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**The European Employment Strategy and National Welfare  
States: Italy and France compared.**

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*Abstract*

1. The broad question that inspires the article is the following: why in consolidated national policy environments significant patterns of change in the field of employment have emerged over the past two decades? More specifically, how has the European Employment Strategy exercised pressures for change on national employment policies? The article is therefore focused on the evolution and interaction of EU and national employment policies. It provides some background information regarding employment and unemployment data over the years in the two countries and it illustrates the basic traits of the evolution of EU, Italian and French employment policy, showing how the two national policies have not converged over the past 15 years - notwithstanding common European pressures and domestic policy change. The final part of the article looks at the dynamics of policy change in the two countries and provides a tentative explanation for such different policy evolution, pointing out as a key explanatory factor the different national policy tradition, i.e. the welfare state model. *European and National Employment Policies: Conceptual and Methodological Background.*

In the past years, several contributions have been made regarding the ‘retrenchment’, ‘transition’ or ‘survival’ of the welfare state in Europe (Clasen, 1997; Kuhnle, 2000; Ferrera and Rhodes, 2000; Pierson, 2001; Ferrera and Hemerijck, 2003; Taylor Gooby, 2004), and much attention has been also devoted to the pressures of international constraints on the development of ‘welfare and work’. Nevertheless, some authors are starting to question the static description of some welfare states, notably the Bismarckian and South-European ones (Palier, 2005), and call for more comparative empirical research. In fact, not sufficient attention has been given to the mechanisms of impact of European policies on the development of social policy in European Member States. Only three major contributions stand out as relevant with respect to the impact of Europe on national social policies: Falkner and others (2005); Zeitlin and Pochet (2005) and, more recently, Kvist and Saari (2007). The first study is a very accurate analysis of the implementation of a limited number of directives in the 15 member states, and it is primarily concentrated in examining the ‘translation’ of EU policies (i.e. directives) at the national level. The second is a very useful comparative research aimed at providing information on the impact of the OMC (Open Method of Coordination) on national policies in the field of Employment and Social Exclusion. This volume, also, is devoted to the implementation of EU policies (the OMC) in a large number of EU countries but it provides a limited account on the mechanisms of change that occur at the national level. The third contribution consists in an ample analysis of the developments of national social policies in the light of emerging EU social protection policies (economic and employment policies and the social policy agenda). All these contributions are of great use and interest, but they consider Europeanization<sup>1</sup> as a top-down process and hence they limit their analysis to the impact of European Union policies on national ones, providing limited information on the mechanisms and different patterns of change that have occurred at the national level.

Therefore, what is still missing is a ‘thick’ comparative description of how Europe has mattered (i.e. what are the mechanisms that were and eventually are still in place) over the past years in various national welfare states. Consequently, the aim of this contribution is explicitly to look at (a) two European countries (France and Italy) within the development of (b) European employment policies. First, Italy and France have been chosen since the first is a clear example of Southern model of welfare state whereas the second is a clear example of the Continental<sup>2</sup> (or bismarckian<sup>3</sup>) model of welfare state. Hence, the specific research question is

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<sup>1</sup> For the sake of simplicity, here Europeanization is defined as the construction and diffusion of EU policies. For a broader discussion, see Graziano and Vink, 2007.

<sup>2</sup> See Ferrera, 1996.

to see if there have been trends towards convergence connected to the evolution of European policies or if the two countries still remain different with respect to their welfare state model. Second, employment policy has been selected since it is the most developed in consideration of both duration (dating back to the early '90s<sup>4</sup>) and policy sources (such as directives, communications, recommendation, etc.) and therefore more interesting to explore in order to capture the mechanisms of change that might have occurred at the national level.

From a methodological stand-point, three specific sources have been used. The first has been an in-depth analysis of the most recent literature on the topic, providing a 'thick' descriptive overview of the national employment policies and their development over the past two decades in the light of the deepening of EU policies in the field. The second source regards the European Union level: data on the evolution of social and employment policy has been collected and systematized in order to define the key features of the EU model of welfare state in order to point out at the *policy structure* (i.e. objectives, principles, procedures and financial instruments) of EU policies. In fact, if we do want to understand how Italian and French employment policy have changed over the years (and in particular during the '90s), we need to clearly qualify where we have to look for changes. Building on Hall (1993), we suggest that change can be detected when specific elements (objectives, principles, instruments and procedures) of the policy structure at time T2 differ from the same elements at time T1 and the intensity of change varies according to the dimension involved – i.e. more dimensions involved, greater change. Therefore, in the following paragraphs we shall try to characterise the European Employment Strategy as it has developed until now and look at the evolution of employment policies in Italy and France in order to point out policy changes that have occurred over the past years trying to show not only that Europe counts but more in particular how Europe has mattered and still matters.

Furthermore, about 30 semi-directive interviews to EU and French and Italian national officials (high-rank public officials, representatives of the social partners and NGOS involved in employment policy at the national level) have been implemented between 2004 and 2006<sup>5</sup>. Such source of information has been particularly useful in the exploration of the variance in the two national outcomes. But before we dive into the analysis we briefly need to look at the nature of the problem (unsatisfying national employment performances) and the EU and national answers.

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<sup>3</sup> See Palier, 2006.

<sup>4</sup> See Goetschy, 1999.

<sup>5</sup> Due to space limitations, the interviews will not be explicitly quoted in this contribution.

## *2. From full employment to raising unemployment: a quantitative synthesis*

After a long period of good economic performance during the '50s and the '60s, in the '70s unemployment started to become a problem for both Italian and French policy-makers. From then on, unemployment continued to constitute one of the major socioeconomic challenges for European governments.

As far as Italy is concerned, the situation has recently clearly improved: in 2005 the total unemployment rate was slightly below the European average (7.7 and 7.9 respectively). A different story is told by the total employment figures since in 2005 Italy was almost 7.5 points behind the European average (57.6 against 65.2)<sup>6</sup>. In fact, the major unemployment problems were (and still are) concentrated in the Southern regions where the unemployment rate traditionally was particularly high and employment rate particularly low. In the '70s, after a reduction of the territorial gap occurred during the '60s, the problem started to become particularly relevant and the territorial gap to increase: in 1970 there was a gap of 'only' 2.6 points (2.3% in the Centre-North regions and 4.9% in the South of Italy), whereas ten years later the gap reached almost 6 points (5.8% vs. 11.5%) and the widening of the gap never stopped since. Still more recently the territorial unbalance continues to be quite evident: although the overall situation has largely improved, in 2006 there still was a difference of almost 9 points between the unemployment rate of the Northern regions (3.8%, in line with a full employment pattern) and Southern regions (12.9%)<sup>7</sup>. Furthermore, the gender gap has remained relevant, in particular if we consider the employment data: in 1972 the gender gap between male and female unemployment rate was lower than 5%, slightly over the 2005 data (3.9%), whereas the gender gap referred to the employment rate diminished, due to the increasing presence employed women, from almost 40 points (1956) to 24.6 points in 2005<sup>8</sup>. Third, the increase of the overall youth unemployment rate which reached its peak in 1996 (30.4%). More recent data show that since 1997 there has been a limited progress: in 2006 the total unemployment rate for people between 15 and 24 years of age has been reduced to 24.0%<sup>9</sup>, still remaining quite high in comparative terms.

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<sup>6</sup> For all the data here, see Commission, 2006.

<sup>7</sup> ISTAT, 2003. Data does not take into consideration the black economy; nevertheless, the high unemployment rate concentration in the South, in particular among female and young people remains the major problem even if the data were 'adjusted' to the black economy figures.

<sup>8</sup> Ferrera and Gualmini, 2004; Commission, 2006.

<sup>9</sup> Commission, 2006.

In France also unemployment started to become a problem during the second part of the '70s: “the emergence of mass unemployment (...) contributed to a transformation of the general structure of rights and obligations” (Barbier and Théret, 2000: 37). First, looking at the total employment rate and compared to Italy, France seems much more in line with the EU-15 average (63.1% and 65.2% respectively). Second, in 2005 the French unemployment (9.5%) is clearly above both the EU-15 average (7.9%) and the Italian figure (7.7%): with respect to Italy, this might be very well connected to the relatively higher employment rate that characterises the French employment policy, but nevertheless still it constitutes a specific problem from both a political and public policy analysis point of view. Third, although not with the intensity that can be seen in Italy, youth unemployment constitutes a severe challenge for French policy-makers: in 2005 the total, male and female EU-15 average are 16.7%, 16.4%, 17.1%, whereas the figures rise to 22.3%, 21.0% and 23.8% in the French case. As we will see in paragraph 2.3, it is not by chance that recent French policies have been mostly targeted on young workers and young unemployed.

In sum, specific aspects of the performance of the Italian employment performance remain quite distant from other European countries and from the European Union in average, whereas France has a more ‘European’ profile – with the exception of youth unemployment. Nevertheless, in both countries since the mid-90s a series of reforms have been proposed in order to provide more employment insertion opportunities; moreover, a move towards more flexible working conditions and workfare oriented programmes has taken place, and new forms of working contracts have been introduced. But since the above mentioned employment performance problems are at least two decades old, why did such changes occur in the past ten years and not earlier? What are the dynamics and mechanisms of policy change? And what is the role of EU policies? In order to answer to such questions we need to briefly look back at the evolution of employment policies over the years.

### *3. The evolution of employment policy: EU, Italy, France*

#### *3.1. The European Employment Strategy*

Employment has become a common European concern at least since the early '70s when a number of directives and attempts to build a European level of regulation were started (Falkner, 1999). Nevertheless, it is only during the '90s – in particular, the second half of the decade – that the European Union adopted a specific strategy aimed at the development of a coherent European employment strategy (Goetschy, 1999). The Amsterdam Treaty introduced a new Title on Employment which set a number of specific goals: maintain a high level of employment as one of the key objectives of the European Union, considering it equally important as the macroeconomic objectives of growth and stability; commit the member states to the 'open method of coordination' – which was later better defined in the Lisbon Council (2000) – in order to promote a skilled, trained and adaptable workforce. The Amsterdam Treaty also established a specific country surveillance procedure according to which member states' employment policies were examined through a yearly Joint Employment Report issued by the Commission and the Council. Furthermore, periodically the Commission proposed and the Council yearly adopted specific Employment Guidelines for the member states on the basis of which each member state developed National Action Plan for Employment. Finally, the Commission could propose and the Council adopt Recommendations to individual member states. On the basis of such provisions, the Luxembourg Jobs Summit of November 1997 anticipated the entry into force of the Treaty and launched the European Employment Strategy (EES), developing four guiding pillars: employability, adaptability, entrepreneurship and equal opportunities.

Between 2000 and 2003 a mid-term review and impact evaluation was carried out. Such exercise illustrated some (procedural) strengths and (substantive) weaknesses of the overall process. According to the European Commission<sup>10</sup>, among the positive procedural aspects, the EES had created a common, integrated framework for structural reform, increasing in particular the involvement of numerous actors at various levels of government (European, national, subnational). Nevertheless, from a substantive point of view the strategy did not seem to be as effective as expected, since regional differences in market performance remained quite important and had even become wider in some Member states. Furthermore, the implementation of the four pillars of the EES was uneven and regional and local levels of administration were not participating in the overall process as expected.

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<sup>10</sup> Commission, 2002a.

Therefore, between 2002 and 2005 some procedural adjustments took place (such as ‘streamlining the annual economic and employment policy co-ordination cycles’<sup>11</sup>, in order to make the EES more coherent and coordinated with the annual economic guidelines, the substitution of Annual recommendations with Annual Progress reports, and the ‘new start’ of the Lisbon Strategy) together with some substantive changes (the four pillars were transformed in three overarching objectives – full employment, quality and productivity at work, cohesion and an inclusive labour market)<sup>12</sup>.

In sum, over the past decade the objective of the EES has been full employment (with quantified and standardised employment rate targets<sup>13</sup>), its main principle has become ‘flexicurity’ through activation<sup>14</sup>, the most important financial instrument available still is the European Social Fund (which mainly funds vocational training, typical example of active measure) and the main standardised, automatic procedure advocated is the ‘open method of coordination’<sup>15</sup> based upon benchmarking and best practice promotion. How have Italy and France conformed to such policy structure? Were the national employment protection traditions ‘fitting’ the EU policy structure? If not, how did they try to shape and react to the evolution of the European Employment Strategy?

### *3.2. The evolution of Italian employment policy*

Italy had a relatively good start in terms of unemployment protection: it was the second European country, eight years after the United Kingdom, to introduce the first pillar – obligatory insurance against involuntary unemployment – in 1919. But after such good start, the evolution of unemployment protection has progressively diverged from other European countries where significant progress in such domain has been made. Instead of consolidating the insurance pillar and introducing complementary, non-contribution based assistance schemes, Italy developed a policy model based almost exclusively on a very poorly funded insurance pillar, whereas no assistance nor guaranteed minimum income pillar were present.

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<sup>11</sup> Commission, 2002b.

<sup>12</sup> From the 2000 Lisbon summit on, a number of more specific employment targets have been set, the most important being total employment rate at 70%, female employment rate at 60%, ‘older workers’ employment rate at 50% by 2010.

<sup>13</sup> Commission, 2005.

<sup>14</sup> Although the ‘flexicurity’ notion is still somewhat vague, it implies that the employment policies envisaged by EU institutions should “address flexibility combined with employment security (...) in order to meet the needs of companies and workers” (Commission, 2006: p. 4). Some clarification has been provided by the European Commission in a recent communication (Commission, 2007).

<sup>15</sup> A useful account of the OMC as a specific governance procedure can be found in Radaelli, 2003.

Such general picture was complemented by an anomaly<sup>16</sup> funded partially by companies and partially by general taxation: the *Cassa Integrazione Guadagni Ordinaria e Straordinaria* (CIG and CIGS, 1945) i.e. payments of ‘substitution’ wages to temporarily laid off employees – that are not considered unemployed - which were granted only after a trilateral ‘concertation’ process which included State, private and trade union actors.

### 3.2.1. The ‘80s and the early ‘90s

In broad terms, the Italian system has traditionally been offering a low degree of economic support to those who were unemployed, generating very low replacement rates, and covering a very limited number of beneficiaries. Much attention was instead devoted to those who were already employed, in particular in large - and unionized firms - since the CIG offered solid guarantees against permanent dismissal. *Active* policies aimed at the insertion of those who were ‘out of work’ (in particular women and young people) were absent, with the noteworthy exception of the 1955 apprenticeship law.

During the second part of the ‘70s, when unemployment started to become a relevant policy problem, some new - but very limited - active policies were introduced: the first one (L. 285/77) was aimed at offering employment opportunities to young people through special contracts (*contratto di formazione*); the second law was aimed at the reorganisation and restructuring of Italian industries (L. 675/77); the third law set the rules for the functioning of the vocational training public system (L. 845/78).

The early 1980s were characterised by the consequences of the second oil shock which created further occupational problems: in 1980 the unemployment rate was below 6% whereas in 1989 it rose to 9.7%, and the employment rate remained stable around 55%<sup>17</sup>. The decade opened with a severe crisis of large firms and a subsequent reduction of jobs and such crisis the weakening of trade unions that were particularly strong in those companies. Initially, the government responded to the uncomfortable situation through the expansion of already existent income maintenance programmes and, like the French, German and Spanish governments, managed the rising unemployment in large firms thanks to a new Law (L. 155/81) that was aimed at subsidising the exit from work through early retirement benefits.

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<sup>16</sup> The anomaly is not its mere existence – since also other countries have a similar scheme – but rather its financial relevance with respect to other employment policies.

<sup>17</sup> OECD-Max Planck Institute, 2000.



In sum, the '80s did represent an interesting decade with respect to employment policies. Some new active and flexible policy measures were introduced, but in general the effects of such innovations did not change the structure of employment policy – that remained oriented in favour of the 'insiders' - nor did it contribute significantly to the reduction of unemployment or the increase of the employment rate: still in 1990 the Italian expenditure on employment policies was 1% of the GDP, 80% of which went to passive (i.e. aimed at income maintenance) policies. The European dimension timidly became part of the cognitive framework of some of the key decision-making actors, changing to some extent the 'political discourse' regarding employment policies<sup>18</sup>, but no significant change took place in the employment policy area. As a result, the existing system of short term wage replacement benefits helped to reduce the collateral effects of the industrial restructuring that took place in those years, and at the same time the new active policy measures were “institutionally timid, poorly implemented and not systematically funded” (Ferrera, Gualmini, Graziano and Altì, 2000: 26). Therefore, until the end of the '80s the Italian policy structure can be easily characterised as aimed at 'full employment' (without any quantitative goal), following the employment security principle, using mainly the instruments of passive policies supported by discretionary procedures such as the ones used for the allocation of income support funds under the CIG and CIGS scheme.

### 3.2.2. *The '90s and beyond: continuity or change?*

The past 15 years have been an extremely dense period in Italy, characterised by important reforms in the employment policy field. The innovations have regarded in particular: a) loosening of the ties for the hiring and firing of workers and with respect to the unemployment insurance scheme the introduction of the mobility benefit (Law 223/1991); b) monetary increase of the unemployment benefits (Law 236/93), and restriction of the 'unemployed' status; c) the introduction of new active policy measures such as the “*lavoratori socialmente utili*” or socially useful jobs scheme; d) the introduction and re-launch of new flexible contracts (Law 196/97; Law 30/2003).

The first innovation opened the new decade: in 1991 Law 223 was approved. According to such legislative provision, a new scheme was introduced: the mobility benefit. It was of some importance since, unlikely the ordinary and special short term wage replacement

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<sup>18</sup> See, for instance, De Michelis, 1986.

benefits, the benefit was aimed at dismissed workers and was supposed to help them transit (due to a two year provision period) from one job to another. The new benefits were (and still are) provided in case of collective dismissals by firms that are eligible for benefit from the CIGS and in case of individual dismissal of workers already in CIGS.

Furthermore, the ordinary unemployment insurance benefit was increased up to 25% of the previous wage of the unemployed and did not consist in a predetermined daily allowance. It still was not in line with other European countries, but nevertheless its increase started and will continue in the following years, currently replacing 40% of the average gross earnings received over the last three months. After 1999 the benefit was no longer provided in the case of voluntary dismissal of the worker, and in 2000 a further redefinition of the status of ‘unemployed’ occurred.

In 1994, an already existing policy instrument aimed at combating long-term unemployment was reformed: the social useful jobs (*Lavori socialmente utili* – LSU)<sup>19</sup>. Originally thought as an ‘active measure’ of insertion in the labour market, the programme turned into a mere ‘assistance scheme’. In the words of Valeria Fargion: “in essence, ‘socially useful jobs’ swiftly became a new type of social shock absorber that allowed for the continuation of social protection to the advantage of only a limited group of unemployed workers” (Fargion, 2001: 53).

Finally, the introduction of new flexible contracts (in particular, temporary work), the re-launch of part-time work and fixed-term contracts have been among the most recent employment policies to be approved by the Italian government, first with the Law 186/1997, then with the Law 30/2003. Until 1997, in Italy temporary work was illegal; only due to the so called Treu<sup>20</sup> reform under the centre-left coalition (*Ulivo*) such contract was made possible and in five years several multinational (as well as ‘purely’ Italian) temporary work agencies have opened headquarters and offices all over Italy – although such policy has been more developed in the Northern regions rather than in the Southern ones (*Ministero del Lavoro e delle Politiche Sociali*, 2002: 252). The most recent reform (L.30/2003) further deregulated the labour market, making the Italian employment system much more flexible. The 1997 reform was strongly supported by the most important trade unions (CGIL, CISL and UIL),

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<sup>19</sup> The LSU programme, first introduced in 1981, consists in specific insertion programmes, created by the State and subnational authorities, that had to last for a maximum of 12 months and it required a part-time job (20 hours weekly) and a net wage of about 450 euros. Continuous prorogation made them last up to 7 years.

<sup>20</sup> Tiziano Treu, an Labour Law Professor, was the Labour and Social Affairs’ Minister that promoted the Law.

whereas the 2003 reform was supported by CISL and UIL but not by the CGIL which is the most important Italian trade union traditionally connected to Left parties<sup>21</sup>.

In sum, together with some relevant innovations regarding flexibility, the tradition of passive policies has somewhat continued during the early '90s: for example, as already discussed, specific policy measures (the mobility benefit and the socially useful jobs) inspired by workfare imperatives have turned out to be passive policy measure used especially in areas characterised by high unemployment such as the Southern regions. But more recently (after the 1997 and 2003 reforms), the “music” has clearly changed, moving away from a ‘passive’ policy sound towards a more equilibrated policy mix melody where quite relevant have become also activation welfare-to-work policies. Table 1 shows how the Italian expenditure on employment policies has changed over the past fifteen years.

*Table 1. Italian passive and active employment policies expenditure, in percentage of GDP - 1993-2004*

	1993	1996	1999	2001	2004
Passive measures	1,2	1,0	0,7	0,6	0,8
Active measures	0,1	0,4	0,5	0,5	0,6
<i>Total</i>	1,3	1,4	1,2	1,1	1,4

*Source:* OECD, Social Indicators Database; OECD, *Employment Outlook 2006*, p. 273.

More in detail, changes have involved principles (from strong security for the insiders to flexicurity for the insiders and flexibility for the former outsiders), objectives (from an undefined 'full employment' target to quantified targets identified at the EU level), procedures (benchmarking is much used now and the CIG and CIGS are not as relevant as they were in the past due to the increase of ‘non standard’ employment contracts) and the current policy instruments are much more in favour of passive policies than active ones - also due to the support to active policies assured by the European Social Fund. But what has the politics of reform looked like in the Italian case? What has been the role of external (i.e. EU) pressures in the changes that have occurred? We will answer to this question after a brief presentation of the evolution of French employment policy.

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<sup>21</sup> One of the main reasons why the CGIL was not in favour of the 2003 reform is that such Law was adopted by a Center-right government led by Berlusconi which did not take much in consideration the policy preferences of CGIL, whereas the 1997 reform was adopted by a Center-Left government which ‘concerted’ particularly with CGIL the content of the reform. See Graziano, 2004.

### 3.3. The evolution of French employment policy

For several years, France did not develop a fully fledged policy against unemployment since such social risk, just like many other European countries, was not very relevant. Therefore, and somehow similarly to Italy, it is only in the '70 and the '80s that the unemployment issue<sup>22</sup> became increasingly central in the policy agenda and called for further public intervention. Initially, French governments created policies aimed at the reduction of labour supply via the removal of specific weak actors (young and old people) from the labour market, offering them incentives which could be seen as good examples of a 'welfare without work' strategy. But this policy became increasingly costly and during the '90s, due primarily to financial constraints, changes started to emerge. But let's see how the system was designed before changes occurred in the second part of the '90s.

#### 3.3.1 The '80s and the early '90s

The French system of social protection from the risk of unemployment is much more coherent and well developed than it is in Italy. Between 1947 and mid '80s French employment policies were primarily aimed at the protection of the workers (who already were employed) whereas less important were the measures aimed at the inclusion of unemployed. Such phenomenon was clearly due to the limited unemployment rate which characterised the French labour market until the end of the '70s.

But some problems started to emerge after the second Oil Shock of the late '70s, when new passive policy measures were adopted: the *Allocation d'insertion*, an unemployment insurance scheme, and the *Allocation Spécifique de Solidarité* which consists in an unemployment assistance scheme. Furthermore, a social assistance pillar was created in 1988 (*Revenu Minimum d'Insertion* - RMI) in order to respond to increasing unemployment among young people who were not entitled to any other unemployment scheme. By mid '90s the employment policy innovations of the '80s "have resulted both in an increasing share of the unemployed being catered for by the assistance system and an overall decrease of the proportion of the registered unemployed eligible to insurance benefits" (Barbier and Théret, 2000: 38) and such policy innovations regarded the expansion of employment policies and insertion programmes, a peculiar French mix of (mainly) passive and (limited) active

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<sup>22</sup> The total unemployment rate jumped from 3.7 in 1975 to 9.6 in 1984 (Palier, 2005: 221).

policies. Therefore, unlike the Italian case, the French system has developed a much more articulated and ‘protective’ set of employment policies, reflected by the overall social expenditure on employment policies which have steadily increased from the early 1980’s figures (below 0.5% of GDP) to the 1990 one (2.6%).

In sum, until the end of the ‘80s French employment policies’ objectives were to provide job opportunities to as many people as possible, lowering the unemployment rate, but no quantitative goal regarding the employment rate was set; the prevailing policy principle was employment security, whereas the procedures were automatic and based upon the unemployment insurance, unemployment assistance and social assistance scheme, and the policy instruments were increasingly articulated, although they were still primarily focused on passive policies.

### *3.3.2. The ‘90s and beyond: continuity or change?*

After 1992-1994, apparently things start to change in France: “entirely new developments have emerged (...) especially a general reduction of social contributions to foster job creation (for the low skilled and lower wages), but also part time work subsidisation and the first steps of implementation of working time reduction” (Barbier and Théret, 2000: 39). Nevertheless, although a specific French route to activation policies has a peculiar flavour that can not be easily associated to the more traditional Anglo-saxon model (Clasen and Clegg, 2003). In fact, “from a comparative perspective, [such] elements may be regarded as constituting a French approach to activation, that in a way is more similar the the Nordic countries’ model than to ‘Anglo-Saxon’ welfare to work/workfare policies” (Barbier and Thèret, 2000: 39). But let’s take a closer look at what happened during the ‘90s.

First, the deepening of political and especially economic/monetary European integration - which took place in the beginning of the ‘90s – gave implicitly birth to the idea that the financial cost of welfare should be kept more under control. The main political parties in the government (which between 1993 and 1997 was in the hands of the Right parties, together with the Presidency Chirac which started in 1995) were easily convinced, whereas the trade unions were not all in favour. In particular, the *Confederation Générale du Travail* (CGT) considered the increase of active policies very negatively whereas the *Confédération Française Démocratique du Travail* (CFDT) shared the governmental concerns (Daguerre

and Palier, 2003: 5)<sup>23</sup>. Moreover, European pressures were even more evident and explicit with respect to the obligation to comply to the well known Maastricht criteria and in particular the 3% public deficit threshold. Such pressures gave birth to specific reforms during the early '90s. First, during the '80s the basic allocation of unemployment insurance was slightly increased, but in 1992 the deficit of the UNEDIC (*Union Nationale pour l'Emploi dans l'Industrie et le Commerce*) - who manages the scheme – became too big and therefore tightening measures were adopted due to pressures for cost containment. And this policy measure constituted the first step towards a more 'restrictive' type of employment policy that, nevertheless, continued to follow a clear security principle. Second, trying to cope with the specific problem of youth and long-term unemployment, French decision-makers decided to reinvigorate the *politiques d'insertion* aimed at the insertion of young and long-term unemployed. Specific state-aided jobs – partially already created in the '80s – become even more relevant for the French employment policy menu and old programmes were reinforced (*Travaux d'Utilité Collective* and *Contrats Emploi-Solidarité* aimed at the creation of subsidised temporary jobs mainly in the public sector for people aged 16-24<sup>24</sup>; *Contrats Emploi Consolidé* and *Contrats Initiative Emploi*, created between 1992 and 1995, provided subsidised five year jobs in the non-market sector).

Soon after the launch of the EES, new employment policies were launched in France such as the *Nouveaux Services Emplois Jeunes* known as NSEJ which were targeted at young people aged 18-30 with no significant full-time employment experience (Daguerre and Palier, 2003: 9).

Another set of measures were inaugurated in 1998 and mentioned in the National Action Plan (NAP)<sup>25</sup>, the document that every year each member state has to present to Brussels in order to conform to the EES and show how EU employment guidelines have been followed. In the 1998 NAP two relevant new measures are illustrated: the *Nouveau Départ* and the TRACE programmes. The first one was aimed at providing specific assistance to the unemployed, whereas the second one (TRACE – *Trajet d'accès à l'emploi*) was aimed at offering an 'integration path', lasting up to 18 months, to young people facing severe family, social and cultural problems. Furthermore, just like in the Italian case, local partnerships for employment have been continuously facilitated and promoted<sup>26</sup>.

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<sup>23</sup> The CGT and the CFDT are the two largest French unions.

<sup>24</sup> These programmes are similar to the Italian *Lavori Socialmente Utili* - LSU. See § 3.2.2.

<sup>25</sup> The current denomination of the document is National Reform Programme.

<sup>26</sup> For further details, see Ministère de l'emploi, du Travail e de la Cohésion sociale, 1998.

By the end of 1998 it became clear that France was only partially going to follow the activation imperative fostered by the EES principles. In particular, the launch of the working-time reduction plan between 1998 and 2000 made France quite special with respect to the other EU members. First (1998), the Jospin government (Law Aubry I) set out incentives for firms willing to experiment patterns of working-time reduction; second (Law Aubry II, 2000), the 35 hours working week became compulsory with some exceptions for small enterprises (i.e. with less than 20 employees). Such policy was very innovative with respect to the European Employment Strategy since no EU guideline or recommendation did encourage the use of working-time reduction policies. Therefore, unlike the Italian case, it shows how French policy-making remained autonomous even in the new context of the implementation of the European Employment Strategy and how the French government was capable of shaping European employment policies and recommendations<sup>27</sup>.

Finally, between 2000 and 2001 (still under the Jospin government), more activation ingredients became part of the overall French employment policy menu, but in comparative terms they were still timid. In 2001, the *Plan d'aide et de retour a l'emploi* (PARE) and the *Projet d'Action Personnalisé* (PAP) were aimed at further activating the unemployed via personal 'employment insertion' plans which provided unemployment benefits only at the condition that the unemployed would constantly look for new employment opportunities (Ministère de l'emploi, du Travail e de la Cohésion sociale, 2002).

More recently, under the de Villepin government, the *Contrat Nouvel Embauche* – CNE (2005) – and the proposed *Contrat Première Embauche* – CPE – (2006) show how seriously the current right French government is trying to promote more deregulation in the French employment protection system, though without being entirely successful. The first proposal (CPE) was adopted in 2005 and is aimed at the inclusion of unemployed in small enterprises (i.e. less than 20 employees) thanks to special permanent contracts with a two-year 'trial' (*consolidation*) period; the second proposal – the CPE – was a permanent contract for young unemployed under 26 years of age with a two-year 'trial' (*consolidation*) period. The CPE project had to be withdrawn due to fierce trade unions' opposition and social protest events.

In sum, until now the French governments have been able to implement in a peculiar (French) way the European Employment Strategy. The only change in the policy structure

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<sup>27</sup> See, for example, the arguments for the 35-hour week contained in the National Action Plan, Ministère de l'emploi, 1998 and 1999, and the capacity of the French Government to have the 35-hour week initiative labelled as a 1999 best practice by the European Council. See also Ehler, Mandin and Palier, 2005; Palier and Petrescu, 2007.

can be seen in the quantitative goals which are now set at the EU level. As far as the other policy dimensions are concerned, today solidarity and security are still the driving principles of French employment policies (Clasen and Clegg, 2003), the procedures with respect to the relationships with Brussels do now formally include benchmarking and best practice promotion, but since passive policies are still so relevant, the substantive procedures which govern the benefit provision is still automatic and in the hands of national bureaucrats. Finally, if we look at the policy instruments displayed, indeed the European Social Fund has become increasingly important with respect to the overall employment policy configuration but passive policies (nationally funded) are still prevailing: in 2004 France was spending more on passive policies than on active policies, although within a general cost reduction trend (Table 2).

*Table 2. Employment policies expenditure in France - % of GDP, 1993-2001*

	1993	1997	1999	2001	2004
Active measures	1,2	1,3	1,4	1,3	1
Passive measures	2,1	1,8	1,8	1,6	1,7
<i>Total</i>	3,2	3,1	3,2	2,9	2,7

*Source: OECD, 2004; 2006*

Also in comparative terms, the overall French expenditure on employment policies remains quite significant (Table 3).

*Table 3. Public expenditure in labour market programmes, selected countries – 2004 (in percentage of GDP)*



	<i>Active measures</i>	<i>Passive measures</i>	<i>Total</i>
Netherlands	1,5	2,2	3,7
Germany	1,2	2,3	3,5
UK	0,5	0,3	0,8
France	1,0	1,7	2,7
Portugal	0,7	1,3	2,0
Spain	0,7	1,5	2,2
Italy	0,6	0,8	1,4

*Source:* OECD, 2006, OECD Employment Outlook, pp. 270-276.

#### 4. *Same pressures, different answers?*

Over the years, Italian employment policies have clearly been influenced by a few very relevant actors: trade unions, business associations, whereas the governments have played both a mediating and a promoting role. The same actors have somewhat influenced French employment policy, but – due to the limited number of trade union members – the key actors have quite often been the governments. In both countries, until the first half of the ‘70s, the problem was not unemployment *per se* but the aspiration for better jobs and better industrial relations. Since the second half of the ‘70s the two countries opted for different policy menus that have not yet converged. Therefore, if we are interested in the factors that might explain the recent French and Italian evolution and the patterns of change, we need to look at two possible explanations: internal socioeconomic trends, the national politics of employment policies and the emergence of new European constraints and opportunities.

Just like other European countries, over the years Italy and France experienced several structural socioeconomic changes challenging the original institutional employment policy setting. In less than 50 years (1950-2000), demographic and family structure, internationalisation of the economy and technological advancements changed the environment in which employment policy regulation took place. In the first place, the considerable change in the structure of both Italian and French working population has set since the ‘70s some internal pressures for change that have to do in particular with the increase of young people entering into the labour market. In fact, the policies adopted between late ‘70s and late ‘90s show how the governments tried (although, as far as Italy is concerned, rather weakly) to respond to such ‘environmental’ change promoting the inclusion of young people in the labour market and regulating an institutional framework for vocational training policies. Therefore, the incremental changes registered in the employment policy domain can be at least partially attributed to structural demographic pressures. But such

explanation is not in accordance with the speeding up of the process of reform that involved Italy during the '80s and the '90s and France during the '90s when both the sequence and relevance of reforms were much more impressive than the previous ones.

Another possible explanation could be found in the politics of unemployment protection. In Italy, until the first half of the '90s, Christian democratic-led governments did not set in their political agenda a comprehensive employment policy reform because it could have been a source of potential conflict and, in the traditional Italian consensual policy making style, no major conflict with other allies or opposition parties (such as the Communist Party) was desired. During the '70s, "[t]he fragmented development of Italy's social insurance, however, resulted in a true 'labyrinth' of categorial privileges which has very few comparative counterparts" (Ferrera and Gualmini, 2004: 42), preventing the development of a universal unemployment insurance and assistance scheme. Furthermore, social partners were strategically interested in holding in their hands the negotiation for the allocation of the short term wage replacement benefits and therefore did not pressure for relevant changes. It is not by chance that the first timid reform towards de-regulation occurred under a Socialist-led government (*Governo Craxi*, 1984) and it is by no chance that following that decision (the so called S. Valentine's Decree) the leftist trade union (CGIL) and the communist party tried to block the decision via referendum, eventually losing their battle. But such situation proved to be very hard to sustain for all the main actors, and therefore during the '80s no other significant reforms were introduced and implemented<sup>28</sup>. The equilibrium was quite precarious and no party within the various government coalitions (where, together between the '80 and the early '90s we find the Socialist Party, the Christian Democratic Party and also the Republican Party, the Liberal Party and the Social-Democratic Party) had a political interest or sufficient negotiating power to change employment policy regulation. In fact, it is only during the second part of the '90s that even more significant reforms were introduced and, together with the greater impact of European constraints and the launch of the EES, the sudden collapse of the old Italian political elite – which was under severe judicial investigation and saw several political leaders accused of bribery during the 1992-1994 period – created the opportunity for change. From 1997, the process of deregulation of the Italian market was followed by both Center-Left and Center-Right governments (with the

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<sup>28</sup> In fact, the 1984 Italian reforms which introduced new contractual forms were only implemented during the '90s.

1997 and 2003 reforms respectively), and both used Europe<sup>29</sup> as the undisputable point of reference and legitimising source with respect to employment policy reform.

The case of France is quite different since no such ‘political earthquake’ took place in the past decade and therefore politics followed a ‘business as usual’ principle. From this point of view, it emerges quite clearly that both party politics and institutional capacities<sup>30</sup> remain in welfare policies more relevant in France than in Italy. In fact, if we look at the most comprehensive activation reforms in France we have to wait for the Raffarin and de Villepin governments (2002-2007) which tried introduce new contractual forms (successfully with the *Contrat Nouvel Embauche-CNE*, unsuccessfully with the *Contrat Premier Embauche-CPE*<sup>31</sup>), tried to limit the working-time reduction measures<sup>32</sup> and continued to promote cost-containment programmes. Therefore, national and party political preference still matter very much: French governments showed to be much more in control of their policies – even when they were not coherent – than the Italian governments. In other words, the French employment policy model has been more capable to resist to (for example, in the case of the working-time reduction laws) or ‘translate’ (for example, in the case of activation policies) the EES in domestically viable policy options. And when the government wanted to promote major reforms (such as the CPE), social movements' and trade unions' protest events were able to block them.

Last, by my no means least, the European constraints and opportunities. The relevance of the European environment can be underlined looking both at the objectives and at the funding of active policies (for example, vocational training). With respect to objectives and new policy solutions, since the Delors White Paper (1993), the Commission realised that Europe needed to deepen its social dimension and pressured increasingly for ‘activation’ reforms via the European Employment Strategy. Nevertheless, since the OMC is a clear example of *soft law* regulation (Kenner, 1999), national governments are still responsible for both formulation (together with the other EU member states) and implementation of EU guidelines. Therefore, a substantial room for manoeuvre is still in the hands of the governments – although European constraints are increasingly visible and therefore ‘softly’ binding<sup>33</sup>. And Italy has changed much more than France due to EU pressures since its

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<sup>29</sup> For further details, see Graziano, 2004.

<sup>30</sup> For the definition of institutional capabilities, see Ferrera and Sacchi, 2004.

<sup>31</sup> Such contract was re-nominated by the street protesters *Capitalisme Précarité Exploitation*.

<sup>32</sup> Not very successfully, as Hayden shows in a very convincing way. See Hayden, 2006.

<sup>33</sup> Although no sanction is associated with non compliance to EU guidelines, the simple fact that the Joint Employment Report – a document which evaluates the progress made by each Member State with respect to the

policy tradition was less consolidated, the financial constraints<sup>34</sup> were higher and the Italian government was less capable of being heard at the EU level due to weak national institutional capabilities<sup>35</sup>.

In sum, Italy has somehow absorbed the European Employment Strategy (EES) better targeting specific quantitative objectives, being inspired by EU principles and promoting active employment policy measures in line with EU procedures, whereas France has only incorporated in its policy menu the EES objectives whereas the other key elements of the policy structure (principles, instruments and procedures) have remained very much anchored to the national policy tradition.

## 5. *Conclusion*

From the research carried out so far at least three interesting findings emerge. First, the Italian and French employment policy models remain substantially different even though they have faced similar European pressures, in line with the assumption that the South European and Continental models are structurally different. This does not imply that both models have not undergone changes over the past years. As we have shown in the previous paragraphs, due to European constraints Italian employment policy has changed more than the French one. Therefore, with respect to the Europeanization literature, it seems clearly confirmed that Europeanization does not per se mean convergence since no European pressures in the employment policy field translate themselves into coherent and homogeneous policies. Furthermore, the capacity of the French government to shape EU policies and to react to European pressures was much greater than the one performed by the Italian governments which primarily tried to follow EU recommendations in order to prove that Italy could be accepted as a compliant partner with respect to the European employment strategy. This specific finding confirms the relevance of the Europeanization approach when it does not only focus on the diffusion of EU policies but also on its construction and the consequences it can have on the diffusion phase. Finally, the stronger French employment policy legacy (in particular, the institutional capacity to monitor and to evaluate public policies) made it easier

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EU employment guidelines and overall objectives – can criticise a national government, constitutes a specific and somewhat strong pressure for change at the national level.

<sup>34</sup> The overall Italian public debt is well over 100% of national GDP whereas France has only quite recently passed the 60% landmark (Eurostat, 2005).

<sup>35</sup> For a detailed illustration of the weakness of Italian institutional capabilities with respect to the ‘open method of coordination’ see Ferrera and Sacchi, 2005.

for the French government to resist at or at least re-frame in more acceptable terms from a national interest perspective the pressures exercised by European institutions. In other words, France changed less not only because its 'goodness of fit' was higher with respect to Italy but also because it was more capable of shaping EU policy.

These findings show that the specific mechanisms of national adaptation have to be looked at more carefully in order to better detect the influence of European policies on national ones. Europe does count, but how it counts is the right question we need to ask if we want to fully understand Europeanization processes and explain different national outcomes with respect to European pressures. And this should be the key question for future research efforts. More in detail, on the one hand, it would be useful to look at other welfare state models (Scandinavian and anglosaxon countries) in order to better understand not only the differential impact mechanisms of Europe on national welfare states but also the ongoing national attempts of influencing the evolution of European policies. On the other hand, more research is needed with respect to the formation of the national interest both during the construction phase and the diffusion phase of Europeanization. Following these research paths will provide a more detailed account and explanation of how Europe matters in the evolution of the member states' social policy.

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