) for recipients of universal minimum income for jobseekers (revenu minimum d’insertion, RMI) (Levy 2005; Ughetto and Bouget 2002). While the PEJ aimed at generalizing subsidized insertion contracts for young unemployed introduced since the 1970s, it had a clearer focus on labour market insertion than the former schemes (Enjolras et al. 2000: 59ff). Finally, RMA – paying the RMI to employers for up to 18 months – was considered to incentivise employers to employ long-term unemployed (Barbier and Kaufmann 2008: 82).

With a similar demand side approach to ‘activation’, the subsequent conservative government tried to introduce more flexibility to the labour market by specific employment contracts – stimulating employment of disadvantaged groups. The contract for new employment (Contrat Nouvelle Embauche, CNE) – introduced in 2005 for employers with less than 20 employees – allowed for labour market entrants to be immediately dismissed without justification in the first two years. Measured in terms of number of people employed, the contract was rather successful at the beginning (Barbier and Kaufmann 2008: 105ff), however, after 2006, the contracts have rarely been used due to legal uncertainty following recurrent law suits and campaigning of trade unions. Aiming to facilitate labour market insertion and precariousness particularly of university graduates, in spring 2006, the government by the ‘law for equal opportunities’, proposed a contract for first employment (Contrat Premier Embauche, CPE) – expanding CNE conditions to employers with more than 20 employees. But after fierce public opposition this reform has been withdrawn.

While rarely publicly referred to as programmes of activation, there have also been multiple attempts to improve the efficiency and effectiveness of PES (Barbier and Kaufmann 2008). Besides the aim to reduce the historically evolved complexity of the French system of unemployment insurance and services (Clegg 2007), particularly the ‘plan to help in returning to employment’ (plan d’aide au retour à l’emploi PARE) has tried to introduce and strengthen conditionality within the system of unemployment benefits. In 2000 social partners negotiated a catalogue of schemes to reform PES, but considering the announced (and compared to most other European countries rather lax) sanctioning regime too strong, two of the five major trade unions did not approve to the plan. After more than a year of conflict and after being alleviated once more, the agreement has finally been implemented as a legal reform in 2001 (Neumann and Veil 2004). Explicitly linking benefit eligibility to individual efforts, the ‘personalised action plan for a new start’ is considered one of the PARE’s most pivotal innovations (Villiers 2003), even though, its legal possibilities were still not being exploited in praxis (Barbier and Kaufmann 2008: 85ff). Furthermore, considering the RMI as absolute social minimum, conditionality only applied to recipients of regular unemployment assistance (Allocation Spécifique de Solidarité, ASS) (Barbier and Kaufmann 2008; Barbier and Fargion 2004). Consequently, the attempts to individual activation remained rather weak (Borras...
2008), while subsidized insertion contracts remained the main channel for ‘collective’, demand-side activation. In 2005, the Law Borloo (based on the Social Cohesion Plan – Plan Cohésion Sociale) took up on these reforms and tried to enforce the sanctioning regime – inter alia by proposing to locate the organisations for unemployment benefits, RMI and placement within a single ‘house of employment’ (maisons d’emploi), which was however rarely implemented (Barbier and Kaufmann 2008: 88; Borras 2008; 2006). It has not been before the implementation of the Pôle Emploi in 2009 (loi n° 2008-126) that the fusion of the PES (Agence nationale pour l'emploi, ANPE) and the insurance association (Associations pour l'emploi dans l'industrie et le commerce, Assédic) became reality.

At the core of French employment policy reforms discourse was, preventing poverty and precariousness. In order to ‘make work pay’ particularly for low wage earners, in 2001 the Jospin government introduced a negative income tax (prime pour l'emploi), which has been expanded and considerably increased by consecutive conservative governments in 2003, 2005 and 2007. However, after these reforms it was particularly average wage earners that profited from the scheme, marginalising the incentives to work for low qualified originally intended (Barbier and Kaufmann 2008: 114). While subsidized insertion schemes have long been restricted to the public and social sectors, the reforms starting by the PEJ in 2000 and the Raffarin reforms in 2003 have incrementally generalized and expanded their applicability. For instance the social cohesion plan in 2005 bisected the number of the most important insertion contracts from 14 to seven and opened the RMA to non-RMI recipients. The aim of these reforms was to create a single scheme, comprising the hitherto broad variety of insertion contracts (OECD 2005: 121; 2007). However, contrary to its universal ambitions, only 10 000 people received RMA by end of 2005 (Barbier and Kaufmann 2008: 82). Finally, in 2007 Martin Hirsch was appointed ‘commissioner for active solidarity against poverty’ attached to the prime minister’s office. With the objective of reducing poverty by one third within five years, he was mandated to reform RMI and negative income tax. In October of the same year he presented a report on ‘active solidarity against poverty’, explicitly placing the poverty-rate in France in a European context and particularly proposing reforms to reduce in-work-poverty by merging in-work benefits and RMI to active solidarity income (Revenu de solidarité active, RSA) (Hirsch 2007; 2008). In 2009, RSA was implemented and attached to the newly created Pôles Emploi creating a universal minimum income scheme administered by a one-stop-shop for all jobseekers and benefit recipients, and endowing case managers with real sanctioning capacity (Clegg and Palier 2010) – eventually, creating a rather similar system to the German Alg-2 scheme.

The Paradox of Introducing Activation by Reforming Social Security
In France, the more successful reforms and the transformation of the institutional order have “come about less through an explicit and radical change than through a change in the policy instruments” (Palier 2005: 141). While initially aiming to comprise all three cornerstones of the flexicurity triangle, in the end, predominantly schemes to incentivise employment and ‘make work pay’ for low-skilled young people have been implemented. These successful reforms were legitimized by combating in-work poverty and precariousness, while reforms aiming to explicitly flexibilize regular employment (contrat à durée indéterminée, CDI) failed. And while the PARE in 2001, the law on social cohesion in 2005 and a tripartite agreement in 2006 were aiming at a stronger coordination and cooperation of ANPE and Unédic, before 2009, “neither reform has, (…), done much to address the underlying problem of institutional complexity” (Clegg 2007: 609). The persistence of the inter-organisational conflicts between ANPE and Unédic and the fragmented competences between state, social partners, regions and departments has contributed to the failure of activation schemes in France, obstructing sanctioning as well as coordinated training schemes tailored to job seekers’ individual needs. Thus, until 2009, activation was mainly addressed by demand-side subsidy to employ low-skilled labour, „and not targeting the individuals, or decreasing employees’ contribution” (Barbier and Kaufmann 2008: 113). Often not aiming at immediate first labour market inclusion, but rather preventing poverty and lack of prospect for disadvantaged groups, these insertion schemes entailed an incremental reorganisation of French unemployment policy.
from financing unemployment towards financing work (Barbier 2007; Barbier and Théret 2004).
The focus on creating ever new schemes at the margins has contributed, however, to increase the segmentation of the labour market along generational and educational cleavages (Barbier and Fargion 2004). While today still 90 percent of the workforce have been employed on a CDI contract, for labour market entrants, determined contracts are the norm (Estèbe 2005: 94). Particularly for the low skilled, these flexible forms of employment tended to stabilize to new ‘inactivity’ traps, the resulting social inequalities being perceived as huge problem for social cohesion in France.

And one has to see that there are many points of discrimination to young people and immigrated people, so we have to work on that. That is the way we try – in fact more than other countries – to put money on these contracts. (F11)

To counter this tendency, insertion contracts became a main channel for social inclusion and income guarantee for low skilled young workers (Barbier and Fargion 2004: 442). But this has lead to a high rate of hidden long term unemployment, making it politically hard to end this practice, while at the same time the claims of ever new groups to the state as employer of last resort increased. Therefore, the sector of subsidised work has continually expanded from the 1970s to the mid-2000s (Barbier and Kaufmann 2008; Ughetto and Bouget 2002).

If you abandon the measure they would have nothing. Maybe that is the consequence of too many initiatives we had in that field. And if you would stop subsidising we would have a very high unemployment rate. (EU25)

Thus, before 2009, the state’s interventions on the labour market had perverse effects. Instead of preparing disadvantaged individuals to compete on the first labour market, it created new inactivity traps, characterised by enduring dependency to the state and growing in-work poverty. Hence, aiming to combat labour market inequality, the state has reproduced new social inequalities along pre-existing social cleavages.

**Explaining French Reforms by Bounded Creativity**

The strong focus on making work pay was particularly due to two institutionalized reform-blockages that were mediated by the trade unions: the strong believe in CDI as the only “channel for integration into society and accessing political citizenship” (Barbier and Fargion 2004: 442) and a perceived collective responsibility for unemployment. But in France, contrary to Germany, where similar debates not started before the end-2000s, in-work poverty of an increasing number of ‘atypically’ employed has caused a recurrent debate on ‘new poverty’ (Paugam 1991), ‘social exclusion’ (Paugam 1996) and ‘precariousness’ (Paugam 2000) since the end of the 1980s. Being perceived as a major threat to social cohesion, the discursive target of most reforms – even of CPE and CNE – was preventing in-work poverty. Thus, trying to gain sufficient coalitionists for its reforms, making work pay has been used by the labour ministry to craft connectivity of European concepts.

But the real problem of precarity is the poverty behind. Ever more people live in poverty despite working. (…) all these new contracts cause people to live in poverty. (F8)*

But only in reading ‘making work pay’ – perceived as call for a stronger sanctioning regime, particularly in the UK and Germany – as legitimizing in-work benefits, the concept made sense to French actors. Accordingly, the French labour ministry reinterpreted European concepts as to be completely in line with and supporting the current domestic policy.

The ideas of EES are not very original, they are widely shared. (…) All we are doing on employment policy is in line with the guidelines of EES. (…) What we are doing every day corresponds always to a field which is addressed in the strategy. (…) So it’s not difficult for us to say that we are taking these guidelines into account in applying policies. (F1)

Realizing it lacked sufficient support of more radical changes in reforming the CDI after the protests in 2006, the government did not pursue these reforms any more.
Of course we know that "flexicurity" would be a solution. [But] I think that in France we have a really strong feeling that ‘normal’ work is a CDI. (…) [Therefore] it is quite difficult to say that it is not any more normal to have a CDI. (F11)

Also, a policy explicitly targeting individual activation proved hardly connectable to the institutionalized concepts. Labour market participation was rarely seen as educational mismatch problem or a problem of individual effort, but scarcity of employment for the low-qualified was for long conceived of as being caused only by weak economic performance (Enjolras et al. 2000: 42). Thus, while demand-side employment policy in Germany was primarily complemented by re-education and training, in France, ‘the state [was] being expected to provide temporary (or ‘secondary market’) jobs when the market failed to deliver them” (Barbier and Kaufmann 2008: 94). Additionally, the Minimum Insertion Income scheme (Revenu Minimum d’Insertion, RMI) – successively becoming the main pillar of social assistance in between 1988 and 2008 – was strongly perceived as literally the ‘social minimum’ society, represented by the state, would ‘owe’ to its citizens. Therefore, its formal conditionality was hardly applied in practice (Clegg and Palier 2010) as it seemed inappropriate to society and the case managers (Barbier et al. 2006; Barbier and Théret 2004). The strong focus on the CDI was mediated and enforced by trade unions. They strongly rejected employment policy reforms that would undermine this concept as an ‘inappropriate’ answer to global and European challenges.

The European Commission has criticized France and the French because they stay within one company and on one contract for more than ten years. This is true, but where is the problem? Without doubt there is a problem we are deeply concerned about: That is the ideal of flexibility. You don’t get social cohesion by precarity. (F8)*

This strong believe in the CDI together with France’s ‘atypical industrial relations’ (Goetschy 1998; Ughetto and Bouget 2002) has caused a ‘typical’ French pattern of the employment policy reform game, which applied to most reforms before 2008. Each time, the government would propose a major reform to flexibilize the labour market or more sanctioning in activation, the core elements of these reforms, often launched without prior concertation with social partners, have recurrently been withdrawn after fierce public opposition and general strikes. Due to trade unions’ general contestation, the ministry could not actively refer to European resources in domestic discourse: they would have delegitimized instead of legitimized any reform. Rather, being confronted with harsh criticism by the Commission, French representatives rejected European perceptions of domestic policy as misunderstanding.

We have told them: ‘Well, we do not agree, you have misunderstood, this is not exact. (…) for us, fighting social exclusion is the priority. One cannot only care about those that are easy to activate we have a very important stock of long-term unemployed, of RMIsts and we will care about them. (F4)* Sometimes they rely on bad comprehension of the country’s performance. So they are wrong. (…) we have conflicts on this point because the commission does not act wisely. (…) The commission was not on the right level to recognize that and that’s due to a lack of technical knowledge. (F1)

However, in the wake of the failed major reform attempts, incremental reforms of in-work benefits have recurrently been implemented, slowly evolving the system of minimum income and insertion schemes, and finally culminating in the RSA reforms. The European concept of making work pay thus provided a promising resource for inspiration to the labour ministry.

There was a number of strong ideas in the guidelines that have been implemented in the major axes of French employment policy: ‘making work pay’, the modernization of the labour administration (…) for us, these concepts came directly from Brussels. (F4)*

Thus, it was an innovative approach of concertation, creating a reform that overturned the French system of treatment of the unemployed in 2009 (Clegg and Palier 2010), but RSA – despite having strong impact on activation – has been justified by combating in-work poverty (Hirsch 2007), contrary to Germany where the reform debate has been on labour market reform and activation. While the German Hartz-commission promised to bring more than a
quarter of long-term unemployed into market employment, the Hirsch-report promised to reduce the number of poor in France by one-third (Hirsch 2007; Paugam 2008). This has allowed for an intensive – although mostly ‘hidden’ – ‘usage’ of European resources. However, instead of a blunt mimetic strategy, in carefully studying alternatives in other countries in order to develop a genuine French solution, the labour ministry rather adopted a strategy of creative appropriation, crafting connectivity to domestic institutions.

Based on what we discussed in Brussels, we have made many bilateral contacts. (…) It is clear that our current minister is meeting extensively with his colleagues and currently he talks on flexi-sécurité to them. (…) This is an undeniable – direct or indirect – consequence of the employment strategy. (…) If you like, there is a kind of European reflex, created in France due to the employment strategy that did not exist before. (F4)*

Actively reinterpreting ‘making work pay’ as supporting in-work-benefits made European best practice examples connectable to French institutions.

When the government is deploying employment policy, (…) they don’t tell the French: ‘the measures I take they come from European contexts’ (…) But in reality one makes good use of the guidelines when working out the details of the measures. (F12)*

Accordingly, contrary to Hartz-IV in Germany, the RSA/Pôle Emploi reform was not legitimized as paradigmatic shift towards activating the long-term unemployed by a stronger sanctioning regime, but rather as a universal in-work-benefit, activating the unemployed by ‘making work pay’. However, as a side-effect of these reforms, almost unchallenged and rarely debated, there was a major shift from a collective and demand-side to individual and supply-side approach in activation.

**Italy: Crafting Connectivity of Combating Undeclared Work and Flexibility**

Also in Italy, there have been various attempts to tackle the strong labour market segmentation since the mid-1990s (Graziano 2007). The most ambitious of these was the Biagi-law in 2003. One of the first visible actions of the newly elected Berlusconi government was presenting a ‘White Book on Employment’ in October 2001 (Biagi et al. 2002). Strongly referring to European learning stimuli and Italians poor labour market performance in comparative perspective, the whitepaper outlined a ‘flexicurity’ approach that builds on social inclusion by participating in the labour market, equal opportunities on the labour market and preserving employability instead of job security, but it referred not with one single word to a reform of social security. Instead, flexicurity has been interpreted in terms of de-segmentation of the labour market and fighting undeclared work (Samek Lodovici and Semenza 2008). This was to be achieved by flexibilizing regular employment (contratto a tempo indeterminate according to article 18 of the workers statutes, Statuto dei Lavoratori, commonly addressed as posto fisso), improving the quality of PES placement and by creating ‘legal work for all’ (Lamelas and Rodano 2005). This would have signified a radical change in Italian employment policy. However, in the laws 30/2003 and 276/2003 (together commonly addressed as legge Biagi), after fierce public opposition by the trade unions, a general reform of the workers statutes was abandoned and flexibilization reduced to new contracts introduced at the margins of the labour market. Additionally, a national reform of PES failed due to a radical regionalization of active and activating employment policy at the same time. But despite a strong reference to European stimuli (Ferrera and Gualmini 2004), the reforms were subject to considerable creativity in domestic appropriation.

**From Informal Labour Market to Formal Segmentation**

The ‘Treu package’ in 1997 can be considered the starting point of a radical reorganization of Italian employment policy. Implementing a decision of the ECJ, private intermediaries were permitted, ending the monopoly of the PES (law 196/1997), also challenging its particularly bureaucratic practices (Borghi and van Berkel 2007: 91). Simultaneously, the Treu laws for the first time legally introduced determined work contracts (law 469/1997) and new
apprenticeship contracts, „aiming at easing the school-to-work transition (one of the main shortcomings of the Italian labour market)” (Samek Lodovici and Semenza 2008: 169). At the same time, by the Bassini law (59/1997), a comprehensive decentralisation of labour market policy was announced.

All these reforms introduced – but often not implemented – since 1997, (...) have been partly continued and partly modified by the Biagi law, in referring to the national action plans for employment (111*)

While the whitepaper had identified improving the quality of PES and placement as a major challenge for Italy, the regionalization decided in 1997 has been gradually implemented since 2000 (Bifulco et al. 2008). After a constitutional reform in 2001, finally in 2005 the constitutional court ruled in favour of regions, leaving the national state no competences in activation and PES. Thus, of the very ambitious activation proposals of the whitepaper, only expanding possibilities for private intermediation has been implemented on the national level (Pirrone and Sestito 2006; Cioccolo et al. 2004b).

The pivotal objective of the whitepaper was to combat labour market segmentation and increasing regular employment by flexibilizing the extremely rigid regular labour contract (Lamelas and Rodano 2005; Pirrone and Sestito 2006: 61ff). However, this ambitious approach failed due to fierce public resistance which was organized by the trade unions. The goal of higher labour market participation was therefore supposed to be achieved by expanding flexible, atypical employment contracts. The rational of introducing flexibility at the margins, “while leaving the discipline of standard employment unchanged” (Ichino et al. 2004: 1) by creating over 35 contractual typologies (Samek Lodovici and Semenza 2008), was that these contracts would ease access to the formal labour market, reduce illegal employment and increase the contributions to social insurance (Cioccolo et al. 2004a).

We have a very strange legislation. I think the legislation should be similar across sectors and across firms of different size. Otherwise you produce chaos. (I1)

For example, distinct contracts have been created for: part time work, job-sharing, different forms of apprenticeship and diverse forms of (re-)insertion into the labour market.5 However, at the core of the reforms and the discourse was converting contracts for ‘continued collaboration’ (Contratti di Collaborazione Continua CoCoCo) into contracts for determined ‘project collaboration’ (Contratti di Collaborazione di Progetto, CoCoPro) and expanding the possibilities for temporary work. The common denominators of these atypical contracts are reduced social insurance contributions and their fix-term character, incentivizing employers to hire new workers. Contrary to Germany and France, the target group is not limited to low-skilled labour but comprises almost all groups in society, except industrial core labour force.

Though referring explicitly to flexicurity, the whitepaper did not propose any reforms in social security, which due to a missing social assistance scheme seemed particularly necessary in Italy (OECD 2004: 63; Council of EU 2002b). The first Prodi government as early as 1998 has introduced a pilot minimum income scheme for jobseekers (RMI – reddito minimo di inserimento), comprising 35,000 people in 39 municipalities (Ferrera and Gualmini 2004). However, it was considered a failure and abandoned by the following Berlusconi government. After the fierce opposition against the Biagi reforms, two of the three major trade unions agreed on a ‘pact for Italy’ with the government. As a consequence, the regular unemployment benefits (indennità ordinaria) have been expanded in amount and duration. Finally, the reform attempts in social security, the past five years, have been obstructed by the nine-party coalition in the Prodi II government and the disinclination to social reforms of the Berlusconi III government.

5 Hence, the variety of contracts is by far too big to be presented here in detail, for a comprehensive overview see Cioccolo et al. 2004a, Cioccolo et al. 2004b; Lamelas and Rodano 2005.
market, paradoxically, Italian reforms have rather increased segmentation in almost all dimensions. Due to the opposition of the trade unions, instead of flexibilizing the workers statute, a variety of new contractual arrangements has been introduced, increasing rather than decreasing legal segmentation of labour contracts. Although the regionalization has contributed to more effective activation strategies, it also entailed a stronger territorial divide, privileging the prosperous regions in the north, while proving detrimental for regions with scarce administrative and institutional capacities (Bifulco et al. 2008; Fargion 2005; Tattara and Valentini 2008). Finally, the increase in regular unemployment benefits, while not changing the rigid eligibility criteria, has consolidated segmentation in social protection, as the atypically employed continue not to be covered (Graziano et al. 2010). Accordingly, this strategy of selective flexicurity has consolidated existing gender, sectoral and generational cleavages, increasing pre-existing social inequalities on the labour market (Samek Lodovici and Semenza 2008).

According to the Biagi law, expanding possibilities for flexible employment had three objectives: increasing the contribution basis for financing social insurance, increasing legal employment and easing transmission into the first labour market for disadvantaged groups – namely women and young people. This strategy has been at least partially successful: Despite marginal economic growth between 2000 and 2008, the share of employed women increased by eight percentage points; at the same time the share of unemployed in the age of 15 to 24 decreased by ten percentage points (European Commission 2009; CNEL 2006). This is considered to be a direct effect of new contractual arrangements introduced by the Biagi law (Paparella and Santi 2005). In 2007, 13 percent of persons in dependent employment – particularly women – and 40 percent of labour market entrants have been on fix-term contracts and the share of para-dependable, mono-client contracts increased considerably – however, much of the growth owed to legalizing so far undeclared work (Samek Lodovici and Semenza 2008: 164).

While this increase in formal employment has considerably contributed to more balanced social insurance budgets, the people employed on these schemes often cannot expect to be sufficiently entitled to insurance benefits (Paparella and Santi 2005). These new contracts therefore entail an increasing in-work poverty risk, a considerable threat of old-age poverty and a widening income gap, “with young families gradually shifting towards the lower end of the income distribution relative to older workers” (Samek Lodovici and Semenza 2008: 165). This highlights the increasingly precarious situation of the young generation in many Bismarckian welfare states: a growing number of young people does never reach regular employment, but the current insurance schemes are not prepared to cope with discontinuous and endurably unstable life courses in a dynamic labour market. Thus, the reform has been successful in terms of increasing the share of declared work and rising social insurance contributions. But people employed on these terms usually earn considerably less than their colleagues in regular employment and acquire insufficient entitlements to social insurance. Hence, in terms of social inequality, the pivotal question is whether these contractual arrangements have improved the likelihood of transition into regular employment. First findings indicate, that while for fix-term employed the odds for an undetermined contract are higher than for unemployed persons, at the same time, the threat of endurably fix-term employment has increased considerably (Ichino et al. 2004). In 2005 only 6.5 percent of para-dependably employed have been transferred to undetermined contracts, while over 70 percent have again worked on a contract on project (Samek Lodovici and Semenza 2008: 165). Additionally, transition seems to be highly selective, making “flexible jobs (…) a stepping stone towards stable employment (…) relevant only for the strongest segments of the labour force (highly skilled and educated young people), in strong labour markets (such as the Northern regions in Italy)” while for “the low-skilled, they may become a trap” (Samek Lodovici and Semenza 2008: 166; Ichino et al. 2004; Tattara and Valentini 2008). Thus, the third objective of the reforms, easing labour market transition, was only partially successful. While offering new, legal employment opportunities, transition into regular employment is rarely successful and even less so for the most vulnerable groups (Barbier and Fargion 2004). Thus, the selective appropriation of flexicurity has entailed a growing number of – now
formally instead of informally, but still marginally – employed labour market ‘mid-sliders’ (Graziano et al. 2010), that never reach a position in the industrial core labour force, sustainably increasing external flexibility without securing a growing proportion of the working population.

Figure 5: The Rational of Employment Policy Reform in Italy

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<tr>
<th></th>
<th>domestic discourse</th>
<th>substantive reforms</th>
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<tbody>
<tr>
<td>Activation</td>
<td>it is on employers to employ more people, the government has to create the economic environment</td>
<td>introducing flexible contracts, private intermediaries and regionalizing active employment policy</td>
</tr>
<tr>
<td>Social Protection</td>
<td>posto fisso of the male family breadwinner remains the reference for social insurance</td>
<td>increasing quantity and duration of scarce regular unemployment benefits</td>
</tr>
<tr>
<td>Flexibilization</td>
<td>black labour has to be reduced</td>
<td>introducing flexible contracts</td>
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<td>Reform barriers</td>
<td>strong reliance on posto fisso</td>
<td>strong societal and political polarization, strong competences of social partners and regions</td>
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**Explaining Reform Paths in Italy**

In Italy, labour market reforms started after the collapse of the old political order under the ‘historical compromise’ in the mid of 1990s, giving ‘technocratic elites’ power (Graziano et al. 2010; Graziano 2004). The reforms have been initialized by the former labour law professor Tiziano Treu who was labour minister from 1995 to 1998 (government Dini and Prodi I) and they have been continued by the whitepaper presented by the labour law professor and long standing member of the European Employment Committee (EMCO), Marco Biagi, in 2001. But in reform implementation, Italian policy makers faced two considerable problems: for insurance based social policy reforms and contractual arrangements – having to be implemented by sectoral agreements – they depended on social partners, while after the constitutional reforms in 2001, activation policies were in the exclusive competence of the regions. Thus, in a majority of aspects the whitepaper could only appeal to the readiness of these stakeholders.

Central and local institutions and social partners are requested to work out a system of labor policies based no longer on individual jobs, but on employability and the labor market. (Biagi et al. 2002: 10)

Initially, by the Treu reforms a concerted modernization of the Italian employment regime seemed possible (Baccaro 2002; Haddock 2002; Regalia and Regini 1998). Despite reservations of the biggest, communist trade union CGIL, there were hardly any protests against the reforms. But in 2001, the whitepaper referred to the politics of tripartite concertation as ineffective and blocking from institutional innovation. Additionally, after winning a broad majority in the parliamentary elections, the Berlusconi government was convinced not to need corporatist legitimacy (Ferrera and Gualmini 2004: 157). But the unilateral reform approach has facilitated a polarisation that shaped the societal perception of the reforms. As a consequence, the ideological gap between trade unions and the government seemed insurmountable.

The trade unions make of the work a kind of totem. (…) They are reluctant to accept new ideas, new policies and new approaches. They oppose this goal [of flexibility] for political reason. I think that is the main obstacle to the labour market. (I2, government)

However, “considering their traditional defensive role of the insider workers’ interests” (Samek Lodovici and Semenza 2008: 173) most probably, the announced radical reform of the workers statute would have been perceived as an insult by the trade unions also in case of concertation. Thus, in 2002 the trade unions called for a general strike against the Biagi reforms. Their main critique was the selectivity of the domestic appropriation of flexicurity,
also referring to the EU, EES and even OECD documents to prove their argument, that a flexibilization of the labour market in Italy had to be preceded by introducing a universal social security scheme (cf. OECD 2004: 63, Council of EU 2002b). As a consequence, the government was forced to negotiate with trade unions. But while the moderate trade unions UIL and CISL agreed on a ‘pact for Italy’, CGIL maintained its opposition. In this pact, the government agreed to renounce from a reform of article 18 in the workers statute and as a pilot increasing unemployment benefits, in case the trade unions would back the rest of the reform package. However, prior to the elections in 2006 both parties alleged each other to have broken the pact – by either too hesitantly implementing the new contracts in sectoral bargaining or too little reforming social security. The years since the change in government in 2006 and again 2008, have been characterized by mutual blockages between actors. The proposed social reforms of the Prodi-II government have not been implemented – this time due to blockages within the nine-party coalition on the one hand and employers’ associations on the other, the later fearing increasing costs by increased social insurance contributions and increased taxes as a consequence of a universal social benefit scheme. The Berlusconi government since 2008, fearing even stronger polarisation and conflict, was completely reluctant to reforms.

However, contrary to Germany and France, in Italy, both, institutional entrepreneurs and conservateurs have actively and extensively tried on the European flexicurity concept. By reference to EES, the government has been stressing the necessity to flexibilize the labour market. What we surely took on board of the European employment strategy was the more general frame towards flexibility. A flexibility made in agreement at the large extent, at the most possible extent regarding the political situation of the period. And flexibility introduced in agreement with the social partners. (I5)

Trade unions referred to the requirement of introducing a social minimum. Taking flexicurity seriously, UIL and CISL have agreed to the ‘pact for Italy’ and accepted the necessity of a more flexible labour market but in exchange expecting an extension of universal social protection. Even CGIL accepted this flexicurity rational.

I am also convinced that one cannot imagine an approach where we say ‘let’s reform social security systems and leave anything else at it is’. One has to put these things together again, that is, it is necessary to do this simultaneously. (…) This signifies choosing a proactive approach in labour market policy and not sanctioning in hindsight. This will cost a lot (…) in terms of visions, in terms of financial means and in terms of monitoring – all three things not very common in this country. (I10, CGIL)*

The pact for Italy in 2002 was based on these visions. However, between 2003 and 2006 the trade unions increasingly had the impression having made too many concessions, while the government was not sticking to its commitments. In these contestations, the flexicurity concept of the EES has been an important resource for the trade unions.

Thus, contrary to the defensive strategy of trade unions in Germany and France, in appropriating the flexicurity concept in order to criticise the perceived deficits of governmental policy in Italian they have chosen an active strategy of Europeanization, stressing and accepting the legitimacy of European resources in the domestic discourse.

**Comparing the ‘Usage’ of European Resources in Germany, France and Italy**

The reforms and the ‘usages’ of European resources in the three countries provide striking similarities and differences. While in Germany a fundamental change in social policy came by a reform legitimized by the need of activating the long-term unemployed, in France ‘making work pay’ was the main argument for a universal minimum activity income; and in Italy, a flexibilization at the margins was supposed to combat undeclared work. These
selective appropriations of the flexicurity paradigm were due to the institutional entrepreneurs’ skill in crafting connectivity between European and domestic institutions and the constraints on this skill by institutionalized worldviews and practices within the domestic field. In Germany, there has been an established expectation of the state being responsible for re-educating, counselling and supporting jobseekers in finding new placements, and a long existing notion that social benefits had to be ‘earned’ by own efforts to cease poverty. Merging these concepts by ‘supporting and demanding’, this discourse has been used for crafting connectivity to European concepts of activation, enabling the institutional entrepreneur in the course of the reform process to refer to European concepts.

To the contrary, in France, obligations for minimum-income recipients were not connectable to domestic worldviews, however, the concept of ‘making work pay’ was actively crafted to ‘fit’ to the domestic debate on precariousness and combating in-work poverty. In both cases, reforms entailed a radical but not-debated change in the system of social protection (Germany) and activation (France). This tacitness has contributed to often hesitant implementation of activation schemes and sanctioning at the shop floor level in France. In Germany, the non-debate on the social policy reform, provoked resistance and a partial withdrawal of the ‘equal’ treatment of all ‘deserved’ and ‘undeserved’ benefit recipients with hindsight.

In Italy, activation policy was referred to the regions that heavily relied on the European Social Fund to finance reorganization and their active and activating employment policies, thus Europeanizing employment policy ‘from the bottom’ (Zirra 2010a: 326ff; Pirrone and Sestito 2006; Ferrera and Gualmini 2004). On the national level – by referring to the European concept of flexicurity, the Lisbon objectives and EES guidelines – first-labour market insertion of marginalized groups was supposed to be facilitated by introducing new forms of flexible contracts, while leaving the strong dismissal protection of the core labour force unchanged and not introducing a universal social benefit scheme in order to secure the ever more discontinuous employment of the younger generation.

In all countries, this selective perception of Flexicurity entailed paradoxical effects: While aiming to provide equal opportunities on the labour market, they reproduced – or even increased – labour market segmentation, creating a new divide between an ever shrinking well-protected industrial core work-force and an increasing proportion of flexibly employed and precariously secured marginalized workers (Graziano et al. 2010; Zirra and Preunkert 2009). This is primarily due to an unintended introduction, extension and subvention of a low-wage sector for low-skilled labour (Palier and Martin 2007: 551).

Thus, the reforms, however ‘radical’ they might have been, have followed a path dependent pattern and – at least for the time being – were not able to change the basic structure of the labour market. This became particularly obvious in the economic crisis, where the marginally employed where hit particularly hard, while much effort was invested in protecting the core work force from undue hardships – e.g. by short term work (OECD 2010).

At the same time, paradoxically, despite their path dependent evolution, the three institutional orders in employment and social policy have become similar – maybe more than they had ever been before. Particularly in France and Germany the systems of activation are now based on mutual obligations, an active minimum income, and new forms of contractual arrangements that become ever more common for labour market entrants. In all countries, the increasing ‘usage’ of flexible contractual arrangements and the actual demise of standard industrial employment might even contribute to making ‘atypical’, flexible employment to the common ‘standard’ for the cohort of those born after the 1980s – thus making generational segmentation to a transitional phenomenon. The question will be whether mutual European inspiration and domestic appropriation will be able to frame this development by reforming social protection accordingly. While the German and French experiences seem rather promising, the Italian example leaves good reason for doubts.
Conclusion

In this paper we have aimed at unravelling the mechanisms of domestic Europeanization. By comparing three Continental countries in a most-similar-system design, we were able to account for differences in the mechanisms of domestic appropriation. By these cases, we provided evidence that due to the coalition building necessity, which is inherent to political games on institutional innovation, crafting institutional connectivity is crucial for explaining why certain European institutions have been domestically appropriated while others were ignored or even fiercely rejected. Accordingly, neither institutional misfit nor fit can explain the scope, concrete forms and policy fields of domestic Europeanization, but the institutionally bounded skill of institutional entrepreneurs to actively craft meaning and appropriateness within the institutionalized opportunity structure that characterizes a field.

Thus, complementing historical institutionalism by accounting for the role of institutionally structured strategic action within institutionalized fields, we have demonstrated that institutionally bounded creativity in appropriating European institutions constitutes a pivotal strategy of skilled domestic actors to increase the relevance of their change project within the domestic field. By skilfully crafting connectivity between European and domestic discourses they enact European institutions as meaningful, legitimate and relevant resources within the social practice of institutionalized fields. But this ‘space’ available for creative appropriation is institutionally constrained: worldviews and new practices that are too distant to domestic institutions have been rejected as ‘misunderstanding’ or ‘inappropriate’ by domestic actors in the three countries.

However incremental, unintended and paradoxical reform outcomes may be, these reforms have contributed to a hybridization between European and domestic concepts in all countries, so that today at least Germany and France have – maybe more than ever – rather similar systems of contractual arrangements, unemployment protection and activation. In the German reform debate, activation of long-term unemployed was at focus, but the reforms unintentionally overturned the system of social protection and introduced a universal minimum income scheme. To the contrary, the public and academic discourse in France was mainly on fighting in-work poverty, gradually evolving RMI and a multiplicity of insertion contracts, to a universal minimum income scheme, while – again largely unnoticed and rarely debated – the reform process entailed a silent revolution from demand side towards supply side activation (Clegg and Palier 2010; Berthet and Conter 2009). In Italy, many regions have actually introduced a rather similar system of Job-Centres and individual activation past the regionalization and due to their dependability to ESF (Borghi and van Berkel 2007, Zirra 2010a: 262). But, not tackling the rigidity of regular employment in the three countries, reforms have contributed to a growing social segmentation of the labour market. However, the increasingly incongruent institutional spheres that frame interactions on labour market, in the long run, may contribute to an institutional ‘domino effect’ (Beyer 2006): enabling a debate on further reforms to come in new policy fields so far untouched. Consequently, an ambitious but cautious evolution of the EU 2020 strategy by focusing on equal opportunities on the labour market may contribute to further reforms to come, by domestic ‘usage’ of European concepts leading to increasingly converging – yet never completely similar – varieties of flexicurity in Europe.
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