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European Social Model

New Security Paradigm

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Abstract

The rhetoric of the “European Social Model” came into existence in 1990s. On the one hand it emphasizes the social character of the Europe which is based on the *embedded liberalism*- regulation of economy through institutions-, and *de-commodification*- not letting alone the individual against the market forces. On the other hand, it is notifying an emerging “new social security paradigm”. This new model is based on integration of employment policies to the social security policies. It tries to adapt the labor market to the internationalized economic relations and transformed mode of production. Initiating the policies of *employability, adaptability, entrepreneurship and equal opportunities*, it seeks to activate the labor market and increase employment. It Europeanizes the social policy since it handles the issue as a common object of Europe and seeks a Euro level solution. Nevertheless, workfare measures in this paradigm cause a fear of alignment in Anglo-Saxon model. Strength of settled institutions and attachment of the people to the principles of solidarity and equality are vital aspects preventing to reach that fearful end.

Key words: European Social Model, Welfare State, New Social Policy Paradigm, European Employment Strategy, Activation.

Table of contents

Introduction.....	4
1 What is Social Europe.....	5
1.1 What exists distinctively in European Social Model.....	6
1.2 We are one but we are not the same:three worlds of welfare.....	8
1.3 Emergence of the rhetoric of European Social Welfare in 1990s: challenges to the welfare state.....	9
1.3.1 External Challenges to the welfare state.....	9
1.3.2 Domestic Challenges to the Welfare State.....	12
2 European Social Policy.....	14
2.1 The Content of European Employment Policy.....	14
2.2 How does EES work?.....	16
2.3 Governance of Social Policies.....	17
3 Two Different Understandings, one rhetoric: Positive Integration or Alignment on Anglo-Saxon Model.....	22
3.1 Social Europe: A promising Concept for positive integration through market constraining policies.....	22
3.2 Neo-liberal convergence of social policies.....	25
Conclusion.....	30
References.....	31

Introduction

The main aim of this thesis is to discuss the rhetoric of “European Social Model” which came into existence in 1990s. In doing so it evaluates its meaning, its content, the reason of its emergence and the different attributions loaded to it.

First this work focuses on the “social” character of the term. What makes it social, and different from other models? Two notions make Europe different: embedded liberalism, regulation of the economy through institutions, and de-commodification, not letting the individual alone against the fierce forces of capitalism. Thus, there are aspects that differentiate European capitalism from others. However, the term came into existence in 1990s, but not before although the welfare institutions were well established. Here, the thesis examines the environment in 1990s. It focuses on external and domestic challenges to the welfare state. Globalization and transformations of the mode of production from fordism to post-fordism are the external factors. The neo-liberal integration path and ageing society are the domestic ones.

After stating the context, the content of the new social policies and development of the process is explained. Essen Summit, Luxembourg process, Amsterdam Treaty and Lisbon Summit strategy are the milestones of the development of the process. The European Employment Strategy is explained under four pillars of employability, adaptability, entrepreneurship and equal opportunities. Governance of this process is held by a new mechanism, OMC, which is based on the coordination of diversities under supranational guidance.

In the last section, two different interpretations of the ongoing process are discussed. The first one focuses on the new social policy initiatives with a positive perspective. It interprets it as a promising step for positive integration since the institutions of Europe could intervene to the untouchable social policy issues which were under the control of national governments. Thus, “social” character of Europe could expand in Euro space, especially to the Southern and Eastern Europe. At the same time it could enhance keeping the social character against the risk of neo-liberalization. The second perspective, observing this risk, interprets the new social policy arrangements as undermining attempts of the welfare state institutions. Extension of employer friendly workfare elements increased their concern. These policies remove the rigidities in the labor market in order to increase the private sector employment.

1 What is Social Europe

The rhetoric of “European Social Model” came into existence in 1990s. Until 1990s there was not any emphasis on the *supranational social identity of Europe*, despite the strong social protection systems established in post-war era. Evaluating the concept of Social Europe, this thesis firstly focuses on the distinctive features of the European social protection systems which separate it from other social systems in a historical perspective. Then, the emergence of the discourse in 1990s will be questioned. What made it specific that in 1990s, but not before it was needed to stress on the term?

It is necessary at the outset to explain some of the terms which are used related to the main argument of the thesis. Social Europe is a concept related to the social protection systems, labor market policies and industrial relations. In other words it includes the political economy of Europe. Thus, those interrelated areas shall not be perceived as autonomous facts, rather the writer offers to elaborate the matrix of those concepts through a broader picture of state/economy and state/society relations.

Despite the differentiating features of European capitalism from the rest of the world, there was not any emphasis on the notion of “Social Model” until 1990s. What then happened in 1990s that a strong emphasis on the concept emerged? What were the reasons? Were the reasons external or domestic, or both? What did the concept mean? What did it try to achieve? In this section, I will evaluate those questions?

A general trend of explaining what constitutes a European social model is stated by Martin and Ross (2004:11) that it “refers to the institutional arrangements comprising the welfare state (transfer payments, collective social services, their financing) and the employment relations system (labor law, unions, collective bargaining).” This perspective, instead of referring a Eurolevel- a supranational connotation-, explains what exists in nation state level, considering the labor market and social protection measures. Any attempt to define *Europe as a Social Model* is misleading since entails the replica of national welfare state institutions in Euro-level. That view is criticized by Schelkle in a functionalist view (Schelkle 2005). Schelkle criticizes the proponents of European Social Model that they *only* address specific institutionalizations of the welfare state in continental Europe, such as forms of employment protection or the generosity of benefits. To him, these institutionalizations characterize existing families of worlds of national welfare states but not necessarily a European social model (Schelkle 2005:2). He defines the social model as the “political norms and economic functions that a certain welfare state arrangement satisfies”. which consists of guiding norms rather than a set o specific institutions. It is a legitimizing strategy rather than an operational goal in which social policy is instrumentalized for economic growth (Schelkle 2005:3). Schelkle’s normative approach evaluates the “social model” as a *Leitbild*, that it is an ideal picture of how reality should be, while at the same time

describes the principles, methods and specific goals to realize this ideal. Thus, he asserts that “the unity of a model would derive from a functionalist consensus that social policy in EU polity has a particular problem-solving role for the economy, namely to serve competitiveness and flexible adjustment, replacing others such as the New Deal consensus that social policy should serve income maintenance or the Beveridge norm that social policy must provide for basic and universal safety” (Schelkle 2005). It is more proper to interpret new social policy of Europe in that perspective, because the Commission itself defines it as *productive factor* which serves the improvement of competitiveness and stresses the aim is does seek to harmonize social policies (Com 2000b).

The perspective that is presented by Schelkle is a challenging one the common trend, since it is distancing itself from the ideal-type welfare regime tradition in Esping-Andersen. Rather, he evaluates the ongoing social policy initiatives in EU level, as the emerging of a new social order, compared to Beveridgian and New Deal policies. In sum, there is not a consensus among the scholars on the definition of social model due to the different perspectives.

In post-war era, industrial relations and the welfare state institutions were under the domain of the nation state. In other words, welfare state emerged and developed under the control of the nation state. European institutions did not intervene to the social policies of the member states since European integration was a market integration which was based mostly on market making measures. The social dimension has been left at a secondary level. It was argued that economic progress will end up “pulling” social models “upwards” (Chapon and Euzeby 2002). Until the early 1990s the social dimension of the European Union based on the directives on the areas like equal opportunities, health safety at work. The social protocol annexed to the Maastricht Treaty and the social dialogue process initiated by Jacques Delors in 1985 focused on the rights of the workers (Gill 1999:323). The rise of the unemployment and the decrease in the active employees, who are financiers of the welfare policies, shifted the concern of the EU towards employment policies in following years. The rhetoric of the nation state came into existence in order to respond to the challenges of European welfare regimes faced and adapt to the structural change in global economy.

1.1 What exists distinctively in European Social Model

Offe asks three sets of questions in order to discuss the distinctiveness of European Political Economy. First, he questions the existence of a thing as “European Capitalism”. In the case of a positive answer to the first question, he asks whether there are “institutional and structural features that apply more or less to *all* European political economies and *only* to European political economies? How do European political economies and societies contrast if compared to their liberal counterparts of the Anglo-Saxon world?”(Offe 2003).

As a response to Offe's questions it is possible to state there have always been differences between European capitalism from the rest of the world. Consolidation of welfare state with strong social protection regimes and the dominant role of the state in governing of the economical relations in post-war era were differentiating issues of Europe. This era was even called "Golden Age", attributing the success of the established structure. Offe defines this era as "Social capitalism" which is based on coordination of the economy and market with institutions (embedded capitalism) and pursuing de-commodifying policies for the citizens (Offe 2003). Thus two concepts emerge as the defining features of European social model as historical legacy: embedded liberalism and de-commodification.

The concept of embedded liberalism was developed by Karl Polanyi in *Great Transformations* (1944). Polanyi's definition of this concept stems from the way he describes the economy. To him, economy is an instituted process, 'the human economy...is embedded and enmeshed in institutions, economic and non-economic. The inclusion of non-economic is vital. For religion or government may be as important for the structure and functioning of the economy....' (Polanyi 1944 in Jessop 2001).

Polanyi argues that governments had an important role in softening the fierce limits of capitalism. A self-regulating market mechanism could not govern the fates of labor, land, and capital (Polanyi 1944:73). Governments had to provide protection for their workers, the natural environment, and aggregate purchasing power from the destructive patterns of economic and technological change. Polanyi argues that change could not be prevented but governments could and should take action to manage the rate and direction of change so as to protect those most vulnerable to the negative effects of capitalism. Moreover, referring to the end of *laissez faire* economy in post World War 1 era and emergence of protective economics he states that protective social institutions and legislation had appeared almost immediately after the rise of the self-regulating market and had been strengthened since that time. Polanyi believed that notion of a self-regulating capitalism had been rejected. Moreover, according to him market liberalism could never work as intended. Pure liberal economy free from government intervention which he calls as (dis)embedded liberalism that human society should be subordinated to the self-regulating markets is a utopia. Real market societies need the state to play an active role in managing markets, and that role requires political decision-making (Polanyi 1944 in Block 2000:9).

The second distinctive feature of European capitalism is explained by the concept of the de-commodification by Esping-Andersen (Esping Andersen 1990). The notion of de-commodification is the protection of individuals from market forces. Simply the term refers that "a person can maintain a livelihood without reliance on the market (Esping-Andersen 1990:22). A person can not be able to sustain his/her life in case of sickness, old-age or due to family obligations (in case of birth). That means a person could withdraw from the labor market temporarily, or permanently. In that case, it is the state that assists to the individual to his/her life through a broad range of policies. Unemployment benefits, pension funds free health care, and job security that guarantees the person to return to the job after illness or pregnancy, are all de-commodifying elements. De-commodification does not perceive the labor as a commodity that is any

factor of production. In fact, de-commodification strengthens the worker and weakens the absolute authority of the employer.

Embedded liberalism and decommodifying policies of the welfare state are the significant character of the European political economy. They reflect the spirit, or the *Geist*. There are other distinctive characteristics of the European capitalism. Offe points out those through stating dilemma couples in political economy: “equality versus efficiency, collective bargaining versus individual contracting, cooperation versus conflict, rights versus resources, wage moderation versus distributive conflict, supranationalism versus intergovernmentalism, social partnership versus class conflict, proportional representation versus majoritarianism, constitutionalized basic rights versus parliamentary sovereignty, associational collectivism versus individualism, social security versus competitiveness, politics versus markets, modernism versus postmodernism, citizenship versus communitarian politics of difference, consensus versus conflict, corporatism versus pluralism, and status versus contract.” (Offe 441). He maintains that, characteristic of Continental European Political economy has been the former in those couples.

1.2 We are one but we are not the same: three worlds of welfare

Nevertheless, Europe does not have a monolithic structure, considering the political economy relations. Two features explained above are attributed to continental Europe, since England has always favored a more market oriented position, compared to continental Europe. Regarding the welfare provisions and social security regimes Esping-Andersen categorizes the welfare state regimes in Europe into three: social democratic, liberal and conservative (1990). Social Democratic welfare state, which is seen in Nordic countries have universal understanding of social rights and benefit uniformity of public social insurance programs. That is to say, the social provision is held by the state and encompasses the whole society, without targeting any specific group. In the liberal regime, which is dominant in the UK, private sector is more developed in providing the health and retirement insurances. In conservative regime, public social insurance programs are differentiated by occupational and public-private status group distinctions.

In sum, there are things that make Europe different from other ways of capitalisms. However, there are huge differences in social policies of the European states. Enlargement process is on the other hand is a great challenge which widens the gap between member states. Embedded liberalism and de-commodification separate Europe from the rest of the world. Nevertheless, is it sufficient enough to depend on two notions while presenting Europe as a model; even re-commodifying policies were at stake? Further, it is necessary to remind here that the rhetoric of the Social Europe came into existence after 1990s? Further, “...the social protection systems of the member

states appear to be highly diverse: indeed so diverse that it may seem impossible to identify common traits and almost pointless to speak of the European Social Model”(Ferrera 2000). What does it mean then? The answer to this question relies on the developments of 1990s. I argue that the concept came into existence as a result of the challenges European capitalism faced.

1.3 Emergence of the rhetoric of Social Europe in 1990s: challenges to the welfare state

1.3.1 External Challenges to the welfare state

Internationalization of economy and the transformation of the mode of production from fordism to post-fordism are the external factors which challenge to the essences of welfare institutions.

Globalization and the welfare retrenchment/resilience debate

Globalization is seen as the most important factor that had an impact on the social protection regimes. Its aspects economically refer three trends in world economy. *Internationalization* of world economy characterizes the increase in cross-border economic transactions in recent decades. Second trend in globalization is *technological revolution*. It delineates the impact of new electronic communication, know-how economies and IT technologies on production that firms operate globally without considering the location, distance and borders (Woods 2001:290). Finally, *liberalization* describes the process of removing government imposed restrictions on international economic activity in order to create an open and integrated market (Scholte 2001:14).

Indicating the ongoing trends in the process of globalization, some scholars who are called “globalists” maintain some assumptions. First, globalization is an irreversible phenomenon (Fukuyama 1992). Once it has started, there would be no alternative other than open economy in which neo-liberal principles predominate. Second, as capital can freely move in international market, it prefers low wage and less-regulated labor markets in order to keep the costs down. Capital flies from high ratio of corporate taxes and high-level of social provisions. Third, capital flight from Europe to newly industrializing countries cause long term unemployment in Europe. In turn, globalists evaluate the thesis that; in order to attract and then keep the flowing capital in international economy nation states initiate retrenchment policies on welfare. They decrease the government spending on social provisions and remove the rigidities on labor markets. In conclusion, globalists claim that globalization is moving all social policy regimes in the same direction which is the neo-liberal model, a “race to the bottom” (Gray 1998 and Marquand 1994).

Observing the data about trade, financial and investment flows, and governmental spending on social welfare provisions since the European Integration, Hay finds

challenging results to the globalization theory. He claims that, in EU integration process, instead of globalization, rather de-globalization is observed (Hay 2006:3). He illustrates his argument on the basis of the amount of incoming and outgoing investment and trade in European economies.

First, Hay obtains that there is not any significant correlation between tight labor markets and capital flight, which is contrary to the general understanding that capital prefers low cost requirement labor markets with less social protective measures and less corporate taxation (2006:5, Castles 2004 and Hyman 2005:12). There are many factors influencing the decisions of the multinationals, such as: “access to markets, infrastructural advantages, political stability, and availability of skilled labor” (Hyman 2005:12). Examining the outgoing and incoming FDI after 1980s, he finds the increasing intra-regional investment, opposed to general expectations of internationalization of capital. Including the increasing volume of intra-regional trade he defines European Integration process as a consisting and ongoing de-globalization (2006:13). The volume of trade in Europe in Hay’s analysis also addresses the aspects of Europeanization of the economy. 90 percent of the trade is within the boundaries of EU itself (Hoffman 2002). However, globalization theory would predict the internationalization of the economic activities.

In addition to “trends de-globalizing”, or “European Unionization” thesis, Hay also challenges to one of the main argument of globalization thesis which maintains a “race to the bottom”, or convergence at the neo-liberal social model policy. He finds little convergence amongst European social models towards neo-liberal model (2006:7). Rather he asserts government spending on social provisions increased after 1980s in Europe, even in strong welfare states of Nordic countries (Korpi and Palme 2003). Hay, observing the social transfers of EU member states since 1960s, states that “the period of most intensive globalization (the 1980s to the present day) has been associated with the emergence and consolidation-not the retrenchment-of the most generous welfare states” (2006:9).

To sum up the impact of the globalization on welfare state referring to Hirst and Thompson, who developed a prominent critique to economic globalization thesis, globalization is a myth which led political elites to conclude that ‘almost nothing can be done’. As a consequence the myth of reality has more destructive affects than the reality itself (1996).

Transformation to post-fordist-production and new economy

There has been a tremendous change in manners of production in recent decades. Firstly, production is highly internationalized if compared to before 1970s with rise of multinational companies. Second, there is a shift towards post-fordist production. Different from the 1970s, due to technological revolution and development of know-how industries and IT technologies the modes of production changed significantly. Development of service sector and computer based economy is called also “New economy” or, knowledge based economy (Rodriguez 2002). Since the EU documents mostly refer to those concepts and has made it a *motto* in Lisbon, as “most competitive

in knowledge-based economy”, it is necessary to evaluate the transformation of the mode of production skills.

The new economy is often regarded to as the Information economy, because of information’s superior role, instead of the material resources, in creating wealth. In the last two hundred years labor and capital has been recognized by the neo-classical economists as the only factors production. Due to rapid spread of know-how technologies, information and knowledge is taking the place of capital and energy that the latter did the same to land and labor before. Technological developments in twentieth century prioritized the knowledge-based economy as the key factors of production and wealth creation (<http://www.enterweb.org/know.htm>). Business now is done by computers, ISDN lines and electronic devices. Internet trading, online banking and e-mail communications are increasingly becoming the norm, especially among younger employees and entrepreneurs. However, Europe is lacking behind this process if compared to USA. 500 000 jobs in the EU information and communication technology sector cannot be filled because of the lack of the qualified people (Com 2000a: 17).

The recent change in mode of production is, on the other hand, defined as transformation from fordism to post-fordism. Fordism is associated with the development of modern mass-production system. The main characteristics of Fordism are;

- mass production of homogenous products.
- The use of inflexible technologies such as the assembly lines
- Increases in productivity derive from “economics of scale as well as the de-skilling, intensification and homogenization of labor” (Clarke 1990:73)
- The resulting rise of the mass worker and bureaucratized unions.
- The negotiation of uniform wages tied to increases in profits and productivity.
- The growth of the market for the homogenized products of mass-production industries and the resulting homogenization of consumption patterns.
- A rise in wages, caused by unionization leading to a growth demand for the increasing supply of mass-produced products.
- A market for products that is governed by Keynesian macro-economic policies and a market for labor that is handled by collective bargaining overseen by the state.
- Mass educational institutions providing the mass workers required by industry (Clarke 1990:73).

Fordism began to decline in 1970s after the oil crisis and post-fordist production began to develop. The main characteristics of post-fordism are;

- A decline of interest in mass products is accompanied by a growth of interests in more specialized products, especially those high in style and quality.
- More specialized products require shorter production runs, resulting in smaller and more productive systems.

- More flexible production is made profitable by the advent of the new technologies.
- New technologies require that workers, in turn, have more diverse skills and better training, more responsibility and greater autonomy.
- Production must be controlled through more flexible systems.
- Huge, inflexible bureaucracies need to be altered dramatically in order to operate more flexibly.
- Bureaucratized unions (and political parties) no longer adequately represent the interests of the new, highly differentiated labor force.
- Decentralized collective bargaining replaces centralized negotiations.
- The workers become more differentiated as people and require more differentiated commodities, lifestyles, and cultural outlets.
- The centralized welfare state can no longer meet the needs (for example, health, welfare, education) of a diverse population, and differentiated, more flexible institutions are required (Clarke 1990:73-74).

In sum, the shift from fordism to post-fordism can be summarized as the transition from homogeneity to heterogeneity (Ritzer 2000:296).

In addition to external factors, domestic factors have an impact on re-consideration of welfare institutions both in national and EU level. First, the integration process itself has an impact on the social policies of the member states. Negative or positive integration, and market-building or market-correcting measures both affect the direction of the social dimension of Europe. Second, the demographic change and rising unemployment in Europe has been considered as the common problems which must be solved through common action.

1.3.2 Domestic Challenges to the Welfare State

The Challenge of European Integration

Since the integration process has been an important factor shaping the economic relations in Europe, its impact upon the distinctive features of European “social policies” should be evaluated. Two questions emerge; whether it is likely that European societies will converge upwards in the process of integration, as inherited from European nation states, or contrary whether the European integration is undermining the “Europeanness” of the emerging political economy of the European Union (EU). (Offe 2003)

Evaluation of the impact of the integration depends on the interpretation of the project of EU integration. There are two contradicting interpretations. First, it can be seen as a supranational political economy which is achieved through “positive integration”. Thus, member states can create a fair and peaceful economic competition and achievements in the national level can be transferred to supranational level. Second interpretation foresees a “negative integration” which is based on the understanding of triumph of liberalization of the market, by privatization, deregulation, and fiscal

austerity. According to this view, integration demolishes what has been achieved at the national level (Offe 2003:447). For instance, Chapon maintains that the introduction of Euro and creation of single market could abandon the values of justice, equity and solidarity which he calls, it leads “a fear of convergence Anglo-Saxon model”(Chapon 37-38). I have already mentioned that Hay claims that European integration itself is the restricting factor of generous welfare provisions rather than globalization. To him, competitive imperatives of globalization do not necessarily lead to a residualization of social models (Hay 2006).

Demographic Challenges

Up to some projections the population of Europe will start to decrease after 2015 and the active population will equal the number of pensioners in a few decades (Schneider 2002). There will be 110 million people over the age of 65 in the EU- 25 in 2030, up from 71 million in 2000. This population profile will cause serious problems for the durability of welfare provisions and industrial countries will face a shortage of young people and skilled people.

Those challenges cause different problems in Europe due to the diversity of industrial relations and social protection regimes that should be solved in different manners. In Scandinavia, where employment highly relies on public sector, needs to expand private sector employment to compensate for the stagnations or job decline in the public sector. Second, Scandinavian countries are under the threat of financing their high cost welfare state under the conditions of capital mobility. The problem in Anglo-Saxon welfare state is more severe. It does not have to worry about to finance the welfare provisions or public sector employment, because private sector is dominant in those fields. However, it has lack of well-trained labor force in a high-quality specialization based production economy. Further, there is little investment in training. Low qualified labor will not be make Anglo-Saxon model more competitive and low levels of social protection will increase the poverty and social exclusion. In continental regimes long-term youth unemployment will be a problems and low employment level are the problems. In this model, in contrast to Anglo-Saxon countries, poverty and under qualification are not acute problems (Ferrera 2000).

2 European Social Policy

Before 1990s, the emphasis in social policy in European Union was on the rights of the workers. By early 1990s, the emphasis has shifted away from workers' rights towards the interests of the unemployed. The underlying reasons of this shift has been the high levels of unemployment across Europe, social problems in Germany following re-unification and concern at the impact on employment levels of European monetary union (Gill 1999:315). In 1990s, the policies implemented in EU linked employment policies to social policies. That is to say employment strategies were handled in the concept of social policy. In doing so, the Commission launched a wide ranging consultation on the future of European Social Policy through Green and White Papers (Com 2000b:7). The Commission's "White Paper on growth, competitiveness and employment," adopted at the Brussels summit in December 1993, focused on training, flexibility in the labor market and work re-organization. The following year, the Essen summit in December 1994 also focused on combating unemployment as the main plank in social policy and advocated measures to promote training, increase the job intensity of growth, reduce non-wage labor costs, move from passive to active labor market policies and target groups particularly hard-hit by unemployment." (Gill 1999:315). According to those texts, a medium term social action programme 1995-1997 was adopted -Social Action world of work and an inclusive society (Com 2000b:7). Its aims were to promote an inclusive society and to equip individuals for changing world of work in an era of globalization and rapid technological change. That perspective constructed the framework of European Employment Strategy in Amsterdam 1997. It was the Amsterdam Summit the inclusion of a chapter on employment in the Amsterdam treaty created the conditions for a new EU dynamic in Euro-level employment policies (Chapon 2002:39). (See Box 1 for the Milestones in European Social Policy).

2.1 The Content of European Employment Strategy

Unemployment was a serious issue for the European economy in 1990s. The rate of the job seekers has been increasing in each day. More than half of the job seekers have been unemployed for over a year. The rise of unemployed has been also threatening the welfare state itself. The finance of welfare provisions, such as pension funds, health care services and education was bound to the general performance of the national economies and the rate of tax payers who would support those welfare provisions. Thus, not only combating with the unemployment was enough, but also number of the employed

should be increased. The employment rate 61 % was nearly 10 percentage points below the US and Japan. EES came to existence to create more and better jobs and provide better opportunities on the labor market for the disadvantaged groups, especially for women, elder, immigrants and disabled (Com 2000a:8).

Amsterdam Treaty was a turning point in social policy concept in Europe. First time, employment policy was considered as a common European task (Com 2000a:7). In Luxembourg, The European Employment Strategy was adopted which was consisting of guidelines and four pillars: employability, entrepreneurship, adaptability and equal opportunities.

Employability

This pillar refers to the developing the skills of the jobseekers in order to respond to the demand of the labor market through training and prevent long term unemployment. Training and education is an important task to improve the skills of individuals and develop human resources (Gill 1999:323). In 1998, EU set a target that every unemployed person is offered a new start before reaching one year of unemployment (in then case of young persons that is six months). The new start could be through training, re-training and work practice.

Regarding training, the EU spent great effort and resources under Leonardo and Socrates programs. Further, helping specifically to SMEs is at the agenda of the EU. The EU identify that there is higher proportion of low-skilled workers in SMEs. State intervention can rise to 90 % of the total cost of training programs (Gill 1999:323).

Entrepreneurship

The strategy of the Union here is to encourage the individual attempts to create new jobs. Before 1980s, in other words in Golden Age of Welfare, it was the state that was creating jobs. However, the state itself is now bearing new roles of promoting entrepreneurship. In that context, measures have adopted to identify the existing obstacles of the creation of small and medium-sized enterprises, reducing the tax burden on labor and searching for how can more jobs be created (Com 2000a:10). The Commission stresses on the creation of a new culture of entrepreneurship in Europe to achieve the targets set in Lisbon 2000. Entrepreneurship is seen as a driver force for economic growth and competitiveness. (<http://www.eurofound.eu.int>). SMEs are considered to be more flexible entities to adapt the changing context. Thus, the priority has been given to the creation of new enterprises and to facilitate the activities of those.

Adaptability

The technological change and transformation of production modes have created pressures on the employees for adapting to this change. The strategy here involves; creating modern and flexible work organization together with the social partners, arranging the employment contracts for the diverse forms employment and introducing training programs for employers to adapt the new challenges (Com 2000a:11). The work theme includes the issues of; the use of working time and flexibility, adaptable

contracts, forms of social protection, involvement and social dialogue, work location and work satisfaction (Gill 1999: 321).

Commission stresses that a balance between the needs of the business for flexibility, and the needs of employees for security and employability (Com (97) 128 Final). However, after the five years of operation of EES, the Commission made some criticism on adaptability pillar (Com (2002) 416, 17 July 2002): “it pointed to a failure to introduce a balance between flexibility, security and job quality; and that flexibility had increased to the detriment of employment security” (<http://www.eurofound.eu.int>). As a consequence of that evaluation the Commission announced new guidelines in employment strategy. These consist: 1) full employment; 2) Improving quality and productivity at work; 3) strengthening social cohesion and inclusion.

Equal Opportunities

Specific emphasis under this pillar is to increase the level of women employed, amongst others such as integration of disabled people to market and taking measures of any ethnic discrimination in employment. Equal opportunities are prioritized in the National Action Plans. Four guidelines for action were listed: tackling gender gaps in employment and unemployment; reconciling work and family life; facilitating reintegration into the labor market” (Gill 1998:323).

2.2 How does EES work?

EES has not planned to be a just guidance to the member states, but it also includes mechanisms of coordination between member states and the Commission. The performance of the member states have been followed by the National Action Plans (NAPs) which was adopted in Luxembourg (Gill 316). Member states coordinate their labor market policies in an annual cycle which works as follows.

“1. At the beginning of the year, on a proposal from the Commission, the Council approves a serious of priority areas for action-the European Guidelines. These guidelines include concrete objectives.

2. Each country draws up a national action plan which describes how the guidelines are to be put into practice in the way best suited to that country; this process should involve a wide range of partners: unions, employers, local and regional authorities.

3. The Commission and the Council jointly examine each national action plan and present a report to the December European Council. The Commission also presents a recommendation on revision of the Employment Guidelines for the following year.” (Com 2000b:12).

On a proposal from the Commission, the European Council can issue specific recommendations to the governments of individual member states. In other words, it can recommend specific measures to help them achieve their employment policy objectives. In this way, the EU is particularly involved in employment policy: through its own policy and supporting member state’s policies. (Com 2000b:12).

Gill argues that the creation of NAP'S signifies number of major changes in the basis and direction of EU social policy. First, writing into the treaty the guidelines as an annual obligation reveals a clear political will to tackle unemployment not only at intergovernmental level (within the Council) but also at supranational level (within the Commission). Second change Gill addresses is the consensus of how to deal with economic challenges Europe faces. To him, a balance is achieved between the claims of the ones who support increasing role of regulatory measures on the rights of the workers, and the ones who support free market orientation of the neo-liberals. Third he stresses that the guidelines pursue a central role for the social partners (Gill 316). Nevertheless, in practice the social partners could not involved in the overall process as it was planned. The process is steered by Commission.

2.3 Governance of Social Policies

Two challenges appeared when the European social model was wanted to be reformed. First, in most member states, social policies and existing unemployment policies were inadequate. Second was related with the scope of the problem and the limits of the governance mechanisms (Mosher and Trubek, 2003:65). For the many, EU level was the best place to deal with the problems of the social protection regimes and unemployment. Nevertheless, an EU level solution would not be easy, since the Union lacked competence and capacity. "The member states had always been reluctant to cede even limited competence to the Union over social policy and industrial relations (Streeck 1995)".

Moreover, the drive for enhanced Europeanization in social policy came just when there was a growing anti-Brussels reaction in many countries and substantial resistance to expanding the EU's competence in all areas. "This backlash, which led to the development of subsidiarity doctrine threatened the Maastricht Treaty itself, meant that it was difficult for the Union to expand its competence anywhere, let alone in a field so sensitive to national concerns as social policy.....But competence was not the only barrier. The nature of the problems to be faced, the great diversity of policies and practices within Europe, and the deep embeddedness of social policy in unique national institutions made it impossible to craft uniform policies for all of Europe (Mosher and Trubek 2003:66)."

In social policy areas and industrial relations, Open Method of Coordination has been adopted as the governance mechanism. The scope of EES does not cover the all policies that have an impact on employment. For instance, monetary, fiscal and wage policy which have direct affect on growth and job creation in the EU are outside this process. Briefly, EES is a supply- strategy that focuses on the ease the structural obstacles to employment (Mosher and Trubek 2003:71). OMC is, apart from Community method, accepts diversity and semi voluntary forms of coordination. It is also unlike the top-down and uniform rules, more flexible and participatory (Mosher and Trubek 2003:63). Policy making procedure of OMC combines broad participation,

co-ordination of multiple levels of government, use of information and benchmarking, recognition of the need for diversity, and structured but unsanctioned guidance from the Commission and Council (Mosher and Trubek 2003:64).

As this type of governance does not rely primarily on top down command and control-type regulation backed by sanctions, its use has been described as a move from 'hard law' to 'soft law'. As EES is a soft law mechanisms, there are no hard sanctions for member states if they do not follow the guidelines. At the lack of sanctions, the system rests on the assurances made by the member states to follow the guidelines. Obedience to the rules is basically provided by naming and shaming mechanisms.

It is argued that a soft law mechanism will facilitate the contribution of the member states to the strategy and facilitate the EU-level coordination in these important issues. Further, it is conceived as a superior way to coordinate the diversity of the national systems. Member states can shape the discourse and share the experiences which would create an environment of cross-national policy learning (Mosher and Trubek 2003:69-70). The process promotes dialogues among diverse groups in policy-making process; between government, social actors from different countries and Union level actors and institutions. Member states report their performances in detail, share good practices and commitment on each other's annual plans. Within benchmarking mechanisms, member states compare their performances. In accordance to peer review and exchange of good practices member states directly confronts the plans and experience of others. The Commission and the Council regularly review the national plans and provides comments. The potential of the EES, thus according to Mosher and Trubek lies in its character of iteration. Iteration fosters deliberation that guidelines can be exchanged from time to time (Mosher and Trubek 2003:77). On the other hand, there will be an opportunity to link the EU level governance mechanisms with the national levels that EU policy could touch the social policy issues that were not in the scope in previous (Mosher and Trubek 2003: 67).

EU SOCIAL POLICY AND THE EUROPEAN EMPLOYMENT STRATEGY

(A) Develop Theory

The Commission needs a theory of what is hindering employment growth.

(B) Identify Best Performing Member States and Best Practices

The Commission identifies successful Member State performance so their best practices can be incorporated.

(C) Propose Specific Guidelines

Specific guidelines are drawn up indicating actions that Member States should take to modify their national employment policies.

D) Consult with Social Partners and Civil Society

The Commission must formally consult the European Parliament, the Economic and Social Committee, and the Committee of the Regions. Many actors have increased their informal involvement.

(E) Employment Committee

The Employment Committee examines the guidelines proposed by the Commission and submits an opinion to the Council

(F) Guidelines Approval

The guidelines are passed by qualified majority voting (QMV) at joint Ecofin and Labour and Social Affairs Council meeting. It is at this stage that Member States can revise the Commission's Proposals.

(G) National Level Implementation

After the guidelines are approved, each Member State draws up national action plans (NAPs) for taking the guidelines into account in their employment policies

H) Monitoring and Surveillance

Each year the Commission examines the implementation of the guidelines by the Member States. It uses the NAPs, implementation reports, and its own inquiries to assess compliance. The Employment Committee contributes to this monitoring process. Based on the Commission's assessment, the Commission can propose to the Council that recommendations be directed at the Member States. Such recommendations can be passed with QMV

(I) Joint Employment Report (JER)

At the end of the annual cycle, the Commission and the Council write a JER on the employment situation in the Union and on the implementation of the guidelines by the Member States. The Employment Committee examines the JER. The JER is considered and endorsed by the Spring European Council

(J) New Cycle

Based on the JER, guidelines for the upcoming year are being developed and the cycle begins again (step C). It is also at this point that the Commission can revise its theory of what is hindering European employment, identify new best practices occurring in Member States, and modify its overall strategic outlook (steps A–B).

Figure 1: The European Employment Strategy Process

How successful is the OMC?

As a new form of governance OMC is considered to be an emerging governance mechanism that could solve other problems of the EU (Gerstenberg and Sabel 2000; Vandenbroucke, 2001). That is the positive view on OMC. Some others fear that in the absence of the mandatory rules on social protection rules The Union might contribute to the gradual erosion of social programs and policies (Degryse and Pochet 2000). That means, the welfare state might be dismantled in this process (Mosher and Trubek 2003:64). Leaving the last argument to the next chapter, I will focus on the capacity of OMC as a new mode of governance.

The recent research on the EU has shifted from analyzing the process of integration to analyzing EU as a system of governance (Eberlein and Kerwer 2004:121). “Newness” of the OMC attracts the scholars that it can solve the governing problems in EU and further might promote a polity due to its theoretical potential. Major governance objectives of OMC are; promotion of learning; enhancement of co-ordination between levels of government; integration of separate policy domains; enhanced participation; and promotion of convergence while allowing diversity...”(Mosher and Trubek 2003:80). OMC is based on recognition of the diversities, however, at the same it seeks for convergence. But it is convergence of outcomes not policies (Mosher and Trubek 2003:81). Thus, OMC does not rest on the understanding of establishing single framework policies but to share the experience and the spread of best practice (Wallace 2000:33).

Despite its strength on the theory, there are some problems of the OMC governance process. Although the OMC should be a combination of bottom up and to-down guidance, in reality it is often dominated by the centre. The Commission plays a major role in setting the standards for the Members States and determines the process of evaluation (Eberlein and Kerwer 2003:126). Second, the process is bound to political will of the member states to pursue the guidelines. That means there is always space for member states for free riding.

Box 1. Milestones in European Social Policy

Treaty of Rome (1957)

- . Worker's right to freedom of movement within Community borders (Art. 48) recognized, with special regard to social security for migrant workers (Arts. 51 and 121). Mutual recognition of diplomas (Art. 57).
- . Improvement of working conditions sought, so as to make possible their harmonization, including approximation of national legal provisions (Art. 117). Harmonization sought regarding equal work for men and women (Art. 119) and paid holiday schemes (Art. 120).

Directive and regulations:

- . Freedom of movement (68/360, 1968), equal treatment of migrants (1612/68, 1968), social security for migrant workers (1408/71, 1971, and 574/72, 1972).

First Social Action Programme (1974)

- . Equal pay between men and women (75/117, 1975).
- . Employee's rights in the event of the collective redundancies (75/129, 1975), transfers of firms (77/187, 1977) and bankruptcies (80/987, 1980).
- . health and safety at work (several).

Single European Act (1986)

- . Qualified majority voting for measures securing worker's freedom of movement (Art. 49).
- . Harmonization sought in health and safety at work, through qualified majority voting for directives stating minimum requirements (Art. 118A).
- . European Commission invited to promote social dialogue at the European level (Art. 118B).

Second Social Action Programme-Social Charter (1989)

- . Mutual recognition of higher education diplomas (89/48, 1989).
- . Improvements in the safety and health at work (89/48, 1989).
- . Free movement of persons (90/361, 1990).
- . Obligation to inform employees in writing of the conditions of the employment contract (91/533, 1991).
- . Collective redundancies (92/56, 1992) (amendment).
- . Organization of working time (93/104/EC, 1993).
- . Protection of young people at work, prohibiting work for everyone under the age of 15 and regulating work for persons aged 15-18 (94/33, 1994).

Agreement on Social Policy of the Maastricht Treaty (1992).

- . Qualified majority voting for directives stating minimum requirements in the fields of working conditions, informing and consulting workers, equality between men and women in the labor market, and integration of persons excluded from the labor market.
- . United Kingdom opts out.

Directives:

- . Establishment of European works councils in Community-scale undertakings (94/45, 1994).
- . Worker's right to parental leave (96/34, 1996).
- . Burden of proof in sex discrimination cases (97/81, 1997).
- . Equal treatment for part-time workers (97/81, 1997).

Third Social Action Programme (1995)

- . Temporary posting of workers to another member state (96/71, 1996).

Amsterdam Treaty (1997)

- . Employment and proper social protection set as objectives of the EU.
- . United Kingdom accepts Agreement on Social Policy, which becomes the part of the Treaty of the EU (Art. 118A).

Note: Following EU conventions, directives are referred as (year/number), while regulations are referenced as (number/year). (Bean 1998:11)

3 Two different understandings, one rhetoric: Positive Integration or Alignment on Anglo-Saxon Model

“Europe is currently in need of as well as in search of, policies and patterns of political decision making that would allow the diverse welfare state arrangements that have evolved over many decades at the national level to be transferred to the European level. The goal is being envisaged in terms of what to avoid, not what to achieve. What is to be avoided is either of the (mutually invigorating) extremes of a mere market-liberal “negative” integration and rightist-populist reactions which would amount to a backlash of positive disintegration. Yet the road “in between”, that of “positive integration”, leads through largely uncharted territory. “Social dumping”, “race to the bottom”, “beggar my neighbor” and the rise of the “competition state”, a fiscally starved state that is reduced to the status of a strategically impotent price-taker facing the uncontrollable dynamics of capital mobility, are some of the catchwords representing the fears that people associate with the “negative”, mere market-making instead of market-regulating form of integration of EU-15, with additional threats of heightened factor mobility, that is, massive inflows of labor and outflows of capital, being associated with the prospect of Eastern Enlargement towards E-25.”(Offe 2003: 456).

In this section, I will evaluate two different interpretations of the Social Europe rhetoric. First one considers the current developments of social policy coordination between member states as a step for limitation the negative effects of neo-liberal integration. To second camp, recent developments in social policy issues are undermining the settled welfare institutions in Europe and consolidating neo-liberal understanding.

Social Europe: A promising concept for positive integration through market-constraining policies

In Social Europe debate literature it is possible to mention two camps: ‘cautious optimists’ and the Euro-pessimists (Ferrera 2000). The optimist view interprets the ongoing process as an opportunity to create a Euro polity through positive integration (Offe 2003; Jessop 2004 and Streeck 1998). These scholars are mostly in left literature. Their argument primarily suggests rescuing the welfare state, or in other words the

social character of Europe, through strengthening the supranational authorities, through *positive integration*, in order to prevent the potential risk of the integration process aligning in the neo-liberal model. Thus, the rhetoric of the Social Europe is a promising term for them. On the other hand, they emphasize the impossibility of harmonization of diversities in social policies. Offe states that "...the transition from market-making negative integration through the abolition of tariffs and other hindrances and distortions of competition to market-constraining positive integration through the adoption of a Euro-wide regime of social protection and security is a process that, if anything, will take decades rather than years to conclude" (Offe 2003:457). Streeck also stresses the potential of moving social regulation from national to the European level (1998). Nevertheless, their emphasis on positive integration and future projections will not be perceived as "building national system of industrial relations in a Europe-scale". To them, emerging European institutions will not replace the existing institutions; hence comparing them with the national counterparts is misleading. Since, Social dialogue in Euro-level and national corporatist arrangements; sectoral dialogues among European institutions and European business and collective bargaining in national industrial relations will not look-alike (Streeck 1998).

The promise of the Social Europe, which makes them optimistic, is then, the dynamics of the multilevel governance in social policy (Streeck 1998, Jessop 2004). As a new mode of governance mechanism OMC is based on the principle of coordinating the diversities of national systems. It is dependent on the compromise of the member states and many actors are involved in the process. In sum, this complex multilevel and multi actor governance has the potential of the development of Euro polity (Jessop 2004). Under OMC, the best practices in social policies could be shared with the member states that it would create an opportunity of *upwards convergence* social policy regimes.

Nevertheless, there are significant obstacles on the way to market-constraining positive integration, or in other words, emergence of a Euro polity. The most important of those is the path of integration and/or the driving ideology of integration process. I will evaluate this argument referring to Streeck in order to claim that the path of the integration, which is liberalization, is a barrier for creating a Euro polity in terms of social policies and labor market arrangements. Streeck defines the European integration as a process of *economic liberalization by international means* (Streeck 1998). That is to say, national economies have been opened, considering the European Union market integration, through international negotiated agreements. The Union, to him, has evolved into *a selective supranational centralization and institutional building*. That means supranational institutions served primarily for the purposes of market making and left the social regulation as a national responsibility. As a result social regulation has become vulnerable to market forces (Streeck 1998:2).

Streeck primarily suggests the argument that member states favor limited institutional integration for the market making. Therefore, there is no need for a supranational state. The market integration requires *at least some* measures and institutional setting to achieve standardization and keep it longer (Streeck 1998). To him, an integrated international market economy could be constituted and maintained

without an integrated supranational state. He defines this fact as *lasting dissociation of international economic integration from supranational state-building*. Since liberalization has become compatible with the national sovereignty, it has become the basic character of the economic integration. The supranational institutions, then has limited with the role of a supranational liberalization engine. Streeck elaborates it as: “while extricating the European economy from national political control by *turning it into an international economy*, they at the same time *extricate it* from political control generally as the international economy that they construct *has no integrated state confronting it.*” (Streeck 1998 2-3). In other words, political control of the economy has lost both at national and European level. National economies opened-up their markets through negative integration measures. On the other hand, integrated market which is composed of those opened-up national economies has not faced a restrictive authority that they used to have in national economy.

As a consequence, the affinity between nationalism and liberalism, to Streeck has deeply shaped the logic of European integration. As long as the nation states have sovereignty, they would have to fear the interventionist tendencies of the possible supranational state when the economic interests were at stake. Since, negative economic integration limited with market making is the interest of the nation state and survival of the nation state institutions. Thus, Intergovernmentalism and the notion of national sovereignty favor liberalization as a method of EU integration. Negative integration which is the removal of barriers to trade and mobility and trade is easier to agree on than building of common institutions as in positive integration. The second one depends more on sovereignty sacrifices (Streeck 1998:3).

The process of liberalization, and especially neo-liberalization after 1980s had backed by governments. The general trend in economic governance in the world after 1980s has turned to be withdrawal of the governments from the economy and sharing its authority with national and supranational groups (Gamble 2000). The nation state could not handle the whole issues in economy it used to manage in post-war era. Integration process presented an opportunity for the states to transfer some governance issues to EU level while maintaining the national sovereignty alive. Central governance of the macroeconomic policies of member states by European Central Bank according to Stability and Growth Pact is a significant example of revealing the increased governance role of the Union in economic issues. The market has already been liberalized. It has been followed by the centralization of macroeconomic policies. The next step of centralization of the social polices will be the greatest attempt of creating a European polity. Nevertheless, it is a utopian project, not only in the sense that, integration process is a liberalization project but also there are highly significant obstacles on that path.

First, the scope and the level of generosity of welfare regime differ in each member state. That makes establishing an average between the differences very difficult. The countries, like Nordic, would oppose to downward convergence because they would not be willing to sacrifice their achievements. On the other hand, low performers would oppose upward convergence to protect their comparative advantage of their lower cost labor market. Second, the institutional structure of both social security arrangements

and labor market relations are different in Europe. In the first chapter, those differences have been mentioned under the title of three worlds of welfare state. Third, the differences among the member states, both in levels of expenditure and how the institutional structure is constructed are not only barriers to harmonization of social policies and positive integration. This also has a negative affect on market competition. For instance in Bismarckian countries in which social security system are financed by the fixed contributions of the employers and employees are in a disadvantageous position compared to the countries in which those provisions are financed by general taxes. Fourth, the economic performance of the states varies throughout Europe which has a direct impact on employment policies (Offe 2003:459).

Neo-liberal convergence of social policies

Above, it is stated that there is not a possible opportunity of transferring the authority of nation states in labor market relations and social policy provisions to supranational EU level. That is to say, diversities override the convergence. Thus, Social Europe should not be interpreted as the harmonization of the social policies of the member states. What then does it mean? What does the *new paradigm of social policies based on productivity mean*? Does it mean the undermining of the welfare state through strong workfare elements existing in the employment strategy? If it does not aim to harmonize the diversities, then does it drive the social models bottom-up in the neo-liberal sense? The questions are many, but each of them is related to the main theme of “neo-liberalization of the social models”. Therefore, here, I will discuss in which sense these policies are neo-liberal, and may be more proper to discuss; how much they are neo-liberal.

Welfare to workfare

Introduction of the workfare elements in the social policy agenda caused a fear of the alignment on Anglo-Saxon liberal welfare regime model. It is noticeable here to state that the scholars who study this process mention this fact as a “dark future” by the using anxiety words of “fear and risk”. That behavior reveals the reflection of “conserve what you have”. The thing to be conserved is the welfare state. In the case of failure, the result is becoming a neo-liberal model. What then the features of this *fearful* model? Liberal model in Esping-Andersen’s categorization is residual in the sense that it is based on a minimalist conception of solidarity (Esping-Andersen 1990). This is controversial to the European culture. Solidarity was the driving force in nation-building force that “fraternity” was one of the pillars of French Revolution together with liberty and equality. Second, the liberal model is selective in redistribution mechanism to spend benefits, opposed to universal understanding which covers all citizens. Benefits are flat-rated or means tested and sufficiently in a low level not to affect the competitiveness of the firm, or to act as a disincentive for work. These elements are also challenging to the highly prioritized conception of “equality” in European culture and

deconstructing the very distinctive feature of the “commodification” principle as tightening the benefit requirements. Third, it is established on the philosophy of workfare which is based on the principle of “no rights without the obligation to work”. The one who has the beneficiary or assistance has the duty to work in response. The last one also leads a sacrifice for the achievements of the European worker movement in history. Worker class acquired its rights as a result of the struggle with “bourgeoisie” starting from 1830s. The concept of the welfare state itself was emerged as a result of the compromise of the capital and labor. In sum, neo-liberalization process is not only an economic project of privatization, de-regulation and flexibilisation. Destructing the ideas of solidarity, equality and de-commodification together with reversing the labor movement back, it is at the same time threatening the identity of the Europe. Because of that reason reforming the welfare state in Anglo-Saxon model is not an easy task for the politicians. Nevertheless, workfare policies are at stake.

Luxembourg process and the Amsterdam treaty signify the shift of the European employment policies. The new policy paradigm is based on intervening on the supply side to activate the labor market and it establishes close links with the social protection systems and employment policy. These policies involve the characteristics on the neo-liberal economy. Among four pillars of the employment strategy, only the equal opportunities is a not neo-liberal policy issue (Scharpf 2002:654). Those neo-liberal policies are neo-liberal in the sense that they intervene the labor market through supply-side policies. Flexibilising the labor market, they try to solve the unemployment by workfare measures (Gray 2005:3). This is the reform supported by European Commission which is based on trade off between job security and employment growth, and between the de-commodifying character of unemployment benefits (Gray 2005:4). These attempts are signs of dismantling the welfare state which caused a fear of alignment on Anglo-American residual state.

New social policy reforms establish closer links between employment policy and social protection. The primary redistribution function of the social protection systems is combined with the function of the re-integration into the labor market (Chapon 2002 41). Because of this reason it is called “productive social policy”. The reform project of the social policies through a reform of employment strategy seem confusing may be irrelevant. The relations with the health care, pension system and benefits, and increasing the employment level seem obscure. Nevertheless, sustainability of the welfare provisions is depended on the financial resources. The more people employed means more productivity and more tax revenue and less pension funds and unemployment benefit for the government. That is the underlying motive of re-consideration of welfare state regimes. Then, once it is decided to increase the employment, the practitioners faced bigger problems. Global economy has been transformed. The production methods were changed and economy was internationalized. Any policy targeting employment should focus on the adaptation to the new era.

To increase the employment level, under these circumstances, European states implemented a strategy of activation and flexibilisation. Activation would enhance the adaptation to the changes and the latter would reduce the rigidities in the labor market

for the private sector employment. Activation policy measures focus on to improve the employability of unemployed workers which would facilitate them in finding works. “Active society” was developed by OECD to facilitate access to work for all individuals, especially for disadvantaged groups. ‘New Framework for Labor Market Policies’ prepared by OECD recommended training policies to improve human resources and re-arrange benefits in a way that they would not support work disincentives. In this context ‘Activation’ is defined as *‘to foster economic opportunity and activity for everyone in order to combat poverty, dependency and social exclusion’* (Sonderregger 2004:5). Active citizen is not defined as the passive welfare recipient. He is supposed to be active in the production of social welfare (Sonderregger 2004:6). It is based on the change from unconditional passive provisions of social protection to the active measures. That means, while beneficiaries have rights, they also have duties towards society, and they should share the providing the responsibility of social provisions. (Chapon 2002:41). Thus, there is a pressure on the unemployed, particularly who are welfare recipients, to (re-enter) the labor market (Sonderregger 2004: 4)

Flexibilisation, on the other hand, concentrates on employer friendly measures to encourage private sector employment and entrepreneurship. Flexibilisation measures include; making labor easier hire and fire on employer’s terms; special focus on to increase on part-time work and re-casting the benefit systems (Gray 2005:4). Thus the requirements of unemployment benefits are tightened not to make non-work attractive.

Due to recent policies, segmentation of the structure of the employment and the work is deepening. The labor power consists of two types of workers in the labor market. On one hand, there are stable full-time employees who are well paid and benefit from good social protection. Those comprise the main workforce. On the other hand, in the secondary labor market, employment is based on fixed-term contracts and temporary and part-time work, with lower social protection. The second one continues growing as unemployment falls. The employers prefer to recruit their workers directly from the reservoir of the unemployed, rather than turning to their workers on the secondary labor market. Almost one in three workers is already in insecure employment in the European Union. The long-term unemployment might be reduced in this way, however unemployment might arise in the interval period of the routine job change (Chapon 2002: 44).

Is the process signaling an Alignment on Anglo-American Workfare?

However, apart from those neo-liberal tendencies, European distinctiveness appears in the implementation of the process. Europe is in a dilemmatic situation today. On the one hand politicians need to reform the welfare state to the challenges faced. On the other hand, they are restricted by the strong institutions settled in time. Thus, even if there will be more attempts for liberalization, distinctiveness of the Europe will continue. Current events are on this way.

The report of Kok which was prepared for the Commission points out the negative affects of the de-commodifying instruments in social policies (Kok 2003). Since the firing and hiring becomes easier and employers prefer short-term and part-time

employment strategies, citizens would be more open to the damaging affects of the market economy and be employed with lower salaries. To balance flexibilization and preserving the rights of the citizens Kok report resents Denmark as a model, where jobs workers change jobs frequently but do not appear to feel insecure (Kok 2003). This model is also called 'flexicurity'-that is an emphasis on the balance of the flexibilisation and security. It is flexible in the sense that a flexible labor market makes it easy for employers hire and fire, but high unemployment benefits of up to 90 % of the latest stage wage make transition from one job to another easy. Denmark was successful to decrease the unemployment in 1990s by those policies. The stress on the Danish experience reveals that Europe is in a trend of transition of traditional job security to employment security. *The new forms of security* do not focus on keeping workers in the same job for life. Rather it aims to keep the people in the labor market through descent pay, access to lifelong learning, adapting working conditions, protection against unfair dismissal, support in case of job loss, right to transfer to keep social right when changing jobs. (Kok 2003).

The reality in Europe is workfare elements in labor market are expanding. To solve the economic problems due to the slow growth rates, rise in unemployment and ageing of population, member states tries to find ways to restrain their social budgets. The higher employment states have adopted stricter conditions for access to benefits and reduced the period for these benefits are provided (Denmark, France, Germany, Spain, The United Kingdom and Spain). Most European countries (including Denmark, France, Germany, the Netherlands and Spain) have tightened the requirement to be seeking employment or engaged in training under their social assistance and unemployment benefit schemes. Beneficiaries who are not sufficiently active in trying to return to work and who refuse socially useful jobs that are offered them are penalized. Some countries increased the retirement age (Germany and Italy) or increased the qualifying period for full retirement pension (France). In health care, in order to share the cost by insured persons two different approaches adopted. The first is based on the adopting the universal health coverage system which widens the scope of the services to all nation and at the same time receives insurances from all. The second one encourages the market mechanisms in health sector (Chapon 2002:48 and 41).

Even though the workfare elements are increasing in Europe, "very fortunately, the "European" version of workfare does not, -at least at present, show the same characteristics of the Anglo-Saxon model. In northern European countries, where it is the most social protection regime exists, in the reform of unemployment benefit the term of "social activation measures" is preferred. In that sense, Europe is distancing itself from the logic of individual responsibility discrimination that prevails in USA. In American model there exists a distinction between the deserving poor and the undeserving poor which includes the lone families and unemployed person receiving assistance. It is tried to reintegrate those in the latter group to labor market since they are considered to be "free riders" and "irresponsible" (Chapon 2002:48). The main philosophy of counterpart obligation in workfare is different in Europe. The problem of re-integration to labor market and increasing employability is based on shared responsibility for the process of social exclusion. Employability and adaptability

policies do not solely mean focusing on to increase the abilities of the people, but also it foresees an involvement of the several sectors in that process. One of the main aspects of the National Action Plans on employment policies requires the involvement of the social partners in national or cross-national level. European Trade Union Confederation, for instance involves in the policy making process. In Sweden and Denmark trade unions carry out activation policies to limit the risks of abuse in the treatment of unemployed persons who are not sufficiently active in returning to work.” (Chapon 2002: 48).

In addition there are some aspects that limit alignment on liberal model. Due to path-dependency, strong structure of institutions in Europe has a resistance capacity, at least capacity of taming the fierce Anglo-Saxon model. Embeddedness in Europe still matters. Inclusion of all of those institutions in governance of this process reveals the embedded character of Europe. Defining the unemployment and producing guidelines in supranational level, reveals the fact that economy is managed through non-economic means by a political will. Political authority intervening on the social aspects, such as education and gender equality, tries to fix an economic problem. The market is not let alone to its own dynamics to organize itself, as liberal ideology foresees. The individuals are not let alone to adapt themselves to ongoing process. *Embeddedness prevents Europe to become un-social in the future*, although the institutions play a liberalizing role. Interpreting this process with this lens will enable grasping the content of the Social Europe rhetoric and also European capitalism. Moreover, as the population attaches great importance to their acquired social rights and values of justice and solidarity alignment on Anglo-Saxon model will be hard to legitimize.

Nevertheless, the risk of converging to liberal model in the future is possible. Offe describes this possibility hypothetically: “The two styles of capitalism, embedded European and “pure”, (or “market liberal”), Anglo-Saxon, are tied to each other in an asymmetrical relation of entropy. That is to say: It is much more likely that a European style of capitalism transforms itself into a liberal model than that the Anglo-Saxon model becomes “Europeanized” (in much the same way as, to quote Walensa, it is easier to make a fish soup out of an aquarium than the other way around). “Embeddedness” is a condition that is more easily lost than gained, due to its dependency upon supportive dispositions of a cognitive as well as moral kind.” (Offe 2003:446). This risk varies throughout Europe. In Scandinavian countries the risk is low where the social protection is universal, collective bargaining mechanism practice well and public employment is still important, and solidarity and equality stands as the values of the society. On the other hand, Ireland and southern states are under the risk of British workfare (Chapon 50).

Conclusion

The concept of Social Europe is notifying an emerging new social security paradigm in Europe. Foremost, adopting a supranational action strategy, member states increased the role of European institutions for intervening to the labor markets. Industrial relations, labor markets and social policy in general were under the domain of nation state when Keynesian policies were dominant. A reform of the welfare state came to the agenda due to the challenges to the welfare state and the transformation of the production mode. Problems were Euro-wide hence a Euro-level solution was formulated. Luxembourg process paved the way for the European institutions intervening to the labor markets through the supply-side initiatives. Second, the new paradigm has established closer links between employment policy and social protection. The primary redistribution function of the social protection systems is then combined with the function of the re-integration into the labor market. Therefore, new social security is called “productive”. For the aim of increasing the employment level employer friendly workfare measures, at the same time, adapting the workforce to the changing economic environment activation policies are adopted.

Nevertheless, these developments at the same time caused some fears. Extension of workfare elements in social policies caused a fear of alignment on Anglo-Saxon model could destruct the core of European identity which are ideas of solidarity, equality and de-commodification together with reversing the labor movement back. However, there are some aspects that limit alignment on liberal model. Due to path-dependency, strong structure of institutions in Europe has a resistance capacity, at least capacity of taming the fierce Anglo-Saxon model. Although the institutions play a liberalizing role, embeddedness prevents Europe to become un-social in the future. In sum, even there will be more liberalization attempts in Europe; it will be different from the American and British one.

National diversities have been presented as the major obstacle of harmonization of social policies. The new social policy instead of focusing on the harmonization of national policies is based on the coordination of these diversities by new governance method of OMC. Building a new governance structure itself reveals the distinctiveness the Europe. Unlike the pure liberal understanding, European institutions mobilized all sections in the society for well functioning of the economy: “...this is the lesson on the learning of which both the history and the territorial situation of Europe have put a high premium since the Westphalian peace settlement- the lesson of bridging, regulating, and constraining domestic and international conflict while at the same time recognizing the legitimacy and inescapability of diversity. There is a European way in which “diversity itself is handled” and institutionally transformed into “ordered, limited, and structured diversity” (Offe 2003: 440).

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