

**THE SOCIAL CHARACTER OF THE EUROPEAN UNION:
FLEXIBLE WORK ARRANGEMENTS**

**A THESIS SUBMITTED TO
THE GRADUATE SCHOOL OF SOCIAL SCIENCES
OF
MIDDLE EAST TECHNICAL UNIVERSITY**

BY

NİLÜFER İLHAN FİDANAY

**IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR
DEGREE OF MASTER OF SCIENCE
IN
THE DEPARTMENT OF EUROPEAN STUDIES**

DECEMBER 2004

Approval of the Graduate School of Social Sciences

Prof. Dr. Sencer AYATA
Director

I certify that this thesis satisfies all the requirements as a thesis for the degree of Master of Science.

Prof. Dr. Ali GİTMEZ
Head of Department

This is to certify that we have read this thesis and that in our opinion it is fully adequate, in scope and quality, as a thesis for the degree of Master of Science.

Prof. Dr. Ali GİTMEZ
Supervisor

Examining Committee Members

Prof. Dr. Ali GİTMEZ _____

Prof. Dr. Atilla ERALP _____

Assist. Prof. Dr. Galip YALMAN _____

I hereby declare that all information in this document has been obtained and presented in accordance with academic rules and ethical conduct. I also declare that, as required by these rules and conduct, I have fully cited and referenced all material and results that are not original to this work.

Name, Surname: Nilüfer, İlhan Fidanay

Signature:

ABSTRACT

THE SOCIAL CHARACTER OF THE EUROPEAN UNION: FLEXIBLE WORK ARRANGEMENTS

İlhan Fidanay, Nilüfer

M. Sc., Department of European Studies

Supervisor: Prof. Dr. Ali Gitmez

December 2004, 147 pages

In this study, the way how the new challenges faced in the post-Fordist period affected labour work arrangements and European social policy making is analyzed. In this regard, the formation of flexible work arrangements and forms of flexibility are examined. The attempts of the European Union to produce effective strategies to connect economic developments to social progress are discussed.

Keywords: European Union, Flexible work arrangements, Lisbon Strategy

ÖZ

**AVRUPA BİRLİĞİNİN SOSYAL KARAKTERİ:
ESNEK İŞGÜCÜ PİYASALARI**

İlhan Fidanay, Nilüfer

Yüksek Lisans, Avrupa Çalışmaları

Tez Yöneticisi: Prof. Dr. Ali Gitmez

Aralık 2004, 147 sayfa

Bu çalışmada, post-Fordist dönemde yeni gelişmelerin işgücü piyasaları ve Avrupa sosyal politikası oluşumu üzerindeki etkileri incelenmiştir. Bu bağlamda, esnek işgücü piyasalarının oluşumu ve esneklik çeşitleri irdelenmiştir. Avrupa Birliğinin ekonomik gelişmeleri sosyal ilerlemeyle bağdaştırma yönündeki strateji geliştirme çabaları tartışılmıştır.

Anahtar Sözcükler: Avrupa Birliği, Esnek işgücü piyasaları, Lizbon Stratejisi

To
My MOTHER
with my grateful thanks for her encouragement and love

To
FATHER, SISTER, BROTHER
with my grateful thanks for their encouragement

&

To
My HUSBAND
With my grateful thanks for his encouragement and patience

ACKNOWLEDGEMENTS

I would like to express my sincere gratitude to my supervisor Prof. Dr. Ali Gitmez for his guidance and support throughout this study.

I specially thank to Assist. Prof. Dr. Galip Yalman for his constructive comments.

I am grateful to my mother, my family and my husband for always believing in and encouraging me.

I also thank to my coordinator Abdullah Şahin for his support and my colleagues for their patience and moral support and to all who contributed to the completion of this study.

TABLE OF CONTENTS

| | |
|--------------------------------|------|
| PLAGIARISM | iii |
| ABSTRACT | iv |
| ÖZ | v |
| DEDICATION | vi |
| ACKNOWLEDGEMENTS | vii |
| TABLE OF CONTENTS | viii |
| LIST OF TABLES | xi |
| LIST OF FIGURES | xii |

CHAPTER

| | |
|---|----|
| 1. INTRODUCTION | 1 |
| 1.1. Scope of the Study..... | 3 |
| 2. WORK ARRANGEMENTS IN THE FORDIST AND POST-FORDIST PERIOD | 5 |
| 2.1. Fordist Period..... | 7 |
| 2.2. Post-Fordist Period..... | 15 |
| 2.2.1. Labour Market Structures under conditions of Flexible Accumulation..... | 18 |
| 2.2.2. Flexibility..... | 22 |
| 2.2.2.1. Forms of Flexibility | 24 |
| 2.2.2.1.1. Numerical Flexibility..... | 26 |
| 2.2.2.1.2. Functional Flexibility..... | 29 |
| 2.2.2.1.3. Skills Flexibility..... | 30 |
| 2.2.2.1.4. Flexible Working Patterns..... | 31 |
| 2.2.2.1.5. Wage Flexibility..... | 32 |
| 2.2.2.1.6. Geographical Mobility..... | 33 |

| | |
|--|-----------|
| 2.2.3. Industrial Relations..... | 37 |
| 3. EUROPEAN WELFARE STATES..... | 41 |
| 3.1. Pressures on Welfare States..... | 45 |
| 3.1.1. The Challenges European Countries Face..... | 45 |
| 3.1.1.1. Globalization..... | 45 |
| 3.1.1.2. Technological Change..... | 54 |
| 3.1.1.3. The Changing Context of Welfare..... | 55 |
| 3.2. National or European Social Goals..... | 74 |
| 3.2.1. The Anglo Saxon (Liberal) regimes..... | 75 |
| 3.2.2. The Nordic Countries..... | 77 |
| 3.2.3. The Continental European Welfare States..... | 78 |
| 4. EUROPEAN SOCIAL POLICY..... | 81 |
| 4.1. 1993-Green Paper European Social Policy Options for the Union..... | 84 |
| 4.2. 1994 - White Paper on European Social Policy A way forward for the Union..... | 92 |
| 4.2.1. Jobs - The top priority..... | 93 |
| 4.2.2. Investing in a world-class labour force..... | 94 |
| 4.2.3. Encouraging High Labour Standards as part of a Competitive Europe..... | 96 |
| 4.2.4. Building a European Labour Market..... | 96 |
| 4.2.5. Equal Opportunities for Women and Men..... | 99 |
| 4.2.5.1. Desegregating the Labour Market and Promoting the Value of Women's Work..... | 99 |
| 4.2.5.2. Reconciling Employment and Household/Family Life...99 | |
| 4.2.5.3. Social policy and social protection..... | 100 |

| | |
|--|-----|
| 4.2.5.4. Trade unions, employers' organizations and voluntary organizations as partners in the process of change..... | 101 |
| 4.3. Social Action Programme 1995-97..... | 103 |
| 4.4. The Amsterdam Treaty..... | 103 |
| 4.5. Social Partners..... | 104 |
| 4.6. Social Action Programme 1999-2000..... | 107 |
| 4.7. European Employment Strategy (EES)..... | 107 |
| 4.7.1. Employability..... | 109 |
| 4.7.2. Entrepreneurship..... | 110 |
| 4.7.3. Adaptability..... | 111 |
| 4.7.4. Equal Opportunities..... | 112 |
| 4.8. Lisbon Strategy..... | 117 |
| 4.8.1. Open Method of Coordination..... | 121 |
| 4.8.2. Corporate Social Responsibility (CSR)..... | 123 |
| 4.9. The European Social Fund..... | 129 |
| 5. CONCLUSIONS AND EVALUATION | 132 |
| 5.1. Mid-term Review of Lisbon Strategy..... | 132 |
| BIBLIOGRAPHY | 143 |

LIST OF TABLES

TABLES

| | | |
|-----------|---|----|
| Table 2.1 | The organization of wage bargaining in four countries, 1950-1975..... | 11 |
| Table 2.2 | Contrast between Fordism and Post-Fordism..... | 16 |
| Table 3.1 | The Unemployment Rate in European Union..... | 65 |
| Table 3.2 | Persons employed part-time..... | 66 |
| Table 3.3 | Males employed part-time..... | 67 |
| Table 3.4 | Females employed part-time..... | 68 |
| Table 3.5 | Persons employed part-time involuntarily..... | 69 |
| Table 3.6 | Total Employment Rates | 71 |
| Table 3.7 | Services in % of total employment..... | 72 |
| Table 3.8 | Industry in % of total employment..... | 73 |

LIST OF FIGURES

FIGURES

| | |
|---|-----|
| Figure 2.1 Flexible patterns of work..... | 20 |
| Figure 4.1 The development of European Employment Strategy..... | 114 |
| Figure 4.2 Mainstreaming CSR Across Strategy and Operations: A Learning Process..... | 126 |

CHAPTER 1

INTRODUCTION

It has been argued that European Union (EU) was mainly an “Economic Union” till the consequences of the economic developments resulted in serious social effects. However, it is quite apparent that economic integration can not be successful without its “social dimension”. The move towards a single European market was necessarily accompanied by the concept of a European “social dimension” dealing with fundamental problems such as employment, free movement, social solidarity, working conditions, social security and training. But, economic community cannot survive without social grounds. The European Union has been facing a paradigm shift driven by globalization and the new knowledge economy. This has been impacting every facet of life and required a radical transformation of Europe’s economy and society.

The European project has prioritised economic parameters and it is therefore quite natural that public opinion now demands a more social Europe. Social policy innovation on a European level must consider three fundamental constraints and one window of opportunity. One constraint is national policy sovereignty, a second is historically inherited social policy traditions that vary across the EU and a third is the broad popular support in favour of sustaining the welfare state. The window of opportunity is that all member states are urgently seeking policy remedies to cope with tough new welfare challenges (Esping-Andersen 2004).

Globalization, has changed the general economic context in which social policies are implemented. Globalization undermines the ability of national governments to pursue full employment and economic growth, results in increasing inequality in wages and working conditions; exerts downward pressure on systems of social protection and social expenditure, weakens the ideological underpinnings of social protection and weakens the basis of social partnership. It is evident that the traditional European welfare systems were under threat of globalization.

In this study, the main focus will be on the effects of globalization, technological change and the knowledge-based economy on employment. Because of the cost-effective and efficiency seeking policies of the companies/employers, full employment which is the main feature of the welfare state system, would no longer available for employees especially for low-skilled. Companies adopted flexible and temporary work arrangements in order to cut personnel costs. The core employees who were highly qualified were guaranteed full-time employment and training. So, it can be said that the young and the low skilled are the ones harmed by the new challenges.

By the mid-1990s, Europe had to deal with intolerable levels of unemployment while at the same time find ways to restructure employment relations and welfare systems to take account of internal changes and external shocks (Esping-Andersen 1996). Unemployment reached intolerable levels: the EU average exceeded 10% and several countries had levels far above that (see Table 3.1). It became clear that prior strategies to deal with unemployment were exhausted and innovation was required. Measures to attack joblessness that had seemed to work in the past, such as encouraging early retirement, were proving to be unsustainable and new measures to cut the unemployment rolls were urgently needed. Moreover, reformers saw that it was necessary to go beyond

short-term job-creation schemes. In order to preserve the core values of the Social Model, it is crucial to adapt industrial relations policies to a changing workplace and workforce, recalibrate welfare state policies, and adjust to external shocks. Social policy and employment require the inclusion of all social partners to create “civil dialogue” in cooperation with associations and non-governmental organizations (NGO) and “social dialogue” through social partners to create policies and constitute link between the citizens to European Union.

High levels of employment are essential for achieving greater social cohesion and eradicating poverty within the European Union. Having more people in employment is the best way of safeguarding the social and financial sustainability and further development of European welfare systems. Demographic ageing and globalization will have increasing consequences on the sustainability of European social model. To achieve stronger and more sustainable growth, Member States must be prepared to face those challenges. The challenge for the labour market is to find the right balance between flexibility and security. Finding this balance is a shared responsibility between both employees and employers, respectively between social partners and governments and must be also reinforced at the national and European level.

1.1 Scope of the Study

In this study, our purpose is to analyze whether or not European Union takes effective steps to preserve the social character of Europe. Specifically, the major subject matter that is going to be explored is the way new challenges affect work arrangements and European social-policy making.

In doing this, in the second chapter, all the work arrangements in the Fordist and Post-Fordist period will be explained to explore background of the developments that result in flexible work arrangements. In this regard, in the second chapter, technological advancements and evolution of the flexible work

arrangements, types of flexibility, the position of the employees, employers and trade unions in industrial relations will be examined in detail to explore the new environment and insecurity that the employees face.

The third chapter devoted to the effects of the new challenges that exerts pressure on the welfare states. As the first step, these new challenges will be classified. Then, the effects of new challenges on different welfare regimes will be examined. The changing context of welfare states related to employment will be reinforced by tables indicating statistical progress.

In the fourth chapter, the European Social Policy is the focal point. The official documents on social policy within the European Union context that have been published so far will be taken as the main point of reference. The legislative steps of European Union to reach effective social policy will be given in a chronological order. When making this analysis, a line drawn between the pre-Lisbon Strategy and post Lisbon Strategy which sets the 2010 employment and social policy objectives. The proposed new methods after the issuance of the Lisbon Strategy will be analyzed in details

In the last chapter, the mid-term review of the Lisbon Strategy will be examined. In the light of the findings, the reactions of the Social Partners and stakeholders will be given with their proposals. According to the findings, an evaluation of the success of the European Union to preserve the social character of Europe will be made.

CHAPTER 2
WORK ARRANGEMENTS
IN THE FORDIST AND POST-FORDIST PERIOD

Labour markets have traditionally been among the most heavily regulated areas of the Western economies, whether by law and the administrative activity of the state; by collective bargaining; by corporatist bodies which involve the social partners in labour policy formation and implementation; or by networks of strong or weak ties which constrain the behaviour of labour market actors (Regini 2000). According to Regini, institutional regulation has additionally helped restrict the scope for pure market clearing. In all mature economies, institutions have come to govern several areas and aspects of the labour market. Some of these areas and aspects are especially relevant to the current debate, not just because they have been a major focus of institutional regulation, but more importantly because they are the main targets of attacks against the “rigidity” of European Labour markets, and arguably therefore in need for greater flexibility.

The first of these areas, the one that most markedly differentiates continental European labour markets from the USA, is the employment protection, namely the complex set of legislative measures and collective agreements which constrain employers’ ability to fire and hire at will. A second area is welfare benefits for those involuntarily leaving the labour market, and especially such income security measures as the various forms of unemployment insurance. A third aspect of the labour market traditionally subjected to institutional regulation is working time. Finally, wage levels and wage structures have been a primary object of collective bargaining (Regini 2000).

The objectives of the social equity and redistribution in order to offset the inequalities of income and power produced by the market have been the centre of the social contract characterized most European countries since the Second World War (Esping-Andersen 1990) These objectives have been pursued primarily through the construction of the modern welfare state including the institutionalization of collective bargaining on wages and working conditions, as well as legislation protecting jobs and basic employees' rights (Regini 2000).

Regini (2000) states that;

In 1980s and 1990s profound changes took place in labour markets and labour market policies; changes which have threatened the existing social contract and have called for a re-negotiation. At the macro-level, the crisis of the Keynesian welfare state has substantially decreased labour demand.

Full employment became one of the chief criticisms during the 1980s and an objective which even the left-wing European governments found increasingly difficult to pursue. At the micro level, industrial adjustment to increased competition and the ensuing reorganization of production have bred a growing need for the flexible deployment of labour (Regini 2000).

The organization of the Fordist factory, which will be detailed in following 2.1 section, was based on a system of rules which applied in relatively uniform manner to all productive units and work relationships. With the crises of the Fordist system, which will be detailed in the following 2.2 section dealing with the post-Fordist period, this uniformity has faded and company strategies have diversified according to the type of production re-organization that each individual firm has decided to implement (Regini 2000). Regini concludes that the production of uniform rules at the central-national-level to regulate wages,

working hours, mobility, or labour market entry is regarded by companies as increasingly less appropriate to their problems. Flexibility is now considered to be a key element in the organization of production, and greater labour flexibility has become of vital importance to firms.

2.1 Fordist Period

The term Fordism was conceived by Gramsci to describe trends in American capitalism during the 1920s. He argued that the American system of capitalism was flourishing due to the smaller number of social classes in America than in Europe. Gramsci also argued that, Fordism resulted from an inherent need to achieve a planned economy and that a prerequisite for the system was the development of a new type of worker (Thursfield 2000).

The Fordist phase of capitalist development which mainly established itself after World War II is marked by an intensified mode of capital accumulation and a change to the production of relative surplus value. It is based on Taylorized mass production of durable consumer products, relatively high wages, the emergence of a sharp polarization between skilled and deskilled "Taylorized" labour; expanded state intervention including a high degree of administrative regulation of the reproduction of labour (social security, health, education) (Hirsch 1991:142).

Hirsch (1991) states that; Fordism denotes a secular long wave of expanded capitalist accumulation by which the reproduction of labour becomes a central sphere of the valorization of capital. A consequence of this is a sharp, thorough capitalization of the whole society (Commodity-form of social relations, individualization and social disintegration). Hirsch (1991) concludes that;

Politically, this includes the emergence of social reformism, Keynesianism and mass regulative bureaucracies. Fordism,

therefore, refers to more than a form of material production and reproduction (as Taylorism does).

According to Wigfield (2001), during the Fordist era multinational corporations become dominant and the region became the secondary location for economic activity. Large numbers of workers were employed in organizations working on the Taylorist principles of scientific management

The symbolic initiation date of Fordism must surely be 1914 when Henry Ford introduced his five-dollar, eight-hour day as recompense for workers manning the automated car assembly line he had established the year before at Dearborn, Michigan. But the manner of general implantation of Fordism was very much more complicated than that (Harvey 1989:125).

Henry Ford recognized that production meant mass consumption, a new system of the reproduction of labour power, a new politics of labour control and management. Antonio Gramsci states that Fordism amounted to the biggest collective effort to date to create with unprecedented speed, and with a consciousness of purpose unmatched in the history, a new type of worker and a new type of man (Harvey 1989:126).

Ford believed that the corporate power and its proper application were the proper way to build a new kind of society. He paid five-dollar for eight hours in order to secure compliance of the worker with the mass production and stable sufficient income and leisure time for mass consumption (Winfield 2001).

According to Harvey (1989:127), there were two major impediments to the spread of the Fordism in the inter-war years. The state of class relations throughout the capitalist world was hardly conducive to the easy acceptance of a production system that rested heavily upon the socialization of the worker to

long hours of purely routinized labour demanding little in the way of traditional craft skills and conceding almost negligible control to the worker over the design, pace and scheduling of the production process. Ford relied almost exclusively on immigrant labour to set up his assembly-line production system, but the immigrants learned and the native American workers were hostile. The turnover in Ford's labour force proved impressively high. Mass production assembly line technology was very weakly developed in Europe before the mid-1930s. It took a major revolution, which began in 1930s but which came to fruition only in the 1950s, in class relations to accommodate the spread of Fordism to Europe.

The second major barrier was the need of a new mode of regulation which had to be devised to match the requirements of Fordist production. The problem concerning the deployment of the state power was resolved in 1945. Fordism then formed the basis for a long post-war boom that strayed broadly intact until 1973.

According to Winfield (2001), Ford believed that corporate power could be utilized to regulate the economy, by increasing wages to increase effective demand. However corporate power proved insufficient tool and so the state intervened in order to reinforce the trend of mass consumption. Hence, the welfare state emerged, enabling those who were either not employed on the Fordist production line or were unemployed to enjoy mass consumption. This was achieved by a comprehensive system of social security benefits and in some instances the introduction of a minimum wage. Simultaneously, Keynesian demand management policies were adopted. These policies helped to insulate the Fordist system against cyclical fluctuations in demand and maintain stable levels of mass consumption. The development of Fordism, with the aid of multinational corporations, technological advances in transportation systems, the growth of mass retailing systems, the development of welfare state and Keynesian demand management policies stimulated a period of economic

growth in the United States of America. This success was recognized throughout the western world and consequently by the end of the Second World War, countries such as France, Germany and the U.K had followed. Fordism became the dominant mode of production in advanced industrialized countries during the post-war period and remained dominant until the early 1970s (Winfield 2001).

The Fordist system was built upon the social contract of business, labour and the state. The state was heavily involved in the economy and aimed to avoid the over-accumulative potential of capitalism by ensuring increased industrial production by reciprocating it with increased consumer demand. Harvey (1989: 135) states that, the state practiced Keynesian economics which strove to curb business cycles through an appropriate mix of fiscal and monetary policies. Such policies were directed towards those areas of public investment -in sectors like transportation, public utilities, etc- that were vital to the growth both mass production and mass consumption, and which would also guarantee relatively full employment. Governments likewise moved to provide a strong underpinning to the social wage through expenditures covering social security, healthcare, education, housing and the like. In addition, state power was deployed, either directly or indirectly, to affect wage arrangements and the rights of workers in production. The forms of state interventionism varied greatly across the advanced capitalist countries. Patterns of labour unrest, shop-floor organizing and union activism likewise varied considerably from state to another state. One of the examples is given below indicating the various forms of the organization of wage bargaining in four countries –France, Britain, Italy and West Germany between 1950-1975-:

These features can be seen in Table 2.1 stated by Harvey (1989:135);

Table 2.1 The organization of wage bargaining in four countries, 1950-1975

| | France | Britian | Italy | West Germany |
|--------------------------|--|--|---|------------------------|
| Unions Membership | Low | high blue-collar | variable | moderate |
| Organization | weak with political factionalism | fragmented between industries and trades | periodic with mass movements | structured and unified |
| Owners | divided among tendencies and organizations | weak collective organization | private-public rivalry | powerful and organized |
| State | widespread interventions and regulation of work and wages through tripartite accords | voluntary collective bargaining with state-set norms after mid 1960s | periodic legislative intervention depending on class struggle | very weak role |

Source: Harvey 1989, Table 2.2

Keynesian state interventions into the economy to ensure decent living conditions to provide the consumer base for increased industrial production, succeeded in raising the economic growth rate and incomes.

Employment in the post-war Fordist economy, which was marked by highly unionized, assembly line, manufacturing jobs, was premised on Henry Ford's belief that a new kind of society could be built simply through the proper application of corporate power. Henry Ford believed that the purpose of the five dollar, eight hour day was only in part to secure worker compliance with the discipline required to work on the highly productive assembly line system. It was meant to provide workers with sufficient income and leisure time to consume the mass-produced products corporations were about to turn out in ever vaster quantities (Harvey 1989: 126).

Fordism realized capitalism's potential for mass production at the same time that it fostered a rising standard of living for many production workers. Based upon the intensification of labour, Fordism increasing rate of exploitation countered, for a time, the tendency toward a falling rate of profit as capital revolutionized the social forces of production and progressively reduced the proportion of exploitable living labour involved in the production process. At the same time, growing productivity and the cheapening of wage goods meant that the real standard of living of the industrial working class could improve significantly even as exploitation intensified. Increasing levels of social consumption- secured through institutional mechanisms as unionization and legalized collective bargaining- in turn promoted a rough balance between the producer goods and the consumer goods, and the consumer good sectors during Fordism's golden age (Rupert).

Regardless of the means unskilled assembly workers eventually reaped substantial gains from increased industrial productivity- a forty percent reduction in working hours and a twenty five percent fold increase in wages. Coordinated wage setting between the national associations of employers and national labour organizations usually led by the blue-collar unions, achieved both high wages and considerable income equality, almost without strikes (Scharpf 1991).

The ability of unskilled manufacturing workers to gain and hold supra-competitive wages ultimately depended upon their political power. By the 1950s, the rise of mass production had made them the largest single group in every developed country. Already organized by their employers, they were easily mobilized on behalf of their own interests. In every developed country, labour unions emerged as the best organized and often the most powerful political force. Their preferences were reflected not only labour laws, but in public policy in general. They were the architects of the post-war Keynesian welfare state, with the goals of full employment, social security and income parity.

Fordist principles of corporate organization were generalized from the origin in industrial production to the organization of the service sector and ultimately served as a model of state administration. The whole society was eventually subsumed within its rigid pattern of hierarchical organization. Everywhere a comprehensive, bureaucratic, functional hierarchy allocated rigid job descriptions and repetitive tasks within coherent chain of command (Schumacher&Rogner 2001).

Unions which gained considerable leverage in the sphere of collective bargaining acquired and maintained these rights in return for accepting corporate strategies to increase productivity.

The post-war period was marked by a great deal of stability in which the contradictions of economic growth, between the increased pressure on industry to make production more lean and mean and worker's interests of full employment, good wages and benefits were kept under control. However the conflict of interest between capital and labour became exposed in the late 1960s and 1970s with the increasing international competition brought about by both

the West European and Japanese economies whose post war recoveries were complete and whose internal markets were saturated pushing them to search for export markets. This increased international competition forced corporations into a period of rationalization, restructuring and intensification of labour control to lower production costs (Harvey 1989). The way to decrease production costs was to shift the production to the third world countries where the social contract with labour was either weakly enforced or non-existent. But this meant that the corporations had to gain more flexibility from the rigidities of their domestic Fordist economies, where unions had gained considerable power and where wages and production costs are high. However any attempt to overcome these rigidities ran into seemingly immovable force of deeply entrenched working class power-hence the strike waves and labour disruptions period 1968-1972 (Harvey 1989). The first serious break in the post-war period occurred with the recession of 1966/67. The political struggles of 1968, the oil crises in 1973, the breakdown of the international exchange rate system and a deepening of the recession in 1974 followed (Schumacher&Rogner 2001). The origins of the crisis in Fordism and an outline of emergent post-Fordist tendencies can be found in several concurrent socio-economic transformations. Among these were shifting commodity markets, increasing electronic control of production, decreasing state regulation, increasingly global capital markets and deteriorating labour relations. In the last two decades, companies have become more much more internationally mobile depending on the globally connected communications network and a financial system with floating exchange rates. Companies used this mobility to dismantle the state/labour contract of the post-war Fordist economy. Along with this mobility, incredible flexibility in the workforce was gained. In its aim to decrease the costs companies seek to downsize the number of full-time employees with full benefits and increase the number of subcontracted workers whose jobs are typified by low wages and benefits. Further production is decreasingly situated in large economies of scale where all production is done in one plant and is increasingly decentralized itself where a

company's product is composed of numerous parts which are made in various places around the world.

2.2 Post-Fordist Period

As the international economy slowly became a more global economy in the 1960s and 1970s. The “national bargain” that had characterized labour-capital-state relations since World War II began to fray at the edges. The perpetuation of Fordism from the late 1960s was becoming increasingly difficult as the international economy began experiencing a series of qualitative changes as a result of time-space compression, technological changes in production, market changes, rising foreign competition and generalized crisis of consumption. The concepts of post-fordism are used as broad and abstract tools to describe the multiplicity of different changes that began to break in the late 1970s and intensify in the 1980s and 1990s. At the heart of the Fordist way of life was a solid and well paid blue collar class in the United States and Europe. Increasing transnationalization has fragmented the Fordist National Bargain and replace it with a “bifurcated labour market”: (1) a highly skilled elite of core workers with job security, high wages and full benefits in return for total corporate loyalty and normalized “overwork” and (2) an outer ring of secondary workers with no job security, low wages and relatively few benefits (Rupert 1998).

Table 2.2 Contrast between Fordism and Post-Fordism

| | |
|---|--|
| Fordist Production (based on economies of scale) | Just-in-time production (based on economies of scope) |
|---|--|

A. THE PRODUCTION PROCESS

| | |
|--|---|
| mass production of homogeneous goods | small batch production |
| uniformity and standardization | flexible and small batch production of a variety of products |
| large buffer stocks and inventory | no stocks |
| Testing quality ex-post (rejects and errors detected late) | quality control part of process (immediate detection of errors) |
| Rejects are concealed in buffer stocks | immediate reject of defective parts |
| loss of production time because of long set-up times, defective parts, inventory bottlenecks, etc. | reduction of lost time, diminishing "the prosperity of the working day" |
| resource driven | demand driven |
| vertical and in some cases horizontal integration | (quasi-)vertical integration sub-contracting |
| cost reductions through wage control | learning-by-doing integrated in long-term planning |

B. LABOUR

| | |
|--|--|
| Single task performance by worker | multiple tasks |
| payment per rate (based on job design criteria) | personal payment (detailed bonus system) |
| high degree of job specialization | elimination of job demarcation |
| no or only title on the job training | long on the job training |
| vertical labour organization | more horizontal labour organization |
| no learning experience | on the job training |
| emphasis on diminishing worker's responsibility (disciplining of labour force) | emphasis on worker's co-responsibility |
| no job security | high employment security for core workers (life-time employment) No job security and poor conditions for temporary workers |

| | |
|---|--|
| | C. SPACE |
| functional spatial specialization | spatial clustering and agglomeration |
| Spatial division of labour | spatial integration |
| homogenization of regional labour markets (spatially segmented labour markets) | labour market diversification (in-place labour market segmentation) |
| world-wide sourcing of components and sub-contractors | spatial proximity of vertically quasi-integrated firms |
| | D. STATE |
| Regulation | deregulation/re-regulation |
| Rigidity | Flexibility |
| collective bargaining | division/individualization, local or firm-based negotiations |
| socialization of welfare (the welfare state) | privatization of collective needs and social security |
| international stability through multi-lateral agreements | international destabilization; increased geopolitical tensions |
| Centralization | decentralization and sharpened interregional ⁷ intercity competition |
| The "subsidy" state/city | the "entrepreneurial" state/city |
| indirect intervention in markets through income and price policies | direct state intervention in markets through procurement |
| national regional policies | "territorial" regional policies (third party form) |
| Firm financed research and development | state financed research and development |
| Industry-led innovation | state-led innovation |
| | E. IDEOLOGY |
| mass consumption of consumer durables: the consumption society | individualized consumption |
| Modernism | Postmodernism |
| Totality/structural reform | specificity/adaptation |
| Socialization | individualization the "spectacle" society |
| Source: Harvey (1989, 179) | |

Post-Fordism is characterized by the effort of Transnational Corporations (TNC) to find ways not applying regulations. Highly regulatory environments

include “welfare states” and states with detailed labour laws, environmental standards, advanced taxation systems, minimum wage levels and enforcement agencies to see that these laws are enforced. Transnational Corporations search places where regulations are poorly established. Also, Transnational Corporations encourage the establishment free trade zones, since free trade zones usually result in political, practical and legal pressures to dilute national regulatory regimes. Free trade arrangements can become mechanisms to erode Fordist national bargains and make regulations in the interests of corporations not workers. States started to make it easier for business enterprises to re-negotiate the Fordist national bargain down and promote transnational enterprise and globalization by free trade arrangements by devaluing the power of the national mode of regulatory. States are forced into competition with each other to attract transnational investments. This means corporations gain best incentives, advantageous tax arrangements and most favourable environmental and labour regulation (Rupert 1998).

2.2.1 Labour Market Structures under conditions of Flexible Accumulation

Harvey (1989) called the post-Fordist period “Flexible accumulation period”. This period is marked by a direct confrontation with the rigidities of Fordism. It rests on flexibility with respect to labour processes, labour markets, products, and patterns of consumption. It characterized by the emergence of entirely new sectors of production, new ways of providing financial services, new markets and above all greatly intensified rates of commercial, technological and organizational innovation. It has entrained rapid shifts in the patterning of uneven development, both between sectors and between geographical regions, giving rise to service sector. It has also entailed a new round of “time-space compression” in the capitalist world. These enhanced powers of flexibility and mobility have allowed employers to exert stronger pressures of labour control on

a workforce. Organized labour was undercut by the reconstruction of flexible accumulation in regions lacking previous industrial traditions and by the importation back into the older centres of the regressive norms and practices established in these new areas. Flexible accumulation appears to imply relatively high level of structural unemployment, rapid destruction and reconstruction of skills, modest gains in the real wage, and the roll-back of the trade union power – one of the political pillars of the Fordist regime.

Harvey (1989: 150) stated that the labour market undergone radical restructuring. Faced with strong market volatility, heightened competition, and narrowing profit margins, employers have taken advantage of weakened labour union power and pools of surplus (unemployment or underemployed) labour to push for much more flexible work regimes and labour contracts. This implies the apparent move away from regular employment towards increasing reliance upon part-time, temporary or subcontracted work arrangements. Harvey (1989) depicts (see Figure 2.1) this new labour market structure from the Institute of Personnel Management's *Flexible patterns of work* as follows;

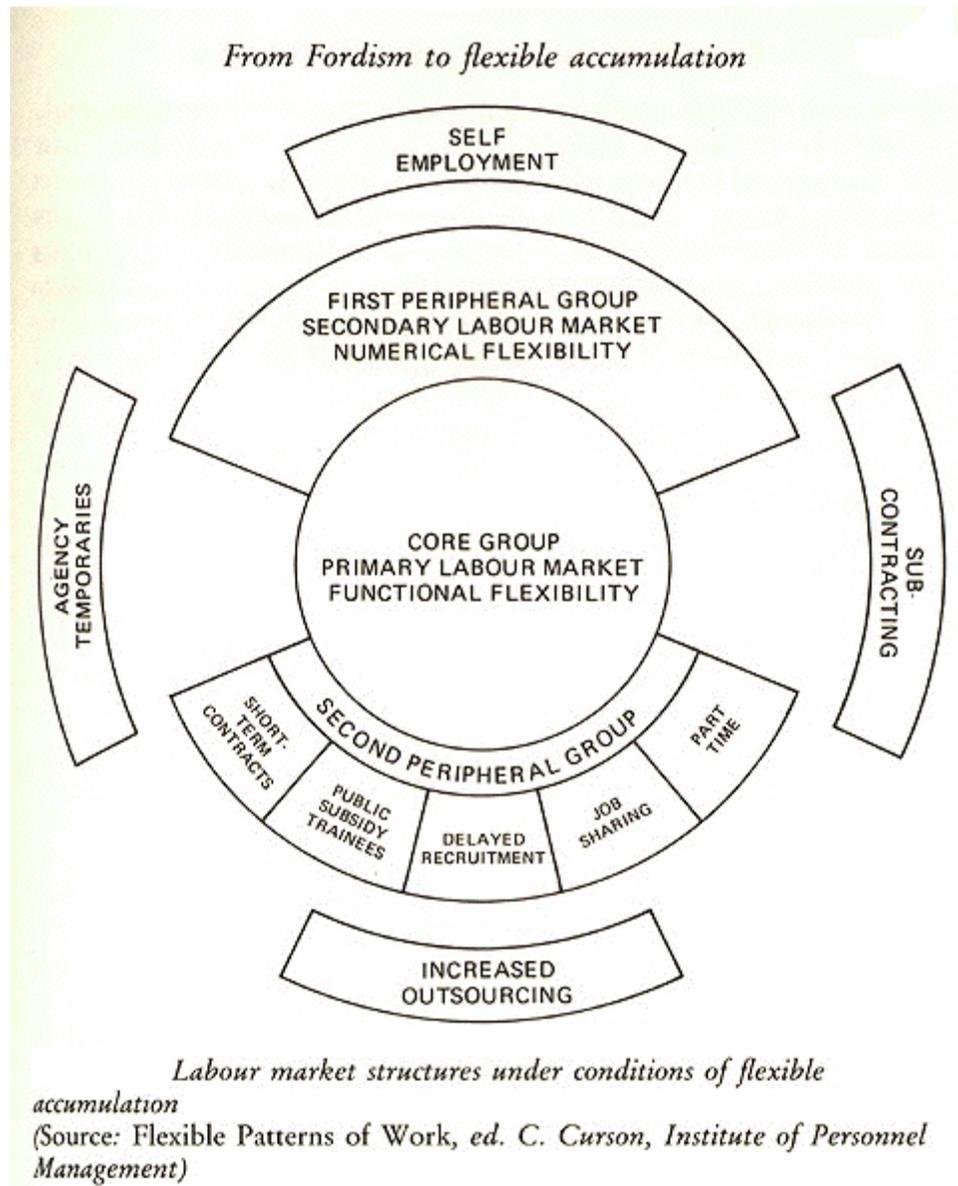


Figure 2.1 Flexible patterns of work

Source: (Harvey 1989)

As it is seen in the Figure 2.1 that; the core is composed of employees with full time permanent status and they are central to the long term future of the organization. They have greater job security, good promotion and re-skilling prospects, generous pension, insurance and many other fringe benefits. This group is expected to be adaptable and flexible. The potential costs to lay off core

staff may lead a company to sub-contract even high level functions. This process leaves the core group managers relatively small in number. The periphery has two groups which are different from each other. First peripheral group consists of full-time employees with skills readily available in the labour market which means lesser skilled manual work and limited career opportunities. The second group provides even greater numerical flexibility and consists of part-timers, casuals, fixed term contract staff, temporaries, sub-contractors and public subsidy trainees with even less job security than the first peripheral group.

The core and periphery model applies to both macro-level employment structures and to an alleged polarization between the core and peripheral labour force within firms. The theory draws heavily on labour market segmentation theories that stress the division between primary and secondary labour markets. From this perspective, the labour force divides into those with access to better paid, more highly skilled and secure occupations and those located in the low paid, low skilled, insecure peripheral sector. At the level of individual firms, core and periphery is seen to represent employer strategies to increase flexibility in order to cope with changeable product markets. Full-time core workers are essential to the production process and provide firms with functional flexibility. Peripheral workers are marginal and easily dispensable in that they can be discarded when no longer required by firms. The classification of part-time workers as forming part of the periphery results from an assumption that they are considered to be less central to production than are full-time core workers. They have generally less access to occupational benefits. But, it can be suggested that part-time workers who have open ended contracts and stable earnings and who have access to company pension schemes have more in common with core workers than with temporary or home workers with no access to those benefits (Harvey 1989).

2.2.2 Flexibility

Standing (1986: 113) states that;

The integral part of the post-1945 social consensus, built in part on the principles of Keynes and Beveridge and of such influential reformers as Butler and Crosland, that in the welfare state and mixed economy, the working population had a range of labour rights.

These rights were fivefold;

- **Labour market security**, through insurance benefits and state-preserved “full employment”;
- **Income security**, through legitimised trade unionism, minimum wage legislation and tax benefit systems that checked the growth of income inequality;
- **Employment security**, through the imposition of rules preventing dismissal, costs on employers for making workers redundant, and guaranteed benefits for those experiencing dismissal for reasons beyond their individual control;
- **Job security**, through acceptance of demarcation rules, occupational restrictive practices and barriers to “skill” dilution or to the translation of actual “skill” dilution into job reclassification;
- **Work security**, through health and safety regulations, limits on hours of work and unsociable hours and so on;

But Standing (1986: 114) mentions that;

Once the international division of labour began to change the economic emergence of Japan, the acquisition of surplus by OPEC countries, through the rise of newly industrializing countries and the global if uneven spread of industrialization, these rights became perceived by some rigidities.....In this context, the growth of labour flexibility is almost synonymous for workers with one or more forms of labour insecurity, each of which can vary from minimal to substantial.

In this new insecure context there is;

- **Labour market insecurity**, represented by labour surplus conditions, so that the probability of securing employment is low, with workers readily available wherever jobs arise;
- **Employment insecurity**, when employers can dismiss or lay off workers, or put them on short time without great difficulty or costs;
- **Job insecurity**, when employers can shift workers from one job to another at will or where the content of the job can be altered or reduced;
- **Work Insecurity**, when the working environment is unregulated, polluted or dangerous in some way, so that the ability to continue to work at risk;
- **Income security**, when earnings are unstable, or when transfer payments are contingency-based, not “guaranteed”;

Workers have to face more uncertainty and risk. But, according to Standing (1986), this does not mean that all workers are losers, as a result, merely in highly flexible labour systems, workers have to face more uncertainty. One of the most interesting aspects of growth of labour flexibility in industrialized societies has been the implicit trade-off between different forms of security. According to Standing (1986), in some countries, there seems to have been a greater degree of job security and less employment security; in others, most

notably Japan, there seems to have been far less job security and more employment security.

2.2.2.1. Forms of Flexibility

Regini (2000) states that, flexibility seems to have become the catch-all word for everything that employers find desirable and for every recipe prescribed by policy advisers to fight unemployment and the loss of competitiveness. Any serious discussion of flexibility usually starts with the warning that flexibility is a somewhat vague and multipurpose concept; indeed flexibility in economic activities and in labour markets may be defined in several ways.

Regini (2000) states that; some authors namely Piore and Sabel, define organizational flexibility as the ability to combine different combinations in order to adapt to changing market conditions. By extension, labour flexibility may be taken to mean the ability to combine the different components of the employment relation (wage levels, skills, working time, job security, etc.) in different ways. According to Regini (2000), there are two other meanings of flexibility which are probably of greater significance for the analysis of labour markets. Both public policies and industrial relations systems tend to regulate labour markets in ways that are both sticky, in the sense that their re-negotiation is difficult and takes time, and uniform in that they tend to be identical or similar for different sectors, regions, firms and categories of workers. Regini (2000) concludes that, when advocating labour flexibility, some commentators, as well as policy-makers place special stress on the components of non-standardization, diversification, and non-uniformity of labour performance and conditions. In the sense, demand for greater flexibility may arise both from companies seeking to de-standardize labour contracts or wages and employees who are more often interested in the diversification of working time or work roles.

In an increasingly competitive economic environment, enterprises are seeking more flexible and innovative forms of organization and production to increase economic efficiency in response to technological change, consumer preferences and globalization. Successful adoption of new technologies and their impact depend on the institutional context and organizational changes at the firm level. The new work organization practices accompanying the introduction of information and communication technology has often been described as “high performance work practices”. This second round diffusion of microelectronics and advanced manufacturing technology in the 1990s is associated with the introduction of flexible enterprise models. Flexible work organization provides employers with a means of extending operating hours; applying high wage labour more effectively in the face of competition from low wage countries and thus raising its productivity, improving the quality of products and increasing the rate of innovation; but also of removing disincentives to hire staff and adjusting employment levels to variations in demand (ILO 1999).

High unemployment has led to stronger appeals for increased flexibility. Reduction of the standard work week is seen by many unions, at least those in Europe, as a way to increase the number of jobs. Shorter working weeks have led to more fundamental changes in the organization of work in order to maintain high capacity utilization and thereby remain competitive (ILO 1999).

The diversification of employment relationships and working time practices (flexible scheduling, career breaks, parental leave, part-time employment, tele-working) is also a response to broader societal developments and to changed preferences of individual workers. Higher living and educational standards have led to attitudinal changes concerning the relationship between work, leisure and parental responsibilities. The massive entry of women with children into the market played an important part. At the same time, in most

high-income countries, the number of households without children has risen, reducing the need to fit working hours into tight family schedules (ILO 1999).

Labour-flexibility, whether understood as the ability to combine resources, to accept diversified regulation, or to adjust to the company's changing needs, is crucial if new modes of production are to function properly. Regini (2000) states that;

Both post-Fordist manufacturing and the organization of services require far more labour flexibility than does traditional mass-production industry. But such flexibility may relate to four different areas of the employment relationship: entry and exit from employment; the assignment of tasks and horizontal and vertical mobility; the level and structure of compensation; and working-time.

Regini (2000) puts the above statement differently as flexibility may concern both the form in which labour is contracted and the scope provided to management by the contract of employment for varying labour inputs. Although both the number of types and the terminology used vary, they are most often called numerical or external, or employment flexibility; functional or internal, or technical-organizational flexibility, wage or financial flexibility, and working-time flexibility, respectively.

Many types of arrangements are created by the term flexibility;

2.2.2.1.1. Numerical Flexibility

According to Regini (2000) numerical flexibility refers to the ease with which the numbers of workers employed can be adapted to meet fluctuations in demand or technological innovation. More generally, it denotes managerial capacity to dismiss employees in order to allow downsizing or replace workers whose skills have become obsolete, and to use new forms of employment –

such as atypical, temporary, or contingent work- when hiring new workers. All countries have some forms of social control over lay-off decisions; even in the USA. On the other hand, flexibility in hiring meets with less opposition and, in the 1990s, has greatly increased in Europe.

According to Winfield (2001: 54) numerical flexibility is often associated with atypical working practices, which can be defined as any form of employment that lies outside the traditional full-time employment. It therefore includes shift work, weekend work, self employment, temporary work, homework and part-time work. Atypical work is unprotected by legislation, enabling employers to achieve numerical flexibility, hiring and firing workers at their own discretion. Thursfield (2000, 36) states that peripheral workers are argued to provide firms with flexibility over the size of the labour force and numerical flexibility is viewed as a response to changing and uncertain product markets.

Numerical flexibility is intended to gain the ability to shrink the corporation or expand according to the demand. The mechanisms of achieving numerical flexibility include:

- Temporary Work;
- Part-time Work;
- Home working;
- Outworking;

and the most important than all,

- Subcontracting;

Subcontracting is the feeding of routine corporate work out to the low paid, non-union firms in which workers are employed on a contract basis. Corporations like numerical flexibility since they can retreat in times of economic downturn. On the other side, corporations also introduced functional flexibility. The widening of the job classifications, hours of work, assignments and work

structures started to be applied. Workers are increasingly forced to move away from the traditional Fordist regular work schedule to flex-time schedules.

Harvey (1989) states that, the aggregate effects of flexible employment arrangements when looked from the standpoint of insurance coverage and pension rights as well as wage levels and job security are negative for working population. The most radical shift was towards increased subcontracting or temporary rather than part-time work. The effects are doubled when we analyze the condition of women workers. The role of the women transformed in the production and labour market. Not only do the new labour market structures make it much easier to exploit the labour power of women on a part-time basis and so to substitute lower-paid female labour for that more highly paid and less easily laid-off core male workers, but the revival of subcontracting and domestic and family labour systems permits a resurgence of patriarchal practices and home working. This creates a situation that the companies can exploit the vulnerable women's labour power under conditions of extremely low pay and negligible job security.

According to the survey evidence from McGregor and Sproull (1992) stated in Thursfield (2000: 37), few employers report the need for flexibility as the sole reason for employing non-standard labour. The main reasons given for employing part-time workers were the need to employ workers to carry out tasks of a limited duration and the need to employ workers when the demand was high. Two further reasons mentioned were the need to hold onto valued staff and the demand for part-time work from female workers. Also Winfield (2001) states that, the increase in numerically flexible work practices concluding that part-time work, temporary contracts and home working have been expanding and are primarily undertaken by women with caring responsibilities. This meant that many women have been part of the peripheral workforce.

According to the report issued by ILO (1999: 8) numerical flexibility refers to the adjustment in the number of persons employed downsizing and outsourcing where necessary. This type of flexibility is constrained by the rights of redundancy benefits and protection against unfair treatment and, in some countries, by requirements to consult, negotiate or gain legal approval to restructure. Excessive restrictions on this type of flexibility caused by creating high “costs to exit” can lead to labour market distortions, such as the extensive use of fixed-term temporary contracts, or encourage firms to minimize labour and grow in a highly-capital intensive form.

2.2.2.1.2. Functional Flexibility

According to the report issued by ILO (1999: 8), functional flexibility is related to the internal flexibility. It refers to the flexible organization of the workplace with shifting job designs and boundaries. It requires the willingness to adopt new working practices, a collaborative approach to work, and the free movement of people between tasks, underpinned by flexible skills (multiskilling and wide-skilling). Autonomous, self-managed multifunctional teamwork, based on high-quality labour inputs, exemplifies this kind of flexibility. It is essential to respond to technological change or fast –changing product demand.

According to Regini (2000), functional flexibility refers to the ease with which the tasks carried out by employees can be adapted to changes in demand. At stake here is the employers’ ability to move employees from one task or department to another, or to change the content of their jobs. This type of flexibility refers to employer’s ability to reorganize their existing workforce so as to adapt to new technologies and new ways of utilizing their human resources by means such as job rotation, multi-skilling, retraining, mobility and so on. This ability is based on mutual acceptance of a broad definition of the tasks implicit in a job, as well as on the existence of internal labour markets or incentives to

horizontal and vertical mobility within the company. Important aspects of this are redeployment and retraining, which require institutions and payment systems that motivate workers to take over new tasks, acquire new qualifications, and generally accept continuous fast adjustments in the organization of work.

The concept of functional flexibility is used to describe changes in the organization of work amongst the core labour force within firms. Unlike the Fordist system of production, where work is fragmented and specialized tasks, core workers in the flexible firm perform a variety of functions. The numerical flexibility provided by periphery is paralleled by functional flexibility in the core. Wigfield (2001: 65) states that, functional flexibility leads to job enrichment. The extent to which the workforce either job enrichment or job enlargement is determined by the way in which work is reorganized. This is evident by the way in which work is reorganized. Belek (1999, 81) states that team working, job enrichment, job enlargement, the process of reducing the fragmentation of job and other human resource management techniques (training and performance management techniques, communication programs, quality circles) are applied for functional flexibility of the core workers within the firm. Training of all members of staff is vital if it is to enrich jobs of team members. Staff should receive continuous training and education in both technical and social skills.

2.2.2.1.3. Skills Flexibility

This type of flexibility is mentioned in the report issued by ILO (1999: 8). Skills flexibility is indispensable for functional flexibility. It requires a strong basic education system and a commitment on the part of employers and employees to the acquisition of new and transferable skills. It helps maintain high employability and reduces frictional unemployment associated with skills mismatch.

2.2.2.1.4. Flexible Working Patterns

One of the classifications of flexibility of Regini (2000), temporal flexibility, can be evaluated in this category. Temporal flexibility refers to the possibility of adjusting the amount of labour utilized in accordance with cyclical or seasonal shifts in demand by varying the number of hours worked in a day, week or year, rather than the number of people employed or the degree of stability of their employment. Well-known examples are over-time, shiftwork, flexible part-time, and weekly or annual working time arrangements. This form of flexibility is often viewed as a variant of functional flexibility, since both types imply adjustment in the work performance of employee, as opposed to variation in their wages or their security of employment. Adjusting working time is, from many points of view, a matter quite distinct from adjusting tasks and skills. The two options are likely to be used in differing degrees in different countries, industries and companies depending on their skill structure but also on their institutions and social norms.

They consist in varying the hours of work (for example through part-time work, shift work and annualized hours) or the type of the employment contract (for example fixed-term or seasonal contracts). This form of flexibility is important to enable employers to adapt to peaks and troughs in demand, especially in services. In manufacturing it permits intensive operation of plant to maximize returns on capital investment. It may fit employees' lifestyle choices, such as reconciling work with parental responsibilities, but it may also create problems of time management in coordinating work with other activities and responsibilities (ILO 1999: 8).

2.2.2.1.5. Wage Flexibility

According to Regini (2000), wage flexibility concerns to the extent to which management is free to alter wages and wage systems in response to changing labour market or competitive conditions; that is, to adopt pay structures and pay levels not fully determined by collective agreements or statutory regulation. Wage flexibility may work upwards, as in the case of incentives -the 'pay systems that motivate workers to take over new tasks' referred to above – or downwards, when there are no minimum wages set by the law or by collective agreements, or, more frequently, when derogations from such minimum wages are allowed for specific areas or occupational groups. This type of flexibility affects the extent to which wage differentials are governed unilaterally by employers or are instead the object of institutional regulation. From a macro perspective, such institutional regulation has positive effects on real wage adjustment to changing conditions of international competition and on the ability to create employment.

2.2.2.1.6. Geographical Mobility

Geographical mobility facilitates labour market adjustments, especially to alleviate regional skills shortages and unemployment. Measures that enhance mobility between regions include: language skills, transferable pension rights, mutual recognition of qualifications and flexible housing markets (ILO 1999).

Between the types of flexibility given above is difficult in practice to draw a line, since these various forms of flexibility are closely related.

The new labour arrangements are generally characterized by greater functional and numerical flexibility. They may combine elements of internal flexibility (adjustment with the firm and the existing contract structure) and the

external flexibility (recourse to markets, changing the nature and type of contracts). Complex organization and simple jobs have tended to be replaced with simplified organization and more complex jobs. The new arrangements have some or all of the following features mentioned in the report issued by ILO (1999):

- Focus on “core” activities to increase specialization;
- More horizontal inter-firm links, for subcontracting or outsourcing;
- Horizontal communications and links gain in importance;
- Flattening of hierarchies, less dependence on hierarchical model of authority;
- Information is gathered at more levels and channelled less hierarchically;
- Better use is made of better-trained and more responsive employees;
- Multi-skilling and job rotations increase for a “core” group of long-tenured employees, blurring demarcations between traditional activities: job definitions are more dynamic and open-ended;
- Small self-managed or autonomous work groups are common and assume more responsibilities in these high-trust organizational forms;
- Additional flexibility in hours worked is provided by reliance on peripheral workers who are often paid less;
- Wage differentiation increases as compensation is more clearly linked to individual performance;
- More resources may be devoted to screening potential employees;

The impact of these new work practices on different aspects of firms’ performance and the workforce depends on various factors, including the nature

of the firm's activity, conditions in product and factor markets and the broader institutional and macroeconomic context. National and regional differences can therefore discerned. The impact of these new practices also varies considerably from one sector to another. For example, in services, flexible work arrangements have long been standard practice in order to match working time with variations in customer volume. In labour-intensive service industries, flexible labour arrangements are frequently associated with a worsening of existing standards. In many places, they are introduced above all to reduce labour costs, for instance by replacing full-time workers with part-time workers (ILO 1999).

The post-Fordist search for labour flexibility has profound implications for the work force. It can have dual effect, benefiting some workers whilst having detrimental implications for others. Some workers will enjoy the benefits of functional flexibility, job enrichment and the up-skilling which is involved in the introduction of new technology. Others, in contrast, will experience the drawbacks of numerical flexibility, job enlargement and the deskilling and labour intensification which new technology likewise induces (Winfield 2001: 85). One way in which post-Fordism has facilitated the search for greater flexibility has been through an expansion of numerically flexible work arrangements. This has resulted in an ever increasing proportion of the labour force working on a part-time basis, on temporary contracts or as home workers. Such contracts have been accompanied by fewer employment rights, resulting in many workers becoming part of peripheral labour market.

In the post-Fordist period, we see the transformation from mass production to flexible production. New concepts were introduced to describe the multiplicity of different changes that began to break in the 1970s and intensify in the 1980s and 1990s. Just-in-time (JIT)¹ principle introduced to the production

¹ Just-In-Time Production principle requires that parts arrive “just-in-time” for their use to minimize inventory in each stage of the production process.

process. Producing using this principle changes the whole production process since it requires tremendous coordination, timing precision and considerable flexibility on the part of the workers. The production is no longer determined by the speed of the assembly line but determined by the team work efficiency of the various units of the production process. An important consequence is the new way of control over workers. Workers are motivated by new means including long term incentives to continuous worker loyalty in terms of job security, promotion possibilities and family welfare. Just-In-Time implies multi-skilling and localized decision making. Rather than dealing with fixed machines and rigid technologies, post-Fordism is characterized by the increasing use of flexible, re-programmable machines. Computer-aided design and manufacturing (CAD/CAM) was introduced. This new system created new elite of highly paid industrial engineering and computer programming professionals and enabled the plant floor workforce to be substantially reduced.

As I mentioned above, that there was a shift from mass production to small batch production facilitated by information technology like CAM systems. In this context, there was a shift from a large regularly employed workforce to a shrinking core of regular full time wage or salaried workers and wide spread subcontracting. Standing (1986: 115) points that, the former group has consisted of a group of protected workers with secure incomes, fringe benefits designed to encourage their loyalty to the company, high levels of employment and income security. As for subcontracting, there were several forms. There has been a greater resort to the hiring of specialists on a piece of work or consultancy basis, replacing regular employees who were often underemployed in a technical sense. According to Standing (1986), this kind of specialists might be accountants, designers, computer programmers or highly specialized engineers. In effect, specialist service function jobs are being turned from wage employment to self employment, whether on a dependent network basis, attached to specific enterprises or groups of enterprises or on an independent,

autonomous basis. At lower levels there has been a growth of “outwork” and “home-working”. And, there has been a wide spread of subcontracting of various manufacturing and assembly functions which spreads self-employment and “family businesses”.

Standing (1986: 118) points that; a corollary of the shift from regular wage employment to self employment has been the shift to the use of part-time workers, casual and temporary employees. In general, these groups have much less income and employment security than regular full-time workers.

Part-time employment has grown enormously since the early 1970s and encouraged by the high female labour force participation rate, the tax-social system, the lower non-wage labour costs entailed by part-time workers and so on. Part-time workers provide employers with a more flexible labour supply, helping to meet peak demands and helping to use capital equipment more efficiently.

The supply of the part-time workers has no doubt contributed to the displacement of full-time workers by contributing to companies “numerical flexibility” by permitting the growth of subcontracting and so on, and also to “functional flexibility” by allowing job tasks to be restructured. But, Standing (1986: 123) points that, the growth of part-time working could well lead to a further displacement of men by women.

The temporary employment forms are very important in the flexible work arrangements. Many enterprises have resorted increasingly to temporary labour as a means of matching manning levels precisely to workloads. According to Standing (1986), these workers not only represent a highly flexible labour supply, but involve few overhead costs, even though many temporary workers are hired out through agencies or contractors, with whom they do contracts.

These kind of flexible work arrangements provide cost and flexibility advantages to the employers. Not only they can escape from or lead to decreases in tax and social security contributions, but they can often get away with paying low wages and benefits by not having to comply with regulations or collective agreements. Without any binding contract employers can easily adjust their labour supply.

According to Regini (2000; 25-6), the term “deregulation” is often used simply to denote a change in the regulatory mechanisms, especially their decentralization in order to achieve a greater variety of results, or the introduction of “controlled exceptions” to the general rules. These have been the forms most frequently adopted in European reforms in the 1990s. Greater flexibility has thus been injected into European labour markets. However, labour flexibility may concern different areas of the employment relationship: labour market entry and exit, the assignment of tasks and internal mobility, the level and structure of compensation, and working time. Each country has focused on some of these areas more than others, depending on the viability in terms of consensus but also on the country’s production structure, which requires different forms of labour flexibility. The responses of European countries will be detailed in the following chapter.

2.2.3 Industrial Relations

European industrial relations have undergone fundamental changes from the early 1980s onwards. This is mainly due to a range of structural shifts in the mode of economic, social and political reproduction. According to Bieling (2001), most important of them are the following:

- the reorganization of work and production (involving new technologies, rationalization and labour shedding, flexible work conditions, changes in the production chain, or new logistic concepts),
- sluggish economic growth,
- high rates of unemployment and a fragmented workforce,
- an expanding service sector
- accelerated transnationalisation of trade, production and finance

Bieling (2001) states that, the neo-liberal European configuration is detrimental to trade unions in as much as the twofold pressures of “competitive deregulation” and “competitive or decreed austerity” nurture “social dumping and regime competition”. Unions, therefore have some reason to be rather critical of the EU. Most unions, particularly if they are based in export-oriented sectors, hope to benefit from economic gains achieved in intensified competition. Besides this, they are mainly concerned with securing immediate political influence (i.e. being heard by governments, employers, and the business community). In other words, European trade unions have agreed to a new “competitive bargain”, which is strongly asymmetrical. They are principally willing to approve the basic neo-liberal goals – market deregulation and monetary stability- in exchange for involvement in negotiations about their concrete realisation and political framing. In this sense, trade unions are an active force in the current multi-level structure of “co-operative deregulation” (Bieling 2001).

According to Bieling (2001), employees become more and more involved in local productivity coalitions, whereas trade unions are regarded as an external source or irritation. As a consequence of such internal tensions within the working class, pressures to agree to lower payments and worse working conditions intensified. In view of imminent dismissals or threatening bankruptcy,

there is widespread readiness to renounce existing social employment conditions. Thereby, the fear of losing jobs is not only a phenomenon found in crises-prone branches and enterprises: it seems to be more and more common in high-tech transnational corporations as well, which may take advantage of playing off the employees of plants in different industrial relations regimes. Although the directive on European Work Councils improves the opportunities of the employees to counteract the most extreme form of such practices in the age of transnational capital mobility, the chance to pursue “regime shopping” and shift production sites remains a permanent threat (Bieling 2001).

In contrast to the firm level where employees and union react defensively, there seems to be a more proactive involvement at the national level of political decision making. From the late on 1980s onwards, governments and the so called social partners often became involved in new corporatist arrangements which are aimed at improving the competitiveness of nations and regulations. In contrast to the corporatist arrangements of the 1970s, “material rewards for workers and institutional influence for labour are tied to the acceptance of a joint commitment with employers to success in competitive markets. In a way, the new competitive corporatism is based on a peace formula which is substantially different from the old ‘Fordist class compromise’. The old compromise of embedded liberalism was characterized by restraint of the labour movement with regard to socialist political issues in exchange for income growth and full employment. The new bargain is based on the reunition of social security and specific forms of work place regulation in exchange for restricted employment guarantees for established workers. Sometimes such guarantees are connected with the promise of investment (Bieling 2001).

In this sense Bieling (2001) mentions that, in most European countries trade unions agreed on a range of “social pacts” which are primarily directed to three issues:

- With respect to *collective bargaining*, the guiding principles are wage restraint and wage flexibility. First of all this means that wage increases should remain clearly below productivity gains in order to improve competitiveness, investment and employment. Besides, agreements on wages and working conditions should become decentralised to certain degree in order to react to the specific requirements of singular regions or firms.
- With respect to *labour market policy*, the “social pacts” try to improve the employability of the national workforce. For this reason, they provide stronger economic and administrative incentives to work by means of decreases in social expenditures, restricted entitlements and more flexible employment regulations. This last point can be realised through an extension of restricted or part-time employment or a flexible reduction of individual working hours. Moreover, additional programmes for training and education are directed to particular social problem groups (young people, long-term unemployed), who run the risk of becoming permanently excluded from the employment system.
- With respect to reform of social welfare, the social partners try to arrange the reduction of social contributions to lower labour costs and stimulate employment. One important side effect of this should be relief of social insurance systems (pension funds) and public budgets later on.

CHAPTER 3

EUROPEAN WELFARE STATES

In post-war Europe, according to Esping-Andersen (1996: 2), the welfare construction implied much more than a mere upgrading of existing social policies. In economic terms, the extension of income and employment security as a citizen right meant a deliberate departure from the orthodoxies of the pure market. In moral terms, the welfare state promised a more universal, classless justice and solidarity of “the people”. It was presented as a ray of hope to those who were asked to sacrifice for the common good in the war effort.

According to Taylor-Gooby (2001:1), the European welfare state developed as a distinctive solution to the problem of securing social integration within competitive capitalism in the three decades of secure growth following the Second World War. Pressures emerged towards the end of the twentieth century. The labour market and family structures, which the welfare state was designed to support, are undergoing rapid change: increasing number of older people confidently expect high quality pensions, health and social care, globalization is undermining the authority of the nation state.

Esping-Andersen (1996:1) states that, according to T.H. Marshall (1950) modern citizenship is the fruition of a democratization that spans three centuries. In the eighteenth century the foundations were laid with the principle of civil rights; political rights emerged in the nineteenth century; and as a preliminary culmination of the democratic ideal, we see the consolidation of social citizenship in the twentieth century. On the threshold of yet another century, legal and political rights appear firmly entrenched in most parts of the advanced, industrialized world. The same, however, cannot be said for social rights.

Many believe that the welfare state has become incompatible with other cherished goals, such as economic development, full employment and even personal liberties – that it odds with the fabric of advanced post-industrial capitalism. He concludes that;

The modern welfare state became an intric part of capitalism's post-war "Golden Age", an era in which prosperity, equality and full employment seemed in perfect harmony. It cannot be lack of prosperity, that welfare states are in crisis.....It is in the equality/full-employment nexus that the essence of the crisis must be found.

With respect to market distortion perspective, the welfare state stifles the market and erodes incentives to work, save and invest. A second perspective focuses on the long-term effects of population ageing. And third perspective focuses on the consequences of the new global economy. Many difficulties that the welfare states face are caused by market failure which results from the badly functioning labour markets producing an overload on existing social programmes. Esping-Andersen (1996: 2) states that, the neo-liberals suggest that the road to growth and prosperity is paved with *flexibility and deregulation* and concludes that the advanced Western nations' welfare states were built to cater to an economy dominated by industrial mass production. In the era of the "Keynesian consensus" there was no perceived trade off between social security and economic growth, between equality and *efficiency*. This consensus has disappeared because underlying assumptions no longer obtain. Non-inflationary demand-led growth in one country appears impossible; full employment today must be attained via services, given industrial decline; the conventional male breadwinner family is eroding, fertility is falling and the life course is increasingly non-standard. Such structural shifts challenge traditional social policy thinking. In many respects, the symptoms of crises are similar across all nations. In others, there is notable divergence. But, Europe's single largest problem is seen as the chronically high unemployment.

The harmonious co-existence of full employment and income equalization that defined the post-war epoch appears no longer possible. Esping-Andersen (1996:4) points that; Western Europe, with its much more comprehensive industrial relations system, welfare states and also powerful trade unions, has maintained equality and avoided growing poverty, but at the price of heavy (especially youth and long-term) unemployment, and swelling armies of welfare dependants, the combination of which overburdens social security finances

Esping-Andersen (1996:7) defines two sets of challenges to welfare states. One is specific to welfare state itself and the other provoked by exogenous forces. In the former case, there is a growing disjuncture between existing social protection schemes and evolving needs and risks. This is due to the changes in family structure, in occupational structure and in the life cycle. The consequence is the growing dissatisfaction with the welfare state's capacity to address emerging new demands. In the second case, the welfare state crisis is spurred by changing economic conditions such as deindustrialization and demographic trends such as aging population. The economic problems that confront the Western welfare states are typically identified in terms of the unemployment problem. The combination of high wage costs (due to mandatory social contributions) and rigidities (such as job tenure, costly termination payments, or generous social benefits) is widely regarded as a main impediment to job growth. Esping-Andersen (1996:8) points that, post-industrial employment trends are also problematic and states that;

Since they favour professional and skilled occupations, demand for unqualified labour will depend mainly on low wages. They also seem to foster "atypical, precarious jobs, such as contingent work, involuntary part-time work, homework, or self-employment; the consequence may be greater polarization between a core and a periphery workforce.... The endogenous problems of the welfare state lie in the growing discrepancy between existing programme design and social demands. The contemporary welfare state addresses a past social order; its ideals of universalism and equality emerged with reference to a relatively

homogeneous industrial working class. The much greater occupational and life-cycle differentiation that characterizes “post-industrial” society implies also more heterogeneous needs and expectations. With greater career uncertainty, demands for more flexible adjustment, and changing family arrangements, not to forget female employment, citizens also face more diverse risks.

Taylor Gooby (2001:14-5) summarized European welfare states by pointing three key characteristics for welfare state restructuring.

First, it supports a rough categorization on the lines of dominant academic tradition into Nordic (high spending, high level of tax finance, citizenship access, generous and effective), continental social insurance (spending, generosity and effectiveness slightly lower, insurance finance and access), Mediterranean (lower spending, generosity and effectiveness, combination of access and finance mechanisms, rapidly developing) and liberal (lower spending, generosity and effectiveness, tax finance and need-based access).

Second, there is a measure of correspondence between the context in which state welfare operates and the overall orientation of services. The Nordic countries interpret universal provision for worker-citizens in terms of a limited role of private sector and the assumption that everyone, including women, is involved in paid work. Continental systems also have relatively little private welfare but vary much more in their assumptions about gender roles and participation, often reflecting the interests of core and typically waged workers. In the Mediterranean systems, the development of state welfare tends to supplant or incorporate private services, while still assuming a substantial input from the family. Liberal systems permit and often actively support the expansion of private market provision and assume people work to gain an adequate standard of living, but do not accept a state responsibility to provide supportive services.

Third, both the structure of welfare provision and the values surrounding it are crucial to the capacity of government to carry through reforms. The chief directions of reform involve the activation of welfare to enhance economic performance and the containment of spending.

3.1 Pressures on Welfare States

Taylor Gooby (2001:15-24) identifies three main directions of pressures on the welfare state.

- Factors which affect the capacity of government to finance and provide (including the impact of economic globalization and technological change on assumptions about how welfare influences competitiveness);
- New departures in the context of welfare policy-making (including the growing importance of the EU and new developments in welfare discourse which downplay state-centred solutions); and
- Factors which affect the demand for welfare provision (most importantly changes in the patterns of employment and unemployment and in the population age structure).

3.1.1 The Challenges European Countries Face

3.1.1.1 Globalization

Since the 1990s globalization has become a catchword in economic debate (Walwei 2001:19). Globalization is the term often used to describe the increased flexibility and mobility of capital that has come in the wake of the heightened international competition of the early 1970's. What has resulted from this increased mobility of capital is a radical restructuring of global economy. The core capitalist countries (U.S, West Europe, and Japan) have experienced a

period of deindustrialization as most of their manufacturing jobs were shipped to the third world as companies began taking advantage of the cheaper labour, advantageous regulations and lower production costs.²

According to Taylor-Gooby (2001:16), globalization refers to the move towards freer international commodity and fiscal markets following the dissolution of state socialism in East and Central Europe, progress towards removal of trade barriers through World Trade Organization agreements, the greater purchasing power of rich world, improvements in transport technology and the availability of large amounts of footloose speculative investment currency. These changes effectively limit the range of instruments the governments can use to control their economies, since national taxation and regulation strategies must be designed within the constraints of more mobile capital and businesses and more open international competition. The restraints are intensified for EU members by the legal reinforcement of market freedom, the drastic limitations on permitted subsidy to industries.

The term globalization has become a buzz word used to suggest a whole range of phenomena (Palier and Skyes 2001:2). Palier and Skyes (2001:2) define globalization in three fields. In the economic field globalization has been used to designate an increasing internationalization of economic changes and production; the abandonment of regulation on financial flows and trade, leading to an increasing mobility of capital, goods, services and labour; a qualitatively different regime of free trade competition at a world-wide scale; new “dislocation” and “relocation” of economic activities both and between nations; and increasing tax competition between countries. In the field of politics and political institutions, globalization is said to include several phenomena such as the weakening of nation states and their loss of social and political legitimacy; a

² In “Gobalization: From Fordism to Flexible Accumulation” available from <http://it.stlaw.edu/~pomo/mike/accumu.html>

decentralization process within national states; and attempts to re-vivify old and create new international political institutions. In the field of cultural analysis, globalization has been associated with the free and instantaneous circulation of information; a threat to traditional cultures and social cohesion coupled with cultural homogenization; a process of individualization and a tendency towards the marketing of goods and services as “global products”.

Globalization, or the growing interdependence of national economies, results from basically three groups of factors: (1) enabling factors- these are principally faster, cheaper and more reliable telecommunications and international transport; (2) government policies to promote trade liberalization and external capital liberalization; and (3) corporate strategies- today, companies both sell and purchase abroad. They sell more abroad through exports and through the relocation of activities to principal markets or low cost production sites. They also buy more abroad: the enhanced feasibility of splitting up production in stages has made it easier to subcontract part and components (Van Liemt 1998: 237).

Globalization should not only focus on economic prosperity, but ensure a certain living standard to all citizens, guarantee substantive equality, income equalization and full employment on a global scale. Global competition is a particular threat to countries (of continental Europe) which have well-developed systems of social security. High labour costs and high business taxes to fund social security are potentially obstacle to investment, if the economy is not productive enough to make the risk worthwhile or if the costs are not offset by adequate benefits (Walwei, 2001). These benefits are availability of necessary public resources or higher individual acceptance of risk within a social network. Walwei also states that; the other factors, as well as globalization, ensure that the future of the Social State is a focus of public debate. These factors are the

demographic structure in the industrialized countries (an ageing population, low birth rates) and unemployment.

Palier and Sykes (2001) argue that, globalization has changed the general economic context in which social policies are implemented. Welfare transfers and services must be seen as comprising an element of rigidity and as a burden for the companies (labour cost) and states (budget deficits) that try to compete in new global markets. Recognition and response to this new context is said to require a radical adaptation of welfare states. According to Palier and Sykes (2001) this adaptation implies policies of retrenchment in social policy, and the general change of welfare states in order to render them more market and employment friendly.

Palier and Sykes (2001:5) mention that, several studies had been undertaken to establish if and how economic globalization is impacting upon welfare state changes and they identified three characteristic perspectives on globalization and welfare within these studies:

Perspective 1: Globalization has a significant impact on Welfare States through the increasing dominance of the (market) economy:

According to this perspective globalization has a strong impact, because internationalization of the world economy implies the demise of nation-state autonomy, a reduction of national government's policy options (especially of those of social democratic governments) and a weakening of labour movements. So, it is argued that the main foundations of national welfare state are fundamentally weakened. Others explained that, globalization has an effect on welfare states in the sense that the expansion of trade is responsible for unemployment and rising inequality, which creates problems for the welfare states. Trade and technological change both create a significant decline in

demand for the unskilled, semi-skilled and traditionally skilled workers for whom the traditional welfare states were designed.

Palier and Sykes (2001:4-5) gives seven propositions regarding globalization and welfare in his study “Globalization and the Welfare State” as follows:

- Globalization undermines the ability of national governments to pursue full employment and economic growth;
- Globalization results in increasing inequality in wages and working conditions;
- Globalization exerts downward pressure on systems of social protection and social expenditure;
- Globalization weakens the ideological underpinnings of social protection;
- Globalization weakens the basis of social partnership and tripartism;
- Globalization virtually excludes the option of left-centre policy options for national governments and,
- The logic of globalization conflicts with the “logic” of national community and democratic politics.

Perspective 2: Globalization has relatively little impact on Welfare States:

Various writers argue that, globalization has no effect on welfare states, some others defend that welfare states remain compatible with this process. Also many argue that, the erosion of welfare state is due more to the ideological projects of governments seeking to restructure than to the impact of economic globalization process. National welfare states are challenged by domestic factors like demography, technology, changes in family structure, new risks, etc.

Globalization as an exogenous set of forces is secondary significance according to this perspective.

Perspective 3: Globalization is having an effect upon Welfare States, but these effects are mediated through (National) Institutional Structures and Policy Responses:

Different welfare states are differently affected by globalization. Esping-Andersen (1996) concludes that, nations' economic growth appears to require economic openness, involving greater competition and vulnerability to international trade, finance and capital movements. Different national systems can and do respond in different ways. As an example pointed to different labour supply policies adopted by national governments in response to the pressures of globalization, the continental European states opted mainly for an exit strategy enabling workers to leave the labour market; the United States and United Kingdom went for a wage deregulation strategy to bring down relative wage costs, and Nordic countries chose retraining and the provision of welfare state jobs (Esping-Andersen 1996: 258).

The prime losers in the globalized world are the low skilled. As a result, not least of the fast pace of technological progress and the increasingly global spread of labour, the ability and willingness of the labour market in EU countries to absorb those who lack formal qualifications have decreased (Walwei 2001).

The term globalization is used to refer to the increasing economic integration across national borders. The multiplying flows of goods and capital are grounded in the global extension of the free market and fostered by the neoliberal doctrine of economic liberalization and rationalization (Pergher 2004). Global forces limit individual states in their ability to independently determine economic and social policies.

Global competitiveness and economic rationalization are generally blamed for the increasing pressure exerted on governments to relax their *labour* and *social regulations*. One of the major state institutions considered to be threatened by global forces is the modern welfare state. Welfare states considered to be threatened by global economic forces. The main objectives of modern Welfare States are to reduce poverty, to ensure more equal distribution of wealth, to provide insurance against various risks and to grant social services that correct market inefficiencies. Full employment is an essential condition of the viability of Welfare States. Full employment grants jobs to virtually every citizen. People can rely on their personal incomes and are less dependent on welfare services and programs provided by the State (Pergher 2004).

Labour markets in many developed countries are relatively inflexible due to States' strong welfare commitment. If minimum wage legislation prevents the wage rate from dropping, global competition causes rising unemployment rates. On the other hand, flexible work arrangements in other developed countries prevent an increase in unemployment; nevertheless, also in these countries global competition impacts workers' incomes negatively. In both flexible and inflexible labour markets, global competitiveness produces income uncertainty. An increasing proportion of the workforce faces falling employment opportunities and/or falling real wages and consequently becomes increasingly reliant on Welfare State support. Unemployment and low wages augment the expenditures of Welfare States; simultaneously, Welfare States dispose of a smaller population base to collect taxes and contributions for the financing of welfare programs. However, the argument of international competition in the labour market holds only for low-skill jobs (Pergher 2004).

Contrary to the prediction that global economic forces erode Welfare States, European Welfare States exemplify that social policies have proven

highly resistant to yield to the pressures of global markets (Rieger 1998:365). Rieger and Leibfried indeed argue that the institutions of Welfare States itself were instrumental in achieving and ensuring economic openness. Globalization does not accidentally follow the development of Welfare States. Instead, social policy has been able to increasingly replace protectionist measures. "The more the welfare state is able to guarantee security and a 'future' beyond the market, the more political space there is to relax closure vis-a-vis external markets"(Rieger 1998:368).

Globalization is provoking mixed reactions in the industrialized world. Many people defend it as a positive phenomenon, the others especially workers are uneasy about the effects it is having on them and feel defenceless, unable to protect themselves against what they consider to be its negative consequences.

Both protectionism and welfare institutions secure income and employment. The institutionalization of social policies partly released national welfare from international economic developments and stabilized the national market economy. Thus, Welfare States represent the foundation for economic openness and permit a high level of global economic integration. Consequently, the fragmentation and downgrading of social safety nets decrease the chances for the expansion of an integrated free market. To avoid the harmful repercussions of free trade and unregulated capital flows, the erosion of Welfare States needs to be prevented. However, the Welfare State itself can turn into an arena aiming at defending the status quo. Welfare States create their own inequalities and rigidities. Internal challenges like demographic changes as well as changes in labour markets, gender relationships, and the organization of family life call for a reform of various Welfare States. However, social policies often represent barriers that hinder adaptive responses to structural economic changes (Snower 1996). Snower (1996: 217) argues that, in order to respond to the rising need for Welfare state services at a time of severe budgetary constraints, governments must reduce the inefficiencies and inequities inherent

in the current policies. Since welfare institutions, programs, and services vary from state to state, the responses to internal and external pressures have not been uniform but varied according to political, social, economic, and institutional differences.

Every state responds differently to pressures demanding the dismantling of the Welfare state. However, Welfare states tailored to globalization need to have a higher capacity for institutional self-limitation and flexible reaction (Rieger 1998: 385).

Clarke (2001:34) argues that, EU has been a force of globalization; a defence against globalization and response to globalization. The EU has played a role in developing national economies, coordinating them as a trading block and trying to manage the insertion of that bloc into an emerging global economy. It is a regional block as a means of defending the region and its national economies against the disruptive dynamics of an emergent-neo-liberal- global economy. Europe as region, an agglomeration of nations, and a civilization, was viewed as in need of protection against the globalization that was US centred economically, politically and culturally. Europe then might be thought of as hinge-providing both the point of insertion into the global and the point of resistance and accommodation.

According to Deacon (2001:69), the response of the EU to neo-liberal globalization in terms of both its internal and external social dimension has been variable over time and between counterparts of the EU system. Included within this range of responses are:

- Accommodation to the liberalizing global agenda in labour markets and associated social policy;
- Social protectionist inclinations in some of its trade dealings;

- Expressions of global social concern for human rights in its common foreign security policy;
- Assertiveness at the level of discourse if not in terms of deeds regarding the need for a social dimension of enlargement;
- Attempts to link trade aid and standards within some of its development policy;
- Ineffectiveness in terms of World Bank discussions on global financial regulation;
- A new assertiveness about the social dimension within the global discourse on social policy.

Accommodation to the requirements of a liberalizing globalization certainly characterized much of the discussion about the labour markets and social policy during 1990s. Then a series of Green and White Papers on social policy emanating from the European Commission (1993, 1994) addressed the need for flexible working practices; the introduction of new kinds of contract; the reduction of the indirect costs of labour; the shift from passive unemployment benefits to an active labour market policy; and increased retraining and educational opportunities. The main features of the Green and White Paper are given in the following chapter.

3.1.1.2 Technological Change

The introduction of new technologies coupled with the new managerial techniques made possible through the application of information and communication technologies have had an enormous effect on labour markets. Productivity has been massively improved particularly in relation to semi-skilled and unskilled manual work and also in many routine clerical activities. According to Taylor-Gooby (200:16) these processes can affect national welfare systems in three main ways;

- The openness of a national economy to overseas competition both in imports and exports can affect the balance and quality of employment in particular industries;
- A more competitive environment can provoke concern about levels of taxation and particularly of social insurance contributions that bear directly on labour costs. This restrains government willingness to finance extensive welfare states. The growth of multinational corporations, which have a greater capacity to shift their activities between national and continental boundaries, strengthens the competitiveness imperative. The Maastricht criteria for Monetary Union in the EU limit the capacity of governments to deficit-finance welfare, redoubling the pressure from a tax squeeze on the capacity to pay for welfare services;
- The greater the openness of fiscal markets increases the possibility that the speculation may render countries trading position and capacity to pursue a national interest or exchange rate regime unstable, so that the governments must promote confidence in their currency.

3.1.1.3 The Changing Context of Welfare

Until 1970s western European welfare states were able to maintain their traditional goals of redistribution, welfarism and full employment, even in the face of an intensification of international competition. Four distinctive strands of welfare capitalism developed in Western Europe in the post-war period and Hudson and Williams (2001: 42-3) summarized as follows:

- The Scandinavian model characterized by a high degree of universality, corporatism and consensus between capital, unions and the state on the

need for an active employment policy and a strategy for rationalization and technical change;

- The liberal, Anglo-Saxon model publicly organized and financed by social insurance, with low –flat rate provision in combination with private charity. This has increasingly shifted away from its Beveridgean origins to become a residual welfare state characterized by selectivism, where the welfare state is provider of last resort. The UK has also moved towards the US model of pursuing rapid growth based on expansion of low-paid service jobs and deregulation, with consequent increases in inequality;
- The corporate Bismarckian or Rhineland model which is based on labour market agreements between employers and trade unions in respect of insurance arrangements to cover unemployment, sickness and old-age benefits. Those outside the labour market are dependent on local public or private charity. For much of the post-war period this rested on the assumption that high wage, high productivity economies would support provision, but global competition and unemployment have increased to pressure to reduce taxation and non-wage costs. Higher unemployment has also meant that more people have been falling outside the employment-linked benefits scheme;
- The southern European model in which provision is made by civil society institutions such as church, family and private charity in combination with weakly developed welfare states. The states tend to be characterized by high public deficits linked to the problems of financing pensions, fiscal weakness and the costs of high unemployment;

Hudson and Williams (2001) state that;

Since the 1970s all these models of welfare capitalism have come under intense pressure from globalization, competition and increasingly mobile capital, which have contributed to increasing unemployment. There have also been other demands emanating from the ageing of society and the disintegration of extended and increasingly nuclear, families with traditionally provided social assistance and care, especially in southern Europe. All of this has fuelled the campaigns of an increasingly powerful neo-liberal agenda. As a result, the prospect of growing social divisions especially between unskilled manual workers and professional/managerial workers in internationally competitive industries.....has become the focus of public policies...

The reform of the welfare state is one of the main policy issues in Western countries. Bruti, Franco and Pench (1999:3) state that, it is of the utmost importance in the European Union, which is experiencing rapid ageing of the population and high unemployment rates. Traditional solidarity and social protection objectives are to be reconciled with population ageing, expenditure containment and, economic efficiency and competitiveness objectives.

Bruti, Franco and Pench (1999:13) point that, backed by strong economic growth, social policies have contributed to making Europe, on the whole, “a nice place to live” over the past half century. In a historical perspective, economic growth was exceptionally high in the 1950s and in the 1960s, and the subsequent period up to the 1990s still compared favourably with previous experiences in most industrial countries. The pillars of European Social Policy – pension, health and education systems, unemployment benefits, and labour market regulations, the entitlements for the poor and the disabled and the tax systems needed to finance them – were largely put in place or greatly extended in the years of very high growth. By helping to distribute the benefits of the growth, social policies have sustained a high level of social cohesion and favoured the research of cooperative solutions between social actors. However, as growth slowed down, a number of strains began to emerge, endangering

welfare state achievements. Population ageing, changes in household structures, high unemployment, the negative effects of high tax rates on employment and rising concerns about European competitiveness in a globalized economy are adding to the pressure on social programmes throughout the EU.

Taylor-Gooby (2001:17-8) states that, the EU is often understood as evolving a multi-level or multi-tiered political framework. In relation to welfare it has followed the principle of subsidiarity and developed few direct welfare policies, apart from the immediately relevant to employment conditions and opportunities. The principal interventions are concerned with: the equal treatment of women and men; the protection of workers and social security for migrant workers within the EU; establishing European Social Fund; regulatory policies in the area of health and safety and occupational pensions; and specific limited programmes such as the poverty programme. Legislation has been passed in member states based on agreements achieved through social dialogue, for example in relation to parental leave and part-time work. The Social Agreement attached to the Maastricht Treaty extended EU powers into public health, education and vocational training and also promoted the institutionalization of social dialogue in member states.

The EU signalled an increasingly strong concern with job creation and unemployment following the 1997 Amsterdam Treaty. The Work Programme of the Commission includes a “new economic and social agenda” as a strategic objective. The central thrust of this policy is economic: the “promotion of strong and sustained growth”, but the programme also includes recognition of the importance of policies aimed at full employment and strengthening social cohesion (CEC, 2000).

Taylor-Gooby (2001:19) mentioned that both hard and soft law (non-binding declarations or recommendations) at European level constitute an additional resource for national policy-makers who seek to overcome internal obstacles, and the willingness of the Community to enforce policies through the European Court of Justice may be considerable reform in the future. Also he mentioned that, gradual progress on the extension of qualified majority voting, agreed for social protection and the modernization of welfare at the Nice conference in 2000, increases EU influence.

Today, regardless of model differences, all European welfare states confront set tough challenges because the basis upon which they were constructed is changing dramatically. New family forms are emerging, the shift to a knowledge based economy changes skill requirements and the sustainability of pension systems is threatened by ageing (Esping-Andersen et al. 2001).

It is stated that (Esping-Andersen et al. 2001), one of the major challenges to traditional welfare structures comes from the transformation of work and the proliferation of new labour market risks. European countries are witnessing powerful shifts in occupational skills and in patterns of work organisation resulting from intensified international competition and from an increasingly knowledge intensive economy. These, in turn, affect peoples' capacities to adapt to change and their career prospects, they generate new forms of insecurity and they give rise to new types of health risks at work. It is by now well documented that the overall thrust is towards rising skill levels. Industrial decline affects predominantly lower skilled jobs; the most dynamic services, like finance, business and social services are skill-biased. But the dominant wave of upskilling is easily accompanied by skill polarisation because labour intensive, routine services nurture a sizeable number of low qualified jobs

(the so-called MacJobs). If these are concentrated in the private sector, they are likely to offer low wages and poor working conditions.

The European employment strategy aims to fight social exclusion through job expansion. In most EU member states, fiscal constraints appear to preclude a major growth of public service jobs and, hence, such *quantitative* expansion may be accompanied by an expansion of *poor quality* jobs. The threat of job polarisation is real because investment in new skills is concentrated in higher occupational classes, while low-skilled jobs offer few opportunities for training, skill enhancement, or personal development. High employment levels may nourish a low-end labour market with a class of workers locked into inferior jobs, precariousness and also seemingly contradictory, high *risks* of unemployment (Esping-Andersen et al. 2001).

The labour market and the welfare state are closely linked. While labour market changes affect the demand for benefits and the sources to fund them, tax and benefit structures influence the behaviour of individuals in the labour market. Bruti, Franco and PENCH (1999:22-3) mention that, present European welfare systems –based on budgetary transfers to support workers during spells of unemployment, and job security legislation to ensure a relatively high degree of employment stability – were conceived in a situation of low and essentially cyclical unemployment; standardized production carried out by a relatively unskilled workforce; collective bargaining arrangements with various degrees of centralization and compression of wage structures; and one breadwinner per family. In this context, it was natural to have welfare services and transfers largely concentrated in the first and last part of a worker's life (covering basic education and retirement pensions) and in providing social insurance for temporary unemployment spells. The current and foreseeable features of the economic environment are gradually undermining all these elements.

The dominant policy paradigm places the individual at the centre stage: unemployment is mainly due to employment barriers faced by individuals who cannot respond adequately to labour market changes, especially technological changes. The ability of the European welfare states to sustain employment growth in the context of structural labour market changes is currently under test (Daguerre). Flexi-security has been seen as one of the best ways to address this challenge. According to Daguerre; from this standpoint, EU's structural rigidities – highly regulated labour markets, administrative burdens on business and stubborn trade-unions – might explain the productivity gap between the US and Europe as well as persisting low employment rates. Daguerre continues as;

However, given the popularity of the welfare state in Europe, to copycat US liberal policies – as in the UK – is not a viable solution. Aware of this problem, the defendants of flexi-security (to be found primarily in the UK, Italy, and Spain, but also the Netherlands, Denmark and Sweden) advocate the implementation of careful deregulation. However this concept, as helpful as it might seem at first, fails to acknowledge the very starting points of social policy systems across member states.

It is strongly mentioned in Daguerre's study that there is no single best way reconcile the conflicting objectives of social policy, i.e., full employment and labour productivity on the one hand and social equality on the other hand. Each welfare regime is confronted with specific endogenous challenges. Each country or rather, family of nations has thus devised its own strategy to address the issues at stake but there is little evidence of convergence within the EU

Esping-Andersen (1990, 1999) distinguishes European welfare states based on theory on the decommodification intended to capture the degree to which welfare states weaken the cash nexus by granting entitlements independent of market participation (Daguerre). Esping-Andersen (1990, 1999) distinguishes Nordic Universalist, Anglo-Saxon Liberal, Corporatist Continental and Mediterranean regimes. Despite the heterogeneity of European welfare states, jobless growth – growth without an accompanying increase in

employment - emerged as a worrying syndrome in Europe in Last decade. The comparison of the EU and the US in terms of employment performance suggests that relatively generous social policies have adverse effects on employment. This is known as the equality-efficiency trade-off (Daguerre).

Structural unemployment was diagnosed as a major Consequence of labour market rigidities by the OECD in the late 1980s and 1990s. Likewise, the EC stressed the importance of this phenomenon in the White Paper Growth, Competitiveness, and employment in 1993. Like the OECD, EU identified the relatively high cost of unskilled labour as one of the major explanation for the rigidity of unemployment. According to the studies of OECD and EC in 2001, the nature of the debate has changed in ten years: there is much more emphasis on poverty traps and inactivity traps than on structural unemployment (Daguerre). Daguerre continues that;

In fact, the idea of structural unemployment has vanished in major EU policy documents although there is still some major concern with long-term unemployment. Structural unemployment increasingly grew out of fashion in the late 1990s and was being replaced by the notion of an unemployable labour force due to structural changes in the labour market.

These changes result from a period from a period of very rapid economic transformation and globalization. In particular, technological change relates a cohort of low skilled, “unemployable” people who can be recycled only in low-paid jobs, just like in the US. The ability to create low-paid in the service economy could help solve the European disease of jobless growth provided the EU makes a deliberate attempt to equip its citizens with life-chance guarantees (Daguerre).

In Table 3.1, the unemployment rates in EU and member states re given. Unemployment rates represent unemployed persons as a percentage of the labour force. The labour force is the total number of people employed and

unemployed. Unemployed persons comprise persons aged 15 to 74 who were:

- a. without work during the reference week,
- b. currently available for work, i.e. were available for paid employment or self-employment before the end of the two weeks following the reference week,
- c. actively seeking work, i.e. had taken specific steps in the four weeks period ending with the reference week to seek paid employment or self-employment or who found a job to start later, i.e. within a period of, at most, three months.

The unemployment rate of EU-15 countries in 2003 is %8,1 Spain has the EU's highest unemployment rate. Daruerre states that, the changes in the labour market that create both new risks and new opportunities which are defined in the Joint report of EC on Social Inclusion, Employment and Social Affairs in 2002 (Daguerre). First, there is an increasing demand for new skills and higher levels of education. High-tech and knowledge-intensive sectors have contributed more than 60% of total job creation in the period 1995-2000. Second, there are also new job opportunities in services for people with low skills although this can lead to danger of persistent low paid and precarious paid employment, especially for women and youth. Third, there are more opportunities for part-time and new forms of work which can lead to new flexibility but can also result in more precarious employment. The share of part-time employment is %18,6 in 2003 (see Table 3.2). In the Netherlands %45 of employed work on part-time basis. Part-time employment has been criticized since it may trap low-skilled workers and older workers in precarious employment as the multiplication of critical accounts of the Dutch employment miracle suggests (Daguerre):

At the moment, large percentage of part-time work renders the Dutch employment miracle less miraculous.

The main concerns identified in Daguerra' study are;

- High youth unemployment,
- Low employment rate of older people,
- The ability of European economies to maintain labour productivity,
- The very rapid growth of the knowledge society and Information Communication Technologies is leading to structural changes,
- The selectivity of European labour markets increases the employment barriers of cohort of low-skilled workers. These workers are increasingly being used on a temporary basis in the service economy but with little or improved employment prospects.

Table 3.1 The Unemployment rate in European Union

| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|--------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| EU (15 countries) | 10,5 | 10,1 | 10,2 | 10 | 9,4 | 8,6 | 7,8 | 7,4 | 7,7 | 8,1 |
| Belgium | 9,8 | 9,7 | 9,5 | 9,2 | 9,3 | 8,6 | 6,9 | 6,7 | 7,3 | 8,1 |
| Denmark | 7,7 | 6,7 | 6,3 | 5,2 | 4,9 | 4,8 | 4,4 | 4,3 | 4,6 | 5,6 |
| Germany | 8,2 | 8 | 8,7 | 9,7 | 9,1 | 8,4 | 7,8 | 7,8 | 8,7 | 9,6 |
| Greece | 8,9 | 9,2 | 9,6 | 9,8 | 1,9 | 11,8 | 11 | 10,4 | 10 | 9,3 |
| Spain | 19,8 | 18,8 | 18,1 | 17 | 15,2 | 12,8 | 11,3 | 10,6 | 11,3 | 11,3 |
| France | 11,7 | 11,1 | 11,6 | 11,5 | 11,1 | 10,5 | 9,1 | 8,4 | 8,9 | 9,4 |
| Ireland | 14,3 | 12,3 | 11,7 | 9,9 | 7,5 | 5,6 | 4,3 | 3,9 | 4,3 | 4,6 |
| Italy | 11 | 11,5 | 11,5 | 11,6 | 11,7 | 11,3 | 10,4 | 9,4 | 9 | 8,6 |
| Luxembourg | 3,2 | 2,9 | 2,9 | 2,7 | 2,7 | 2,4 | 2,3 | 2,1 | 2,8 | 3,7 |
| Netherlands | 6,8 | 6,6 | 6 | 4,9 | 3,8 | 3,2 | 2,9 | 2,5 | 2,7 | 3,8 |
| Austria | 3,8 | 3,9 | 4,4 | 4,4 | 4,5 | 3,9 | 3,7 | 3,6 | 4,2 | 4,1 |
| Portugal | 6,9 | 7,3 | 7,3 | 6,8 | 5,1 | 4,5 | 4,1 | 4,1 | 5,1 | 6,3 |
| Finland | 16,6 | 15,4 | 14,6 | 12,7 | 11,4 | 10,2 | 9,8 | 9,1 | 9,1 | 9 |
| Sweden | 9,4 | 8,8 | 9,6 | 9,9 | 8,2 | 6,7 | 5,6 | 4,9 | 4,9 | 5,6 |
| United Kingdom | 9,3 | 8,5 | 8 | 6,9 | 6,2 | 5,9 | 5,4 | 5 | 5,1 | 5 |

Source: Eurostat

Table 3.2 Persons employed part-time
Share in total employment (%)

| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|--------------------------|------|------|------|------|------|------|------|------|------|------|
| EU (15 countries) | | 16 | 16,3 | 16,9 | 17,3 | 17,7 | 17,9 | 18 | 18,2 | 18,6 |
| Euro-zone | | 14 | 14,4 | 15 | 15,6 | 16,1 | 16,5 | 16,3 | 16,5 | 16,9 |
| Belgium | 12,8 | 13,6 | 14 | 14,7 | 15,7 | 19,8 | 20,7 | 18,5 | 19,4 | 20,6 |
| Denmark | 21,2 | 21,6 | 21,5 | 22,3 | 22,3 | 20,8 | 21,7 | 20,1 | 20,6 | 20,9 |
| Germany | 15,8 | 16,3 | 16,5 | 17,5 | 18,3 | 19 | 19,4 | 20,3 | 20,8 | 21,7 |
| Greece | 4,8 | 4,8 | 5,3 | 4,6 | 6 | 6,1 | 4,6 | 4,1 | 4,5 | 4,2 |
| Spain | 6,8 | 7,4 | 7,9 | 8,2 | 8 | 8,2 | 8 | 8,1 | 8 | 8,2 |
| France | 14,9 | 15,6 | 16 | 16,8 | 17,2 | 17,3 | 16,9 | 16,4 | 16,2 | 16,7 |
| Ireland | 11,3 | 12,1 | 11,6 | 12,3 | 16,7 | 16,7 | 16,8 | 16,6 | 16,5 | 17 |
| Italy | 6,2 | 6,4 | 6,6 | 7,1 | 7,4 | 7,9 | 8,8 | 9,1 | 8,6 | 8,6 |
| Luxembourg | 8 | 7,9 | 7,7 | 8,2 | 9,5 | 10,7 | 11,3 | 11,3 | 11,7 | 13,3 |
| Netherlands | 36,4 | 37,3 | 38,1 | 38 | 38,8 | 39,4 | 41,2 | 42,2 | 43,8 | 45 |
| Austria | | 13,9 | 14,9 | 14,9 | 15,8 | 16,8 | 17 | 17,2 | 18,9 | 18,6 |
| Portugal | 8 | 7,5 | 8,7 | 9,9 | 11,1 | 11,1 | 10,9 | 11,3 | 11,3 | 11,8 |
| Sweden | | 26,2 | 24,5 | 24,5 | 23,9 | 23,8 | 22,8 | 21 | 21,4 | 22,9 |
| Finland | | 11,8 | 11,6 | 11,4 | 11,7 | 12,2 | 12,2 | 12 | 12,4 | 12,9 |
| United Kingdom | 23,8 | 24,1 | 24,6 | 24,9 | 24,9 | 24,8 | 24,8 | 24,8 | 25 | 25,5 |

Source: Eurostat

Tables 3.3 Males employed part-time (%)

| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|--------------------------|------|------|------|------|------|------|------|------|------|------|
| EU (15 countries) | | 5,2 | 5,5 | 5,8 | 6 | 6,1 | 6,3 | 6,3 | 6,6 | 6,8 |
| Euro-zone | | 4,5 | 4,8 | 5 | 5,3 | 5,4 | 5,6 | 5,5 | 5,8 | 5,9 |
| Belgium | 2,5 | 2,8 | 3 | 3,3 | 3,5 | 4,7 | 5,9 | 5,2 | 5,9 | 6,3 |
| Denmark | 10 | 10,4 | 10,8 | 12,1 | 10,9 | 9,6 | 10 | 10,2 | 11 | 11,4 |
| Germany | 3,2 | 3,6 | 3,8 | 4,2 | 4,7 | 4,9 | 5 | 5,3 | 5,8 | 6,1 |
| Greece | 3,1 | 2,8 | 3,3 | 2,6 | 3,3 | 3,6 | 2,6 | 2,2 | 2,3 | 2,2 |
| Spain | 2,6 | 2,7 | 3,1 | 3,2 | 3 | 3 | 2,8 | 2,7 | 2,6 | 2,6 |
| France | 4,6 | 5 | 5,2 | 5,4 | 5,7 | 5,6 | 5,4 | 5 | 5 | 5,5 |
| Ireland | 5,1 | 5,4 | 5 | 5,4 | 7,8 | 7,4 | 7,2 | 6,5 | 6,5 | 6,7 |
| Italy | 2,8 | 2,9 | 3,1 | 3,3 | 3,5 | 3,4 | 3,9 | 3,8 | 3,7 | 3,3 |
| Luxembourg | 1,3 | 1,1 | 1,5 | 1,1 | 1,8 | 1,8 | 1,8 | 1,8 | 1,8 | 1,5 |
| Netherlands | 16,1 | 16,7 | 17 | 17 | 18,1 | 17,9 | 19,3 | 20 | 21,5 | 22 |
| Austria | | 4 | 4,2 | 4 | 4,4 | 4,4 | 4,3 | 4,3 | 5,1 | 4,8 |
| Portugal | 4,7 | 4,2 | 5,1 | 5,7 | 6,2 | 6,5 | 6,4 | 6,8 | 7,1 | 7,1 |
| Sweden | | 10,7 | 8,9 | 9,3 | 9,2 | 9,4 | 10,7 | 10,8 | 11,2 | 11,3 |
| Finland | | 8 | 7,9 | 7,6 | 6,9 | 7,9 | 8 | 7,6 | 8 | 8,3 |
| United Kingdom | 7,1 | 7,7 | 8,1 | 8,7 | 8,8 | 8,9 | 9 | 8,9 | 9,4 | 10,2 |

Source: Eurostat

Tables 3.4 Females employed part-time (%)

| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|--------------------------|------|------|------|------|------|------|------|------|------|------|
| EU (15 countries) | | 31,3 | 31,5 | 32,3 | 33 | 33,5 | 33,6 | 33,7 | 33,5 | 34 |
| Euro-zone | | 28 | 28,3 | 29,4 | 30,4 | 31,2 | 31,6 | 31,2 | 31 | 31,6 |
| Belgium | 28,3 | 29,8 | 30,5 | 31,4 | 33,3 | 39,9 | 39,9 | 36,8 | 37,7 | 39,7 |
| Denmark | 34,4 | 35,5 | 34,5 | 34,5 | 35,8 | 33,9 | 35,2 | 31,6 | 31,4 | 32 |
| Germany | 33,1 | 33,8 | 33,6 | 35,1 | 36,4 | 37,2 | 37,9 | 39,3 | 39,5 | 40,8 |
| Greece | 8 | 8,4 | 9 | 8,1 | 10,5 | 10,2 | 7,9 | 7,2 | 8,1 | 7,5 |
| Spain | 15,1 | 16,5 | 17 | 17,4 | 17,1 | 17,6 | 17,1 | 17,3 | 17 | 17,1 |
| France | 27,8 | 28,9 | 29,4 | 30,9 | 31,5 | 31,6 | 31 | 30,4 | 29,7 | 29,9 |
| Ireland | 21,7 | 23,1 | 22,1 | 23,2 | 30,1 | 30,5 | 30,7 | 31,1 | 30,5 | 31 |
| Italy | 12,4 | 12,7 | 12,7 | 13,7 | 14,4 | 15,7 | 17,4 | 17,8 | 16,7 | 17,2 |
| Luxembourg | 19,5 | 20,3 | 18,4 | 20,2 | 22,5 | 24,6 | 26 | 25,6 | 26,4 | 30,3 |
| Netherlands | 66 | 67,3 | 68,5 | 67,9 | 67,9 | 68,6 | 70,6 | 71,3 | 72 | 74,2 |
| Austria | | 26,9 | 28,8 | 29 | 30,3 | 32,5 | 33 | 33,6 | 35,7 | 35,3 |
| Portugal | 12,1 | 11,6 | 13 | 15 | 17,2 | 16,7 | 16,5 | 16,7 | 16,4 | 17,3 |
| Sweden | | 43,4 | 41,8 | 41,4 | 40,7 | 40 | 36,3 | 32,7 | 32,9 | 35,4 |
| Finland | | 15,8 | 15,6 | 15,6 | 17 | 17 | 16,9 | 16,7 | 17,1 | 17,8 |
| United Kingdom | 44,4 | 44,3 | 44,8 | 44,9 | 44,8 | 44,3 | 44,4 | 44,3 | 44 | 44,3 |

Source:Eurostat

Table 3.5 Persons employed part-time involuntarily
Share in total part time employment (%)

| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|--------------------------|------|------|------|------|------|------|------|------|------|------|
| EU (15 countries) | | 18,8 | 19,1 | 19,6 | 18 | 16,9 | 15,8 | 14,8 | 14,1 | 15,1 |
| Euro-zone | | 20,2 | 20,9 | 21,8 | 19,5 | 18,3 | 17,4 | 16,4 | 15,6 | 17,3 |
| Belgium | 28,4 | 27,7 | 26,5 | 26 | 26,2 | 20,3 | 22,2 | 20 | 15,8 | 17,5 |
| Denmark | 18,2 | 17,1 | 14,5 | 13,6 | 13,6 | 15,3 | 13,6 | 13,6 | 16 | 14,8 |
| Germany | 9,4 | 9,8 | 11,9 | 13,3 | 13,6 | 13 | 12 | 11,9 | 12,3 | 14,3 |
| Greece | 40,6 | 37,2 | 39,6 | 41 | 44,8 | 43,8 | 43,7 | 46,5 | 44,2 | 39,8 |
| Spain | 18,8 | 21,2 | 22,7 | 24,5 | 25,1 | 25,4 | 22,9 | 21,2 | 19,1 | 18,6 |
| France | 38,9 | 39,3 | 39,5 | 41,2 | 29,6 | 27,4 | 26,7 | 25 | 24,1 | 28,9 |
| Ireland | 32,9 | 32,5 | 29,9 | 25,2 | 24,4 | 17,6 | 15,9 | 14,2 | 13,7 | 13,8 |
| Italy | 36,9 | 36,9 | 37,6 | 37,9 | 36,8 | 36,4 | 35,6 | 33,8 | 31,1 | 30,2 |
| Luxembourg | 10,5 | 8,4 | 6,7 | 8,8 | 7,5 | 9,8 | 7,2 | 8,3 | 7,2 | 8,9 |
| Netherlands | 6 | 7,2 | 6,2 | 5,5 | 5,5 | 4,3 | 3,5 | 2,5 | 2,3 | 3,1 |
| Austria | | 7,3 | 9,3 | 8,4 | 15,2 | 11,7 | 10,7 | 10,8 | 9,3 | 9,4 |
| Portugal | 19,2 | 23,1 | 21,5 | 21,6 | 23,7 | 23,4 | 23 | 15,7 | 17,9 | 18,9 |
| Sweden | | 27,7 | 29,5 | 32 | 30,1 | 29,6 | 23,2 | 23,6 | 22,4 | 20,5 |
| Finland | | 43,7 | 40,9 | 37,6 | 33,4 | 37,9 | 34,7 | 32,8 | 31,5 | 30,3 |
| United Kingdom | 13,8 | 13,4 | 12,6 | 12,2 | 11,5 | 10,3 | 9,7 | 9 | 8,3 | 8,1 |

Source: Eurostat

Taylor-Gooby (2001:21) mentions that the economic changes associated with technological innovation and globalization exert additional pressures on jobs. One effect has been a general tendency for industrial employment to decline and service sector employment to expand. According to *OECD - Employment Outlook 1996* (Table D) statistics, the percentage of employment in service sector was %48 in 1973, and %41 in industry. In 2003, these ratios were %71,4 in service sector and %24,6 in industry. This trend is explicitly seen in Table 3.3 and Table 3.4 given in following pages. Although these statistics range from 1992 to 2003, the increase in service sector employment and decline in industrial employment are important indicators.

Taylor-Gooby (2001) mentions that;

These changes are seen as posing two problems for traditional welfare states. First, the shift away from the industrial sector may lead to higher unemployment or sub-employment in low-paid, insecure service sector “junk jobs”, expanding the need for welfare support. Second, the simultaneous pressures from globalization and technical change may imply transition to a “Post- Fordist” political economy with accompanying changes in the gender balance of work and of domestic responsibilities.....

Table 3.6 Total Employment Rates (%)

| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|--------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| EU (15 countries) | 59,8 | 60,1 | 60,3 | 60,7 | 61,4 | 62,5 | 63,4 | 64,1 | 64,3 | 64,4 |
| Belgium | 55,7 | 56,1 | 56,2 | 56,8 | 57,4 | 59,3 | 60,5 | 59,9 | 59,9 | 59,6 |
| Denmark | 72,3 | 73,4 | 73,8 | 74,9 | 75,1 | 76 | 76,3 | 76,2 | 75,9 | 75,1 |
| Germany | 64,7 | 64,6 | 64,1 | 63,7 | 63,9 | 65,2 | 65,6 | 65,8 | 65,4 | 65 |
| Greece | 54,2 | 54,7 | 55 | 55,1 | 55,5 | 55,3 | 55,7 | 55,4 | 56,7 | 57,8 |
| Spain | 46,1 | 46,9 | 47,9 | 49,4 | 51,2 | 53,7 | 56,2 | 57,7 | 58,4 | 59,7 |
| France | 59,1 | 59,5 | 59,5 | 59,6 | 60,2 | 60,9 | 62,1 | 62,8 | 63 | 63,2 |
| Ireland | 53 | 54,4 | 55,4 | 57,6 | 60,6 | 63,3 | 65,2 | 65,8 | 65,6 | 65,4 |
| Italy | 51,4 | 51 | 51,2 | 51,3 | 52 | 52,7 | 53,7 | 54,8 | 55,5 | 56,1 |
| Luxembourg | 59,9 | 58,7 | 59,2 | 59,9 | 60,5 | 61,7 | 62,7 | 63,1 | 63,4 | 62,7 |
| Netherlands | 64 | 64,7 | 66,3 | 68,5 | 70,2 | 71,7 | 72,9 | 74,1 | 74,4 | 73,5 |
| Austria | 68,5 | 68,8 | 67,8 | 67,8 | 67,9 | 68,6 | 68,5 | 68,5 | 69,2 | 69,2 |
| Portugal | 64,1 | 63,7 | 64,1 | 65,7 | 67 | 67,5 | 68,4 | 68,7 | 68,2 | 67,2 |
| Finland | 60,3 | 61,6 | 62,4 | 63,3 | 64,6 | 66,4 | 67,2 | 68,1 | 68,1 | 67,7 |
| Sweden | 70,2 | 70,9 | 70,3 | 69,5 | 70,3 | 71,7 | 73 | 74 | 73,6 | 72,9 |
| United Kingdom | 67,9 | 68,5 | 69 | 69,9 | 70,5 | 71 | 71,5 | 71,7 | 71,7 | 71,8 |

Source: Eurostat

Table 3.7 Services in % of total employment

| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|--------------------------|------|------|------|------|------|------|------|------|------|------|
| EU (15 countries) | 67.0 | 67.4 | 68.1 | 68.4 | 68.7 | 69.4 | 69.9 | 70.3 | 70.9 | 71.4 |
| Belgium | 72.3 | 72.7 | 73.2 | 73.8 | 74.2 | 74.7 | 75.1 | 75.4 | 76.0 | 75.6 |
| Denmark | 71.8 | 70.9 | 71.3 | 71.8 | 72.2 | 73.0 | 73.3 | 73.6 | 74.1 | 74.5 |
| Germany | 63.6 | 64.3 | 65.4 | 66.2 | 66.8 | 67.7 | 68.4 | 69.0 | 69.7 | 70.3 |
| Greece | 54.4 | 55.9 | 56.0 | 57.0 | 57.7 | 58.0 | 58.8 | 59.3 | 60.0 | 60.6 |
| Spain | 63.7 | 64.0 | 63.9 | 63.8 | 63.9 | 63.9 | 64.2 | 64.1 | 64.6 | 65.3 |
| France | 70.5 | 70.9 | 71.5 | 72.0 | 72.5 | 73.1 | 73.4 | 73.5 | 73.9 | 74.3 |
| Ireland | 59.6 | 60.3 | 61.1 | 61.0 | 62.2 | 62.8 | 63.3 | 63.8 | 65.0 | 65.8 |
| Italy | 62.6 | 63.0 | 63.8 | 64.0 | 64.3 | 64.9 | 65.5 | 65.8 | 66.2 | 66.5 |
| Luxembourg | 70.0 | 70.5 | 71.5 | 72.3 | 73.0 | 74.2 | 75.4 | 76.2 | 76.7 | 77.2 |
| Netherlands | 73.4 | 74.2 | 74.8 | 75.1 | 75.8 | 76.1 | 76.4 | 76.8 | 77.2 | 77.7 |
| Austria | 57.4 | 57.8 | 58.5 | 59.1 | 59.9 | 60.6 | 61.5 | 62.1 | 62.8 | 63.3 |
| Portugal | 54.3 | 54.5 | 54.2 | 52.3 | 51.4 | 52.9 | 52.8 | 53.2 | 53.8 | 55.0 |
| Finland | 64.8 | 64.9 | 65.5 | 65.5 | 65.9 | 66.0 | 66.4 | 67.1 | 68.0 | 68.9 |
| Sweden | 73.1 | 72.4 | 72.5 | 72.7 | 72.8 | 73.3 | 73.7 | 73.8 | 74.4 | 74.8 |
| United Kingdom | 76.2 | 76.4 | 76.7 | 76.6 | 76.6 | 77.6 | 78.3 | 79.2 | 80.0 | 80.4 |

Source: Eurostat

Table 3.8 Industry in % of total employment

| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|--------------------------|------|------|------|------|------|------|------|------|------|------|
| EU (15 countries) | 27,8 | 27,6 | 27,1 | 26,9 | 26,7 | 26,2 | 25,8 | 25,5 | 25,0 | 24,6 |
| Belgium | 24,8 | 24,4 | 24,0 | 23,5 | 23,1 | 22,7 | 22,4 | 22,3 | 21,7 | 22,2 |
| Denmark | 23,7 | 24,5 | 24,4 | 24,0 | 23,9 | 23,3 | 23,1 | 22,9 | 22,5 | 22,2 |
| Germany | 33,2 | 32,7 | 31,9 | 31,1 | 30,6 | 29,8 | 29,1 | 28,6 | 27,8 | 27,2 |
| Greece | 24,6 | 24,5 | 24,7 | 24,2 | 24,3 | 23,9 | 23,9 | 24,0 | 23,8 | 23,4 |
| Spain | 27,9 | 28,2 | 28,3 | 28,6 | 28,7 | 29,2 | 29,4 | 29,6 | 29,4 | 29,1 |
| France | 24,5 | 24,2 | 23,8 | 23,1 | 22,9 | 22,5 | 22,4 | 22,3 | 22,0 | 21,7 |
| Ireland | 27,9 | 27,8 | 27,7 | 28,6 | 28,8 | 28,6 | 29,0 | 29,1 | 28,1 | 27,7 |
| Italy | 31,1 | 31,0 | 30,5 | 30,4 | 30,4 | 30,1 | 29,6 | 29,3 | 29,2 | 29,0 |
| Luxembourg | 27,8 | 27,4 | 26,5 | 25,7 | 25,1 | 24,0 | 22,9 | 22,4 | 22,0 | 21,5 |
| Netherlands | 22,3 | 21,8 | 21,2 | 20,9 | 20,6 | 20,3 | 20,1 | 19,8 | 19,4 | 18,9 |
| Austria | 26,6 | 26,7 | 26,4 | 26,1 | 25,9 | 25,4 | 25,1 | 24,6 | 24,0 | 23,8 |
| Portugal | 35,0 | 34,9 | 34,6 | 35,2 | 35,3 | 34,5 | 34,5 | 34,0 | 33,8 | 32,3 |
| Finland | 26,8 | 27,1 | 27,1 | 27,5 | 27,7 | 27,7 | 27,7 | 27,3 | 26,7 | 26,0 |
| Sweden | 23,6 | 24,4 | 24,4 | 24,3 | 24,4 | 24,0 | 23,6 | 23,7 | 23,3 | 22,8 |
| United Kingdom | 22,5 | 22,5 | 22,1 | 22,1 | 22,2 | 21,2 | 20,6 | 19,8 | 19,0 | 18,7 |

Source: Eurostat

3.2. National or European Social Goals ?

The starting point must be whether Europe collectively faces broadly similar problems and whether approaching these collectively might be a superior strategy for all concerned (Esping-Andersen et al. 2001). The similarity of social objectives across Europe is quite striking. All member states are explicitly dedicated to job growth, investing in productivity of future workers, securing the long term sustainability of pensions and to promoting social inclusion in the quest for a more competitive knowledge-based economy. This easily invokes hard trade-offs. A full-employment strategy may catalyse a low-end labour market with widening wage inequalities. Sustaining welfare commitments through high taxes on labour may price less productive workers out of the market. So, there is a must to prioritize conflicting goals (Esping-Andersen et al. 2001).

One major reason why member states will need to embrace common social objectives lies in the deepening process of economic integration, with its implications of intensified commercial, monetary, and factor mobility. At the same time, economic integration intensifies the need to mobilise Europe's human potential. With economic interdependency, clearly the performance of one national economy will depend ever more on conditions among its neighbours. As governments search for workable solutions they usually learn from their own practice or from each other through best foreign practice. Member states may find that coordinated EU policy making offers them an attractive "learning" environment (Esping-Andersen et al. 2001).

All European nations face similar risks, needs and trade-offs. There is everywhere a rise in inequalities coming from the market and the manifestations of demographic change are similar. But it is equally true that the convergence of post-industrial challenges confronts different national welfare systems. Their

ability to respond effectively to new risks will hence inevitably differ due to their inherent strengths and weaknesses (Esping-Andersen et al. 2001). Each category of welfare regime is prone to a specific kind of disease in terms of labour market participation. There is a pattern of variation within each family of nations depending on the internal development. With respect to overall levels of employment, female employment, public employment and unemployment indicators, the Nordic Countries, Denmark, Finland and Sweden outperform the Anglo-Saxon and Continental models of welfare. The Anglo Saxon countries, Ireland and the United Kingdom display good levels of employment with relatively low rates of public employment. The Continental countries offer a mixed picture, with above average employment performance in the northwester part of the European continent including Austria, Belgium, France, Germany, the Netherlands and Luxembourg. Low levels of employment are evident, especially amongst women and elderly workers in Mediterranean countries like Greece, Italy, Spain (Daguerre).

3.2.1 The Anglo Saxon (Liberal) regimes

The Anglo-Saxon regimes in Europe compromise two countries: The UK and Ireland. According to Daguerre, Ireland and UK display the following characteristics of the Anglo Saxon regime: taxes are relatively low, wage dispersion, income inequality and poverty are high, labour markets are highly deregulated. The so-called “tax-wedge” – the difference between labour costs for employers and disposable incomes of workers- is also low in Anglo Saxon countries (Daguerre).

The Anglo Saxon welfare states of Ireland and the U.K. are also traditionally based on a flat rate, general revenue financed benefit structure. But over the past decades we have seen a clear redefinition in favour of limiting government’s responsibilities to acute ‘market failures’. Hence, the middle classes have been encouraged to opt into the private welfare market while

government has sought to target benefits more selectively to the needy. In parallel, the accent is shifting from conventional needs-tests towards work-conditional benefits. This shift is seen as a more effective response to two problems. Firstly, to what is perceived to be a widespread lack of adequate work incentives and, secondly, to the growth of low wage employment. It can, in fact, be regarded as a necessary cushion within increasingly de-regulated labour markets (Esping-Andersen et al 2001).

The accent on targeted and in-work benefits is often proclaimed to be an effective response to the new risk and needs structure, but this is far from certain. If benefits are work-conditional, they do not help workless citizens. To qualify, mothers with small children will, to begin with, require cheap day care. If eligibility is subject to a needs test, benefits are most likely set at a low level and coverage gaps and welfare dependency are likely to be substantial. Also, work-conditional benefits may produce unwanted externalities, such as downward pressures on wages (Esping-Andersen et al. 2001).

According to Esping-Andersen et al. (2001) state that; one driving principle behind more targeting and privatisation in Britain is to reduce public taxation and expenditure. This appears to have been accomplished to a degree, especially in terms of longer-term pension expenditure projections. But the secondary consequence is growing household outlays for private insurance coverage and it is doubtful whether there are any real total cost savings to be gained. The great Achilles heel here is that government's ability to raise more revenues, as well as its capacity to conduct an effective social policy, will be progressively impaired the more that citizens exit to the market. If the welfare state provides ever fewer benefits to the middle classes, their acquiescence to high taxation will gradually evaporate. The model may, therefore, face severely limited policy options to deal with pressing social problems in the future (Esping-Andersen et al. 2001).

3.2.3 The Nordic Countries

Norway, Iceland, Denmark, Finland and Sweden form the core of the universalist social democratic regimes. They are particularly prone – in theory – to the equity efficiency trade-off since they are characterized by high labour costs due to high level of taxation (Daguerre).

The Scandinavian welfare states are characteristic for their triple accent on universal income guarantees, 'activation' and highly developed services for children, the disabled and for the frail elderly. The broad and quite generous safety net of income guarantees is demonstrably an effective bulwark against poverty. Activation policies do appear to diminish long-term unemployment and care services to families have provided a double bonus: enabling women to have children and careers and also maximising employment levels. The Nordic approach is inevitably costly and, notwithstanding a more balanced revenue mix. So far it has been able to sustain heavy taxation successfully thanks to broad support from the middle classes. Still, the deterioration of Danish health care over the past decade bears witness to severe financial constraints. As the experience of Sweden during the 1990s economic slump suggests, the model relies very heavily on sustained full employment and growth. If growth remains sluggish and if market-driven inequalities and dualisms continue to strengthen, the Nordic model will be seriously tested (Esping-Andersen et al. 2001).

The Scandinavian welfare state is comparatively well positioned to face the exigencies of post-industrial change. It is effective in mobilising the most difficult labour reserves, such as single parents with small children, older workers, or people with disabilities. Along with Belgium, the Nordic countries are among the few OECD countries able to sustain *both* aged and child poverty at reasonably low levels. They demonstrate thereby that generous old age security is not *per se* incompatible with an active *pro-family* policy. Near-maximum employment, in turn, coincides with less early retirement and fairly high fertility. Perhaps the

most important lesson to be learned from Scandinavia is its quite successful investment in preventative measures (Esping-Andersen et al. 2001).

3.2.3 The Continental European Welfare States

The Continental type of welfare state includes France, the Netherlands, Germany, Austria, Luxembourg, Belgium and Switzerland. As Daguerre quoted from Esping Andersen, the continental regime is portrayed as avillian in comparative debate as shown by the metaphor of “frozen Fordism”. First, highly protective labour laws, high minimum wages, generous insurance entitlements have contributed to perpetuate the segmentation of the labour market. Second, in the 1980s-1990s the Continental welfare states tried to reduce labour supply, most notably through the development of early retirement schemes. Lastly, Continental welfare states have found it difficult to create jobs in the private sector, especially in the service economy, in sharp contrast to the Anglo-Saxon family. The Labour segmentation coupled with the inability to create jobs in the private sector has had serious adverse effects on the labour market integration of low-skilled workers, the young and women (Daguerre).

Employment-linked social insurance, such as prevails in most of Continental and Southern Europe, protects well those with stable, life-long employment, but far less those with a tenuous connection to the labour market. Hence, today it works poorly for women and for workers with irregular careers. Delayed entry into stable employment and more insecure work histories mean that citizens face difficulties accumulating sufficient pension credits. A heavy tax on employment may also impair the job prospects of young and less productive job seekers. Passive income maintenance, combined with strong job guarantees for male breadwinners, becomes problematic with rising marital instability and non-conventional households. Strong protection for the stably employed combined with huge barriers to labour market entry has, in many countries,

nurtured a deepening abyss between privileged 'insiders' and precarious 'outsiders' (Esping-Andersen et al. 2001).

To deal with 'atypical' risks, Continental European welfare states have either relied on continued family support or they have added *ad hoc* non-contributory programs, such as social pensions and various social minima to the system. An overly transfer-biased social policy is, arguably, an ineffective response to social exclusion. There is now a clear realisation across Continental Europe that services, especially for small children and for the frail elderly, are an urgent priority. Yet, the fiscal capacity to respond is limited due to a narrow tax base combined with costly pension commitments. The model is unusually vulnerable to employment stagnation and to the rising share of people who are economically inactive (Esping-Andersen et al. 2001).

Most Continental European welfare states find themselves in a 'welfare without work' trap, from which it is difficult to escape. Job growth in the market economy is made difficult by high wage floors and contribution burdens, and in public services because of severe fiscal constraints. In the absence of jobs, the response has been to subsidise early retirement requiring additional increases in social contributions. A common characteristic of most, but not all, Continental European welfare states is the narrow, or even non-existent, scope for investing in measures which might help people out of the 'welfare without work' trap (Esping-Andersen et al. 2001).

It is in this context, the 'Dutch miracle' assumes importance. In the 1980's the Netherlands epitomised the negative aspects of an overly passive, income maintenance biased approach with comparatively very low female employment levels and record high transfer dependency ratios. The Dutch labour market success story is based on a number of interrelated policies including, first of all, protracted wage moderation and a large number of people in adequately protected part-time and temporary employment. This was combined with a fairly

effective curtailment of prolonged welfare dependency but *not* to any significant erosion of social benefits. The result has been an impressive rise in female employment and in service jobs more generally (Esping-Andersen et al. 2001).

There is a strong pattern of national variation within each welfare regime. According to Deguerre, although Esping-Andersen typology is still a valuable tool for comparative analysis, most countries display a mixture of the characteristics attached to each family of nations. Each nation is faced with a different set of challenges depending on its degree of development and its structural characteristics. Some countries perform better than others in addressing the equity-efficiency trade-off.

Increasing employment rates especially among women, is ready to common objective of the EU member states. Quantitative employment growth might be nurtured by radical deregulation of wages and job security. But if Europe remains committed to basic employment rights, truly decent earnings and gender equality, numerical employment objectives must by necessity be accompanied by quality improvements (Esping-Andersen et al. 2001).

In the light of the diversity of national welfare systems, it is additionally fruitless to contemplate a single design for all nations even if they do face rather similar problems. Just as no EU member state is likely to privatize its welfare state, neither is a radical welfare regime change likely to occur. The institutional framework of national welfare systems are historically “locked in” and any realistic move towards common objectives must presume that such, if accepted, will be adapted to national practice (Esping-Andersen et al. 2001).

CHAPTER 4

EUROPEAN SOCIAL POLICY

Jean Monnet saw the construction of Europe as a process of economic integration leading to political union. In that phase, the move towards a single European market was necessarily accompanied by the concept of a European social “dimension” dealing with fundamental problems such as employment, free movement, and social solidarity, working conditions, social security and training. But, economic community cannot survive without some social grounds (CEC 1993).

European Union social policy has covered a wide range of areas. These include equality of opportunity, health and safety matters, employment and labour law matters, issues of social security as well as action focused on specific points such as poverty and the role of the disabled. It has been developed both through the evolution of the Treaties and by social and economic change. European social policy fulfilled three major functions:

- To provide a legal framework in specific given areas of the Treaty designed to connect the dialogue between the social partners, thereby contributing to the definition at various levels of fundamental social rights for workers;
- To give substantial support in particular for training and employment measures, thereby contributing to the redistribution of financial resources;
- To stimulate and encourage cooperation between various actors of social policy, the setting up of networks and partnerships, the exchange of information and the promotion of innovation, good practice and policies.

The purpose of European integration according to the Treaties:

The Community (the EU) shall have as its task (...) to promote throughout the Community a harmonious, balanced and sustainable development of economic activities, a high level of employment and of social protection, equality between men and women, sustainable and non-inflationary growth, a high degree of competitiveness and convergence of economic performance, a high level of protection and improvement of the quality of environment, the raising of the standard of living and quality of life, and economic and social cohesion and solidarity among Member States.

Article 2 of the Treaty establishing the European Community (EC) as amended by the 1997 Amsterdam Treaty. The EC is, as the “first pillar”, a part of the European Union.

European Union firmly believes that while strong competition between companies is necessary to improve productivity and growth, strong solidarity between citizens is equally vital to create a stable society and widely shared prosperity. The EU does not deal with European employment and social policy on its own, nor does it bear sole responsibility for it. In accordance with the principle of subsidiarity, Europe deals only with matters where an EU solution makes more sense. The EU has laid down only minimum standards and rights. Member States can adopt rules and regulations which go further than European social provisions (DEC 2000).

Social policy and employment require the inclusion of all social partners to create “civil dialogue” in cooperation with associations and non-governmental organizations (NGO) and “social dialogue” through social partners to constitute link between the citizens and the EU.

By the mid-1990s, Europe had to deal with intolerable levels of unemployment while at the same time find ways to restructure employment relations and welfare systems to take account of internal changes and external

shocks (Esping-Andersen 1996). Unemployment reached intolerable levels: the EU average exceeded 10% and several countries had levels far above that (see Table 3.1). It was becoming clear that prior strategies to deal with unemployment were exhausted and innovation was required. Measures to attack joblessness that had seemed to work in the past, such as encouraging early retirement, were proving to be unsustainable and new measures to cut the unemployment rolls were urgently needed. Moreover, reformers saw that it was necessary to go beyond short-term job-creation schemes. If they were to preserve the core values of the Social Model, they would also have to adapt industrial relations policies to a changing workplace and workforce, recalibrate welfare state policies, and adjust to external shocks.

The European Social Model had been constructed in a different time. Traditional European industrial relations systems were organized to protect a largely male workforce, usually employed on a full time basis and often at a single firm for life. But now, women were entering the workplace in increasing numbers, skill demands were increasing, and workers faced the need to renew their skills more frequently. Also, in an increasingly volatile economy, workers needed to be able to move from firm to firm more easily without losing social benefits. There was increased demand for, and supply of, part time work. And it was becoming clear that income maintenance and pension policies had to be modified to deal with an aging population and the negative impact that welfare state financing was having on employment (Trubek & Mosher 2001).

In addition, Europe had to find ways to deal with potential external shocks brought about by the creation of the single market and globalization. Many feared that these twin shocks would erode the European Social Model. They saw that the single market in Europe and overall integration of the world economy could set off a race to the bottom in labor standards and the fiscal capacity of individual nations. Finally, these challenges had to be faced in a period of slow economic growth when most countries faced severe budget

constraints in the run-up to European Monetary Union and in a political environment in which opponents of the Social Model were proposing to dismantle many protections and substantially reduce benefits. The resurgence of neo-liberal rhetoric, with calls to roll back the welfare state and create more "flexible" labor markets, reflected a power struggle that played itself out on both the national and the European Union level (Trubek and Mosher 2001).

4.1 1993-GREEN PAPER EUROPEAN SOCIAL POLICY - Options for the Union

The Western socio-economic model was built on twin foundations in the post-World War II period: full employment and the welfare state. Coupled with political democracy and human rights these constituted the pulling power. With the disappearance of a two-block world strategic system, in which defence and the nuclear balance dominated, world strategic competition and cooperation will be increasingly based on success in socioeconomic development, involving different and, to some extent, competing forms of capitalism (CEC 1993).

The recession after the 1970s oil-price shocks revealed the new challenges concerning employment, the welfare state and equality of opportunity. Although there was a substantial European recovery in the 1980s, with nine million new jobs created, unemployment has continued to rise and the welfare state is confronted by new pressures (CEC 1993).

In 1993 the Commission launched a wide-ranging consultation on the future of European social policy.

It is important to underline that high standards of social protection have been a major contributory factor in Europe's economic success in the past. But

there is also another part stating that this contribution is unaffordable. The full employment of economic resources could be maintained through the level of economic demand; the welfare state would transfer income to those at risk of poverty through unemployment, ill-health or old age. The active population would finance a guaranteed and minimum income for non-active population. In this sense, social policy was largely based on the transfer of income through the tax system and the development of social security systems based in certain countries on contributions by employers and workers to maintain incomes in times of need. But, as in the Green Paper (CEC 1993) it is mentioned that, there are a number of major reasons for looking afresh at this approach:

- First, the citizens of advanced, industrialized democracies such as those in the European Community have difficulty in forging a personal and social identity when they are a part of the non-active population. As new jobs are created in Europe, new groups enter the labour market because there is a latent “social” demand for work, as well as the economic demand arising from the wish to maintain or expand family income;
- Second, the world goes under structural change. Globalization process which implies ever greater ability on the part of economic actors to cope with permanent change and a need to adjust more rapidly;
- Third, demographic trends include several components which have a significant bearing on the future of social and economic policies:
 - The ageing of the population and its effects on social protection, future employment trends, the shifting balance between active and non-active population, the integration and participation of older people in social and economic life;
 - Population movements, in particular new trends in immigration flows with their social and political consequences
 - The change in the family structure, changing roles of the parents,

- The development of new technology has impressive effects on the organizations and the approach to work. This new situation, as it is mentioned in the previous chapters, led to new form of working time, pay and job specification. Also, new approaches to the collective bargaining and negotiation are needed.

The escalation of the costs of social security system became very important issue in the agenda. Since, there is a high risk and doubt about the ability of the Community to continue to fund these systems in the future. Social security system depends on a “dual society” in which wealth creation is primarily stems from a highly qualified labour force and income is transferred to growing number of non-active people. It is evident that the because of the growing number of non-active portion of the population, society will increasingly become less cohesive (CEC 1993).

In the 1993- Green Paper –Options for the Union Commission states that; there is no single solution to these matter but, the answers to the three inter-related questions linked to the fundamental objectives of the Treaty on European Union and to the social foundations of the future Europe:

- Is there a route back to full employment?
- Should the welfare state be given a new role?
- What is the next stage in equality of opportunity, without which European democracy will falter?

Depending on the structural problems, changing context of the world and globalization mentioned in the previous chapters and this chapter, Europe’s efforts to turn back to the full-employment seems not an attainable objective. Global international competition is pushing Europe to frontier of new

technologies, to a new balance between manufacturing, services and agriculture (see Table 3.6, Table 3.7 and Table 3.8), to different combinations of physical and human capital and to a society in which individuals have to change their skills and qualifications over the course of their lives.

Commission (1993) points that; the ability of the Community to provide jobs for all those people who might wish to work is far lower than other comparable economies (USA, Japan, and EFTA). This means that it is necessary to create a large number of new jobs in order to have any real impact on unemployment levels. Commission mentions that the outcome in terms of unemployment depends on how successfully the adaptation of the labour force is managed and the scale on which new jobs are created. This is the reason why a dynamic approach is needed by employers, trade unions and governments to new sources of job creation, new forms employment, work organization and qualifications.

It is important to recognize that in modern societies, where labour markets will be required to be more flexible, individuals need social protection. Social welfare and social protection face five main problems (CEC 1993) ;

- The evolution of the labour market and in particular rising unemployment (see Table 3.1);
- Demographic trends and in particular rising unemployment;
- Changes in family structure;
- The growing incidence of poverty and social exclusion;
- A massive increase in demand for a whole range of social services.

Commission (1993) states that, the extent to which Europe succeeds in making progress towards the common social goals of the Union will depend substantially on its capacity to generate the necessary wealth. Europe is

therefore compelled to be at the forefront of economic and technological progress. Theories of the “post-industrial society”, the “information” or “knowledge” society are all attempts to identify this new revolution based on the new information and communication technologies, and their impact on production and society. Commission points three main components for this new model of sustainable development:

- A new potential for growth and job creation which results from the new wave of generic technologies;
- The changes in the production process and in skill needs, work organization, working organizations and industrial relations which are needed to explore this new potential;
- The results in terms of society and the quality of life.

And also, Commission (1993) mentioned certain major objectives could be the subject of consensus and could serve as guidelines for policies at various levels:

- Properly directed social instruments contribute to the stable growth of output and jobs and to social and political stability;
- Social expenditure has to be pursued within the limits of public budgets and insurance funds but economy measures should respect programme effectiveness and social goals, including equity and solidarity;
- The welfare state has to evolve towards an optimal balance between public, private-collective and individual provision, involving new partnerships in both the financing and delivery of services and recognizing the need for the state to regulate the overall system;
- Social protection and labour market policies should where possible be directed towards the positive goals of human resource development, individual self-sufficiency and the integration of individuals into society

whilst recognizing the overriding need to provide a minimum, decent level of income to that distress.

The causes and the consequences of the high and rising unemployment in Europe is a serious challenge facing Union. Commission (1993) state that, these high levels of unemployment are both the result and the cause of the Community's declining international competitiveness. They are the result, because Europe's inability to create enough jobs stems from a lack of growth and inadequate wealth creation. They are the cause, because unemployment means wasting one of Europe's greatest assets –the skills and creativity of its people- and because of the unemployment to the public. Community (CEC 1993) suggested the areas of analysis and action mentioned below;

- Improved adaptability at the workplace and the development of new types of employment based on innovative forms of work organization;
- Modifying the incidence of taxation;
- Encouraging new working time structures to share jobs;
- Improving training systems to bring more people into work and better to anticipate structural change to industry;
- Better exploitation of the employment growth potential of new areas of work;
- Creating employment through small businesses and self employment and encouraging the promotion of the enterprise culture;
- The development of local initiatives and strengthening the capacity of local areas to sustain and generate employment.

Commission (1993) mentions that, there is not a single solution and an improvement in the situation will come from the cumulative impact of a series of policy measures and the mix of measures will vary greatly from member state to member state, given the diversity of their situations. An example for this situation

is the issue of work sharing. Some people object to work sharing based on the idea of restricting labour supply or sharing a fixed volume of work. According to Commission (1993), the concept can make considerable sense when linked to new patterns of working time, more flexible working hours, more alternation between work and training and more flexible retirement. Moreover there is a well-established secular trend towards reduced working hours as a natural outcome of productivity gains. Thus, particularly in the context of a shift towards quality production processes, more flexible and even reduced working time can be an integral part of the process of change. On the other hand, Commission (1993) states that the policies of 1990s tend to squeeze some groups out of the labour market altogether, leaving them totally dependent on income transfers from the social protection systems.

Depending on the new production process, productivity from the new technologies depends on the social negotiations and it has impact on living and working conditions which will in turn affect the quality of life. In order to act parallel with the rapid changes in technology and production so as to facilitate the new forms of flexibility those enterprises need. But this can be achieved only by establishing necessary protection to workers.

The principal effects of the new production process, varying according to the sectors, constituted a general basis around which discussions and negotiations were expected to take place:

- The shift towards more decentralized management structures and shorter, faster production cycles, involving more responsible roles for workers;
- Big changes in occupations and skills, on the job training, upgrading of qualifications and broader job classifications;

- New patterns of working time, involving new work schedules corresponding to the aspirations of the workforce and intensive use of capital equipment;
- A changing pattern of trade union and business organization.

The entry into force of the Maastricht Treaty has created a new situation in relation to social policy at European level. In the first instance, there is the existence of Agreement on Social Policy. The Agreement seeks to clarify the kind areas which the Union's social policy would cover and also establishes new procedures for decision making. In terms of the substance, the Agreement sets out the following objectives;

The promotion of employment, improved living and working conditions, proper social protection, dialogue between management and labour, the development of human resources with a view to lasting high employment and combating of exclusion...

It identifies two groups of areas of activity;

- To be decided on the basis of qualified majority voting which covers:
 1. improvement in particular of the working environment to protect workers' health and safety;
 2. working conditions;
 3. the information and consultation of workers;
 4. equality between men and women with regard to labour market opportunities and treatment at work;
 5. the integration of persons excluded from the labour market.
- To be decided by unanimity which covers;

1. Social security and social protection of workers;
2. protection of workers where their employment is terminated;
3. representation and collective defence of the interests of workers and employers;
4. conditions of employment, for third-country nationals legally residing in Community territory;
5. financial contributions for promotion of employment and job creation, without prejudice to the provisions relating to the Social Fund.

In terms of procedures, the major innovation of the Agreement is to formalize a process of two stage consultation with the social partners, which can lead to negotiation of collective agreements at European level.

4.2 1994 White Paper on European Social Policy – A way forward for the Union

The White Paper was the result of the consultative procedure engendered by the Green Paper on European Social Policy given in the previous section which involves institutions, Member States, employers, trade unions, public bodies and individuals.

It seeks to set out the main lines of action at Union level. The proposals on employment and training are an integral part of the process initiated by the White Paper on growth, competitiveness and employment.

The White Paper responds to the social goals set for the European Union by its Members, of which Article 2 of the Treaty on European Union is the clearest expression.

The activities and proposals set out in White Paper were given below under sub-headings (CEC 1994);

4.2.1 Jobs - The top priority

The Commission set out a framework for employment in May 1993 and, in December 1993, published the White Paper on growth, competitiveness and employment. This strategy was endorsed by the Brussels European Council in December 1993.

Economic policies must remain geared, on a long-term basis, to the creation of jobs, by promoting a labour-intensive pattern of growth, encouraging active labour-market policies, and by improving access to the labour market, particularly for young people.

In the field of employment, the Commission (CEC 1994) proposed to:

- strengthen its existing cooperation with Member State authorities - notably the Directors-General of Employment - regarding policy development, and present regular reports on the basis of comparative tables outlining the Member States' progress in following up the action plan agreed at the Brussels Summit;
- develop Union-level cooperation between all Directors-General whose responsibilities concern or affect employment, including the Ministries of Employment, Social Protection, Education and Training;
- expand the policy content of its annual Employment in Europe reports and extend the policy debate in its annual Employment in Europe conference to assess the impact of current economic policy on employment, given that levels of employment reflect a wider macro-economic policy;

- strengthen its employment observatory system and databases on labour-market measures in cooperation with the Member States, and work with the latter, in particular by developing better and more up-to-date comparative statistics on the structure of employment;
- consolidate the European Employment Service (EURES), set up to inform, counsel and place job-seekers across Europe.

4.2.2 Investing in a world-class labour force

The Commission (CEC 1994) intended to present further proposals in 1995, within the framework of Article 127 and taking account of the recent decisions on the LEONARDO and SOCRATES programmes, linked to the overall plan of action for employment, focusing on priority aspects set out in the White Paper on growth, competitiveness and employment and designed, in the context of national structures, to:

- provide a Union-wide guarantee that no young person can be unemployed under the age of 18. They should be guaranteed a place in the education and training system or in a linked work and training placement. The contribution of the Union is to underpin this with the Youth Start initiative;
- set progressive targets up to the year 2000 for the elimination of basic illiteracy and lack of other basic skills among school-leavers;
- raise the status of initial vocational education and training, and encourage the development of the entrepreneurial skills of young people and their capacity to exploit the new technologies through appropriate work experience;

- extend the scope and range of existing apprenticeship schemes and/or other forms of linked work and training, in active cooperation with the social partners (management and labour);
- improve the coordinated provision of guidance and placement services, especially at local level, to provide systematic advice to young people on career and job opportunities;
- examine ways of introducing tax incentives for firms and individuals to invest in their continuing training, as an expression of public policy commitment to the development of lifelong learning opportunities for adults.

In addition, in cooperation with the Member States, the Commission is to review the arrangements for management education and training in the Union and identify ways of promoting cooperation and the dissemination of good practices. Finally, a new research initiative on education and training has been introduced within the fourth framework programme. As far as the Social Fund is concerned, the Commission (CEC 1994) is promoting a targeted approach with the aim of:

- improving access to and quality of initial training and education, especially through the implementation of Youthstart;
- increasing competitiveness and preventing unemployment by adapting the workforce to the challenge of change through a systematic approach to continuing training;
- improving the employment prospects of those exposed to long-term unemployment and exclusion, through the development of a package of measures forming a pathway to reintegration.

4.2.3 Encouraging High Labour Standards as part of a Competitive Europe

The labour market has more flexible forms of work contract (fixed-term, temporary and part-time). The Commission (CEC 1994) believes that, its proposals in this area may have to be reformulated. The measures adopted will need to take account of the principles of the ILO Convention on part-time work adopted in June 1994. If no progress could be made in the Council in 1994, the Commission would initiate consultation with the social partners under the Agreement on social policy.

The Member States were divided in their opinions about the need for further legislative action on labour standards at European level. A range of areas had been put forward for legislative action at Union level (CEC 1994):

- protection against individual dismissal;
- protection of the privacy of workers in particular with regard to the processing, including the collection and disclosure, of personal data;
- equal treatment in the case of part-time work and work on fixed-term contracts;
- the prohibition of discrimination against workers who uphold their rights or refuse to perform unlawful tasks;
- the right to payment of wages on public holidays and during illness;
- the right of the worker to be heard in internal company matters which concern him or her directly.

4.2.4 Building a European Labour Market.

In order to remove the remaining legal barriers to free movement of workers, the Commission would press for adoption of the proposed measures

for reuniting families, equal treatment, and strengthening of residence entitlement for workers in an atypical employment situation (CEC 1994).

In addition, the Commission (CEC 1994) decided to:

- use all available means to ensure real and effective implementation of the rules, including legal procedures where necessary. Member States should provide adequate training and information to officials at all levels in order to alleviate cumbersome administrative procedures;
- evaluate the measures already taken at Union level to promote mutual recognition of diplomas and comparability of qualifications, for the purpose of exchanging experience and information and enhancing transparency for both employers and workers. In addition, thought should be given to promoting academic recognition of diplomas and periods of study in order to facilitate the mobility of students and researchers;
- propose that the general system for recognition of diplomas be extended to professions not yet covered and continue the evaluation of measures already taken to facilitate the provision of services by, and the establishment of regulated professions in, the Union;
- put forward proposals supplementing its recommendation of 21 December 1993 to solve the taxation problems of workers exercising their right to freedom of movement, with particular reference to frontier workers, in the interest of equal treatment.

In the field of social security, the Commission (CEC 1994) proposed:

- a wide-ranging technical revision and restructuring of the coordination of social security provisions in order to keep pace with developments and the needs of people, and to simplify the rules. The Commission would identify existing problems, in order to assess the extent and implications of the necessary changes. This analysis would serve as a basis for

discussion of the strategy for modernization and simplification, involving governments and the social partners, and for submission of a concrete proposal.

Union action was also needed to preserve and to improve on what has been achieved so far. The Commission declared to bring forward legislative proposals covering (CEC 1994):

- the need to maintain adequate protection for people moving across borders as regards occupational and other social security schemes supplementing or substituting for the protection guaranteed by law. As regards occupational pension schemes, it is envisaged that the Union's role in overcoming the obstacles to mobility already identified in the Commission's communication of 1991 will be to establish a general framework of broad objectives, and a proposal for a directive is to be presented towards the end of 1994;
- coordinating provisions for certain new types of benefit created by Member States in recent years, such as education benefits and benefits for persons in need of long-term care;
- third-country nationals who are legally employed and resident within the Union and who, when staying temporarily in another Member State, suffer multiple disadvantages because they are not covered by the coordinating provisions. As a first step, they should be entitled to necessary healthcare benefits;
- the need to adapt Union rules on unemployment benefits for persons seeking work in another Member State. The existing rules were adopted when unemployment rates were comparatively low, and need to be adapted to today's labour-market situation without, however, creating additional financial burdens or incentive for abuse;

- early retirement schemes based on industrial agreements, which are not covered by the coordinating rules and which pose various problems affecting, in particular, frontier workers;
- EURES (European employment services).

4.2.5 Equal Opportunities for Women and Men

4.2.5.1 Desegregating the Labour Market and Promoting the Value of Women's Work

The Commission (CEC 1994) decided to:

- introduce codes of practice on equal pay for work of equal value (a follow-up to the memorandum adopted in June 1994), on training and on vertical desegregation;
- adopt measures to enhance the skills and professional qualifications of women, including measures to help women set up their own businesses;
- make proposals for the removal of discriminatory fiscal and social protection policies, and for the individualization of rights

4.2.5.2 Reconciling Employment and Household/Family Life

The Commission (CEC 1994) decided to:

- follow up the childcare recommendation by assessing its implementation, establishing baseline data on childcare infrastructure and services in the Member States, and looking at ways of addressing the issue of stereotyped roles of the sexes in society;
- undertake an economic assessment of the job-creation and reflationary potential of the infrastructure and services for children and dependent persons. This will include an assessment of the use of quantitative and qualitative targets for the improvement of childcare

provision, and the potential use of fiscal and financial instruments to improve such infrastructure and services.

4.2.5.3 Social policy and social protection

At the Council's request, the Commission would continue to analyze the Member States' social protection policies.

The Commission (CEC 1994) intended:

- to monitor the social challenges that Member States face, as regards social protection expenditure, through regular discussions with the Directors-General for Employment and Social Protection, and through consultation with the social partners and others involved in the socio-economic context. The report on social protection in Europe played a key role in the monitoring process.

Drawing on these exchanges of experience, the Commission (CEC 1994) would give consideration to:

- a supplementary recommendation on the adaptation of social protection systems to changing family structures, notably through the individualization of rights and contributions on the basis of a comparison of actual gender inequalities in the field of social security;
- a recommendation on the financing of social security, setting out common guidelines to promote better adaptation of social security to employment promotion while maintaining solidarity networks and permitting the coexistence of different national systems;
- a recommendation on long-term care insurance for people who become dependent.

Finally, in order to ensure the equal treatment of women and men in the field of social protection, the Commission (CEC 1994) would propose:

- an amendment to the Directive on equal treatment in occupational social security schemes. It is necessary to promote the social integration of all. The Union must ensure that the most vulnerable groups (people excluded from social and economic life, young people, the long-term unemployed, older people and the disabled) are not excluded from the benefits of economic growth or from making an active contribution thereto.

4.2.5.4 Trade unions, employers' organizations and voluntary organizations as partners in the process of change

Cooperation between the social partners had been consolidated by the new framework defined by the Agreement on social policy. The Commission (CEC 1994) would bring forward proposals for decisions aimed at re-examining:

- the terms of reference and composition of the Standing Committee on Employment in the light of the implementation of the Agreement on social policy. Consideration would be given to assigning a new role to it in the form of a Standing Committee on Employment and Social Policy;
- the number, terms of reference, scope and composition of the sectoral social dialogue committees. Linkage with existing multi-sector consultative committees, strengthened where necessary, would be improved.

With a view to helping the social partners to develop the social dialogue, the Commission intended to put forward:

- a discussion document on the development of the social dialogue, focusing on balanced support for the parties concerned and implementation of Articles 3 and 4 of the Agreement on social policy.

The Commission (CEC 1994) believed that, in order to respond to the current changes in the labour market, the social dialogue could usefully be broadened in a number of ways. In this context, it would make proposals to:

- encourage the social partners at European level to consider how the search for high labour standards can be pursued as an integral part of improved productivity. This would cover such issues as access to continuing training for all employees (including management), new mechanisms for ensuring employee participation and full exploitation of all the new opportunities offered by the new technologies.

Other proposals would aim to:

- increase the involvement of the social partners at European level in addressing the question of the conditions of employment of third-country nationals legally resident in the Union and the possible adoption of good employment practice against racial discrimination, devising measures to support positive action for women within the public and private sectors, encouraging model employers to help disabled people at work, and addressing major new issues such as reconciling family and working life, exclusion and ageing. While recognizing the role played by consensus and collective agreements between employers and trade unions in the European social model, it is clear that voluntary and other representative organizations have a right to be consulted by the Union. A distinction has to be drawn between the negotiating processes now established under the Agreement on social policy and the consultations which the European Union must undertake to deal with social problems which cannot be resolved by collective bargaining.

4.3 Social Action Programme 1995-97

The purpose of the exercise, which was driven by the Green and White Papers on social policy in 1993 and 1994 given in previous sections, was to develop a broadly-based innovative and forward-looking approach to European social policy . The result was the medium-term Social Action Programme.

4.4 The Amsterdam Treaty

The Amsterdam Treaty, which was agreed upon in 1997 and entered into force in May 1999, marked a major point for European employment and social policy.

Article 125 of the EC Treaty sets out the objectives of the European Employment Strategy: "Member States and the Community (the EU) shall (...) work towards developing a coordinated strategy for employment and particularly for promoting a skilled, trained and adaptable workforce and labour markets responsive to economic change (...)"

In Amsterdam, the Heads of State or Government added an entire chapter on employment to the Treaty and for the first time declared employment policy to be a common European task. The Treaty made this policy EU-wide. During the 1990s most of the EU social policy measures were depending on the "Agreement on Social Policy " appended as a protocol to the 1992 EU Treaty and on the Community Charter of Fundamental Social Rights of Workers adopted by the Heads of State or Government in 1989. The fundamental rights for workers proclaimed by the governments included safety and health protection at work, training, and equal treatment for men and women. Whereas the Charter was not a legally binding document, the Agreement on Social Policy ensured that the EU was able to take action in the social fields covered by the Charter. However, the United Kingdom signed neither the Charter nor the Agreement on

Social Policy. As a result, some EU legislation in the social policy field was applicable in only 14 of the 15 Member States. The Amsterdam Treaty ended this split development of EU social policy. The agreement became an integral part of the Treaty and its provisions are applied without distinction to all Member States (DEC 2000).

4.5 Social Partners

The social partners are the trade unions and the employers' organizations. Their European umbrella organizations play an important role in contributing, in line with the established procedures, to the shaping and substance of European employment and social policy. In 1985 the European Employers' Confederation (UNICE), the European Trade Union Confederation (ETUC) and the European Centre of Enterprises with Public Participation (CEEP) agreed to work together on a regular basis (DEC; 2000).

The entry into force of the Maastricht Treaty and its social chapter brought with it an obligation on the Commission to consult the social partners in advance of adopting legislative proposals in the following fields (Article 137) stated in the Commission Report on Industrial Relations in Europe:

- improvement, in particular, of working environment to protect workers' health and safety;
- working conditions;
- information and consultation of workers;
- equality between men and women with regard to labour market opportunities and treatment at work;
- integration of persons excluded from the labour market;
- social security and social protection of workers;
- protection of workers where their employment contract is terminated;

- representation and collective defence of the interests of workers and employers;
- conditions of employment for third-country nationals legally residing in Community territory;
- financial contributions for the promotion of employment and job-creation, without prejudice to the provisions relating to the European Social Fund.

Article 138 of the Treaty entitles the social partners to be consulted in two stages, first on the need for and possible direction of Community action and on its content. At the end of the consultation process, the organizations can present an opinion or a recommendation to the Commission to inform the Commission of their intention to open negotiations on the subject covered by the consultation. In this case, the social partners have an initial period of nine-months to reach an agreement. Where the social partners do not take the initiative, the Commission resumes its active role (DEC 2000).

The Agreement on Social Policy from 1992 turned trade unions and employers' organizations into specialist advisers to the European institutions. But, 1997 Amsterdam Treaty made them joint decision-makers. When the social partners have entered into agreements, they can represent them to the European institutions for transformation into European law (DEC; 2000).

A key feature of the Commission's method of work in bringing forward proposals in the social field has been practice of extensive consultation of the social partners at various stages. In parallel with legal provisions and complementary to them, the development of social dialogue between employers and unions is a major feature of the evolution of European Social Policy. The single European reinforced structures for social dialogue, which were the component of the Social Agreement of the Treaty on European Union. The

emphasis placed on this is the indicator of the effort to promote the development of social policy, negotiation and consensus (DEC 2000).

The introduction of new technologies into working life changes working day of many employees and employers in the European Union. The social aspects of the information society and successful modernization of work are under the examination of the European Commission together with the social partners. It is mentioned (DEC 2000) that, the Commission had called on the social partners to enter into framework agreements on the reorganization of work, agreements which include reconciling employees' needs for security with employers' needs for maximum flexibility. The EU is advocating partnership-based solutions wherever possible, for example the introduction of alternative working time models or new types of contract.

Although every Member State has its own labour law, the economic developments leading to the completion of a common market soon encouraged governments to aim at a standardised minimum level of employee protection throughout Europe. The important point is the protection of workers while ensuring competitiveness of the EU (DEC 2000).

It is given (DEC 2000) that, significant European rights in connection with working time, new forms of contract and parental leave have been achieved through the "social dialogue". During the 1990s, the social partners' umbrella organizations entered into agreements on parental leave, part-time work and fixed-term employment. It is mentioned that the most important outcome of these agreements is that an employer may not discriminate against any employee working time or on a fixed term-contract.

The role of social protection systems also plays a role in connection with the Employment Strategy. It is mentioned (DEC 2000) that, Member States want to reach a situation in which they make an active contribution to consolidating

the employability of their citizens. The European Commission is holding joint meetings with employers' and employees' organizations, governments, experts and non-governmental organizations in order to discuss and analyse how this can be achieved and which strategies should be adopted for the redesign of social system.

4.6 Social Action Programme 1998-2000

After the first stage of Social Action Programme, the second stage set out a new framework for the development of European social policy. Its key aims stated by the Union were to promote an inclusive society and to equip individuals for the changing world of work in the era of globalization and rapid technological change. It drew together key lines of action under three main headings: jobs, skills and mobility, the changing world of work and an inclusive society. This framework of action on the social policy front was implemented in tandem with the European Employment Strategy, adopted in Amsterdam in 1997 (DEC 2000).

4.7 European Employment Strategy (EES)

Employment is one of the key areas of the EU social policy. The institutional framework of the European communities is keenly aware of social policy issues.

High unemployment is the most serious economic and social problem for nearly all Member States (see Table 3.1). The employment rate in the EU is %64,4 in 2003. The main reason for the unemployment is seen as the shortage of jobs, but also special difficulties on the labour market is a very serious problem. The difficulties can be classified as the long term employed, young people, older jobseekers, people with disabilities, women and ethnic minorities.

The European Union's objective should be is not just to ensure that more jobs are created in the EU, but also to provide better opportunities on the labour market for the population groups which up to now have been at a disadvantage.

Article 118 of the Treaty of Rome tasked the European Commission with “promoting close cooperation between the member states in the social field”. In the practice, however, progress has been extremely slow (Daguerre). According to Daguerre, the introduction of coordinated labour market regulation was left to intergovernmental agreements at the European Council level, where decisions were to be made on an unanimity basis, save as otherwise provided in the Treaty. However, in the late 1990s, The EU coordination started to focus on the need to spur employment creation. In 1990s, it became clear that economic growth alone was not sufficient to solve the structural problems affecting EU labour markets. At the 1997 Luxembourg summit, the European Heads of the States adopted the first employment guidelines with the aim of developing a more active labour market policy than in the past. Instead of concentrating purely on the income support for the unemployed, preventive measures were to be the order of the day, with the emphasis on the employability of jobseekers, entrepreneurship, the adaptability of businesses and employees to economic and technological change, and equal opportunities for women and men and for people with disabilities (DEC 2000).

In November 1997 at an extraordinary European Council on Employment in Luxembourg the member states agreed to coordinate and stimulate employment-oriented policies, even before the ratification of the Amsterdam Treaty around four pillars (Daguerre):

- Improving employability,
- Developing entrepreneurship,
- Encouraging adaptability of business and their employees,

- Strengthening the policies for equal opportunities.

The four pillars spell out a relatively coherent approach to Europe's unemployment problem, which is viewed as a structural problem, that is, one that should be tackled by reform efforts, as Europe's old fashioned welfare states encounter unavoidable difficulties in changing macro-economic environment.

4.7.1 Employability

The first of the four pillars focuses on employability and on tackling the skills gap. There is a particular emphasis on ensuring that young people and the long-term unemployed are equipped to take advantage of new employment opportunities in the fast-changing labour market. The first pillar explicitly refers to the implementation of active labour market policies (Daguerre).

Employability refers to the "skills" of jobseekers. The targets are (DEC 2000) that:

- All young people should be offered training, retraining, employment or a practical traineeship before they have been unemployed for six months;
- Unemployed adults should be offered a new start, more specifically through further training and career guidance, before they have been unemployed for 12 months;
- At least one in five unemployed people should have an opportunity to undertake retraining or further training;
- The school drop-out rate should be reduced, and an apprenticeship system should be created or the existing system should be created or the existing system improved.

Commission mentioned that, Member State governments can achieve these goals only if employees' and employers' organizations enter into agreements to increase the number of traineeships, apprenticeships, retraining opportunities and other possibilities for acquiring skills (DEC 2000).

A major goal of the EES's first pillar is to bring about a shift from a passive to an "active" unemployment policy. While a distinction between passive and active policies can be useful, one should recognize the links between the two types of policies. For example, while workers are taking active steps to obtain jobs, they still require passive support to maintain them until they obtain work. Moreover, maintaining unemployed workers with passive support is particularly important to ensure that workers are not forced to take work that utilizes less than their full capabilities. Passive unemployment policy provides a substitute source of income to support unemployed workers until they find new work, active unemployment policy takes positive actions to assist unemployed workers find new jobs. Active policies include training, subsidies for the hiring of the unemployed, public works programs, and job search assistance. They include "preventative" measures that attack the issue of long-term or permanent unemployment by ensuring that workers who lose their jobs maintain their skills and willingness to reenter the job market (Trubek and Mosher 2001).

4.7.2 Entrepreneurship

The second pillar derives from the recognition that the creation of more and better jobs requires a dynamic enterprising climate. This aim is to be achieved through deregulation and simplification of market access by small firms (Daguerre).

The objective is to make setting up a new business and becoming self employed easier. These can be achieved through;

- Identifying existing obstacles to the creation of small and medium sized businesses, and making any necessary changes;
- Reducing the tax and contributions burden on labour, especially with regard to low-paid jobs;
- Looking at how more jobs can be created in the social sphere (DEC 2000).

4.7.3 Adaptability

The third pillar acknowledges that there is a need for better adaptability on the part of business but also on workers to changing technologies and markets and industrial restructuring through union-negotiation and work reorganization. The concept of *flexi-security* encapsulates this strategy since “it recognizes explicitly that a balance must be struck between the need of business for flexibility and the needs of employees for security and employability” (Daguerre).

Adapting to the changing environment and new technology can be achieved through;

- Developing strategies for modern and flexible work organization together with the social partners;
- Looking at whether today’s extremely diverse forms of employment necessitate new types of employment contract;
- Introducing, where possible incentives for individual and in-company training (DEC 2000).

4.7.4 Equal Opportunities

The fourth pillar focuses on the necessity to reconcile work and family life in order to reduce the gender gap in terms of employment participation. It also promotes the integration of people with disabilities into working life (Daguerre).

Equal opportunities for women and men and the integration of the people with disabilities can be achieved through (DEC 2000);

- Adopting measures to ensure that more women can take up employment and gaining access to branches and occupations previously dominated by men;
- Improving the availability of children care facilities and nursing services for the elderly to make it easier for women to take up or remain in employment;
- Progressively removing obstacles which make it difficult for women and men to return to work after a break;
- Devoting special attention to the difficulties experienced by disabled people in finding a job.

In addition, the Council Resolution of 15 December 1997 on employment guidelines has defined horizontal objectives. The employment guidelines for 2001 should build conditions for full employment in a knowledge based society. The most important guideline in relation to the 2001 objective is that “member states shall develop comprehensive and coherent strategies for life-long learning, in order to help people acquire and update the skills needed to cope with economic and social changes throughout the entire life cycle” quoted from Official Journal of the European Communities published on 24-1-2001 by Daguerre.

As the actual implementation of these guidelines, the Luxembourg process is essentially a forum for discussion and evaluation of country-level practices. Each member state is required to submit annual Employment Action Plans, where its experience and policies are discussed within the framework proposed. The plans make an effort to enlist than panoplies of nation-specific existing measures within the Luxembourg pillars. The different national approaches to social and labour market problems are reflected in the various reports. Country practices evaluated by the Commission's Services with an eye to identify best practices might provide examples for further reforms and adjustments. The Luxembourg process leaves employment-policy reforms in the hands of member states (Daquerre).

The pillars of the European Employment Strategy are not only a guide but also a part of the EU policies. In Figure 4.1, the development of European Employment Strategy is depicted as;

Figure 4.1



Figure 4.1 The development of European Employment Strategy

(Trubek and Mosher 2001)

This process engages many levels of government and involves social actors as well as public officials. Many levels and units of

government must cooperate to produce the National Action Plans. This must be done in consultation with regions and social partners. The annual review process involves discussion between Member State and Commission officials, and creates contacts among officials and social partners from different Member States.

The overall goal of the strategy is to maintain the European Social Model by reforming it. The Commission wrote in the preparatory documents for the extraordinary Luxembourg Employment Summit that "meeting the challenge of insufficient growth and intolerable unemployment requires a profound modernization of Europe's economy and its social system for the 21st century without giving away the basic principles of solidarity which should remain the trademark of Europe" . To do that, the guidelines seek to accomplish the following (Trubek and Mosher 2001):

- **Higher Employment Participation:** Because of the aging of its population and the threat to pension systems, Europe needs to have a higher proportion of its working-age population working. This means early retirement should be discouraged. More women will and must work. More part-time employment must be encouraged.
- **More Active Unemployment Systems:** Passive unemployment systems allow skills to deteriorate, fail to encourage workers to actively seek work, and don't supply the skills the workers need to find work.
- **More Skills:** The increase in technological change means that workers need more skills at the outset and need to be able to develop new skills throughout life.
- **More Employment Intensive Growth:** Europe lags behind in the provision of services, which provide employment intensive growth. This is especially true in the "social economy" including services provided by

non-profit groups and private companies. Europe must encourage the social economy and decrease direct taxes on labor-intensive services.

- **Fewer Obstacles to Low Skill Work:** Europe must move towards more high skill jobs but low skill workers can't be left behind. Tax systems, especially high, flat-rate social charges discourage low skill workers from working and impede more hiring of low-skill workers. Tax systems need to be adjusted to make work pay. Energy taxes provide one option for replacing lost revenue.
- **Flexibility with Security:** Technological change and changes in the nature of markets requires more flexibility in the way work is organized and workers organize their lives. The model of a male worker working full-time on a normal work week for one company his entire life must be replaced by a model that allows companies more flexibility in terms of working time, envisions greater heterogeneity in the types of workers (men, women, full-time, part-time), and supports workers who will shift companies and careers much more often. This new flexibility must be fostered while providing new mechanisms for providing security to workers.
- **Smaller Companies and Entrepreneurship:** The most dynamic areas of the economy are small and medium-sized enterprises. To get more innovation, Europe needs more entrepreneurial companies. The European Social Model needs to be adjusted to encourage such firms which are often smaller and more dynamic than the traditional firms for which the Model was originally designed. One partial solution is for tax systems to be reformed to make self-employment and the setting up of small businesses more desirable.
- **Gender Equality:** Women face particular disadvantages in the labor market. These include such things as pay discrimination, higher levels of unemployment, and obstacles to combining work and family life. In order

to increase employment participation by women and provide equal opportunity, these disadvantages must be addressed.

4.8 Lisbon Strategy

Globalization and the development opportunities arising from the new technologies resulted in transformations. In March 2000, The European Council identified a series of weaknesses with regard to European economic indicators concerning long-term structural unemployment, poor employment rate, and under-development of the service sector. The European Council defined what it saw as “a new strategic goal for the next decade”:

- to become the most competitive and most dynamic knowledge-based economy in the world;
- to be capable of sustainable economic growth;
- better and greater social cohesion.

The Lisbon Strategy aims at encouraging the development of information technologies and establishing a climate favourable for innovation, by speeding up the removal of obstacles to the freedom of service provision and the liberalization of the transport and energy markets. It has stressed the necessity to modernize the European social model by increasing employment, reforming the social protection systems.

The Lisbon Strategy is a commitment to bring about economic, social and environmental renewal in the European Union. The European Council committed the European Union to a new strategic goal: “to become the most competitive and dynamic knowledge based economy in the world, capable of sustainable growth with more and better jobs and greater social cohesion”. The European Council also endorsed the use of the “open method of coordination

(OMC)” as a new technique of governance, capable of being utilised along all three sides of the Lisbon Triangle of economic, employment and social policy coordination. The strategy in broad scope encompasses not only economic, employment and social policy reform, but also the creation of a new policy context for the internal market, research and innovation and education and training. The Union set a new strategic goal for the next decade: to become the most competitive and dynamic knowledge based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion. Achieving this goal requires an overall strategy aimed at (Lisbon European Council 2000, paragraph 5):

- Preparing the transition to a knowledge based economy and society by better policies for the information society and R&D, as well as by stepping up the process of structural reform for competitiveness and innovation and by completing the internal market;
- Modernizing the European social model, investing in people and combating social exclusion;
- Sustaining the healthy economic outlook and favourable growth prospects by applying an appropriate macro-economic policy mix.

In March 2000, the European Council in Lisbon set out a ten-year strategy to make the EU the world’s most dynamic and competitive economy. Under the strategy, a stronger economy will drive job creation alongside social and environmental policies that ensure sustainable development and social inclusion.

The overall political objectives were stated (DOC/00/7 2000) as;

- To establish an inclusive, dynamic and knowledge based economy;
- To produce accelerated and sustained economic growth;
- To restore full employment as the key objective of economic and social policy, and reduce unemployment to the levels already achieved by the best performing countries, and
- To modernise European social protection systems.

Given a stable macro-economic framework, the European Commission believes the Union's response should focus on two main policy strands;

- Pursuing economic reform to prepare the knowledge economy,
- Strengthening the European social model by investing in people.

In order to attain these objectives there must be full coordination at European, national, regional and local level while respecting subsidiarity. Putting people at the centre of the Union's policies is the key of the strategy. This means investing in people, increasing knowledge and skills; establishing life-long learning for life-long opportunities; ensuring full participation in society; helping the workforce to become more adaptable; and making social protection more sustainable and "active" to deal with an ageing population. All these mean enriching the European concept of public finance.

Employment, which is the focus of our study, is the key target of the Lisbon Strategy. The Council and the Commission addressed four main key areas in Presidency Conclusions of Lisbon European Council (Lisbon European Council 2000, paragraph 29);

- Improving employability and reducing skills gaps, in particular by providing employment services with a Europe wide data base on jobs and learning opportunities; promoting special programmes to enable unemployed people to fill skill gaps;
- Giving higher priority to life-long learning as a basic component of the European social model, including by encouraging agreements between the social partners on innovation and lifelong learning; by exploiting the complementarity between lifelong learning and adaptability through flexible management of working time and job rotation; and by introducing a European award for particularly progressive firms. Progress towards these goals should be benchmarked;
- Increasing employment in services, including personal services, where there are major shortages; private, public or third sector initiatives may be involved, with appropriate solutions for the least favoured categories;
- Furthering all aspects of equal opportunities, including reducing occupational segregation, and making it easier to reconcile working life and family life, in particular by setting a new benchmark for improved childcare provision.

The Commission believes that the full employment objective could be met by;

- Raising employment rate from %61 to more than %65 by 2005 and as close to %70 as possible by 2010,
- Reducing by 2010 the average level of unemployment in the EU to the levels already achieved by the best performing countries (around %4),
- Increasing the number of women in employment from %51 today to more than %60 by 2010.

The new knowledge based society offers the most promising situation for overcoming social exclusion. But, it requires social protection systems to become more active, modern and sustainable. They must provide incentives for work ensure sustainable pension provision within an “ageing” population and offer a stable environment within which the transition to knowledge based society can take place.

4.8.1 Open Method of Coordination

The conclusions of the European Council outlined a new method called *Open Method of Coordination* (OMC). According to the Presidency conclusions, implementation of strategic goal would be facilitated by applying a new open method of coordination as the means of spreading best practice and achieving greater convergence towards the main EU goals. This method, which is designed to help Member States to progressively develop their own policies, involves (Lisbon European Council 2000, paragraph 37):

- Fixing guidelines for the Union combined with specific timetables for achieving the goals which they set in the short, medium and long terms;
- Establishing, where appropriate, quantitative and qualitative indicators and benchmarks against the best in the world and tailored to the needs of different Member States and sectors as a means of comparing best practice;
- Translating these European guidelines into national and regional policies by setting specific targets and adopting measures, taking into account national and regional differences;

- Periodic monitoring, evaluation and peer review organized as mutual learning processes.

Lisbon Strategy covered a number of areas in which the EU had no constitutional competence and which were preserve of Member States. Therefore, it was designed to proceed by a combination of the Traditional “Community method” of EU legislation brought forward by the European Commission and via a new process known as the “open method of coordination”. Under this process, Member States agree to voluntarily cooperate in areas of national competence and to make use of best practice from other Member States, which could be customised to suit their particular national circumstances. The European Commision’s role is to coordinate this process by ensuring that Member States have full information about each other’s progress and policies whilst making sure that those areas for which it has competence – notably single market and competition policy - would reinforce the Lisbon goals by application of the Community method (EC 2004).

Several key points of open method of coordination supported by (Dehousse 2003: 4) as follows:

- **Its flexibility:** The method does not purport to define unique objectives, suitable for everyone, but to draw up “guidelines” that each member state is to translate into specific action plans, in accordance with own particular situation. There are numerous differences between the national social protection systems, so “principle of subsidiarity” is repeatedly referred by the European Council.
- **The decentralized nature of the method:** The collective work aims to bring the Union, the member states, the regional and the local levels, as well as the social partners and civil society. This emphasizes the open nature of the method.

- **The setting up procedural routines:** It is aimed at encouraging the pooling of knowledge, and includes defining guidelines and indicators, periodic monitoring of national reports, and searching for the best practices. National officials have to be able to identify the strengths and weaknesses of their action plans by comparing their results to those of their peers.
- **The absence of formal constraints:** As the guidelines are formally devoid of any binding character, the peer-assessment process is aimed at fostering learning processes.

A fully decentralized approach would be applied in line with the principle of subsidiarity in which the Union, the Member States, the regional and local levels, as well as the social partners and civil society, will be actively involved, using variable forms of partnership. A method of benchmarking best practices on managing change will be devised by the European Commission networking with different providers and users, namely the social partners, companies and NGOs (Lisbon European Council 2000, paragraph 38).

4.8.2 Corporate Social Responsibility (CSR)

Both inside and outside the firm, training and education on CSR can speed up the implementation process of CSR...Employees have to be aware of how their job can contribute to the CSR process of the company...they need additional training and appropriate skills...there is a need to educate and train all citizens in their respective roles in society as a manager, an employee, a customer, a consumer, an NGO member, politicians, etc...universities and business schools have a significant role to play in this part of the process.

Minutes of the second meeting of the Knowledge Round Table, June 2003
(CSREurope 2003:7)

European Heads of State created a significant momentum at the Lisbon Summit March 2000, with a "Special appeal to companies' sense of corporate

social responsibility” to reach Europe’s strategic goal of a knowledge based and highly competitive as well as socially inclusive Europe (CSREurope 2003).

Corporate social responsibility can be described as the concept whereby the companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. This is not limited only to fulfilling legal obligations but also means going beyond compliance (training, working conditions, management-employee relations) and investing more into human capital, the environment and the relations with the stakeholders (CSREurope 2003).

At the European level, the challenge is about how corporate social responsibility can contribute to the Lisbon goal of building a dynamic, competitive and cohesive knowledge based economy. The Lisbon European Council made a special appeal to companies’ sense of social responsibility regarding best practices on life-long learning, work organization, equal opportunities, social inclusion and sustainable development. The Commission’s European Social Agenda emphasized the role of the corporate social responsibility in addressing the employment and social consequences of economic and market integration and in adapting working conditions to the new economy. Moreover, the European Summit in Nice invited the Commission to involve companies in a partnership with the social partners, NGOs, local authorities and bodies that manage social services, so as to strengthen their social responsibility (CEC 2001:6).

Corporate responsibility is a complex issue, covering relationships with a wide range of interested parties, such as employees, shareholders, suppliers and sub-contractors, customers, residents, public authorities at local, national and European levels, and international bodies. These partners are represented in a variety of ways: by trade union organizations, employers’ organizations,

elected representatives and political assemblies and various associations. None of their views can be ignored, but their social responsibilities and their links with enterprise are different in kind. In consequence there should be a number of different ways of involvement in corporate responsibility (CSREurope 2003).

Public authorities are not merely responsible for legislation and regulation; they must also ensure that the public have access to essential goods and that they are not threatened by social exclusion. It is for them to ensure that public and private companies and administration work together.

The social partners (trade unions and employers' organizations) in enterprise and at sectoral, national and European levels can play a critical part through their familiarity with the internal workings of business, their negotiating capacities and their economic and social role. Other stakeholders, such as interested associations and NGOs, should find ways of participating which are appropriate to their nature and the problems involved (CSREurope 2003).

Based on interviews made by Claire Boasson based on the experience exchange involving business managers and directors from CSR French member companies, "Competence building to mainstream CSR across business" process was created by her and given below;

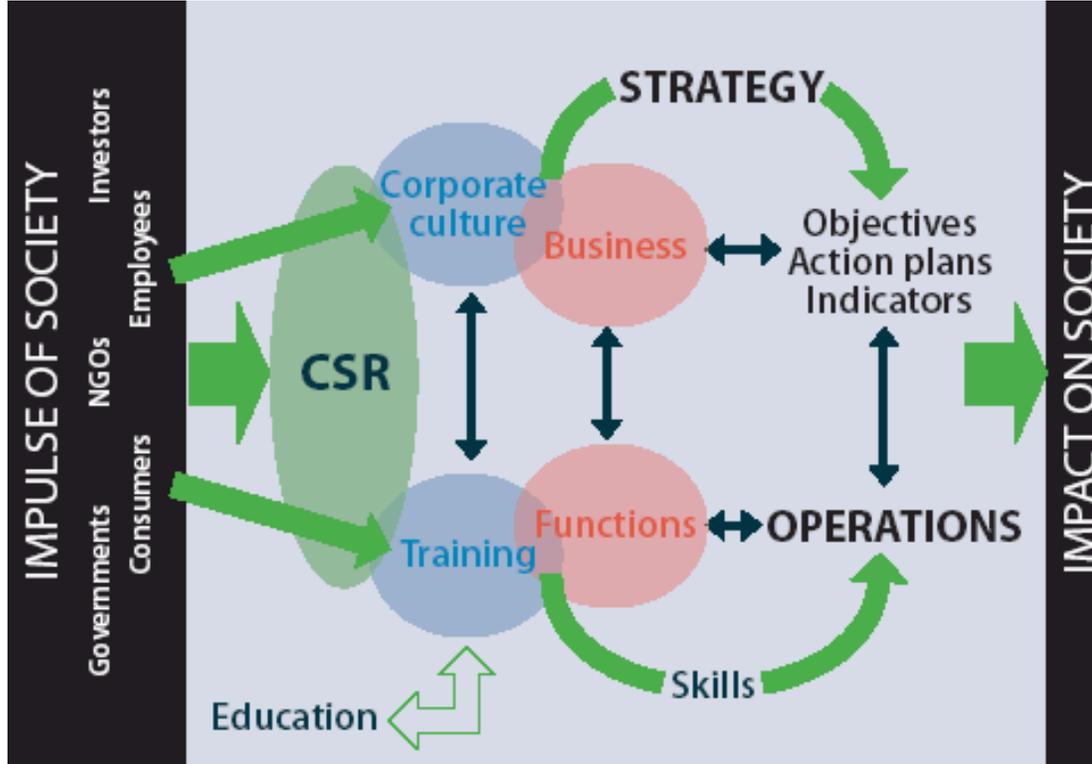


Figure 4.2 Mainstreaming CSR Across Strategy and Operations: A Learning Process
 Source: CSREurope 2003:11

Mainstreaming CSR across strategy and operations can be seen as a learning process extending over time, where corporate culture plays a central part. There tends to be a strong connection between CSR-friendly operations and managers' attitudes. There is also a strong alignment between managers' attitudes, corporate values and corporate culture. Once the process is underway, CSR-friendly management styles will, in turn, reinforce a CSR-friendly culture, providing the coherence essential to keep moving in the right direction, to ensure responsible strategies and operations over time (CSREurope 2003:11).

From the human resource management side, attracting and retaining skilled workforce is very important for companies. In order to succeed some relevant measures should be taken. These relevant measures could include

lifelong learning, empowerment of employees, better information throughout the company, better balance between work, family, and leisure, greater workforce diversity, equal pay and career prospects for women, profit-sharing and share ownership schemes, and concern for employability as well as job security. Responsible recruitment practices, involving in particular non-discriminatory practices, could facilitate the recruitment of people from ethnic minorities, older workers, women and the long-term unemployed and people at disadvantage. Such practices are essential in relation to achieving the European Employment Strategy objectives of reducing unemployment, raising the employment rate, and fighting against social exclusion (CEC 2001:9).

Traditionally, health and safety at work has been protected by means of legislation and enforcement measures. The trend towards outsourcing work to contractors and suppliers makes companies more dependent on the safety and health performance of their contractors, especially those who are working within their own premises³ (CEC 2001:10).

Employees are the most important stakeholders of companies. Implementing corporate social responsibility needs commitment from the top management, but also innovative thinking and, thus, new skills and closer involvement of the employees and their representatives in a two way dialogue that can structure permanent feed-back and adjustment. Social dialogue with workers' representatives, which is the main mechanism of definition of the relationship between a company and its workers, therefore plays a crucial part adoption of socially responsible practices (CEC 2001:19). At the invitation of the European Council in Lisbon, which stressed the importance of investing in people, the Commission is exploring ways to introduce a European award for

³ For further details: European Agency for Safety and Health at Work (<http://agency.osha.eu.int/publications/factsheets/facts11/>)

particularly progressive companies, in order to give higher priority to lifelong learning as a basic component of the European social model (CEC 2001:20).

According to the comments of the trade unions⁴, a large share of CSR is linked to the quality of the social model inside each company and more particularly to the investment in human capital, in health and safety and in the reshuffling of the work organization. Through CSR, companies also want to improve their image in order to sell more goods and services, to attract more skilled and more motivated workers. To get the loyalty of those workers, employers offer quality jobs, improved training programs, balance between family life and working life, equal pay between men and women. Companies are also trying to broaden social dialogue and to improve dialogue on the shop-floor.

From the standpoint of trade unions there are two essential areas:

- The implementation of codes of good conduct or deontological charters inside companies must be the result of consultation and bargaining with workers representatives;
- Contracts with the partner companies must be based on the respect of the fundamental obligations of ILO and OECD; worker representatives-trade unions- of the company must be involved. (The Comments of CEC about CSR available from http://www.europa.eu.int/comm/employment_social/soc-dial/csr/csr_responses.htm#26)

Corporate Social Responsibility (CSR) is a challenge that breaks the ideology of “everything for the sake of the economy” for companies. This is an attitude which has systematically subordinated the social dimension of work to the economic and financial performance of businesses. But it should not be

⁴ Available from http://www.europa.eu.int/comm/employment_social/soc-dial/csr/csr_responses.htm#26 accessed on 12 October 2004

thought that CSR would improve automatically improve profitability, increase relative value of shares, ease recruitment of staff etc. while improving environment and increasing human happiness. Since social progress and the respect of the environment are the two pillars of sustainable development, we understand that CSR is more than just another fashionable phenomenon. It is probably the result of the growing awareness that companies are becoming essential actors in society and must behave as responsible citizens (CSR 2003).

4.9 The European Social Fund

The European Social Fund (ESF) is the European Union's financial instrument for investing in people. Since 1957, the ESF has used a joint funding principle to add to what Member States do to improve people's job prospects and help develop their skills.

The European Social Fund (ESF) contributes to the economic and social cohesion objective set in Article 158 of the EC Treaty, by supporting policies and priorities aimed to achieve progress towards full employment, improve quality and productivity at work and also promote social inclusion and cohesion, in line with the guidelines and recommendations under the European Employment Strategy (EES). Commission points the way to achieve this objective is to address three major challenges: addressing the considerable employment disparities, social inequalities, skills gaps and labour shortages in an enlarged Union; an increasing pace of economic and social restructuring due to the globalization and the development of the knowledge-based economy; and the demographic change, which have resulted in shrinking and ageing workforce (CEC 2004: 2).

The European Social Fund channels European money into helping Member States meet the goals they have agreed together to create more and better jobs. As it is mentioned (DEC 2000) the ESF;

- Helps develop the skills of people, especially those who face particular difficulties in finding a job, staying in work, or returning to work after an absence;
- It supports Member States in their efforts to put new active policies and systems in place to fight the underlying causes of unemployment and to improve skills;
- It tailors this support to the special requirements of regions facing particular problems.

It is found out (DEC 2000) that, Europe has created jobs but has little effect on the number of people out of work. It is recognized that the skills gap is a major factor here. So, the need for people to develop the right skills to get jobs and for companies to develop the right expertise to create growth and jobs.

During the 2000-06 programming period, the ESF part-finance Member States' measures in five different priority areas:

- Development of an active labour market policy;
- Assistance for people at risk of social exclusion, especially with regard to their chances on the job market;
- Improvement of general education and vocational training, with the aim of lifelong learning and acquisition of the skills needed by the labour market;
- Promotion of employee adaptability, entrepreneurship and workforce skills in the fields of research, science and technology;

- Fostering of self-employment and employability of women, and measures to combat gender inequalities on the labour market.

CHAPTER 5

CONCLUSIONS AND EVALUATION

5.1 Mid-term Review of Lisbon Strategy

The Lisbon Strategy to make the EU “the most dynamic and competitive knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion, and respect for the environment by 2010” was adopted by the European Council in 2000. In 2004, the European Council and Commission decided to prepare a mid-term review of the Lisbon process, to be presented to the Spring Summit in March 2005. Former Dutch Prime Minister Wim Kok was mandated by the March 2004 European Council to lead a group of experts with the objective of reviewing the Lisbon Strategy. This High Level Expert Group presented its report called “Facing the Challenge: The Lisbon Strategy for growth and Employment” to the Commission and the European Council at the beginning of November 2004.

The report draws a mixed picture as some progress was made: the employment rate rose from %62.5 in 1999 to %64,3 in 2003 and overall female employment rose considerably too. But, report mentions that the “net job creation” stopped in 2001 and the target of %70 employment rate by 2010 will be difficult to reach (Euroactive 2004).

According to the report (EC 2004), the Lisbon Strategy was a comprehensive but interdependent series of reforms. Actions by one Member State would be all the more effective if other Member States acted in concert. It is mentioned that, European Union and its Member States clearly contributed to the slow progress by failing to act on much of the Lisbon Strategy with sufficient

urgency. The key issue is accepted as the “lack of determined political action”. Overloaded agenda, poor coordination and conflicting priorities are determined as the reasons for the lack of political action. According to the report, the way to overcome the difficulties is the delivery from the European Institutions and Member States through greater political commitment, broader and deeper engagement of Europe’s citizens.

Report (EC 2004) identifies five areas of policy that need urgent action:

- **The Labour Market:** Rapid delivery on the recommendations of the European Employment Taskforce; developing strategies for lifelong learning and active ageing; underpinning partnerships for growth and employment
- **The Knowledge Society:** Increasing Europe’s attractiveness for researchers and scientists; making R&D a top priority; promoting the use of information and communication technologies
- **The Internal Market:** Completion of the internal market for the free movement of goods and capital; urgent action to create a single market for services
- **The Business Climate:** Reducing the total administrative burden; improving the quality of the legislation; facilitating the rapid start-up of new enterprises; creating an environment more supportive
- **Environmental Sustainability:** Spreading eco-innovations and building leadership in eco-industry; pursuing policies which lead to long-term and sustained improvements in productivity through eco-efficiency.

Necessarily Member States start from differing positions. This requires an interpretation of the Lisbon goals within individual national contexts and

challenges, rather than as a blanket injunction to improve every economic indicator regardless of individual national positions (EC 2004)

Individual Member States have made progress in one or more of these policy areas but none has succeeded consistently across a broad front (EC 2004). It must be said that many Member States have not taken the execution and delivery of the agreed measures seriously enough. This has kept Europe too far from the goals it must reach (EC 2004).

Indicating that the report is limited in many areas, the stakeholders welcomed the report and showed mixed reactions.

European employer's association UNICE agrees with the basic finding of the report, saying that the current situation of the EU's competitiveness was unsatisfactory. Moreover it supports the report's calls on member states to draw up national action plans and to make governments accountable for their implementation. However, UNICE stated that, the report lacked specific suggestions about how to breathe fresh life into the Lisbon strategy. The organization mentions that the report does not include clear recommendations for what governments should do to make Europe more competitive (Euroactive 2004).

The European Trade Union Confederation (ETUC) points to several shortcomings of the report by criticizing that the report focuses on two aspects of the Lisbon strategy, namely employment and growth. According to ETUC, equal weight should be given to social cohesion and sustainable development. ETUC mentions that Lisbon is definitely not about scaring European workers and citizens with a narrow agenda for deregulation and cutbacks in their living and social standards being decided over their heads (Euroactive 2004). ETUC (2004) states that, Lisbon is about high growth, more and better jobs, social

cohesion and sustainable development. In practice however, exactly the opposite is happening. According to ETUC (2004), the European economy is barely growing, unemployment is edging up, labour productivity trends are falling and workers feel more than ever insecure. Lisbon strategy is not delivering because the kind of reform that is being pursued is not the right one. Too much focus is put on deregulation and flexibility instead of assisting workers to cope with change. ETUC (2004) mentions that, the reality is that structural reform has become a code for deregulation and unlimited flexibility, for weakening workers' rights and wages and for the dismantlement of the social welfare state. The focus should be on social policies that help workers to address that challenges of 'delocalizations', globalization and restructuring (ETUC 2004),

European Centre of Enterprises with Public Participation and of Enterprises of General Economic Interest (CEEP) mentions that, the European Union has only limited instruments when it comes to the creation of jobs. In this regard, CEEP believes that at the national level, from the workplace to the policy makers and the national Social Partners, is the key. CEEP (2004) states that;

The oamosis between all those factors at national level has to be reinforced by enhanced synergies with the European level, where institutions and Social Partners can contribute to the Lisbon strategy within the limit of their respective competence. It is only by clearly identifying the extent and the limits of the different actors "playing the Lisbon Startegy" that the concept of partnership for reform can really work.

Eurochambers, the association of European Chambers of Commerce and Industry, has welcomed the report, saying that it addressed the key points such as lack of national ownership, the shortcomings of the open method of coordination and the need to better communicate the Lisbon strategy to the citizens. However, Eurochambers criticises that the report is not clear on how economic, social and environmental welfare are linked. "Currently, the strategy is imbalanced towards the social and environmental pillars. We must rebalance

and make the economy the top priority for the years to come” it said (Euroactive 2004).

The open method of coordination has fallen far short of expectations. If Member States do not enter the spirit of mutual benchmarking, little or nothing happens. But neither has the Community method delivered what was expected. Member States are lagging behind the implementation of what was agreed and the transposition of directives is in almost all Member States far behind the target (EC 2004).

In order to catch up with the lack of progress towards the Lisbon target Eurochambers proposes (Eurochambers 2004):

- The national Action Plans of the Member States should be annual and focus on a limited number of priorities in order to add more transparency in achieving the goals,
- Member States must develop detailed implementation roadmaps for key Lisbon and Internal Market legislation not yet transposed
- Enterprises must be encouraged to invest in knowledge through tax advantages for training and research with special attention on SMEs. Member States should rise public spending on research considerably.
- Training must become a European, national and regional priority – Member States must set up business educational taskforces to identify key skills gaps for the knowledge economy.
- Member States should adhere to, and respect, the current Stability and Growth Pact.

The Social Platform regrets that the report’s balanced diagnosis is not reflected in the priority recommendations it advances, which, according to social

NGOs ignore the key goal of greater social cohesion. The president of Social Platform states that;

The continuing narrowing of Lisbon goals from sustainable development strategy to a 'growth at any cost' approach has further weakened the European social model. Any assessment of the Lisbon strategy must reflect the importance of the fights against social exclusion and discrimination (Euroactive 2004).

Platform finds that, after initial progress in creating new employment rates are now stagnating, complaining that "recent initiatives have focused more upon quantity than quality of employment. The organization points out that, policy-makers often wrongly assume that unemployed people are unwilling to work, thereby neglecting the real problem, which is the lack of quality of jobs. According to social NGOs, Lisbon has not helped in modernising the social protection systems. In their view, any reform should not only focus on "cost-cutting and risk shifting from society to the individual", but it should be ensured that social systems fulfil their role as collective guarantees against poverty and social exclusion (Euroactive 2004).

The EPP group in the European Parliament blames national governments for their inability to push through the Lisbon aims. The Socialists in the EP underlined the need to maintain the balance of the Lisbon agenda and warned about the risk of using it to undermine social priorities (Euroactive 2004).

The task is to develop national policies in each Member State, supported by an appropriate European-wide frame-work, that address a particular Member State's concerns and then act in a more concerted and determined way. The European Commission must be prepared to report clearly and precisely on success and failure in each Member State. National and European Union policies, including their budgets, must better reflect the Lisbon Priorities. In order to ensure that Member States take up their responsibilities, a new focus is

required along three lines: more coherence and consistency between policies and participants, improving the process for delivery by involving national parliaments and social partners, and clearer communication on objectives and achievements (EC 2004).

In addition, the High Level Group proposes that;

- The European Council takes the lead in progressing the Lisbon Strategy;
- The Member States prepare national programmes to commit themselves to delivery and engage citizens and stakeholders in the process;
- The European Commission reviews, reports and facilitates the progress and supports it by its policies and actions;
- The European Parliament plays a proactive role in monitoring performance;
- The European social partners must be take up their responsibility and actively participate in the implementation of the Lisbon Strategy.

In order to achieve the goals of higher growth and increased employment in order to sustain Europe's social model will require powerful, committed and convincing political leadership. Member States and the European Commission must re-double their efforts to make change happen (EC 2004).

Unfortunately progress to date has been inadequate, largely due to a lack of commitment and political will. More political ownership is a precondition. At the same time there needs to be more coherence and consistency between Lisbon's means and ends together with a thorough overhaul and redesign of the processes for the implementation and communication. When the European

Union has succeeded in the launch of 1992 Single Market, the establishment of the single currency, it was because the European institutions and Member States have worked closely together in what was understood to be a great and necessary project that had to be implemented as it was crucial to Europe's future. The Lisbon strategy for growth and employment is an equally important project. The European Commission and Member States together with social partners and other stakeholders throughout Europe must show that they are committed to the Lisbon process and accept their responsibility in implementing the agreed reform programme (EC 2004). Member States inevitably play a crucial role in achieving growth and employment – not only for their own countries but because, in a European context. The lack of commitment at both the national and European level has meant that these benefits have not been captured, exposing inconsistencies and incoherence. On the other hand, the efforts of the Member States should be reinforced at European level. Coherence between the institutions of the European Union is required. The European Parliament needs to be involved much more in the process. It must hold the European Commission accountable for the progress it is making and the way it is charging its responsibilities (EC 2004).

European Union is taking steps in order to preserve the social character of Europe. As it is mentioned in Chapter 4, Amsterdam Treaty ended split development of EU social policy. The Social Protocol became an integral part of the Treaty and its provisions are applied without distinction to all Member States. Afterwards, European Union no longer deals with European employment and social policy on its own, nor does it bear sole responsibility for it. In accordance with the principle of subsidiarity, Europe deals only with matters where an EU solution makes more sense. The EU has laid down only minimum standards and rights. Member States can adopt rules and regulations which go further than European social provisions (DEC 2000). In order to attain the objectives there

must be full coordination at European, national, regional and local level with respecting to subsidiarity.

Although Lisbon strategy is the strongest commitment to reach Social Europe after the establishment of European Employment Strategy, the midterm review shows us that the progress is disappointing due to the lack of determined political action. According to the report (EC 2004), the poor-coordination, conflicting priorities and the overloaded agenda were the reasons of the dismissal of the objectives. Member States could not produce national policies in all of the policy areas and coordinate their efforts with other Member States. Open method of coordination also did not work effectively because of the poor coordination. If Member States do not enter the spirit of mutual benchmarking, little or nothing happens. Some Member States have not taken the execution and delivery of the agreed measures seriously enough; on the other hand some of them could not manage to take steps in all policy areas. What should not be forgotten that, as it is mentioned in the Chapter 3, every country is in a different position or let say different starting point. So, their progress will be different. Open Method of Coordination will start to work effectively if Member States produce their own national policies that reflect their different positions.

We have mentioned the shortcomings of the Member States so far, but the other side of the coin is the position of the European Union institutions. The Lisbon strategy has become too broad to be understood as an interconnected narrative (EC 2004). As European Union sets minimum standards and objectives and leaves the essential work to Member States with respecting “subsidiarity”, European Union institutions should establish appropriate European-wide framework. According to the report (EC 2004), the task is to develop national policies in each Member State supported by, an appropriate European-wide framework, that address a particular Member State’s concerns and then act in a more concerted and determined way. The European

Commission must be prepared to report clearly and precisely on success and failure in each Member State (EC 2004). It is proposed by the report (EC 2004) that; in order to ensure that Member States take up their responsibilities, a new focus is required along three lines: more coherence and consistency between policies and participants, improving the process for delivery by involving national parliaments and social partners, and clearer communication on objectives and achievements.

Social policy and employment require the inclusion of all social partners to create “civil dialogue” in cooperation with associations and non-governmental organizations (NGO) and “social dialogue” through social partners to constitute link between the citizens and the EU (DEC 2000). The criticisms of the Social Partners that are mentioned in the previous section and the midterm review report (EC 2004) shows that also social inclusion is lagging behind what is expected.

Although the employment rate rose from %62.5 in 1999 to %64,3 in 2003 and overall female employment rose considerably too, the “net job creation” stopped in 2001 and the target of %70 employment rate by 2010 will be difficult to reach (Euroactive 2004). The increase in the employment rate depends mainly on the part-time and temporary work arrangements. One of the aims of the European Union is find the right balance between flexibility and security. The effort is to enable people stay in employment by making sure that people possess the up-to-date skills they need and by creating structures in which they can best combine their work and non-work responsibilities. The task, mentioned by the report (EC 2004), is to foster new forms of security, moving away from the restrictive paradigm of preserving jobs of life to a new paradigm in which objective is to build people’s ability to remain and progress in the labour market.

European Union is taking steps to preserve the social character of Europe against new challenges explained throughout the study. Lisbon strategy is the last and strongest step taken to connect economic developments to social progress. The essence of the strategy lies precisely in the recognition of the need to maximize their mutual positive reinforcement. The mid-term review showed that the results are disappointing, ineffective and progress is too slow. The main reasons for the disappointment, which are explained in detail in the previous section, is the lack of determined political action, the failure of Member States to take the execution and delivery of the agreed measures seriously and the failure of European Union institutions to take actions to ensure coordination and coherence for the last four years. The mid-term review showed that the last step of European Union is not successful as expected. European Union, as the supranational body, took a serious step by conducting the mid-term review. This showed that the European Union started to criticize itself.

BIBLIOGRAPHY

Belek, İ. 1999. *Postkapitalist Paradigmalar*. İstanbul: Sorun Yayınları

Bieling, H.J.2001. *European Constitutionalism and Industrial Relations in Social Forces in the Making of the New Europe* edited by A.Bieler and A.D. Norton. New York: Palgrave

Buti, M., Franco, D., and Pench, L.R.1999. *The Welfare State in Europe* M. Buti, D. Franco, and L.R. Pench. UK :Edward Elgar Publishing Limited

CEC (Commission of the European Community).1993. *Green Paper European Social Policy: Options for the Union*. Brussels: COM (93)551

CEC (Commission of the European Community).1994. *White Paper European Social Policy: A Way Forward for the Union*. Brussels: COM (94)333

CEC (Commission of the European Community).2000. *The Community Work Programme for 2000*. Brussels: COM 2000.155

CEC (Commission of the European Community).2001. *Green Paper. Promoting A European Framework for Corporate Social Responsibility*. Brussels: COM (2001)366

CEC (Commission of the European Community). 2004. *Proposal for a Regulation of the European Parliament and the Council on the European Social Fund*. Brussels: COM 2004

EC (European Communities). 2004. *Facing the Challenge: The Lisbon Strategy for growth and Employment* prepared by the High Level Group Chaired by Wim Kok. Luxembourg

CEC (Commission of the European Community), *Industrial Relations in Europe*. Brussels

CEEP.2004. *CEEP gives a mixed response to KOK II*. Press Release. Internet. Available from www.ceep.org. Accessed November 2004

CSREurope.2003.*Equipping Europe for CSR and Sustainable Development...Optimising Skills and Competence*. Internet. Available from: <http://www.csreurope.org>. accessed 12 October 2004

Deacon, B. 2001. *International Organizations; the EU and Global Social Policy in Globalization and European Welfare State: Challenges and Change*. Edited by Sykes, R., Palier, B., and Prior, P.M., New York: Palgrave

DEC (Directorate-General for Education and Culture). 2000. *European Employment and Social Policy: A Policy for People*. Brussels

Daguerre, Anne. No date. Labour Market and unemployment in the European Union; 1985-2002. Internet. Available from <http://www.kent.ac.uk/wramsoc/workingpapers> accessed 29 November 2004

Dehousse, R. 2003. The Open Method of Coordination: A New Policy Paradigm?. Paris. Cahiers Europeens De Sciences Po 3. Internet. Available from www.portedeurope.org/publications/cahiers/cahier_3_2003.pdf: accessed 15 September 2004

DOC70077.2000. *The Lisbon European Council – An Agenda of Economic and Social Renewal for Europe*. Contribution of the European Commission to the Special European Council in Lisbon. Brussels

Euroactive.2004. Mid-term Review of the Lisbon Strategy. Internet. Available from <http://www.euractiv.com>. Accessed 29 November 2004

Esping-Andersen, G.1996. *Welfare State in Transition National Adaptations in Global Economies*. London: Sage Publications

Esping-Andersen, G.1990.*The Three Worlds of Welfare Capitalism*. Cambridge:Polity Press

Esping-Andersen, G.1999.*The Social Foundations of post-industrial Economies*. Oxford: Oxford University Press

Esping-Andersen, G. , Gallie, D., Hemerijck, A. and Myles, J. 2001. *A New Welfare Architecture for Europe*. Internet. Available from <http://www.vangool.fgov.be/Europe%20conf2%20report%20intro.htm>. Accessed 29 November 2004

ETUC.2004. More and better jobs by putting social Europe at the heart of the Lisbon strategy. Internet. Available from <http://www.etuc.org> . Accessed 24 November 2004

Eurochambers. 2004. Kok Report. Press Release. Internet. Available from www.eurochambres.be. Accessed November 2004

Eurostat. 2004. <http://www.europa.eu.int>

Harvey, D. 1989 *The Condition of Post-Modernity*. Oxford [England]; Cambridge. Mass.USA : Blackwell

Hirsch, J. 1991. *The Fordist Security State and New Social Movements in The State Debate* edited by S. Clarke. UK.MacMillan:142-56

Hudson, R. and Williams, A.M. 2001. *Re-shaping: The Challenge of New Divisions within a Homogenized Political-Economic Space in Rethinking European Welfare* edited by G.Lewis , J. Fink and J. Clarke. Sage Publications:33-64

International Labour Organization (ILO).1999. *Impact of Flexible Labour Market Arrangements in the Machinery, Electrical and Electronic Industries..* Geneva

Lewis, G., Fink, J. and Clarke, J.. 2001. *Introduction: Transitions and Trajectories in European Welfare* in *Rethinking European Welfare* edited by G.Lewis , J. Fink and J. Clarke. Sage Publications

OECD. 2004. *Employment Outlook*

OECD.1996. *Employment Outlook*

The European Council. *Lisbon European Council Presidency Conclusions*. 23-24th March 2000

Palier, B. and Sykes, R. 2001. *Challenges and Change: Globalization and Welfare State* in *Globalization and European Welfare State: Challenges and Change* edited by Sykes, R., Palier, B. and Prior, P. M. . New York: Palgrave

Pergher, R., *Globalization and the Welfare State*. Paper # 4.GSIS. Internet. Available from http://tiss.zdv.unitvebingen.de/webroot/sp/spsba01_w98/denver12.htm. accessed 15 July 2004

Regini, M (2000). *The Dilemmas of Labour Market Regulation*.in *Why Deregulate Labour Markets?* Edited by G. Esping-Andersen and M. Regini

Rieger, E. and Stephan. L.. 1998. *Welfare State Limits to Globalization*. Politics and Society. Vol.26 No: 3. September 1998:363-90

Rupert,M. *Crises of Fordism*. Jones, R.J.B. ed. Routhledge Encyclopedia of International Political Economy. Internet. Available from <http://www.maxwell.syr.edu/maxpages/faculty/merupert/Research/Fordism/ENCYCLO.HTM> accessed 20 July 2004

Rupert, M.1998. *The End of Pax Americana: The Emergence of Post-Fordism*. Internet.Available from <http://www.willamette.edu/~fthomps0/MgmtCon/Post-Fordism.html> accessed 15 July 2004

Schumacher, P. and Rogner, C. 2001. *After Ford* in: Stalking Detroit. Edited by: Daskalakis, G, Waldheim, C, Young, J, Barcelona: Actar

Scharpf, F.W. 1991. translated by Ruth Crowley and Fred Thompson. *Crises and Choice in European Social Democracy*. Ithaca.NY: Cornell University Press

Standing, G. 1986. *Unemployment and Labour Market Flexibility: The United Kingdom*. International labour Organization. Geneva

Snower, D.1996. *The Modern Welfare State: The Problems and Suggested Reforms*. Empirica vol.23 iss.3: 207-226

Taylor-Gooby, P.2001. *The politics of Welfare in Europe in Welfare States Under Pressure*. Edited by Taylor-Gooby. P.: Sage Publications

Trubek, D.M. and Mosher, J.2001. *New Governance, EU Employment Policy, and the European Social Model* presented at *The Conference on Reconfiguring Work and Welfare in the New Economy*. European Center. University of Wisconsin-Madison. May 10-12. Internet. Available from <http://www.jeanmonnetprogram.org/papers>

Thursfield, D.2000. *Post-Fordism and Skill Theories and Perceptions*. Ashgate

Walwei, U. 2001. *High Employment and Social Security: Vision or Illusion in a Globalized World?*. Geneva: [International Social Security Review](#) . 2001, Vol. 54, n° 1, p. 19-39

Wigfield, A. 2001. *Post-Fordism, Gender and Work*. Ashgate

Van Liemt. 1998. *Labour in the Global Economy: challenges, adjustments and policy responses in the EU* in *Globalization of Labour Market*. Edited by Molle, W.T.M, Memedovic, O. and Kuyvenhoven, A.. Kluwer Academic Publishers: 238-2