INFLUENCE OF EUROPEAN INTEGRATION ON NATIONAL SOCIAL POLICY REFORMS

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THE POLITICS OF WELFARE REFORMS IN CONTINENTAL EUROPE?’

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WORK IN PROGRESS - COMMENTS WELCOME
INTRODUCTION

There is no discussion that EU social policy is rather weak compare to national policies and that there is no prospect for a redistributive policy at EU level or for the creation of an EU Welfare State comparable to the national ones (Majone, 1993; Obinger et al., 2005). Yet, what seems to be at stake is a possible influence of EU policies (the complete EU regulatory framework and not only or mainly the EU social policies) on the national welfare states and reforms.

The challenge of this paper is twofold. The first is to analyze in a more systematic way the possible impact of EU level on the national welfare state reforms. Most of the recent accounts of the on-going national reforms tend to give a very limited role or no role at all to European Union (Moreno and Palier, 2004). Nevertheless, authors supporting the view of a substantial EU (or international) impact have rarely developed in detail the mechanisms by which such impacts should happen.

As a prominent author of such approach wrote recently “It is difficult to evaluate the consequences of these indirect pressures for national welfare states. Many of the potential problem area lies in the future, and some of the others, such social dumping, are difficult to measure. One has to weigh the pressures for reform against the welfare state’s considerable sources of resilience (Pierson, 1996, 1998 and 2001)” (Leibfried, 2005: 272).

Secondly, and perhaps even more difficult is to assess the particular impacts on Bismarckian Welfare States which also cover in this book what other authors have called Mediterranean welfare states (Ferrera, 1996) which are supposed to share common institutional traits (Palier in this volume) and vulnerabilities (Scharpf and Schmidt, 2001)

The paper is divided in two broad parts.

The first analyzes in general the different channels by which EU could affect the national Welfare states. We will rapidly review two strands of the literature which partly overlap. The first one is interested by the policies and analyzes how an asymmetrical integration could affect national social policies. The seminal book of Leibfried and Pierson (1995) was one of the most influential for systematizing this approach. We will distinguish four channels of influence (positive hard law, judgments of the ECJ, economic and monetary integration, soft law) and define more precisely how we expect that they could affect national welfare states.

Then, we will briefly review the on-going debates on Europeanization and how EU could affect the domestic arena. This part of the literature is more interested by the process and the national actors’ strategy. Then we will critic and complement these two main approaches. Even though the fit/misfit approach (which is common to the two approaches) can be considered as a useful first step, we have to go further. Falkner et al. (2005) have shown convincingly that a small misfit between EU social policy and national regulation can lead to a significant change; in other words that politic (still) matters.

In the second part, we shall outline some major characteristics of the Bismarckian welfare states (Palier, 2005) which could be more sensitive to European influence, in line with the fit/misfit approach. Then, we will analyze the interaction between the possible channels of influence and the main characteristics of the Bismarckian model that we have selected, taking into consideration the possibility for the state and non-state actors to reinterpret (at least partly) the European constraints (selective downloading, leverage effect, political packaging). We have selected two instruments: EMU (indirect effects) and European employment strategy (EES) (voluntary). In an initial approximation we shall look at budgetary developments (the “funding constraint” argument) and total social expenditure as a percentage of GDP on the one hand, and, on the other, at the EES and especially the recommendations in general and more particularly those on employability and employment rate. We will also analyze the place of one of the key actors the trade union movement at EU level.

We will not remind in this paper the EU social policy history. Our approach is a dynamic and actors-centered one, considering that EU social policy can be explained by different attempts and failures to develop it by groups of actors competing to influence not only the social dimension but also the economic and political dimensions (see Hemerijck, 2004, Pochet, 2005, Goetschy, 2006). Two important books have been published recently, Ferrera (2005) and Bartolini (2005) based both on a Rokkanian (centre formation, system building, political structuring) and Hirschmanian (exit, voice, loyalty) perspectives. They offer an innovative account of center formation which renews radically the EU integration perspective which have inspire us. In very general term, three processes at work identified by Ferrera (2005: 220) “Destructuring, defensive restructuring along old boundaries, and restructuring along new, wider boundary lines are three processes that can coexist and proceed in parallel for
long period of time, maintaining some sort of mutual equilibrium. * will guide our analysis.

1. EU INFLUENCE

In the discussion around the EU impact at national level only a few attempts have been made to systematically analyze systematically the different channels of potential change. There is two ways to think about the EU influence at national level. The first one is to distinguish per instrument (law, jurisprudence of ECJ, economic integration, soft law). Each instrument has its own proprieties and characteristics which could affect in a different manner the national arena. The use of the soft law or a directive as EU instrument will have per se a different impact. But we can also think in term of process, dynamics, policies or actors (the so-called Europeanization approach). After presenting the main arguments for the two approaches, we will add some critical remarks.

1.1 Influence by instruments

European influence on national social policies can take various forms. I propose to distinguish between “direct”, “unintended”, “indirect” and “voluntary” impacts.

It comes as no surprise that direct influence by EU social policy is rather rare at national level. The European social legislation directly affects national laws and collective agreements. By “direct” I mean through the transposition of EU directives, or through EU regulation in itself. It could take time before a directive is implemented properly but at the end of the day most of them are. It is not too complicated to trace the effect as we can compare the legislation before and after the adoption of the directive. The recent book by Falkner et al. (2005) indicates that this impact could have been underestimated. She and her colleagues have shown that there were not a reduction in the number of directive adopted at least until 2002 (verifying the figures I found the same trend in 2003 and 2004). In evaluating the EU social regulation history, Goetschy (2006) made an important point noting that contrary to the national social legislation, the EU legislation was not (so far) confronted to a process of deregulation. What appeared weak and minimalist 10 or 15 years ago could prove to be a useful safety net today. The EU legislation concerning equality between men and women had a significative impact in many countries where the national regulations were based on the male breadwinner model. The second important domain is the free movement of workers/EU citizens which had important consequences in interconnecting the different welfare system as well as creating specific right for mobile citizens.

Secondly, the European Court of Justice has played an essential role in interpreting the treaty and the secondary legislation concerning competition laws and free movement of persons on the one hand, and on the other the social policy directives (Leibfried and Pierson, 1995; Bosco, 2000 see also on subsequent research on healthcare McKee et al., 2002, and pensions Dudek and Omtzigt, 2001, Pochet and Natali, 2005). One third of the Court judgment concerns free movement for workers, social security of EU migrant workers or third-country, workers protection and equal treatment (Leibfried, 2005: 260-1). In analyzing the Court's jurisprudence, Leibfried and Pierson (1995) have shown how it has affected the national welfare states labeled as semi-sovereign. They have systematized the various impacts noting that the Court rulings have limiting 1) the national control over beneficiaries, 2) the spatial control over consumption, 3) the exclusivity of coverage on national territory, 4) the control over access to the status of benefit producer, and 5) the control over administrative case adjudication”. I call this second possibility “unintended”: by that I mean that the judgments of the Court of Justice have interpreted and largely extended the directives and regulations beyond the initial ideas and political compromise which have supported them. I also label it unintended as I do not support the idea that the court was and is only or mainly a market's agent (see also Ferrera, 2005 for this point). Even if it is more complicated than for the direct effect, it is still possible to trace the effect of the ECJ rulings at national level.

Thirdly, national social policies can be affected by EU economic and competition policies (Scharpf, 1999) and the monetary union (Pochet, 1999) which could affect the funding of social security. Indirect impacts are mainly consequences of asymmetrical integration and the bias towards the economic side. EMU was said to have a considerable impact as some policies are or seems no longer possible (Martin and Ross, 2004). “In short, compared to the repertoire of policy choices that was available two or three decade ago, European legal constraints have greatly reduced the capacity of national governments to influence growth and employment in the
economies for whose performance they are politically accountable. In principle, the only options which remain available are supply-side strategies involving tax burdens, further deregulation, wage differentiation, and welfare cutbacks to reduce the reservation wage" (Scharpf, 2002: 4).

We will return to the EMU impact in the second part of the article but at this stage, we would like to take some methodological precautions. Most of the studies have underlined the negative impact of the economic and monetary integration. Nevertheless a more neutral approach should be adopted which allows for different competing scenarios. Analyzing the potential impact of the EMU on social protection in general economic terms, Begg and Nectoux (1995) described them, for any member state, as a double chain reaction with conflicting effects (see Figure 1).

**Figure 1: Framework for assessing the social impact of EMU**

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Deficit, debt and inflation criteria → Austerity measures → Cuts in public standing

Impact on social protection and social policy

New spending priorities
Changes in funding mechanisms

Macroeconomic stability
Improvements in efficiency

Improved growth path → Additional resources
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*Source: Begg and Nectoux (1995: 290).*

The first factor of influence arises as a consequence of conforming to the requirements imposed by the Maastricht Treaty and the Stability and Growth Pact. Many member states will have to continue to practice budgetary consolidation, entailing raising taxes or cutting public expenditure, or, more likely, both. According to this scenario, governments can be expected to seek ways of cutting or eliminating expenditure programs and to encourage private provision as an alternative. An increase in tax competition could strengthen the current trend of shifting taxation on capital to taxation on labor, leading to a deterioration of the employment situation (Cardani, 1998). Additionally, in view of the need to curb inflation and maintain the value of the euro, the ECB is likely to keep monetary policy relatively tight, which could also depress economic activity and thus put added pressure on social budgets. The final result of this first chain reaction would be substantial pressure on social protection and its financing. According to the second scenario, EMU will create more stable macro-economic environment while permitting efficiency gains, thus providing incentives and economic development, with incomes increasing and the employment situation improving. In this chain tax revenues may increase and EMU end up benefiting social protection and its financing.

This dual way to evaluate the potential impact of EMU underlines that for tracing the potential impacts, we have to rely to a theory and generate hypothesis about the possible effects.

Finally, the new soft methods which have flourished mainly but not exclusively in the social field (EES 1997, OMC pension 2001, OMC social exclusion 2001, quasi OMC Health care, 2004) can also influence the direction of national reforms (de la Porte and Pochet, 2002; Zeitlin and Pochet, 2005). They give a broad direction (modernization) for national reforms without any sanction if nothing happened. In a way, it is a tool box which can be or not used by national actors wanting to implement change. It needs then an active role of national actors. It
could be done in a voluntary way by an active involvement and a strategic used of the opportunity (for legitimating policies) offered at EU level.

But it can also have an uncontrolled impact as it could affect the way actors envisaged a problem, in other word ideas and beliefs. We used the term uncontrolled and not unexpected because such impacts are expected by those behind the OMC but how ideas will be reinterpreted in a particular community is difficult to control. For some authors (Schelkle, 2006; Ferrera, 2005; Pochet, 2005; Zeitlin, 2005), OMC could contribute to create the common bases for an EU social model but other it reinforces (or operationalize) the deregulatory leaning of the EU. The challenge to trace the impact is more complicated than for the indirect effect. We need a theory but also empirical data.

1.2 Mechanisms at work

Over the past ten years or so, there was a turn from the analysis of EU integration to analyze the differentiated impacts of European integration on the Member States’ policies and institutions. In analytical terms this has consisted mainly in concentrating on the domestic impacts of the regional integration process and ascertaining or comparing convergences or divergences (often due to the diffractive effects of national institutions and to the actors’ capacity to use, or not to use, the opportunities provided by European policies). Most authors have above all examined the national variants of the effects of European policies (Knill and Lehmkuhl, 2002; Haverland, 1999). This new perspective has been labeled “Europeanization”. A great deal of semantic confusion has arisen around the term Europeanization (Featherstone, 2003; for a literature review see Börzel, 2003).

Whereas most authors do make reference to a top-down/bottom-up loop, conversely, for more or less explicit reasons (generally the difficulty of the task), most comparative studies have adopted a top-down approach. This entails defining and differentiating the different mechanisms at work. Knill and Lehmkuhl (1999) have proposed three mechanisms of Europeanization. The first is “positive integration” (when the EU prescribes a model); the second is “negative integration” (when internal rules are indirectly altered and change the “domestic opportunity structure”) (in this sense they are in step with the approach of Scharpf, 1999). The third mechanism is “framing integration” (to “alter the beliefs and expectations” of the actors; see also the application of this by Radaelli, 2003).

Furthermore, different implementation mechanisms have been distinguished. In the context of downloading, Radaelli (2000) identified four ways by which Member States respond to EU changes. First he considered ‘accommodation’ in which downloading is compatible with domestic structures, policies, discourses and identities; second, ‘transformation’ where downloading poses a challenge to these areas; third, ‘inertia’, which is when a political will to bring about change does not exist. Fourth, ‘retrenchment’: this is when a downloaded policy area strengthens opposition to the EU and provides an impetus for anti-European interests and dismantling aspects of European integration. What is interesting is to focus on the strategies of the national actors rather than on the level of constraint (see also Falkner et al., 2005). Börzel and Risse (2003), for their part, identify the impacts on “processes, policies and institutions”.

Most of these studies arise out of neo-institutionalism movements (rational choice, historical or sociological: Hall and Taylor, 1997; Mahoney and Rueschemeyer, 2003). The point of departure is the gap between the policy adopted at European level and the national policy (misfit). According to this approach, there would a priori seem to be less pressure for adjustment in the case of congruence between the European and national policies than in the case of divergence. The impact will also differ depending on the clarity/precision of the objective and the capacity for sanctions. Monetary changes were based on a well-identified dominant model (Germany) and specific objectives such as independence for national central banks (de la Porte et al., 2001). This could be less the case for the EES, whose normative provisions may belong to several different registers (Barbier, 2002).

1.3 Three main lines of critics to the approaches in terms of instruments and Europeanization

The two broad approaches have in common two weaknesses. First, in insisting on institutions and on policies, they miss politics. Secondly, they mainly analyze the top down process and much less the bottom-up. One common limit of the two approaches is that they pay little attention on how national actors have reacted. Thirdly, one should take into account the absence of effect or the co-evolution.
**a) Politic matters**

Several authors believe that the predictive powers of the misfit approach are ultimately fairly weak. On the one hand, governments can use the European level as a pretext for a decision which they already accepted when the policy was adopted at European level; they may even have deliberately placed a nationally controversial item on the European agenda so as to circumvent national opposition and vetoes. On the other, a minor discrepancy between the European and the national policy may bring about a major change at national level (Falkner et al., 2005), whereas a substantial divergence may not pose a problem in certain cases (Bulmer and Radaelli, 2004: 8-9; Goetz and Hix, 2001; Thatcher, 2004).

The most important critique of the misfit approach applied to social Europe is in the book of Gerda Falkner and her colleagues (2005). The authors revisit the implementation of six EU social directives: Employment Contract (91/533/EEC), Pregnant Workers (92/85/EEC), Working Time (93/104/EC), Young Workers (94/33/EC), Parental Leave (96/34/EC), and Part-Time Work (97/81/EC). Falkner and her colleagues did not compare in a static approach the previous national legislations with the new directive, but the new national regulations with the situation before the adoption of the directive at EU level. In order to evaluate this impact, they define in subtle theoretical terms what “fit” and “misfit” means taking into account three dimensions (policy, polity/politics and cost). Their answer is clearly that politics matter and small misfits could lead to major changes.

They define three clusters: the world of compliance, the world of domestic policies and the world of neglect. From the national cases studies, we can see how in the world of domestic policies but for some directives for countries which are in the two other clusters, political consideration will also determine the speed and the way the directive will be interpreted (for example if the non binding provision will be implemented or not).

At the same time there is also a political dimension with tension between left and right at EU level. Manow et al. (2005) have analyzed the balance right/left since the creation of the European Economic Community as well as the change in the left parties’ programs. Two main conclusions flow from their studies. First it was only in 1995 than there was for the first time a majority of left leaning government. Secondly, the manifestos of the left parties indicate a change toward a greater support of the market policies. The EU social policy analysis should take into account these broad tensions and the changing preferences of the political parties. Most of the recent economic and social EU history can be seen as a conflict between different vision of a European economic and social model of growth (I have presented such approach elsewhere, Pochet, 2006).

**b) Actors are not passive recipient of EU new rules. They participate actively to change the rules**

In a broader perspective, Maurizio Ferrera (2005) analyzing the strategy of the government confronted to the encroachment of the national boundaries by the ECJ, found five countermoves. Member States have been more conscious that the ECJ could interpret the EU social legislation beyond what was supposed to be the political compromise.

2. Legislative amendment.
3. Legislative pre-emption
4. Proactive political mobilization
5. Non compliance and hiding

Looking at the Member States’ (re)actions aimed at changing and/or re-establishing the balance at European level, four models can be identified and separated into two groups which combined interest-driven and ideological approach. The first, comprising two variants, begins with the Member States placing matters on the European agenda (an uploading process). The second, likewise with two possibilities, is a reaction to European policies or actions (a process of downloading followed by uploading).

1) Placing matters on the European agenda

The first model is where certain governments wish to project elements of their national agenda at European level. This approach is interest-driven (avoiding competing agendas or imposing one’s own agenda on other governments). As far as social policy is concerned, for example, this happens when countries which are more
advanced socially wish to put social measures on the European agenda in order to restrict competition from less advanced countries (see Börzel, 2003).

The second model is where certain governments, even though they are not particularly affected nationally, wish to put certain policies on the European agenda primarily for ideological reasons. This is the case for example with the issue of social exclusion and poverty championed by Belgium and France (it is difficult to claim that they were directly affected by European policies in this field). Another example is the European employment strategy, the prime purpose of which was to compensate (symbolically) for monetary union (Goetschy and Pochet, 1997).

2) Reaction to the European agenda

Here too, two forms can be distinguished. The first is related to unexpected consequences of past policies and to the role which certain European institutions may play in this reinterpretation. This is often the case when the Court of Justice intervenes in an area which would seem to be outside of European competence: for instance, the Kohl and Dekker judgment on healthcare or the Barber judgment on pensions. There are two possibilities here. One is that the Member States attempt to limit/circumscribe the effect by amending the Treaty (limiting the consequences of the Barber judgment in the Amsterdam Treaty) or by introducing a sentence into the Treaty of Nice recalling that the Member States remain responsible for the general principles on which they base their social protection (see for example the principal/agent approach developed by Pollack, 2003). The other alternative is to respond politically by taking up the matter at European level, as is the case for the OMC on healthcare (Vandenbroucke, 2002). These two variants can of course be combined.

The second possibility is where the national-level political equilibrium is disrupted as a result of asymmetrical power relations at European level, pensions being a good example. The predominance of the Ministers of Economics and Finance at European level provokes a reaction from the Ministers of Social Affairs regarding the social aspects of state pensions, aimed at correcting a view which looks at the issues purely in terms of balancing budgets in the medium and long term, as presented in the BEPGs (de la Porte and Pochet, 2002; Palier, 2004). Another example would be the placing on the agenda of qualitative aspects of employment, in an attempt to complement (and counterbalance) the quantitative aspects of the EES (more jobs) (Pochet, 2003). There are two dimensions here: interests are under threat because a new dominant discourse is seeking to establish itself at European level.

C) Other sources of influence or no influence

Another criticism of top-down analysis is that it systematically underestimates other causes of change and overestimates constraints (Goetz, 2001). In our case, this critic is less important. In a way if IMF and OECD are reinforcing the European discourses or the reverse, the point is still that international institutions have impacted the direction of national reforms. Finally, account should also be taken of national dynamics which are not, or are scarcely, affected by European Union policies. The stakeholders who ought to pay heed to European dictates can simply ignore them. This applies in most countries to collective bargaining between the two sides of industry. The strategy mainly concerns organizations’ “Europe experts” and has no direct hold over the negotiators. Or else they are affected only indirectly and do not necessarily make a link. For instance, the Stability and Growth Pact, geared to ensuring that Member States’ budgets are balanced in the medium term, may indirectly affect the funding of social protection but the actors in this field do not link this European-level change to their own debates about policy-making in this area and do not pay attention to the ECB discourses (see below). Another phenomenon is that of horizontal diffusion (by imitation), which owes nothing to Europe. Kvist (2004) demonstrates how the Danish reforms on unemployment and activation were taken up by Finland and Sweden without any reference being made to the European employment strategy. Olsen’s recent analysis of Europeanization (2002: 21) adds the idea of co-evolution: “In order to understand European dynamics it is therefore likely that we will need a basic frame allowing several different types of simultaneous processes of change and a pattern of mutual adaptation among co-evolving institutions. (...) This complexity may also explain why students of European transformations have often observed that the dynamics of change takes the form of mutual adaptation among co-evolving institutions at different levels and sectors of governance; still, they have tended to ignore the observation in their model-building efforts”.

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Summary

We now sum up the arguments presented so far. The fit/misfit approach is a useful first approximation of a potential impact but it could be misleading, too. Indeed, if the institutional configuration is important, the actors are also able to use it to reinforce the impact or to limit it. Actors can also in their self interest or for ideological purpose influence the EU agenda in order to reinforce or to limit/compensate/remove the constraints. The different instruments used have different potential and their impact can be more or less easily traced. Finally, we should not ignore the no-impact effect and the co-evolution dynamic. EU and national level interact in a complex way which renders difficult to determine EU level policies as the independent variable.

2. MAIN CHARACTERISTICS OF THE BISMARCKIAN WELFARE STATE

Bruno Palier in its introductory paper about this project writes “this project identifies welfare institutions that the Bismarckian welfare state systems have to greater or lesser extent in common as the central variable for identifying and understanding the politics of recent welfare reforms” Bismarckian welfare states (more or less) have a number of commonalities in respect of four key institutional variables of social protection:

1. Mode of access to social protection based on work/contribution; these systems were primarily aimed at insuring the salaried workers paying contribution.
2. Benefit structures: merely in cash, transfer based; proportional; earnings related; expressed in terms of replacement rate,
3. Financing mechanisms based principally on social contribution/payroll financing,
4. Administrative structures are para-public, involving social partners in the management of the social insurance

In addition and partly in explanation of these are a number of broader normative/ideational elements that are (more or less) common to Bismarckian welfare states. The main aim and emphasis is to provide income security for workers: security seems indeed the basic word (where poverty alleviation could be the one of liberal public welfare programmes, and equality the central aim of the Nordic ones). We will follow this presentation analyzing the possible EU influence.

In the three cases we will analyze below, we have taken three different domains where it could be argued that EU should at first sight have a more substantial impact on Bismarckian welfare states than on liberal or Anglo-Saxon ones. We have selected the monetary union which could restrict the funding of the Welfare state, the Employment strategy which is supposed to depart from the classic insurance principle and the place of the trade unions at EU level. The three cases cover respectively the point 2, 3 and 4 highlighted by Palier as distinctive common traits of the bismarckian family of welfare. Other choice would have been possible as for example the judgments of the Court of Justice on health care systems which are a key issue for the welfare state (Liebfried, 2005, Ferrera, 2005) but the internal variety is high within our case selection. The impact of the OMC pensions would have worth to be analyzed too but it has been already analyzed elsewhere (see contribution of Palier, Schuld, 2005, Pochet, 2003, Natali, forthcoming).

We do not have enough place to remind in detail the story of each domain, we will concentrate on discussing the main possible impacts.

2.1 Impact of EMU and the Stability Pact

EMU is the cornerstone of the EU economic policy. At first sight, the link between EMU and welfare states reforms is obvious as demonstrated the following quotation of Trichet (2004):

“Insufficient productivity growth – coupled with unfavorable demographic trends – in turn undermines the sustainability of social security systems. In many countries these system incorporate relatively generous provisions for insiders to the disadvantage of younger and more deprived cohorts of citizens. It is therefore widely recognized that a much better functioning of the labor markets, together with reforms of
Monetary Union enables us to focus on two questions: i) the timing of changes or when changes take place at national level, and ii) differentiation between measurable changes – for example, in the share of GDP devoted to social security and the relative perceptions these changes have brought. In Dyson’s (2002: 24) terms, it is necessary to “clarify the relationship between EMU as a material phenomenon, associated with changes in markets and in policy mechanisms, and EMU as a discursive construction or narrative”.

Basing ourselves on the data supplied in the compendium, we shall examine the common dynamics (already) reflected in the figures. We shall take two types of data to this end. Firstly, we use expenditure as a proportion of GDP. This is a fragile indicator, but the aim is to check whether any major, congruent changes have occurred since 1990 and the launch of monetary union. The second type of data, partially linked to the first, consists of tables showing government debt and public deficits. The argument here is that the Maastricht criteria may have modified the fiscal conduct of Member States and in particular the southern Bismarckian countries (Portugal, Spain, and Italy).

Table 1: Total social protection expenditure as a percentage of GDP (1980-2001)

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<th>PUBLIC SOCIAL EXPENDITURE</th>
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<td>In percentage of GDP</td>
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<td>Austria</td>
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<td>Germany</td>
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<td>Greece</td>
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<td>Italy</td>
<td>18.4</td>
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<tr>
<td>Netherlands</td>
<td>26.9</td>
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<td>Portugal</td>
<td>10.9</td>
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<tr>
<td>Spain</td>
<td>15.9</td>
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Source: Eurostat.

These data do not reveal any clear-cut effects. When we look at the southern countries, considered by some to be catching up, we detect increases which are significant for Portugal, and modest for Spain. Spain is an interesting case, in that it seems to be the country most affected by the European discourse (rolling back the welfare state, cutting the public deficit, raising the employment rate). Even Italy until 2001 there is no reduction of the welfare expenditure.

Contrasting trends similarly occur in the mature Bismarckian countries: a sharp decline in the Netherlands which is also one of the OECD countries which the highest share of gross voluntary private social expenditure (second after US). By contrast, we have an increase for Germany and France and a more modest increase for Belgium and Austria.

Let us now turn our attention to public deficits.

Table 2: Balance of Public Accounts (1990-2004)

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The next table presents the government debt in % of GDP.

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<td>58.5</td>
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</table>

In bold when the deficit was higher than 60%.

France and Germany have increased the global debt by 30% of GDP for France and by 26 for Germany. The started from a low level 35 and 40 % respectively which indicate than previously their debt behavior was to run a limited deficit (over the cycle). Contrary to what is often said, Monetary Union and the GSP did not force the two main members to reduce their deficit; on contrary it goes with an unprecedented increase of the annual and cumulated deficit. It could be argued that without EMU and GSP the deficit could have been higher. But, in the past (before 90') both governments have struggled to keep the global deficit under control which is no longer the case in the 90’. Belgium, the Netherlands and Spain have considerably reduced their deficit. Austria and Portugal have kept it around 60%.

Let’s turn now to link budgetary deficit to the social expenditures. In other words, is there any correlation between deficit reduction and social security reduction?

The decline in the Belgian deficit (annual or global) cannot be linked to a fall in the level of expenditure on social protection. Moreover each government has since the beginning of the 90’ has repeated that budgetary reduction will allow to keep the first pension pillar public.

For France and Germany there is a degree of stability at around 3% and an increase of the global debt, accompanied by a rise in expenditure on social protection. Two other countries (Italy and Portugal) demonstrate a
new balance at around 3%. By contrast, expenditure has risen sharply in Portugal and significantly in Italy.

There is no clear link between reduction of deficit in Austria and change in the social expenditure. Only, the Netherlands confirms a link between deficit reduction and reduction of welfare state expenses. Spain is in a different position, since debt reduction has not been accompanied by a rise in social expenditure (in relative terms as a % of GDP) and now Spain is spending less that Portugal and Greece.

Concerning the first aspect underlined (structural effect) by Dyson, we find little evidence. Our initial conclusion would be that it is difficult to draw a link between trends in government debt and trends in social expenditure.

That does not mean no such links exist; the effects may be deferred. Parametric reforms of pensions have medium to long term effects (10-20 years) (Pierson, 2004). It could be that the country has curbed the rhythm of expenses increase. Italy is a clear candidate for such evolution (Ferrera and Gualmini, chap. 6). Only one country seems to have abided strictly by the European option: Spain which was also becoming a champion of the Stability Pact during the Aznar governments.

Indeed, most of the story was about changing EU rules. France and Germany have attempted with some success to not implemented the rules with no penalties for manifestly deviant behavior and modify them. Schroeder was clearly less supportive to the stability credo than the Kohl government. What is interesting to note is that the new pact offers more room for radical reforms than the original.

Indeed, under the new Stability Pact certain pension reforms can be taken into account (under pressure from Poland, Sweden and Germany). One page on the 15 of the new Pact is dedicated to the pensions and the exceptions for pension reforms. A shift towards more private pension coverage is in fact expensive in budgetary terms in the short term (liberal orthodoxy claim that they are positive on the medium and long terms), the new stability pact allows to take partially that into account and part of this cost can be not counted in the deficit figure.

But as Palier rightly wrote: “The measurement of change should not be quantitative (in term of expenditure, benefit levels, scope of coverage, etc.) but should instead provide an assessment of the degree of innovation introduced by changes. Typical questions would be whether reforms introduced new institutions, promoted a new logic or led to the involvement of new actors”.

If global expenditure seems to have been more stable than in diminution and not really linked with EMU requirements, it does not mean that no reform has happened on the contrary (see national chapters for more details). Recent studies have shown that the reforms have been rather numerous in number and important by intensity of the change they brought. Duval and Elmeskov (2005) analyze 7 domains: 1) active labor market policies 2) taxes and social security contributions 3) employment protection legislation 4) unemployment benefit 5) wage formation and industrial relation 6) working time flexibility and part-time work 7) old-age systems and early retirement. Such approach gives us a broad indication of the number of reforms.

The following tables indicate the number of reforms per countries and the number of reforms by group of countries.
The first lesson is that EMU countries have on average been more reform-oriented than the OECD countries average but less than the non-EMU countries (Denmark, UK and Sweden) and particularly in the 1994-1999 period. It is interesting to return here to the finding of Pakaslahti on the public debate (at least as the press related it) on EMU and Welfare reforms in the accession period. In a nutshell, Pakaslahti (1997) delineates four groups of countries. The first comprises France, Germany, Belgium, Austria and Italy. The first three of these “used the 1997 budgets designed to meet the convergence criteria to implement key changes in social protection and to open up a process of reducing social expenditure”. These governments adopted a schizophrenic attitude by, on the one hand, affirming that, with or without Maastricht, these reforms would have been unavoidable, and on the other, using EMU to justify some of the most difficult measures. The second group of countries consists of Portugal, Spain and Greece. They made entry into the single currency or phase three of Economic and Monetary Union (EMU3) “in 1999 a national priority, and were prepared to carry out far-reaching measures to secure this aim”. At the same time, however, their governments emphasized a prudent approach to social expenditure and tried to ensure EMU entry “by all other means” (Pakaslahti, 1997: 52). The Greek case, for example, shows a government trying to avoid discussion of social security reforms until entry into the EMU zone (see Featherstone et al. 2001), while the public deficit fell from over 12% in 1993 to less than 1% in 1999. Then, the away the national government have presented the challenge of ELU to the public opinion is a key variable to understand the national situation.

Nevertheless, the reforms path seems to have diminished after 1999, even if the EMU countries are still above the OECD average. Analyzing the depth of the reforms the authors reach the same results (see table page 21).

The EMU story seems to give some food for our critique of the dominant approaches. It seems save to say that EMU was a catalyst for reforms (see also national chapters). Its effect seems not to last after the selection of the countries to belong to the EMU club. In the same time, key players like France, Italy and Germany have tried to change the rules of the game (non respect of the stability pact on the one hand and on the other changing the constraints with the new SGP). France and Germany which in the past had a rather limited budgetary deficit have increased their deficit pattern with the SPG. The actors have not only tried to soften the rules of the SPG but also to open the possibility for more radical pensions’ reforms (from PAYG to funded scheme). Then, if change does not appear in the figures, EMU was used as a pretext during this period. Its influence was more in the (discursive) construction of a pretext (vincolo esterno) than due to “real” constraints (which were not really respected).

We turn now our attention to the EES and then the involvement of trade unions at EU level.

2.2 Impact of the EES

The second case under scrutiny is the EES. The main objective is to increase the participation on the labor market and the rates of employment (global, by gender, by age). The underlying logic is that a 70% employment rate target has a particular effect on Bismarckian countries since their objective was not employment at any price but the sharing of productivity gains (to the benefit of male workers) and assuring a fair (family) wage for de
breadwinner (Pochet and Goetschy, 2000). EES is part of a broader project: to consider social protection no more as an insurance or redistributive tool but as a productive factor, moving from decomodification to comodification of labor.

It is difficult to trace the potential impact of the soft method as they are could have a voluntary (strategic use by the actors) or uncontrolled (idea diffusion) impact as presented in the first part of the paper. One way of gauging the potential impact of the EES is to look at the recommendations made by the Commission. These are the most visible and most closely monitored instrument to which the Member States are expected to respond in their action plans. We have taken the 2003 recommendations as our baseline, since the structures and objectives have changed thereafter under the new streamlining process. In July 2003 the Commission presented the Member States with its recommendations concerning national implementation of the European employment strategy. Even though the total number of recommendations has remained similar ever since the first set in 1999 - just over 50 (there were 55 in 2003) - two points should be noted. First, the number of recommendations addressed to each country now falls within a narrower band: whereas in previous years these varied from two to six, this year the range is between three and five. Three countries receive five, four receive four, and eight (the majority) receive three. Second, a more standardized presentation allows them to be grouped according to broad themes, as can be seen from the following table.

### Table 4: Recommendations by theme and by country

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of recommendations</th>
<th>Gender equality</th>
<th>Labour supply and active ageing</th>
<th>Lifelong learning</th>
<th>Making work pay</th>
<th>Prevention and activation</th>
<th>Address change and promote adaptability</th>
<th>Delivery services</th>
<th>Social partnership</th>
<th>Job creation</th>
<th>Regional disparities</th>
<th>People at a disadvantage</th>
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**Source:** Council of the European Union (2003).

Interestingly, the themes accounting for the largest number of recommendations in 2003 were not - as might have been predicted - activation or reducing labor costs but, in order, gender equality (ten recommendations), active ageing (ten) and lifelong learning (nine). These categories should however be treated very cautiously since, for instance, “gender equality” recommendations may be directed at the issue of pay disparities, segregation in access to employment or the lack of childcare facilities. Those grouped under the “making work pay” heading could be directed at labor costs in general, the cost of low-skilled or unskilled labor, or even the differential
between income from social benefits and the minimum wage.

Using the eleven categories selected by the Commission for its 2003 report, I reread the recommendations for the three previous years - 2000, 2001 and 2002 - and classified them according to this nomenclature (Council of the European Union, 2000, 2001 and 2002).

Table 3: Summary of recommendations 2000-2003

<table>
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<tr>
<th>Category</th>
<th>Number of recommendations 2000-2003</th>
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<tr>
<td>Making work pay</td>
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<td>Address change and promote adaptability</td>
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<td>Delivery services</td>
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<tr>
<td>Social partnership</td>
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The four years analysis confirms the trends for 2003. 42 recommendations on gender equality were issued over the four years, and only Belgium and France never received one. Next, with 34 recommendations, come education and lifelong learning (only Sweden, Denmark and Finland never received one) on the one hand, and on the other hand making work pay (none for the UK, Ireland

Where a recommendation could be classified in more than one category, I have wherever possible followed the Commission’s own preference in its 2003 classification. There is often in fact some continuity in the message contained in the recommendations, and this facilitated the task. Nevertheless, such preferences are not fully satisfactory and multiple messages are contained in the recommendations. It might however have been even more confusing to deconstruct each recommendation so as to take into account the double or even triple messages they contain: how far would we go in breaking down the recommendations? Should they be weighted? For example, should a recommendation on lifelong learning that is several lines long and devotes one sentence to the involvement of the social partners be counted as two? Rather than going down that road, which might in too many cases have led to subjectivity on our part, I preferred to follow in the footsteps of the Commission and try to abide by its classification - even though in some cases I would have classified a recommendation differently.
and Portugal). Active ageing with a total of 29 comes in fourth place (Portugal, Spain, Ireland and the Netherlands escaped this recommendation). For active ageing: Germany, Belgium, France and Italy have received the most recommendations.

Prevention and activation come only in the fifth place with only 22 recommendations (the half of the number for equality between men and women. It should be noted that no one recommendation was made in four years to Sweden, Portugal, the Netherlands, Luxembourg, Ireland, Denmark or Austria. This broadly confirms that the subject of employability, given such a high profile as an overall objective of the EES, affects only certain Member States. Only a few countries have been targeted explicitly and repeatedly: Germany, Belgium, France and Italy, but also the UK. These are mainly the Bismarckian countries but UK is a notable exception. Finally, in all, eight countries received recommendations concerning adaptability and entrepreneurship. Twelve recommendations were issued for each of these topics over the four years, i.e. two fewer than on social partnership.

These findings - to be read with the methodological precautions mentioned above - are extremely surprising and counter-intuitive. In numerical terms, recommendations on prevention and activation have not featured among the top three categories since 2000. Gender equality, however, has always been ranked number one or two. This could mean that the general discourse around employability is so strong that no specific recommendations are required in order to put it into practice at national level. It is, in a sense, already an integral part of the national agenda. On another way round we could ask ourselves why gender equality is not became fully part of the EES story (Rubery, 2005). One explanation is that the constellation of actors around equality between men and women had other avenue to address their demand (gender mainstreaming) or on contrary that this gender coalition where unable to use this new window of opportunity to reinforce the traditional mainstream approach.

Greece (23), Italy (20) and Germany (20), Belgium and Spain (18 each) and then France and UK with 16 have received most recommendations. It confirms globally that Southern (Portugal being an exception) and Bismarkian welfare states do not fit with the global idea behind the EES. Denmark and the Netherlands have received fewer recommendations than any other countries2. In this case, it could be said that EU level clearly supported a model which is different of the Bismarkian countries. Nevertheless, the set of soft constraints has been reinterpreted by the national actors as a priority has been put on employability compare to other possibilities (gender or tax reform).

### 2.3 Institutions (this section will be expanded depending of the Ebbinghaus paper)

The Bismarckian welfare states can be defined by the important role for the social partners in managing the social policies (pensions, unemployment,...) scheme. Even though this presence is uneven among the sectors (healthcare, unemployment benefits, pensions,...) and countries, it is one of the structural patterns of this cluster of countries. It is difficult to make a comparison with the EU as there is neither a European welfare state nor funds to administer. So as an approximation, we could look at the role of the trade unions in the consultation process. There is no full correspondence between Bismarckian welfare state and neo-corporatist state (see France, Spain or Italy for example) but the role of the trade unions in the policy formation and the discussion around social security reforms is often important. This institutional place has played an important role in the pensions reforms (Natali and Rhodes, 2006). What is the situation at EU level?

In a recent paper, Natali (2005) shows that although they have regular contact with the Bureau of the Social Protection Committee, the trade unions do not participate in its general discussions. Indeed the social partners have only been invited twice to participate in the plenary session of the Social Protection Committee. The proposal that they could attend all meetings as observers was refused by the Commission (among others). The same is true for the Social Affairs Council, where the social partners are at best able to express their views before it meets. The only gain they have made recently was that they could meet with the EU Council before the spring

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2 We should point out here that there seems to be no link between the number of recommendations received and support for the EES. Portugal under Barroso was very negative about Lisbon and the EES; similarly the Netherlands has become increasingly critical (Visser, 2005).
summit. If structurally their access to the decision making process is clearly weaker than in the Bismarckian countries, does this impact on the national scene?

The answer is complex, but it could be that it has less of an effect on the process (participation) than on the content. The EU discourse now has a strong emphasis on social partnership at national level. Social pacts, tripartite bodies, ex-ante consultation, concertation and participation in general are valued as positive. The Commission has even suggested (without success) that the European social partners could have their own OMC within the EES process. This general discourse seems to supported neo-corporatist arrangement and a strong place for the trade unions.

On the other hand, having little access to the EU decision making process (which very often starts from Ecofin bodies), they are asked to participate in reforms at national level to whose content they made no contribution at EU level. As Prodi once presented at the ETUC Congress in Helsinki in 1999: the trade unions should explain to their members the international and European constraints and be an agent of change at national level.

Conclusion

The channels through which the EU influences national policies are many and varied, and there are distinct mechanisms at work. We have explored three of them. As we have demonstrated, account must be taken of the phenomena of uploading and downloading; otherwise an incomplete picture will be painted. According to our approach of Europeanization and EU social policy, actors are not passive EU policy-taker; they contribute to create/modify/reduce or increase constraints. Change could also happen at EU level. Indeed, the revision of the Stability and Growth Pact takes account at least to some extent of pension privatisation (transition from the first to the second pillar). Contrary to expectation, European influence may have actually curbed this transition (in other words the stability pact could have impeded radical reforms), causing some actors to seek to alter the European rules. In this sense, the story told by the statistics is only partial and needs to be completed by carrying out case studies.

For instance, even though the figures give no indication that the Stability Pact has had an impact on total pensions expenditure, we cannot conclude that it has not (time variable is essential here).

Concerning the EES based on the evidences of the national chapters in Zeitlin and Pochet book (2005) the influence seems so far uneven and very general which means subject to reinterpretation at national level by political actors and political and norms entrepreneurs. Nevertheless, it is clear from the reading of the recommendation and most of the bismarkian welfare states (and UK) do not fit with the overall logic of the EES.

What could be the most important long term impact is the diminution of the role of the trade unions at EU level compare to the past and to the national scene. This weakening of key actors of Bismarckian welfare state in the production of the new discourses at EU level (be on macro-economic policies or on EES and welfare states reforms could prefigure a situation where trade unions can be bypass (see recent pension reforms) and offered only a symbolic role.

There are no direct and unilateral impacts on Bismarckian welfare states or on national welfare state in general the impacts are mediated by the actors and their strategy. The institutional architecture and the coherence between institutions render change more or less feasible in the short term. In the concluding chapter of the collective book on the impact of the EMU on the European social model, A. Martin and G. Ross (2004) underline “Social models are a complex of institutions and interconnected social contracts that morally engage actors. However much they may disagree on specific issues, a critical mass of these actors will normally act to preserve the broader engagements of the contract. The institutions are interconnected, or clustered, such that actors often perceive threats to particular arrangements as threats to others, even if the functional relationships are apparently different”.

As Ferrera (2005) rightly indicates there are three on-going dimensions. Firstly the EU is impacting on national welfare state by boundaries removal and reducing number of options. Secondly member states or at least some in the member states are trying to resist. Finally, there is an attempt to create at EU level some kind of counterweight to the deregulatory bias. OMC could be one of this tool (Jenson and Pochet, 2005).

In this broader context, we could in conclusion borrow some elements of the debate on variety of capitalism (Hall and Soskice, 2001, for a review Jackson and Deeg, 2006). The EU level variety of capitalism based on a common market and a single currency is still in search of institutional complementarities between the levels (EU,
national, regional) and across the policies in order to create long term growth (Pochet, 2006).

Based on the three dimensions underlined by Ferrera, I would like to conclude presenting three scenarios

1. Monetary policy changed in the late 70 at national (Hall, 89) and than at EU level (McNamara, 1999). Bismarckian welfare states are now adapting to this new configuration, partly due to internal reasons, partly by external pressures pushing to a new functional complementarities between a productive welfare state and a supply-side monetary regime. The adjustments to this new monetary regime were progressive but have reached a point of non retour. The erosion of Bismarckian welfare states will lead to conversion to another type (Anglo-Saxon or not too far from).

2. With the exception of the few countries near the ideal-types, institutional complementarities were not in place in most of the countries. Institutional complexity, redundancy, overlapping, reinterpreting, layering, etc were more common (Streeck and Thelen, 2005). There is no reason to expect order in a multilevel polity. EU influence will be messy with uneven impacts according the countries and the policies. National coalitions will continue to resist in preserving the main traits of the national social compromise. In an age of uncertainties, diversity could be an asset to adapt to fluctuant circumstances (Boyer, 2005).

3. New monetary regime is much more complex than said and not all have surrender to monetary orthodoxy. Monetary institutional architecture is still fragile as well as the economic foundation it is build on. The change of the SPG could be a change of first order in Hall’s term (change of instrument when confronted to persistent failure which is the case of EMU). That being the case, it does not mean that the pressures on Bismarckian welfare states would reduce (part of the problems is internal, there is also a time lag). The adjustments to produce of efficient model (in term of long term growth) depend of the mutual evolution of all sectoral policies (monetary, research and development, social, wage bargaining)
References


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LEQUEL DES 2


