FINAL REPORT

Contract no: SOE2-CT98-3080

Project no: 3080

Title: EXSPRO: Social exclusion and social protection - the future role for the EU

Project Coordinator: South Bank University, UK

Partners:

Katholieke Universiteit Leuven, Belgium

Centre for Economic Research and Environmental Strategy, CERES, Greece

Kobenhavns Universiteit, Institute of Political Science, Denmark

Ecole Normale Superieure de Cachan, France

University of Helsinki, Finland

Reference period: from 1 February 1999 to 30 June 2001

Starting date: 1 February 1999 **Duration: 29 months**

Date of issue of this report: July 2002

Project financed within the TSER Programme

TABLE OF CONTENTS

Chapter 1 Executive summary

Aims and scope of the project

1. Economic and monetary union can be seen, narrowly, as reassignment of responsibility for monetary policy from Member States to the European Central Bank. But it also gives an added impetus to European integration and raises questions about the future allocation of powers and responsibilities between Member States and the EU institutions for social policy.
2. Cohesion is a fundamental aim of the EU, articulated in article 2 of the *Treaty,* and it is clear that one of the threats to the cohesiveness of European society is the increasing tide of social exclusion, a phenomenon which has not only afflicted all EU Member States, but which also has many common traits across national boundaries.
3. 'Social exclusion' is not, however, an easy notion to deal with, whether conceptually, empirically or politically, and it is evident that there are marked differences between countries in the character of social exclusion and how it is perceived. The research conducted in the course of the EXSPRO project sought to elucidate all three dimensions and to explore how, as welfare states are reformed, social protection systems might evolve to be more effective in countering social exclusion.
4. In particular, the research explored what the future role of the EU might be in this policy area, bearing in mind the constitutional, political and institutional constraints.
5. With the emergence of the open method of co-ordination as a novel means of advancing European integration, it has become clear that there is a politically acceptable intermediate route between the use of the community method and the retention of national autonomy.
6. In the light of this development, the project sought not only to examine how the future role of the EU might evolve, but also to understand the influences underlying social exclusion and to link them to the policy process.

Approach to the study and methodologies employed

7. The project comprised a series of linked pieces of work on which different partners collaborated, both across disciplinary and geographical boundaries. The starting point was a fresh look at the concept of social exclusion, and at how European integration has affected it and is likely to do so in future. Over the course of the project, a coherent

conceptual framework focusing on defining and dealing with social exclusion in terms of the 'capabilities' of individuals was gradually elaborated, and used to underpin the policy proposals that were advanced in the latter stages of the project.

8. Empirical work included investigation of the macroeconomics issues pertaining to social exclusion, extensive analyses of panel datasets - principally the European Community Household Panel (ECHP) and the Luxembourg Income Survey (LIS) – and examination of the National Action Plans for employment produced by each of the Member States of the EU.

9. The macroeconomic work included the use of modelling techniques, econometrics and simulation work with the aid of large econometric models.

10. In making use of the ECHP and LIS, a range of research methods was employed. Comprehensive tabulations were used to identify key characteristics of social exclusion and how they differed between Member States. Analytic work made use of regression and other statistical techniques to explain the characteristics of the socially excluded, and particular efforts were made to understand the dynamics of social exclusion through work on trajectories of individuals.

11. Examination of the NAPs was done in two complementary ways. One was to look at the content of the plans and to use clustering techniques to ascertain the degree to which countries were adopting similar approaches, thereby allowing countries to be grouped into employment regimes. The other was to classify the different guidelines according to which all NAPs have to be structured, cross-tabulating them with policy aims. Specialist textual analysis software – *ALCESTE* – was then used to search for the frequency of use of words and strings of words that could be used to assess how the NAPs met the aims.

12. A priority throughout project was to investigate the policy process itself and to shed light on how trends in social exclusion bear on the reform of social protection systems, with particular emphasis on the prospective role of the EU level. The policy research had three innovative elements that derive from the work outlined above.

13. First, it brought together very different perspectives, ranging from macroeconomics to expertise in the detailed analysis of social policy, and from a range of social science disciplines. Second, the research sought to build on the common ground of the capabilities approach and analyses of regimes to derive pragmatic policy propositions. Third, the research process itself involved extensive engagement with policy-makers.

Findings

14. The move to the single currency constitutes a significant change in the macroeconomic policy environment. It will have a variety of repercussions on how policy is conducted and will have an impact on the prospects for dealing with social exclusion

15. With a common monetary policy and restrictions on fiscal policy, other macroeconomic policy instruments will be needed to assure economic adjustment and, in particular, to resolve asymmetric shocks. Equally, the promise of EMU is that it will mean a more stable macroeconomic context that is expected to allow more rapid aggregate economic growth.

16. EMU, however, also comprises the extension of the single market and of the accompanying competitive pressures, and an acceleration of structural change. Together with secular trends associated with the shift from the 'old' to the 'new' economy this could result in dislocations that engender new forms of social exclusion. Fiscal competition between Member States is also probable and could exacerbate the consequences of structural change.

17. These changes raise questions about whether current policies are adequate for reducing existing social exclusion and whether the policy framework can cope with the social exclusion consequences of the unexpected shocks and future problems.

18. It is argued that the macroeconomic role of social protection outlays, averaging 28% of GDP in the EU, in acting as automatic stabilisers and in assuring regional cohesion is critical. In addition, a more active role for social policy can be envisaged in the context of supply-side reforms. In this regard, the potential for social protection to be a productive factor has to be emphasised.

19. The links between welfare and work are complex and vary from country to country. The challenge for policy analysis is to find patterns that explain which links have a discernible impact on social exclusion, both in generating and in preventing or alleviating it.

20. The determinants of social exclusion are varied and changing. They include family break-up and the changing social function of the family (especially women's roles), immigration, technological advances and the changing nature of work. The relationship between employment policies and social exclusion has become a key aspect of EU policy making ever since the European Employment Strategy was launched in 1997, and was again stressed in the Social Agenda agreed in 2000 at the Nice European Council.

21. Empirical analysis using the ECHP shows that the profile of those at high risk of social exclusion differs substantially across member-states. Even for groups that appear to be high- or low-risk in all EU member-states, their relative risks vis-à-vis the national average may differ quite considerably.

22. Looking at the different employment regimes across the EU, variations in susceptibility to social exclusion can be identified. Not surprisingly, individuals at risk of becoming socially excluded clearly do best in a Scandinavian country or the Netherlands, while they would do worst in Southern Europe. The findings suggest that employment policy regimes do make a difference for social exclusion and that the degree to which the regime favours 'activation' matters.

23. Activating measures can help to overcome welfare traps for certain groups even if these are typically not those most affected by social exclusion. However, active policies also have drawbacks that cannot be ignored. It is in optimising these policies that the transfer of learning experiences among countries can be helpful.

Policy implications

24. With the advent of EMU, should there be a more extensive role for the EU in social policy, generally, and especially in the fight against social exclusion? At issue is not so much 'whether the EU should do more', but rather 'what is the most desirable distribution of competencies between different levels of governance?' In this regard, the potential for local actors, working in partnership with the national and EU levels, to be more involved should not be overlooked. Information exchange and the whole peer review process as encapsulated in the open method of co-ordination (OMC) provide one answer: it seems to work in the employment policy sphere and could, therefore, help in developing an over-arching framework within which local actors can deal with social exclusion.

25. Over time, full harmonisation of social provision has come to be regarded as politically unacceptable as well as unnecessary. Instead integration has evolved around the concept of 'Convergence of Objectives', as in the two 1992 Council Recommendations on, respectively, 'Convergence of social projection objectives and policies' and 'Common criteria concerning sufficient resources and social assistance in the social protection systems'.

26. Nevertheless, greater co-ordination across policy areas is likely to have to be a concomitant of the more extensive economic integration that will result from EMU. In particular, the EXSPRO research highlights the important role of employment policies in dealing with social exclusion, on the one hand, and of linking macroeconomic initiatives to social policy, on the other. The implication is that better policy 'integration', also known as 'joined-up government', at EU level should be encouraged.

27. We argue that the concept of social exclusion can provide an original and innovative approach to problems related to deprivation, and to the formulation of an integrated approach to social policy in mature welfare states. It also presents a good opportunity for the elaboration of an EU policy.

28. The false dichotomy between competitiveness and cohesion also needs to be confronted. Clearly, a properly functioning single market has great economic advantages, but restructuring also imposes costs, even if only in the short-term. We consequently recommend that when proposals related to the Internal Market Programme come forward, there should be a mandatory audit of their potential impact on social exclusion. As far as possible, new measures should be amended in the light of such an audit to reflect social objectives. Moreover, the choice of any such measure must be based on its effectiveness in addressing exclusion, not merely the administrative ease of its introduction.

29. The blessing given to the open method of co-ordination by the Lisbon, Feira and Nice European Councils suggests that OMC is likely to find political favour as a way forward, and the EXSPRO project has, accordingly, developed proposals for doing so. Particular attention needs to be paid, however, to the legitimacy of OMC and it may need to be reinforced in due course.

30. The 'soft' policy co-ordination approach was broadened at the 2000 Nice European Council with the endorsement given to the use of OMC in the preparation of National Action Plans in relation to social inclusion (NAPinc), complementing the Luxembourg Process for employment policy. The decision at Nice to request Member States to prepare action plans for promoting social inclusion (the so-called 'NAPincs') maps out a short- to medium-term strategy for the EU and these were then scrutinised during the 2001 Belgian Presidency

31. Beyond the Laeken European Council, we see scope for the development of guidelines for a new social pact. Four pillars are suggested, comprising:

- ‘Participatibility’ - deliberately echoing ‘employability’ in seeking to promote the degree to which excluded groups are able to participate in ‘mainstream’ economic and social activity.
- Modernising social protection and integrating it with evolving policies under the European Employment Strategy.
- Mobilising economic and social actors in the fight against social exclusion.
- Assuring equal opportunities across different dimensions of the roots of social exclusion.

32. Turning to future research priorities, there is a case for devising an integrated research programme on possible tensions between competitiveness and cohesion objectives and this should be championed in the preparation of the 6th Framework Programme.

Exploitation and dissemination of results

33. The subjects covered by the EXSPRO project feed into a number of academic disciplines, but also have direct policy relevance. The exploitation and dissemination strategy consequently sought to bring the research findings to both classes of audience.

34. The principal academic output for the project as a whole is two collective volumes and a special issue of the *Journal of European Social Policy*. The two books are published by Edward Elgar, with the first focusing on conceptual and policy dimensions of social exclusion, while the second brings together the empirical findings. The special issue of *JESP* looks at Europeanisation of social policy.

Note: Throughout this report, only bibliographic references to the works of others are cited in the text. A full list of the publications produced by the EXSPRO project is provided in section 7 (Annex) of this report.

Chapter 2. Background and objectives of the project.

Europe's 'social model' is facing a crisis of confidence. It is under threat from budgetary pressures, from international competitive imperatives and from a more general concern that it has lost its way and may, indeed, no longer work. Persistent unemployment is becoming recognised as one of the core economic issues for the coming years, but the more complex problem of social exclusion presents broader challenges. Indeed, social exclusion is increasingly being seen as one of the most intractable and damaging problems confronting European society, yet the capacity of governments to respond seems to be diminishing. It is leading many Member States to rethink the roles of their social protection systems, with increasing attention being paid to using the systems to counter social exclusion. The advent of EMU and the prospect within the next few years that the EU will expand its membership to the East adds further challenges.

Yet there is by no means unanimity on what social exclusion means, especially with respect to its translation into effective measures to combat it. The concept embraces lack of opportunity, marginalisation from society and thus an inability to compete, notably in the labour market. As such, it comprises more than poverty and it follows that the policy response also needs to be more comprehensive than income redistribution. Social exclusion in this wider, sociological sense is poorly understood and requires careful thought if policy is to be effective in countering it. Policies to promote social *inclusion* have to be rooted in a broader understanding of the links between welfare and work, and thus of the potential contributions of social and labour market policies. Equally, the respective roles of Member states, the EU level and other actors in tackling social exclusion warrants fresh thought.

The over-arching aim of the research programme was to provide a comprehensive analysis of how responsibilities for social protection might evolve to provide a better response by the different tiers of government to the challenges posed by social exclusion. In particular, it investigated what the EU can do and how its role should evolve to ensure that the problem is more comprehensively and effectively tackled. Social exclusion has become so extensive and multi-faceted that existing institutional structures and policies struggle to cope. National social protection systems - the key instrument for dealing with social exclusion - are under challenge because of demographic and

budgetary pressures. EU level action has been constrained because Member States have been reluctant to surrender responsibility for social protection. There are, however, cogent reasons, both theoretical and practical, for supranational involvement in countering social exclusion.

The project was designed both to shed light on theoretical debates about social exclusion and integration, and to translate these into policy relevant terms. A core aim was to examine how far the EU level of government can, while respecting subsidiarity, contribute to social protection in a way that advances social integration and diminishes exclusion. The research was organised around three broad strands of work:

Concepts and Values.

This entailed the development of concepts for analysing social exclusion in the EU setting, and identifying the value systems, ideologies and popular beliefs behind the processes of, and policies towards, combating social exclusion. A similar conceptualisation of social protection, and the values that enable it to address the new challenges of social exclusion was also central to the project.

Processes.

This built on existing work at a national level on the processes behind social exclusion to obtain an improved understanding of the links between European integration and social exclusion. It included comparative work, but also elucidated how European integration influences the causes and spread of social exclusion, and the capacity of governments to deal with it. It is clear from a review of the literature and country based analyses that no simple EU-wide solution to social exclusion exists. The concept and understanding of exclusion vary from country to country and member states will have to tackle the issues that their citizens perceive. The extent of the problem also varies considerably across the EU and the impression given is that current solutions may fall short of reducing the problem of social exclusions sufficiently. Plainly, any successful response is likely to involve all tiers of governments so that supranational initiatives will have to be carefully co-ordinated with those undertaken by other tiers of government.

Policies.

Social policy formation and implementation are the result of complex bargaining between disparate groups. The EU level has, arguably, not been able to develop its role within this process. This theme of the research programme drew on the experience of past policies aimed at combating social exclusion in order to identify areas for the development of EU policy.

The project's assessment of the future role of the EU in the area of social exclusion and social protection was based partly on research carried out in connection with the development of the European Employment Strategy and co-operation in the field of social protection. Labour market policy is recognised as one of the main channels for combating social exclusion. The EU has been proactive in that field and will no doubt continue to be so. Second, its efforts in the field of harmonisation of social protection regimes were considered, as employment and social protection policies must work together to diminish exclusion and promote integration through labour market participation. National experiences show that it has not always been so in the past.

Chapter 3 Scientific description of the project results and methodology

Although it has become part of the daily political vernacular, 'social exclusion' is not an easy notion to deal with, whether conceptually, empirically or politically. The research conducted in the course of the EXSPRO project sought to elucidate all three dimensions. The next sections elaborate on the conceptual dimensions of the research, and pay particular attention to what has become known as the 'capabilities' approach. The main empirical research and findings are then summarised. The policy dimensions of the research are then explained, thereby setting the scene for the policy analysis that follows in chapter 4

3.1 The concept of social exclusion

The concept of social exclusion is frequently discussed, many welfare projects claim to target it, but there remains considerable confusion as to its precise meaning, and it clearly requires further explication. More cynical commentators have argued that the term social exclusion adds little in the way of value-added to the more traditional notions of poverty and deprivation other then the fact that its vagueness is conducive to selling a wide range of policy measures. A more reasonable explanation lies in the fact that the multiplicity and ambiguity of the concept simply reflects the complexity of the subject matter.

3.1.1. Different views on what constitutes social exclusion

At the highest level of generality, social exclusion involves an act by an agent or agents. People may exclude themselves in that they drop out of the market economy or they may be excluded by other agents (e.g. employers, banks, insurance companies etc.). When studying exclusion one might be concerned not just with a person's situation, but also with the extent to which a person is responsible. Giddens distinguishes 'the exclusion of those at the bottom, cut off from the mainstream of opportunities society has to offer' and the voluntary exclusion at the top, 'the revolt of the elites' which he defines as 'a withdrawal from public institutions on the part of more affluent groups' (1998, p. 103). Sen (1998) makes the distinction between active and passive exclusion. The former occurs when people or groups are excluded deliberately, while the latter occurs unintentionally.

Social exclusion can undoubtedly be linked to terms such as social cohesion and social integration within the framework of the multicultural society and particularly the unfavourable position of certain socio-cultural and ethnic groups in society. However, these need not imply that social exclusion is identical to poverty at the conceptual level. The former refers not only to lack of cash

income but also to lack of amenities in the house, lack of permanent employment, poor health, bad housing, lack of social contacts and insufficient education. It relates to unfavourable living conditions and multidimensional relative deprivation. For the individual or household, social exclusion is generally perceived as a process of gradual retreat or marginalisation from mainstream society that may be triggered in number of ways, such as particular distressing events, the continued experience of bad living conditions or persistent poverty. At the societal level it is clearly associated with social disadvantage and the threat of a two-tier society.

Poverty researchers debate the importance of using absolute or relative poverty standards. International development organisations often define poverty as the level of income necessary to buy the goods necessary to survive, while poverty analysts in OECD countries usually prefer to define poverty in relation to the standard of living in a given society. There is a continuing discussion between the advocates and opponents of both approaches. Yet, policy-makers and researchers alike seem to agree that social exclusion is a relative concept. Indeed, one 'cannot judge whether a person is excluded or not by looking at his or her circumstances in isolation' (Atkinson and Hills, 1998). Social exclusion implies that one is not like others in the society in which one lives. Therefore, any definition of social exclusion has to refer to what is usual in a particular society, at a particular place and time.

There seems to be a general agreement on the fact that social exclusion is a multidimensional phenomenon. People can be excluded from various dimensions in the society in which they live, such as employment, education, housing, personal contacts, respect, etc. According to the action researchers of the EU's 'Poverty 3' programme, the major difference between poverty and social exclusion is that the former concept has to do with a lack of resources, whereas the latter is more comprehensive, and is about 'much more than money' (Bruto da Costa, 1994, p. 6). By making this distinction, these action researchers pointed to the real meaning that implicitly had been given to poverty at the European level for almost two decades. In 1981 the European Commission had extended its original 1975 poverty definition[1] in the following way: 'the poor shall be taken to mean persons, families and groups of persons whose resources (material, cultural and social) are so limited as to exclude them from the minimum acceptable way of life in the Member State in which they live' (Commission, 1981).

[1] In 1975 the European Council had defined poverty as referring to 'individuals or families whose resources are so small as to exclude them from the minimum acceptable way of life of the Member State in which they live'.

Research on social exclusion often focuses on the extent to which different dimensions overlap (de Haan, 1999). In the past, many researchers have studied the correlation of several dimensions of social deprivation (e.g. Paugam, 1995a). For example, young members of minorities are more likely to have lower skills, which is related to a higher risk of being unemployed or employed in precarious jobs. Exclusion processes related to several dimensions can be mutually reinforcing and can result in so-called 'spirals of precariousness' (Paugam, 1995b). Often one dimension will be central to a specific form of social exclusion. Which dimension is central will depend on the context. In some societies low skills may form the crux from which exclusion evolves, whereas in other societies religious identity might be important.

According to de Haan (1999), people can be excluded from a variety of different groups, often at the same time. Group formation is a fundamental characteristic of human society and this is accompanied by the exclusion of others. 'Social exclusion' can happen at each level of society. Atkinson and Hills (1998) mention that social exclusion often manifests itself in terms of communities rather than individuals. Exclusion in other words may be a characteristic of groups of individuals rather than of individuals themselves. Yet, de Haan (1999) stresses that social exclusion does not (need to) focus on bounded groups, but on social relations. Social exclusion could be seen as manifesting itself in recurrent patterns of social relationships in which groups are denied access to goods, services and resources that are associated with citizenship (Gore and Figueiredo, 1997). Others have mentioned that social exclusion refers to a rupture of relations, conceived of as a progressive dissociation from social *milieux* resulting in social isolation (Room, 1995). The excluded may lack social ties to the family, local community, voluntary associations, trade unions, or even the nation (Gore and Figueiredo, 1997).

3.1.2 Dynamic influence and trajectories

Although social exclusion is sometimes understood as a condition at a point in time, it is also clear that it can refer to a process: an action or a series of actions that is developing over time. According to some authors, social exclusion results from social and economic forces pushing persons to the margins of society and one could distinguish many trajectories or pathways that are linked to social exclusion. Sen identifies two dimensions of social exclusion: its constitutive relevance and its instrumental importance. The former refers to the fact that exclusion has an intrinsic importance of its own (e.g. being unemployed), while the latter refers to its contribution to generating exclusion (e.g. unemployment as an element contributing to social exclusion).

According to Vranken et al. (1997) social exclusion exists when there is a clear dividing line between individuals or groups in a hierarchical relationship. These dividing lines are real gaps, walls, thresholds that indicate a clear separation between being in and out, which the excluded cannot bridge by their own means. The disempowerment related to social exclusion seems to refer to the notion of the (urban) 'underclass', often used in debates in the USA. Especially the internal and external dynamics linked to the underclass phenomenon are closely related to the notion of social exclusion. Social exclusion clearly has inter-temporal and possibly inter-generational aspects and is, thus, related to social mobility – or the lack of such mobility.

Continuing with this dynamic theme, social exclusion could be defined as a concoction (or blend) of multidimensional and mutually reinforcing processes of deprivation, associated with a progressive dissociation from social networks, resulting in the isolation of individuals and groups from the mainstream of opportunities that society has to offer. Basically it is a process under which some individuals suffer from low-income and broken homes, failure in school, lack of training, bad housing, poor health and unemployment. It is important too to note that social exclusion does not lead in all cases to an inexorable breakdown of all social ties but is more likely to result in the severance of certain ties under certain circumstances. Policies to combat exclusion must be targeted, therefore, at personal situation and circumstance if they are to be effective.

Social exclusion is often associated with being trapped in a certain situation without having any prospect of being able to leave this situation using one's own initiative or force. Atkinson and Hills (1998) underline the fact that 'social exclusion is not only a matter of ex post trajectories but also of ex ante expectations'. For both Atkinson and Hills (1998) and Bourgignon (1999) social exclusion is linked to having poor prospect for one's own future and even the future of one's children. The excluded face a structural lack of opportunities. According to Bourgignon (1999, p. 3) they are not excluded because they cannot do today what other people usually do, but they are excluded because there is no way they will ever be included no matter how much work or effort they put into it. 'In terms of Sen, their capability set is simply not broad enough to permit them catching up' (Bourgignon, 1999, p. 2). Graham Room (1995) suggests that social exclusion can be defined as 'a concoction (or blend) of multidimensional and mutually reinforcing processes of deprivation, associated with a progressive dissociation from social milieux, resulting in the isolation of individuals and groups from the mainstream of opportunities society has to offer'.

3.1.3 Social exclusion in EU member states

Social exclusion is perceived and understood in different ways in the various member states of the EU and it has to be recognised that Social Europe has been a preoccupation since the earliest stages of economic integration in Europe. The concept of exclusion was, arguably, 'invented' in French social and political debate, and popularised in the 1970s and the 1980s. It went hand-in-hand with the rise of mass unemployment and precariousness, linked to economic crises. Paradoxically, social exclusion as a concept continued to belong to the 'full employment' model in the French political debate. That is, it was connected to some central responsibility for including people into society and employment that the State still had to fulfil under modified economic and social circumstances. New aspects were progressively added with regard to the involvement of other actors (from civil society or from NGOs) to which public policies delegated action or with which they tried to work.

At the end of the 90s, the French debate has moved from a causal and monetary perception (whether in terms of line, trap or gap) – the conventional Anglo-Saxon view - to a multidimensional appraisal of social exclusion as a process of deprivation of rights. Exclusion means the denying of access to civil, social and political rights in a context of great interdependency. For instance, the right to vote, being based on the condition of a stable housing, results in the de facto denial of voting rights for the homeless. In its preamble, the law against exclusion of June 29, 1998 linked the 'effective access for all to fundamental rights' to 'the respect of equal dignity of all human beings'.

In France, several initiatives were taken. They included Universal Health Coverage (law of April 12, 2000); specific employment programs for people in great difficulty of integration, especially the young ('Fresh Start' and TRACE programs); making more effective the law of May 31, 1990 requiring that each territorial authority determines plans for access to housing for disadvantaged persons. The RMI (Revenu Minimum d'Insertion) which, since 1988, is an allocation of last resort that guaranteed the right to a decent minimum income for people having slipped through all the existing security networks was extended.

The original six EU members had, and still have, their social protection systems more or less based on the same 'Bismarckian' principles. Access to social security nets relies on rights conferred on workers and their legal dependants. Social inclusion in this sense was a kind of derived right to be implemented by full employment policies and inclusion-friendly labour market regulation. It could be left without difficulty to Member Sates and their social policies, the only European concern being how to enforce the free movement of workers among Europe and to secure their rights, notably to health services and to pensions.

Things became progressively more complex and difficult with the arrival of additional countries (for instance the UK, the Southern countries and, finally, some Nordic countries) that either have other foundations for their social protection systems or have their protection less developed and completed by dense informal networks. For those countries, exclusion was an irrelevant concept, dominated in the long run by the concepts of poverty or social citizenship; or else was never even considered as a realistic possibility.

Taking Greece as a case in point, the concept of social exclusion was little used in Greek political discourse prior to the early 1990s. While it is now firmly entrenched in Greece, the concept of social exclusion means different things to different people. In practice two distinct interpretations are prevalent. The first sees social exclusion as acute poverty, while the second focuses on exclusion from the labour market. The predominance of social insurance on one hand, and informal support provided by kinship networks on the other, have made social assistance a marginal issue – and, with it, the visibility of recipients or potential recipients of social assistance. By implication, social exclusion has never been a pressing policy concern. Moreover, the situation as regards social exclusion in Greece differs from that in the rest of Europe in three crucial aspects. First, there are more than half a million Albanian immigrants in Greece and perhaps a few hundred thousand of other nationalities. In a population of 10 million, this is a considerable proportion.

Second, despite the decline in the proportion of population employed in agriculture and/or living in rural areas, these proportions are still higher than in any other EU member state. Since poverty rates are markedly higher in rural areas, especially among retired farmers, this is certainly an important factor for the identification of groups that face a high risk of social exclusion, although it is mitigated by the existence of support networks. More than most other member states, family ties and kinship networks in Greece seem to have been preserved despite the rapid demographic, social and cultural changes of the last decades. This does not mean that the family as a category is free from strain or necessarily that it can be depended upon to play a traditional role in the future. The spectre of smaller families having to support increasing numbers of elderly relatives on an informal basis is a reminder of future challenges to social policy in Greece.

Danish policies towards labour market and social exclusion have also taken an active turn in recent years. Starting with the labour market reform in 1994, the focus on active measures has since spilled over into social policy. Today, activation is no longer only a matter for the unemployed: the sick must also be rehabilitated, ethnic minorities integrated, and the disabled given jobs on special conditions. Several explanations can be offered for this change in strategy. One has to do with the general trend towards more workfare-oriented attitudes that can be found in the social policy of a

number of European countries. This trend may be explained by a need to increase the legitimacy of welfare state programs in the eyes of tax-payers, as well as worries about the damaging effects of long-term unemployment on a personal level.

The emphasis on activation will probably be stronger during economic upturns when unemployment tends to fall and the focus shifts towards worries about shortages of labour. Thus the dramatic fall in open unemployment since 1994 from 10% to 5% has undoubtedly played an important role. From a moral and political point of view this situation makes it easier to put claims on the unemployed, who can no longer be excused by the traditional argument that no jobs are available. At the same time the passive groups will be looked upon as an unproductive reservoir of labour which must be activated in order to reduce the risks of overheating the labour market. Finally, the ageing of the population, which will affect Denmark as well as other European countries, is perceived to put demands on all available resources, if growth and welfare shall be sustained in the coming decades.

3.2 A framework for analysis: the capability approach

The multifarious nature of social exclusion as a concept calls for an analytical framework that transcends the study of poverty and deprivation alone. The EXSPRO study advocates a capability-based understanding of social exclusion, which emphasises the need to enrich the conventional 'freedom from want' foundation of social help with elements of a 'freedom to act' conception. It links to employment transformation and to the European Employment Strategy. As a knowledge-based economy is marked by the spread of new standards of employment based on responsibility, initiative and autonomy, the concept of capability, as employed in the EXSPRO study, is broader than the traditional notions of skills, qualification or individual employability. It does not refer to a given job or to job-specific training (which would impede mobility and adaptability). It refers to a person's potential to live the type of live that s/he values and to achieve the involvement in work activities s/he freely chooses. It is thus grounded in a wider notion of work than traditional full-time work. Personal qualities are not derived from or exercised simply in work; they are also skills in everyday life upon which people intend to exercise their command and freedom. More extensive 'capabilities', lead to wider and more effective freedom to act for a person in life and work choices.

Empirical studies demonstrate that excluded people suffer not simply from a lack of income or employment. They suffer from a deeper lack of capability. First, excluded people lack an adequate understanding of the possible futures into which they can invest and of the means by which such futures can be realised. Secondly, even if excluded people are provided with some income or some

resources in kind, they have no (or only a very low) power to convert this income or resource into concrete outcomes that effectively improve their situation. From a capabilities perspective the goal of policies is not simply to offer benefits or resources in kind but rather to create an environment, both institutional and material, that provides socially excluded people with possibilities that they seize upon. Public action in this sense should focus primarily on the inequality of capabilities rather than on pure income inequalities alone. People are equal in capability when they are able, in the same situation and faced with the same problem, to achieve the same goal. In such circumstances public action is fair if people can use the resources it provides with the same degree of efficiency. This makes the case once again for policies that are targeted at each person's individual situation.

3.2.1 Implications for EU level policies on social protection

Given its characteristics, social exclusion is an area where, compared to national actions, the added value of European action would be palpable. Social exclusion can slip through the nets of existing national systems of social protection, so that 'Europe' has scope for contributing resources that complement national action and help to repair the 'holes' in national safety nets. European provision would be justified by the need for a progressive achievement and implementation of fundamental social rights. Such action would by no means substitute for national action. It is worth remembering that the general framework has been outlined in the recommendations issued by the Council on 24 June 1992 (covering common criteria for determining sufficient resources and aid in social protection systems) and 27 July 1992 (covering the convergence of social protection goals and policies. A more difficult question is how such recommendations can be implemented.

As in other social policy fields, the successive enlargements made European harmonisation of national regulations impossible. Under the leadership of Jacques Delors, the European Commission, focusing on 'the social dimension of the internal market', modified its strategy. The European Commission tried to implement a set of general principles that should and could have guided the development of national legislation and policies. This set of principles was labelled as a charter of fundamental social rights for workers. In the spirit of subsidiarity countries were left with the task of translating these principles in their own model and legislation with some degree of pressure being exercised by social actors via the European Social Dialogue mechanism and by negotiation of European collective agreements.

The Member States were expected first to respect some minimum social standards common to all, then to start a process of improvement of these standards. Diversity of social protection models within Europe could have been made compatible with the development of European regulation of a

'third type': neither law, nor collective agreement, something between the two, a dynamic mixing of procedural rules and of substantive outcomes. These 'fundamental rights' remained non binding and the scope for the EU to intervene directly in social matters was strictly limited during the Maastricht Treaty negotiations. For diverse contingent political reasons, this strategy failed. Its last outcomes were two (legally non binding) recommendations in 1992, one on 'the convergence of social protection objectives and policies', the other (linked to social exclusion issues) on 'common criteria concerning sufficient resources and social assistance in the social protection systems'. The latter text did have the merit of formally stating the Member States' will guarantee a minimum income to every citizen.

Ten years later, the situation has been made more complex by the Treaty of Nice, the future enlargement and the uncertainty of the ways by which the OMC, tested first in the European Employment Strategy since 1997, could develop with regard to matters of social protection. In short, the open method of co-ordination resembles the Delors' strategy of implementing a set of principles, minus the predefinition of this set itself. Fundamental rights benchmarking that guided the process are replaced by peer evaluation along with a set of social statistical indicators whose technicality is supposed to avoid any political and scientific debate about their relevance. Under these conditions, could the political process go somewhere, a European 'somewhere' that will be acceptable in term of social improvement? Or will it prove necessary to come back to the subsidiarity principle?

By its very nature social exclusion calls for ongoing public action that is implemented via a network of civil and social, private and public actors combining their resources at a local level. For the sake of efficiency it is best to leave the initiative for, and definition of, these actions to such actors, thus leaving the task of providing principles of action and resources to the centre. The diversity of normative principles of evaluation and the possibility of contradiction between has never been more apparent in European matters, however. Will it then remain possible to co-ordinate this diversity of norms and to achieve substantial outcomes? The future of the NAPinc will be a test of the relevance of the European strategy and of its ability to cope with social protection issues.

Looking at the long term history of Europe's commitments on social protection issues can help us to understand the extent to which a capability approach to social inclusion was and could remain part of the building of Europe. The case of France in particular can serve as a benchmark to evaluate European trends. In France, public policies have sought, increasingly, to implement and enforce a rights-based approach, with several instruments used in the different spheres. Procedural matters are also relevant. Special committees and bodies have been created at a local level to co-ordinate the

work of various public and private actors. People that are in difficulty or associations that represent such people participate in these bodies. This should allow self-expression about needs, expectations and evaluation of public policies, that, in principle, will help future revision and improvement of public policies by creating a process of institutional learning. When all of this is put together, it begins to embody a capability approach.

Two main problems remain, however. The partnership between professionals, institutions and excluded people often clashes with the verticality and parcelling of responsibilities that continue to mark State intervention in France. For their funding, programs are evaluated by the number of recipients that have succeeded. A perverse effect occurs which from the outset, advantages people with fewer problems. The estimated level of capability tends to be used as a selection criterion, instead of being the target of policy effort. Other aspects are nevertheless positive. When following an approach in terms of rights, the public authority cannot impose upon individuals obligations that deny their freedom of choice and of action (as Anglo-Saxon countries do with workfare policies, for instance). For the Commission, the ambition was not (as in France) to universalise such rights, but simply to ask the Member Sates to use these principles as benchmarks for their policies.

The evaluations of Danish policies towards social exclusion also provide possible lessons for EU policy. Denmark has managed to reduce long-term unemployment with some success - in spite of the fact that the economic upturn has faded slightly during the last couple of years. But they also seem to have 'separated the sheep from the goats', meaning that the low-productive unemployed have been pushed towards more permanent transfer income schemes. This has actually increased the number of permanently excluded from the labour market. In other words it seems that social policy has a lot of work to do. It has been more difficult to evaluate the effect of active social policies, and the evaluations carried out point in different directions. A general problem with evaluating social policy is choosing criteria of success. Is success the achievement of steady and full employment or should we look at broader indicators of inclusion in society?

There are lessons to learn from the Danish model - especially when it comes to labour market policies. But the question is whether these lessons can be exported. On the one hand, one can make the observation that in many respects the 'Danish model' in its present form is the outcome of a long historical process and is characterized by a specific 'fit' of the different elements in the Danish economic, social and political structure. This 'fit' includes flexible employment with generous social assistance, the developed public system of activation, education and training as well as tri-partite decision-making in all policy areas of relevance to the labour market. On the other hand some of the factors explaining the current success of Danish employment policy could be relevant

also on other contexts. Danish experience points to the importance of the macro-economic environment. By themselves, labour market policies cannot generate ordinary jobs. A sufficient 'pull' from the demand side seems to be a necessary condition, but in cyclical upswings labour market policies play an important role in securing the supply of qualified labour and avoiding bottlenecks.

3.3 Empirical Analysis

A range of empirical studies was carried out in the course of the project. These sought to assess how macroeconomic developments interact with social exclusion, to measure the incidence of it using large empirical databases such as the ECHP, and to investigate how employment 'regimes' affected social exclusion in the light of the National Action Plans for employment.

3.3.1 Macroeconomic influences on social exclusion

Although the *capabilities* approach stresses the need to move beyond purely macroeconomic interpretations of social exclusion it by no means rejects the importance of the macro economy in determining social outcomes. Macroeconomic factors are thought to affect social exclusion in three main ways. First, the *increased pace of structural change* stemming from factors such as globalisation is causing existing skills to become redundant more rapidly, resulting in the unemployment of some individuals and the economic decline of some areas in a manner that increases social exclusion. There has thus been an upward and sustained increase in the rate at which social exclusion is generated, with no indication that it might be reversed.

Second, it is clear that the process of continuing change is *asymmetric* in the sense that an adverse shock of a given size in terms of income and wealth tends to result in more unemployment and social exclusion than a favourable shock of the same size reduces them. Thus, to prevent social exclusion from remaining at higher levels a disproportionate response is required. If this does not occur through favourable macroeconomic shocks or macroeconomic performance then offsetting microeconomic measures will be required. Third, Economic and Monetary Union in Europe itself affects the scope of macroeconomic adjustment through having a single currency and monetary policy, regulating competition in the Internal Market, establishing rules for the conduct of fiscal policy through the Stability and Growth Pact and co-ordinating other structural policies.

While a link between macro economy and social exclusion exists, therefore, the precise nature of their relationship remains unclear. This ambiguity is especially apparent on the demand side of the economy, when we consider the extent to which the macroeconomic development of the euro area will of itself allow the member states to 'grow' out of their social problems. Investigation of this

found that even if unemployment continues its downward trend, either a significant increase in the sustainable rate of economic growth or a significant further decrease in the level of unemployment consistent with that growth rate in prospect appears to be unlikely. The possibility remains, however, that the process of reacting to the favourable shocks that have stimulated the euro economy from closer integration of recent years and from the adoption of Stage 3 of EMU itself have yet to work their way fully through the system. Many of the responses will come from the evolution of institutional behaviour, which is traditionally very slow, and the introduction of the notes and coins from the beginning of 2002. Evidence of a 'new economy' effect is contested, even in the United States, where there has been a substantial increase in the actual growth rate in recent years. However, looking on the other side of the coin it does not appear that expected shocks such as enlargement of the EU/euro area and the ageing of the population need have particularly adverse effects on unemployment. However, ageing is bound to increase the potential problems of social exclusion, particularly where people have not planned for it in advance. Similarly adverse movements of capital and labour could make the impact of enlargement on exclusion much harsher than anticipated.

These macroeconomic limitations imply that public policy will have to shoulder some of the burden if social exclusion is to be tackled effectively. Many of the proposals for action in this regard require increases in public expenditure, at least during the period in which social exclusion is being reduced (as opposed to the longer run where it is be kept at low levels). In this regard the scope for such increases – funded by taxation – were found to be rather limited at current euro area tax rates, as balanced increases in public spending tend to have detrimental effects on overall activity. On the contrary, it is reductions in the general level of public spending that are likely to increase wealth faster. Hence public expenditure will need to be focused clearly on activities that will expand human and physical capital and the determinants of inclusion if the expenditure itself is not to be a 'dead-weight' loss and a partial contribution to the problem.

Turning to the issue of EMU, worries about the adverse impact of the macroeconomic structure of Stage 3 of EMU may have been exaggerated. First, it appears likely that the euro economy will continue to respond fairly rapidly and substantially to variations in its exchange rate with respect to the rest of the world. Although the euro area may increasingly become a more closed economy as it matures, that is not likely to happen overnight. Second, counter-cyclical policies will be less difficult to implement under EMU than has often been imagined. As things stand, policies do seem to respond quite rapidly and effectively to shocks, although there is clear non-linearity to the response. Governments tend to make structural adjustments to fiscal policy in response to

favourable shocks considerably more than they do to adverse ones. If the sequence of shocks is fairly random this will therefore tend to build up difficulties as time passes.

Contrary to widely held beliefs, simulation work found little evidence that the Stability and Growth Pact (SGP) will act as a restraint on prudent policy responses to future shocks despite the asymmetry of behaviour. Automatic stabilisers appear to be quite quickly acting and it is open to question whether discretionary fiscal action will have short-run positive benefits that would outweigh its longer-term negative consequences. Moreover, the co-ordinated automatic stabilisation inherent in the Pact will tend to ease problems of response in the future even where shocks are confined to just a few member states.

Nevertheless it is clear that the euro countries are currently very different in key macroeconomic respects and will hence continue to be somewhat subject to asymmetric shocks and asymmetric responses to symmetric shocks. However, the normal experience is, on the one hand, for these differences to diminish over time and, on the other, for new mechanisms to develop to offset the remaining problems. It is not as if these problems are new. These asymmetries are just as big within the member states, even within the smaller ones. It is just that they have learnt both how to cope and that the experience is not new and therefore not so remarkable as the new experiences from closer integration.

Macroeconomic developments in short will not be enough to address current and forthcoming problems of social exclusion. While there is a clear role for greater voluntary macroeconomic co-ordination for which the incentives exist, dealing with social exclusion is going to remain fundamentally a detailed, localised and complex problem for which active targeted policies are required. Nevertheless it cannot but be remarked that all countries and federal arrangements have found substantial 'automatic' transfer of resources from the gainers to the losers on a scale not contemplated by the EU to be a necessary facet of the system.

3.3.2 Analysis of the National Action Plans for Employment

Articles 136 and 137 of the Treaty of Amsterdam may have officially declared the fight against social exclusion to be a concern of the Union, but it was not until the Lisbon European Council of March 2000 that this concern was fully voiced. At Lisbon, the Heads of State and Government agreed to promote social inclusion by means of the new OMC. Member states are required to submit National Action Plans on Social Inclusion (NAPincs) and to have them subjected to a process of multilateral surveillance and peer review, which largely mirrors the European Employment Strategy. Taking the similarity between these employment and social inclusion

policies as a point of departure, this programme has attempted to tease out a richer understanding of their relationship.

Prior to the Luxembourg process in 1997, the 'guidelines for employment' were understood in widely different senses by the Member States. Between 1998 and 2000, however, there has been a degree of convergence towards the goal of 'promoting employability'. More specifically, it is possible to identify two main dynamics over this period: the 'active turn', characteristic of the UK and of some Nordic countries, and the 'capabilities turn', elements of which are most visible in Latin countries for example. In the light of such trends, an attempt can be made to define a set of possible and effective policies and their dynamics from 1998 to 2000. The aim here is to understand that a given country could follow different policies at the same time, depending on the segment of the labour market or the agency responsible for policy measures.

The first step in such an exercise is to classify the guidelines (GL) concerning employability (guidelines 1 to 9) along two axes. Two logics of action for the guidelines are identified along the first axis,: an action on the functioning of the labour market and an action on the framework of it. In the first case (for instance GL4 - incentives to work and disincentives against social dependency), the aim is to stimulate the market operation by accelerating exchanges and reducing unemployment duration. This clearly represents a logic of activation. In the second case (for instance GL5 - social dialogue - or GL6 - lifelong learning), the purpose is to improve or to reform institutions framing the labour markets, say the vocational training system or the search for collective agreements at local level that improve manpower management or local matching between jobs offered and people in search of a job. The second axis distinguishes between guidelines that concern the workforce as a whole and those that focus on specific targeted groups. Targeted guidelines use some predefined general categories, such as the young (25 and below), long term unemployed (more than a year, for instance), ethnic minorities defined by their nationality or disabled people as registered by public administrations. Targeted policies it should be noted raise the standard issue of perverse effects as spillover into other categories, discrimination or opportunist behaviours of individuals and firms, etc.

The second step was a careful reading of the texts of the 15 NAPEmpls for the three years, using a new and sophisticated statistical analysis of the texts. This 'textual statistical analysis' (using software called ALCESTE) not only counts the intensity of words occurrences but also, using sentences (or part of them) as elementary units, computes the correlation between words internal to the sentences. Thus it brings a degree of restitution between the diverse meanings by which a given guideline is interpreted into the NAPE. This exercise also considered the registrars of

argumentation that justify different ways of implementing the European guidelines or to put this another way in terms of which different 'policy worlds' are used by national governments to 'promote employment' as required by the EU. Roughly speaking, four different meanings of 'employability' emerge from the same European vocabulary, of which only one or two are in keeping with the spirit of the capability approach.

In the first two meanings, employability is a collective matter. It is meant to be developed through the action of two main institutions: social dialogue and schooling. Through social dialogue, employability becomes a responsibility locally shared by social partners. By analogy, one could speak of social inclusion as the same type of locally shared responsibility between social and civil actors upon which Europe action could rely (in essence, the approach adopted in the Social Agenda agreed at the Nice Summit). Germany and most of the 'Latin' countries (France, Italy, Spain) already followed this line in their NAPEmpls. The second meaning appears when schooling (and more generally lifelong learning) is highlighted as a prerequisite for employability. It mainly concerns Portugal, Greece and Ireland that have introduced a major reform of their educational system. For these countries, preventing exclusion is equated with affording every youngster the possibility of a good start into the labour market. This means that implicitly these countries continue to rely upon informal, local and family, networks to deal with forms of exclusion other than labour market exclusion. More surprisingly, Sweden seems willing to follow the same path, by creating an 'Adult Education Initiative' for long term unemployed and by reforming its educational system.

The last two meanings of employability refer to the promotion of flexible labour markets. They are mainly concerned with improving the functioning of labour markets, which are considered a priori efficient devices that suffer in practice from imperfections. The eradication of these imperfections is a matter for the individual member states. The first type of policies consider impediments to employability or inclusion that lead to an excessively high unit labour cost. Wage subsidies, tax credits or incentives for people to accept job or training offers are now widely used in countries like the Netherlands, Italy, Denmark, Finland or Sweden. In the latter Nordic countries, which already have a high level of social protection, such a turn toward activation reinforces the role attributed to individual responsibility. The second type of policies is targeted toward groups prone to social dependency: unqualified youths and the (relatively) long term unemployed. Via (often) severe conditional rules (such as in the UK, where individuals are denied benefits unless they engage in active job seraches), the integration of people is actively achieved by putting the onus on the individual to boost employability.

These four interpretations illustrate the emergence of the two trends towards the 'active' turn and the 'capability' turn. The active turn is to make public spending more cost-effective and to have better outcomes in quantitative terms with less public money. It can be understood as the logical by-product of failing Keynesian policies. The focus is put on maximising employment rates irrespective of the quality of the jobs. Changes are huge: where public funds and public works were supposed to raise growth and hence employment, it is now financial incentives which serve to increase employment for a given state of economic activity, by increasing the flexibility of the labour market. But, unfortunately for those excluded from the labour market, the underlying conception of employment remains exclusively quantitative. Such approaches do not make (enough) room for labour understood in the real and concrete sense of work, that is as a collective activity taking place at a given location.

Work as a collective activity is simply impossible without forms of co-ordination that make it possible, such as training, collective bargaining and the involvement of public services. It is precisely such aspects that the 'capability turn' wishes to promote. Such an inclination toward capability was found in countries and/or policies that recognised employability in its first two senses of the term: developing real access to basic knowledge and competencies; and sharing responsibility of improved employability at a local level and within firms. There is a sense in which the debate about activation of employment and social policies is misguided. The aim of public action should not be to restrict spending per se but rather to favour efficient and fair results in the long run. Those results will be less costly in the final analysis than purely financial short-term considerations.

Policies dedicated to developing skills and improving local co-ordination are more likely to counter unemployment and labour market exclusion than policies based on monetary incentives, for the reasons given above, and such policies overcome the traditional equity-efficiency trade-off by stimulating both. How is this possible? It might be the case that this trade-off has never really existed. But in the present situation, this probability is higher than before, as recent changes in the nature of goods exchanged and in production processes require new capabilities. Little is gained by offering 'incentives' to take a job to an individual who lacks the requisite skills, just as it is inefficient to subsidise a firm to produce goods it does not have the suppliers and infrastructure for. Today in Europe, equity and efficiency should indeed go hand in hand. This is what the notion of capabilities strives for: real and lasting opportunities for all, depending on their specific situations.

Building on this analysis a second strand of investigation considered the extent to which EU member states can be clustered into different employment policy regimes and the implications that

such clusters might have when it comes to exclusion and exclusion from the labour market. The identification of employment policy regimes is based on three different sources: a detailed textual analysis of the policies presented in the NAPEmpls of 1999; a more extensive reading of the 2000 NAPEmpls; and data on the size and composition of expenditures on labour market policy. Thus, the identification of employment policy regimes was based solely on the content of policies and their implementation (policy inputs), without reference to the success or failure of policies (policy outcomes).

For the majority of the Member States, the information from these three sources could be combined into an overall characterization of the country as belonging to a specific cluster of countries with some general traits on actual expenditure on labour market policy and the degree of ambition and specification of the plans. Countries in the liberal Anglo-Saxon welfare tradition and those in the corporatist Continental European one are similar in this respect. They are moderately ambitious and selective in their pursuit of national employment policies. In contrast, the Nordic countries overlap with the active regime, and the Southern European ones with the passive regime. There is an overall tendency to become more active. The outcome is summarised in table 3.1.

Do these regimes make a difference as regards the likelihood of becoming excluded from the labour market and thus increasing the risk of social exclusion? Several criteria were used to evaluate this indirect risk of social exclusion in different policy regimes. One was the general level of unemployment and four criteria on unemployment for different groups (women, youth, old age, male immigrants), plus two others on long-term unemployment and national poverty. The findings are as follows:

- Active regime: This regime shows a strong ability to avoid exclusion, especially when it comes to long-term unemployment and poverty. It is less successful as regards labour market integration of immigrants for whom unemployment is a larger problem than for the rest of the population.
- Intermediate regime: It was difficult for this group of countries to see any pattern in their performance. Governments took very different paths.
- Passive regime: The countries in this cluster all perform poorly on the various indicators. The one exception is Portugal where only poverty is a severe problem. However, these countries have the lowest percentage of old age unemployment in Europe.

Table 3.1: Employment policy clusters and their dynamics		
Employment policy regime	**Countries** [Borderline cases in ()]	**Main characteristics**
Active regime	Denmark The Netherlands Sweden (Finland)	High spenders on both active and passive labour market policy. Ambitious and well-defined employment policies over a broad range of policy areas
Intermediate regime	France Germany United Kingdom (Ireland) (Austria)	Medium spenders on labour market policy. Employment policies over a broad range of policy areas. In some cases special focus on the employability pillar.
Passive regime	Italy Greece Spain (Belgium) (Portugal)	Low spending on labour market policy. General lack of ambition and precision in defining and implementing employment policies.
Regime dynamics	France United Kingdom Ireland Spain Portugal	Three of the four countries in the intermediate regime (F, IR, UK) are moving towards active. Two countries in the passive regime (P, SP) seem to be becoming more active, implying a shift to the intermediate group.
Source: Madsen et al. (2001b)		

The analysis also shows that a number of countries were 'on the move', in the sense that they were in the process of shifting from one regime to the other when looking both at the dynamics of their actual expenditures and on the contents of the NAPEmpls. Two clear examples are Portugal and Ireland. Finally, one country – Austria - is very difficult to categorize, since the different sources pointed to different regimes (low spending on labour market policy, but well developed NAPs).

The next question is whether the profiles of employment policies and the affiliation with a specific employment policy regime mattered as far as social exclusion is concerned. This exercise in policy evaluation was conducted by looking at six indicators of marginalisation and exclusion from the labour market combined with one indicator of income poverty. In some respects, the evidence from comparing policy regimes and the extent of social exclusion in the countries was clear-cut. Thus, the countries within the Active Regime in general had a lower level of social exclusion measured by almost all indicators. Also, Ireland resembled this cluster, when it comes to the results from employment policy.

Another group of countries with a high level of similarity in the level of social exclusion is the countries identified within the Passive employment policy regime, which in general show a high

level of social exclusion. As in the discussion of policy regimes, Portugal is an exception, with a performance, which is in many respects more similar to the Active Regime. Finally, the countries within the Intermediate Regime are more mixed in their performance. An interesting outlier once again is Austria, which in the composite measure of policy success scores the highest value among all 14 countries, despite the fact that some indicators of policy inputs place Austria among the countries with a more passive employment policy profile.

In general terms, therefore, it is possible to identify three European employment policy regimes, the most distinct being the Active Regime, composed mainly of the Nordic countries, and the Passive Regime mainly formed by countries of Southern Europe. However, the regimes are not solely defined geographically. Thus, the Netherlands is included in the first and Belgium in the second of these regimes. A third cluster labelled the Intermediate Regime consists of countries that are more difficult to affiliate neatly to a specific cluster or ideal type.

There are clear indications that employment policies matter for social exclusion. Countries with an ambitious and high spending employment policies tend to experience the best outcomes measured by the available indicators of social exclusion from the labour market. Also, countries shifting their policies in this direction seem to get positive results. In some cases the evidence is more mixed, the clearest example being Austria, where the outcome indicators point to a low level of social exclusion in spite of a policy profile, which in many respects is rather passive.

From the point of view of the European Employment Strategy as a political project, the conclusions to this strand of the investigation tend towards an optimistic assessment. First, the analysis documents the significant differences which exist between the actual employment policies of the EU Member States. Thus there is a strong potential for policy learning and policy transfer among the Member States. Second, the analysis of the outcome indicators with respect to social exclusion shows that ambitious and efficiently implemented employment policies can in fact lead to a lower level of exclusion from the labour market: employment policies do make a difference. Therefore the outcome of policy learning and policy transfer among the Member States could be a clear reduction in social exclusion in Europe. Third, the analysis of the dynamics of employment policies of a number of individual countries points towards a number of cases where countries are actually changing their employment policies. It cannot be said, however, that these policy changes are solely or mainly the result of the Luxembourg Process, since this would require a separate study of the actual exchanges of information between policy actors across Europe. Nevertheless, the observed policy changes are well in line with the hypothesis that policy learning is actually taking place.

Finally, and turning to the evaluation of the present analysis from a more theoretical point of view, the main outcome is the observation that 'regimes' can be identified within the field of employment policy in the same way as they have been identified in other policy areas. However, studying different policy areas will lead to identification of different policy regimes and to a different categorization of individual countries. As an illustration, the identification of a Southern European employment policy regime, which is a robust result from the present study, differs from the results of Esping-Andersen's famous analysis of the three worlds of welfare capitalism, where no such separate regime is clearly identified.

Naturally, such differences in outcome could be caused by methodological flaws or the use of different data. But another plausible view, shared by the authors, is that the highly multi-dimensional and dynamic character of the politics of modern societies makes it unlikely that one should be able to identify stable general 'regimes' or 'ideal types' across different policy areas. Furthermore, while the concept of 'regimes' may be useful as an analytical tool for structuring the understanding of a specific policy area, one should be careful not to identify such regimes with 'ideal types' that somehow determine the options for policies and reforms. On the contrary, the processes of policy learning and open coordination that are becoming an important element of European politics will by themselves lead to the erosion of any neat system of ideal types established at a given point in time to study policy formation in Europe.

3.3.4. The incidence and determinants of social exclusion

As the conceptual discussion made clear, measuring and analysing social exclusion is not easy, and the difficulties are compounded in cross-national analysis by both data deficiencies and differences in national priorities. Nevertheless, any assessment of how to reshape policy needs to be rooted in credible statistics, and the research consequently incorporated a substantial programme of statistical work, drawing principally on the ECHP and the Luxembourg Income Survey. The findings are reported in much greater detail in the principal academic outputs of the EXSPRO project (see chapter 5 of this report), but a brief overview is presented here.

Using the European Community Household Panel (ECHP) survey, the starting point was the standard assumption that households are the primary units of welfare distribution, and thus important determinants of welfare or lack thereof. The household is interesting also because it can be considered as being the social unit where decisions of labour force supply are made. Therefore, household composition has a dual effect on individual welfare: by setting the structure for welfare distribution: and affecting its members' labour market attachment patterns. Welfare states

contribute to the welfare structuring effects of households by income redistribution and providing services, which affect especially the labour supply of women.

The varying labour market attachment patterns, or more broadly speaking ‘earning profiles’, were analysed with cross tabulations and multinominal logistic regression models. The results showed that households vary rather markedly between the countries according to their earning profiles. Households with children (‘nuclear families’ and single parent households) showed the greatest variation, largely attributable to variation in women's labour market attachment.

Poverty was measured by the standard approach, i.e. by defining poverty as an equivalence scaled income falling below 50 % of the national median. The equivalence scale used was the square root scale (elasticity 0.5). Poverty risks were analysed by cross-tabulations, logistic regression analyses and by estimating poverty odds for household types. The countries differ from each other with respect to their overall poverty rates, but also with respect to relative poverty risks. For example, single parents have a low poverty risk in Denmark (and Finland), but a far higher risk in Ireland and the Netherlands, both compared to their Danish counterparts and other households in the country. The explanation is the status of Danish lone parents, who are supported by extensive family services, and also by the differences in the income redistribution systems, and the way they treat different households. Overall, the Danish system favoured child households, both by supporting high levels of labour market attachment, and by its income redistribution system. The Greek system produced high poverty risks for most household types, while in the Netherlands and Ireland the highest poverty risks were among single parent households, for which support for labour market attachment and favourable income redistribution is inadequate.

The result of the statistical analysis of over 35,000 European households indicates that income poverty, weak labour market integration, multiple problems in accommodation and lack of education are all positively correlated in most EU countries. However, interestingly, these associations are found not to extend beyond the pairs when conditional associations of the second and third level are examined. In other words, a household where the head has not attained the second stage of secondary education, certainly has a risk of poverty, but this risk does not increase if this household is also weakly integrated in the labour market. The results may be explained by the fact that survey data only provide a snapshot of possible exclusion and that the analysis is limited to prime working aged people. There is also the possibility that different social risks have not only different manifestations, but also different roots and developments that explain our findings. Thus, the onset of social exclusion is found to be more complex than the image of a spiral of

precariousness suggests - some social risks can be rather independent of one another, indicating that cumulative deprivation can be understood in some cases as a statistical category.

When social exclusion is portrayed as a 'spiral of precariousness' type of process, it follows that different disadvantageous social conditions are thought to increase exclusion risks cumulatively. However, empirical analysis indicates that social exclusion is not necessarily a simple cumulative process, at least when it is observed that households are at risk of exclusion rather than being actually excluded. Thus, social exclusion can also be seen as a statistical category that embraces households that are suffering from several disadvantageous conditions. If one conceives social exclusion as a statistical category, various disadvantageous social conditions are more easily understood as qualitatively different phenomena - demanding different approaches and policy programs for eroding them. Hence, this interpretation can make a difference in terms of how social exclusion might be combated i.e. should an all encompassing programme be employed to fight social exclusion or would smaller and more targeted programs lead to better results? This question should not be ignored when policy programmes against social exclusion are being devised.

Finally, the associations between household structure, households' attachment to labour markets, welfare states and poverty was also examined to analyse how households, in interaction with labour markets and welfare states, structure individual poverty risks in different welfare regimes. Five countries were compared: Finland, Denmark, the Netherlands, Ireland and Greece. These countries were chosen on the basis that they belonged to different welfare regimes, namely the Nordic social-democratic (Finland and Denmark), the continental (the Netherlands), the liberal (Ireland) and the Southern/Latin Rim (Greece).

3.3.5 The example of the Netherlands

In the Netherlands, it is interesting to note the complexity of the relationship between social exclusion and economic growth. The remarkable thing is that the number of poor households tends not to fall in a period in which the economy is booming and GDP grew by 3 to 4% annually. The number of households below a threshold of 105% of the social minimum income (equivalent to the lowest level of social assistance) often used in the Netherlands is about 11%. However, the number of households at risk of poverty for at least one year is three times as high in the period 1985 to 1994 (31%) as it is for the single year poverty rate, again based on the 105% threshold. That means that one in three to four households was prone to poverty, at least once in that 10 year period.

The evidence also shows that there is quite considerable economic or income mobility. About 70% of the people that in one year had an income below 105% of the social minimum benefit level

managed to raise their income and escape poverty in the next. These figures further reveal that, overall**,** long-term poverty is rather low in the Netherlands even if the highest-level threshold (16,000 Dutch Guilders) is taken. For the nine-year period 1990-98, 3% of all people stayed in poverty for the entire period, while 6% of all households (about half of all households in single year poverty) had poverty spells of 5 years or more in this period (see also Bane & Ellwood, 1986; Muffels, 1993; Duncan et al., 1993; Muffels and Fouarge, 1997b). If people's poverty statuses are monitored over a more recent period of 1994 to 1998, the percentage of people living for a consecutive period of at least four years in low-income poverty remained stable at 40% of the poor population in any given year. A quarter of the poor population in a given year even remains in poverty for 6 years or longer. This means that, with an average of 15% of the population living in poverty each year, about 6% face poverty for a consecutive period of at least 4 years and abut 4% for 6 years or longer (SCP, 2000). Hence, there is clearly medium-term or persistent poverty in the Netherlands, concentrated in low income groups among the long-term unemployed, the disabled, the lone parent families drawing social assistance benefits and the immigrant population.

Long-term poverty, particularly among the low income groups, far from falling actually rises over time. During the period 1990-98 the proportion of household heads living on social assistance with a nine year average income below the low-income threshold, increased from 54% to 72%. On the other hand, the proportion of retired heads of households with very low permanent incomes decreased from 14% to 11%, indicating that measures to raise the incomes of the elderly were successful. But, the coincidence of rising persistent poverty for particular weak groups and substantial economic growth might point to growing inequalities between the rich and the poor.

3.3.6 Social exclusion in different welfare 'regimes'

A central focus of research was on regime type differences and it became clear that long-term income as well as long-term deprivation poverty tend to be more prevalent in Southern and Liberal regimes and less so in Corporatist and Social-Democratic regimes. Equally, Liberal regimes out-performed the other regimes in attaining high levels of economic welfare. This confirms the conjectures that egalitarian regimes perform a better job in preventing poverty and deprivation, but at the cost – although not much – of economic efficiency in terms of attaining high levels of economic welfare.

Comparisons of income and resources deprivation revealed that the income poor experience lower levels of persistent deprivation in regimes with the lowest levels of income and deprivation poverty (i.e. the Social-Democratic and Corporatist regimes) and higher deprivation in regimes with a high

level of income and deprivation poverty (the Liberal and Southern regimes). When the correspondence between income poverty and deprivation poverty is examined this finding is confirmed. About 64% of the short-term poor and 71% of the long-term poor are also living in short and long-term deprivation poverty in the EU. For the social-democratic countries, the correspondence between being income and deprivation poverty is somewhat lower whereas for the Southern regimes the percentages are slightly higher. The conclusion drawn from this was that although both concepts of income and deprivation are clearly associated, they are not substitutes but complements, each focusing on different dimensions of the lifestyles of people in society.

Do welfare regimes matter at all in explaining differences in income and resources deprivation across countries? The estimates from OLS-regression models of deprivation levels with inclusion of only country or 'regime type' dummies show that the regime type model explains 70% of the variance explained by the country model. In the full model, with the inclusion of a broad set of theoretically derived indicators, the regime type model performed even better and explained 95% of the total variance explained by the country model.

Nonetheless, it was found that most of the variance is not explained by country or regime type differences – which have a rather small effect (5.6% explained) – but by common structural factors like the 'needs of the household', the 'human capital' of its members, the turnover and dynamics on the labour market and the distribution of permanent income. Particularly interesting is the large contribution of socio-economic status variables to explaining deprivation, which reflects the traditional impact of class, education and employment status. This suggests that inequality in terms of outcomes (income, poverty and labour market exclusion) ultimately depends on the distribution of resources and opportunities (human capital, health, employment creation and destruction, inherited wealth, etc.). The 'interaction effects' with needs variables (household size, separation), socio-economic status and long-term income, though significant in most cases, did not diminish the effects of 'regime type' which remained strong and significant in the full model even after the inclusion of the various interaction effects.

In conclusion, common structural factors obviously play a larger role in explaining differences in deprivation levels across Europe than regime type effects. However, this is not to say that 'regimes' are not important in their own right, as they shed light on the 'dark forest' rather than causing the researcher to be lost in the 'myriad of unique trees'. However true this might sound from an analytical perspective, from a policy perspective, one should keep in mind that regime types should not erroneously be believed to be stable features of a country's policy but instead a dynamic reality

that requires continued scrutiny to test its heuristic and practical value in an increasingly dynamic economic and social context.

These results clearly indicate that the 'social fabric' in the various countries is designed substantially differently and with different success in the way forward to attaining a society with a high level of economic welfare and low levels of poverty and deprivation. The challenges for social policies are, thus, quite dissimilar and therefore so also are the ways to achieve the goals of most EU welfare states. Some regimes perform better in achieving these goals than others. This finding might not only be attributed to the design of their social and economic policies, but is also likely to stem from the whole range of economic, social, political and physical 'assets' a society possesses. But the fact that countries whose policies are more balanced in terms of prioritising economic as well as social goals, prove to be more successful in tackling social misfortune than others is clearly supported by the evidence. In this respect, there is scope for European intervention not only to define the framework within which the goals are set and shared but also to support countries that are trying to define new roads for improving the social quality of their societies.

In some cases, the profile of those at high risk of social exclusion differs substantially across member-states. Even for groups that appear to be high- or low-risk in all EU member-states, their relative risks vis-à-vis the national average may differ quite considerably. A few examples highlight this claim:

- Various categories of elderly people (persons aged 65-74, 75+, elderly living alone or with their spouses, pensioners, etc.) appear to face a risk of social exclusion substantially higher than the national average in countries such as Greece and Portugal, but considerably lower than the national average in countries such as Ireland and the Netherlands.
- Full-time employment appears to be a factor associated with low risk of exclusion in all member-states, but in relative terms, far more so in Ireland and the UK.
- On the contrary, in all countries unemployed workers (and, even more so, persons living in households headed by an unemployed person) face a risk of social exclusion higher than the national average. However, the differences in the corresponding risk levels appear to be quite low in Portugal, but enormous in Ireland, Germany, France and the UK.
- Likewise, members of lone-parent households face a higher risk of social exclusion in all EU countries. Nevertheless, the relevant relative risk factor is only slightly higher than 1 in Greece but over 3 in the Netherlands, Germany and the UK.

The clear policy implication of these findings is that 'one-size-fits-all' policies aimed at fighting social exclusion across EU member-states are likely to be ineffective. Social arrangements, economic conditions and, especially, the type of the welfare state are likely to be crucial determinants for the success or failure of the policies that will be adopted in individual member-states.

3.3.7 Transitions into and out of social exclusion

To extend the analysis, an empirical model was developed to explain the transitions between various longitudinal employment statuses. Multinomial regression models were estimated using the three waves of the ECHP-data. Of particular interested here is the transition from insecure employment and partial exclusion into secure employment or full exclusion. Beforehand, the existing cross-sectional statistics showed clearly that the labour markets across the various countries are rather different in terms of unemployment levels, extent of regulation, the share of flexible labour, employment growth and the share of the informal economy. Therefore the purpose was to examine whether the use of longitudinal information would change the comparative picture substantially or not.

Looking at the figures on flexible labour across the various countries a first question was whether the Southern countries should be considered a separate welfare state regime or should be considered part of the corporatist type. It appeared that the share of flexible labour is, indeed, very much higher in the Southern countries. Next, looking at the distribution of employment profiles across the regime types, it was found that the mobility from partial exclusion and insecure jobs into secure and permanent jobs is higher in the liberal and social-democratic countries than in the South. On the other hand permanent employment proved to be more stable in Southern countries. The opposite holds for flexible jobs which are more fragile in the South. Both results might be due to the high level of protection regulation in the Southern region and the dearth of employment opportunities. All in all, quite some stability with respect to permanent employment was observed. More than 85% of the permanent workers remained in their jobs from 1993-1995.

There is, nevertheless, quite some mobility between secure and insecure jobs. The image of a segmented labour market with secure jobs on the one side and flexible, insecure jobs on the other is far from reality in either welfare regime. The closer the attachment to the labour market, the higher equivalent income is for the various status groups compared to the people in secure employment. Looking at transitions from one longitudinal employment profile into another confirms our previous results. Upward mobility is higher in the liberal and social-democratic countries and lower in the

South and downward mobility is higher in the South in a period where the economic situation across the various countries does not differ markedly. The Southern regime is therefore performing worse in terms of enhancing job mobility and preventing labour market exclusion. When the focus shifts from the individual to the household the earlier conclusions were generally reaffirmed. Households in the South achieve less of their work potential than households in other regimes, and there is more mobility from work-less and work-poor households into households working more during the two years.

In addition to the analyses of the labour market performance of these employment regimes, information is provided on the relationship between longitudinal labour market attachment and the risks of falling into poverty. People with the strongest long-run attachments to the labour market, in both secure and insecure jobs, have a much lower probability of falling into poverty or deprivation, particularly in the social-democratic countries. In the Southern region the likelihood of falling into poverty or deprivation for people with marginal longitudinal attachment to the labour market is much higher. This polarisation among the poor is markedly stronger in the continental regimes than in the South, probably because of the exclusive nature of the benefit system and a tighter means test. Evidence also suggested that people in the South need to earn additional labour income either in the market for flexible jobs or within the informal economy partly because of the absence of a guaranteed minimum benefit in the welfare system.

3.3.8 The impact of labour market flexibility

It is also useful to concentrate on long-term unemployment problems and in particular whether greater flexibility in labour markets – notably through an increase in the use of low-paid, part-time and precarious jobs – would lead to real employment opportunities for the long-term unemployed. For this, the demographic profiles of the long-term unemployed, the low-paid workers and the precarious/part-time workers were compared in three countries. This analysis draws on the Luxembourg Income Study database (LIS), where the 1995 household surveys from Finland and the United Kingdom and the 1994 survey from Germany were selected. Comparisons of demographic risk profiles across employment statuses and across countries were used to investigate whether the characteristics of people who secure work differ substantially or not and whether the sort of regime helps to explain the risk profiles of the various employment status groups. If there is a clear mismatch between the characteristics of the long-term unemployed and those sought by secondary labour markets, then increasing the opportunities on the secondary labour market might not improve employment opportunities for the long-term unemployed.

Detailed statistical analyses showed that those who are at a higher risk of being low-paid or belonging to the precarious/part-time workers category are quite different from those who are at risk of being long-term unemployed: this appears to be the case in all three countries. The level of education, in particular, shows interesting dissimilarities: a low level of education seems to be an obstacle to obtaining or retaining a precarious or part-time job, and low education increases the likelihood of belonging to the long-term unemployed in all three welfare states. It might be concluded that, indeed, those with low educational qualifications seem to pay the price in the knowledge-based society: they are apt to be excluded from the primary as well as the secondary labour market.

The long-term unemployed and workers in secondary labour markets also seem to differ according to age and gender. In Britain, women and young people are at risk of being low-paid or being employed in precarious/part-time jobs. Hence, they are probably the first ones to fill up new jobs on the secondary labour market. This will most likely not be of any benefit to the long-term unemployed, since males in particular are at risk of long-term unemployment in the UK. In Finland and Germany, young people and women are at the highest risk of employment in precarious/part-time jobs. Therefore, numerical flexibilisation would probably improve mainly the employment opportunities of these particular categories. However, older job seekers are a clear risk group for being long-term unemployed in Finland and Germany; hence, numerical flexibilisation alone is not enough to create real job opportunities for them. In addition, active labour market measures are needed to improve their qualifications and skill -levels, so that without a change in employers' attitudes towards older job seekers, their prospects will hardly improve.

The clear inference is that without active employment measures, new flexible jobs will offer few employment opportunities for the long-term unemployed. This conclusion is derived from the observation that people at high risk of long-term unemployment are clearly different in their demographic profiles from people who are at high risk of employment in the secondary labour market. Highly educated people, especially young people and females, are more prone to be employed in these secondary jobs. On the other hand, the poorly educated and, in Finland and Germany, the older people, are more exposed to risks of long-term unemployment. The results also show that so-called precarious jobs are less precarious or bad than might be expected beforehand on the basis of the segmentation theory. If one wishes to draw border lines across the various segments, it is clear that they should not be drawn between the temporary and the permanent jobs but between the long-term unemployed and those who are employed, whether in the secondary labour market or in permanent employment.

Another interesting question concerns the possible onset of exclusion by studying how lack of life resources and poor living conditions correlate and how they jointly affect the multidimensional state of being socially excluded, particularly when they accumulate within the household. The conjecture here is that a low education and lack of human capital endowments, for example, serve as risk factors for being excluded particularly through their negative impact on the labour market opportunities of the person involved. This conjecture was tested and broadly supported using ECHP data from 14 countries.

3.3.9 Part time and self employment

Especially for the female segment of the labour market, part-time employment is becoming a standard employment relationship in some countries. These changes seem also to imply that some countries are shifting from a male breadwinner model to a 'one-and-a-half' worker model. Whether this 'one-and-a-half' worker model will further increase its prominence or is just a stage towards a full dual breadwinner model is not clear. The extent to which the full dual earner model has proliferated in European member states has an important impact on income inequality and poverty in these countries. In countries where the 'one-and-a-half-earner' model represents an important part of the working population, government support can play an important role. Three main family employment models were examined: the male breadwinner, the one-and-a-half-earner and the dual full-time earner model. ECHP and LIS data were used to study the impact of the differential proliferation of the three family employment models on the extent and structure of income poverty in the European member states.

In most of Western Europe, there is a clear shift from a male breadwinner model to a one-and-a-half earner model. This is the result of increases in both the supply of, and demand for, part-time work. Furthermore, the improvement of childcare provisions allow women to opt for part-time work instead of interrupting their working career when they want to take care of other family members or spend more time on other unpaid activities. It is clear that a large majority of part-time workers are not looking for full-time work. This is slightly more the case among women than among men, but a majority among male part-timers workers still prefer to do so. Nevertheless, there are some indications that Nordic women are increasingly opting for full-time instead of part-time employment. In Finland the dual full-time earners model is already dominant. Further improvement of childcare arrangements could improve the proliferation of the dual full-time earner model in other countries as well.

Still, the likelihood of a family opting for the one-and-a-half earner model is likely to depend on the income situation associated with these family employment models. In all countries included in the survey, dual full-time couples face the lowest poverty risk of all family employment models. One-and-a-half earner couples face a higher poverty risk, especially when the female partner is working short-hours. Single breadwinner families face the highest poverty risk when there is at least one family member in paid employment. Families with no members in paid employment face an even higher poverty risk. As most children are concentrated in male breadwinner and in one-and-half earner families, this has important consequences for child poverty. From a poverty prevention perspective, the substitution of both the one-and-a-half earner and the dual full-time earner model for the male breadwinner model is a positive development.

3.4 Policy research

A priority in the EXSPRO project was to investigate the policy process itself and to shed light on how trends in social exclusion bear on the reform of social protection systems, with particular emphasis on the prospective role of the EU level. The policy research had three innovative elements that derive from the work outlined above. First, it brought together very different perspectives, ranging from macroeconomics to expertise in the detailed analysis of social policy, and from a range of social science disciplines. These varied perspectives complemented the more conventional study of different national contexts, which included examination of the reforms recently enacted in the US. Second, the research sought to build on the common ground of the capabilities approach and analyses of regimes to derive pragmatic policy propositions that reflected realistic assessments of the policy process at EU level. Third, the research process itself involved extensive engagement with policy-makers.

A particular concern was to assess the viability of the open method of co-ordination as a way forward for the integration of social policy. The method itself was only formally baptised at the March 2000 European Council held in Lisbon, although with hindsight it was in use for the European Employment Strategy initiated in 1997 and was implicit in the design of a variety of macroeconomic policy co-ordination mechanisms.

3.4.1 Assessing the scope for a Europeanisation of social policy

From the outset, it is important to recognise that social protection systems are built on core values in societies. They are the result of accommodations reached over many decades between different interests in the society, including the social partners, nationalities within a Member State, or linguistic, regional and ethnic groups. Particular events in the country's history will have been

influential, for example if a significant development in social protection resulted from resolution of a crisis. In short, there is a strong path dependency in welfare systems and it follows that the political headroom for harmonising social protection across the EU will inevitably be limited.

At the same time, there are aspects of economic integration that cannot be overlooked. A first is the risk that competitive pressures will impel Member States either to cut back on some elements of social protection or to seek actively to attract high-skill/high-income households by offering generous non-portable benefits. Second, economic integration cannot be seen as just a simple reshuffling of the pack of policy cards in which the different tiers of government end up with a new hand to play. Instead, with a change as extensive as the shift to EMU, it has to be seen as a fundamental regime shift in which the rules of the game are radically different.

In the light of these considerations, should social policy remain, essentially, a competence of Member States, or is there a role for the EU level? The varied and complex arguments about the merits of having EU-level involvement in social policy were explored at both a conceptual level and in discussion with policy actors and conflicting points of view emerged. On the one hand, subsidiarity as commonly understood by Member States, national sensitivities about priorities in social protection and the carefully constructed national accommodations that underpin social policy provide grounds for the status quo. On the other hand, as economic policy becomes more integrated, leading to common, and possibly new problems in the social arena, and as the Union becomes 'closer', arguments for some form of integration of social policy acquire greater force.

Subsidiarity need not mean retention of policy at the national level, but assignment of policies to the government level that can implement them most effectively. However, as applied in the EU, the principle of subsidiarity is about the split between the national and the EU level, ignoring the sub-national level. Social exclusion, in particular, is a phenomenon, which warrants fresh thinking on the potential for EU-level policy action. Combating social exclusion is explicitly mentioned in the Treaty (Article 2) as a fundamental aim of the Union. Yet the Union lacks the means to act.

3.4.2 Regimes and the Member States

The EXSPRO project studied countries belonging to four evolving regimes in order to identify strengths and weaknesses of liberal, social-democratic, corporatist or traditionalist approaches to combating social exclusion. We were thus able to discern characteristic changes along paths that are shaped by these pre-existing institutions of domestic welfare. In particular, the analysis of policy regimes identified considerable movement within (or 'hybridisation') of national employment systems, for instance those of Ireland (from liberal to corporatist), Portugal (from traditional to

liberal) and Austria (from corporatist to social-democratic). Italy is another interestingly 'odd' case, exhibiting traits of the corporatist as well as the traditionalist regime.

This is reassuring for reform policies. If regimes can change they may well improve, and there are clearly regimes that in general perform better in terms of social inclusion than others. The traditionalist Southern regime exhibits an unfavourable combination of minimalist social protection and strict labour market regulation to protect the adult male breadwinner. This makes for a comparatively poor employment record. In both respects, the social-democratic Nordic regime is superior to the others. This is true, at least, for the citizens of these countries, though less so for immigrants. The corporatist Continental regime performs well on the social security record, but high labour costs lead to the exclusion of low-skilled workers or individuals with care-taker responsibilities, typically women. The liberal Anglo-Saxon regime provides for more employment, but inequality and long-term poverty are clearly a problem.

It is both a comfort and a challenge for these reform efforts that we found clear evidence against the image of segmented labour markets. There is considerable upward and downward mobility as regards the security or precariousness of employment status. Again, we found characteristic differences between regimes with respect to this indicator of labour market mobility. This suggests that policy packages do make a difference for the dynamics of employment.

The EXSPRO country studies made us aware of emerging trends and new demands for social policy reforms. Our theoretical approach shows that the resulting challenges in articulating a policy to combat social exclusion will vary across the different employment regimes. While many of these trends relate to core national values and choices in welfare systems – for example in relation to family policies - there may be advantages for all Member States in exchanging experience where the trends have common roots and consequences.

That the association between income and deprivation is far from perfect and that the inequality in the deprivation distribution is much larger than in the income distribution suggests that policies aimed at fighting social exclusion should not be just income policies. It should be preferable, from a policy perspective, to extend their scope to employment policies, health policies, education and housing policies. Policies should thus embrace a broader picture in focusing on the entire set of dimensions underlying the exclusion concept. The large similarity in the various models in explaining equivalent income, income deprivation and resources deprivation suggests that the processes behind the occurrence of inequalities in the various domains of life are also fairly similar, from a broader theoretical perspective. Nevertheless, since these social processes boil down to the

features of the broader 'social and economic order', it requires a good deal of 'social engineering' to tackle the perverse equity effects for particular groups in the various domains of life.

3.4.3 Seeking the right 'policy mix'

Simply relying on supply-side incentives is unlikely to be enough. Our analysis shows that contrary to a popular stereotype, work incentives in the corporatist Continental and in the traditionalist Southern regimes are strongest. It should not come as a surprise, though, because this is exactly what creates the insider-outsider structure of their employment and welfare systems. The male breadwinner is a well-protected animal in these regimes compared with his wife, young people or others with fragmented work histories. Thus, policies have to combine supply and demand side measures to promote more favourable employment dynamics as was done, with encouraging results, in the Danish activation strategy.

The Continental and the Southern European regimes rely most on the male breadwinner model of social security. They depend more heavily than the other two regimes on the family and labour market regulation, either as a complement or as a substitute for government intervention. Endogenous social changes in employment and family, above all the changing aspirations of women and the decline in the stability of families, undermine the foundations of safety nets and thus the viability of these employment regimes.[2] Governments of the respective countries in particular must no longer take the family for granted but actively support it. Increasing the employment rate of women will require changes in labour market regulations as well as loosening the ties between welfare entitlements and stable employment. More emphasis on social services, in particular child care, is an obvious candidate for reform and one that is in line with regimes underlying notions of social welfare. This could even amount to a win-win situation since the reallocation of public money to the provision of services could provide for additional employment opportunities and disproportionately so for women.

The strengths of the Nordic model are reinforced for the very same reasons that put pressure on the corporatist and the traditionalist regimes. The social democratic welfare state gives parents a choice allowing women, in particular, to combine work and family. The latter is conducive to sound public finances. After all, it is in the family-oriented regimes of Southern and Continental Europe where

[2] This holds in particular for the Southern regime (Matsaganis and Tsakloglou 2001; Muffels and Fouarge 2001b) that we have identified in contrast to other authors who come to the same conclusion with respect to the Continental regime (cf. Esping-Andersen 1999; Scharpf and Schmidt 2000b).

birth rates are lowest, implying that women increasingly opt for their career if work and children seem incompatible (Esping-Andersen, 1999). Given the ageing of society, this 'fertility strike' puts the financial viability of old-age security at risk in the transition period. However, a challenge for welfare states in the social-democratic Nordic tradition still remains. In their pursuit of egalitarian goals, public employment played a decisive role. Over time, this has become a heavy fiscal burden.

Another Achilles heel of present welfare states, even of those in the Nordic tradition, is social exclusion of immigrants. Citizenship as the foundation of entitlement may tend to exclude non-citizens as much as the requirement to have stable formal employment. Thus while the loosening of ties between entitlement and formal employment is key in the Continental and Southern countries, a more encompassing notion of social citizenship seems to be the route that reforms must take in the Nordic countries. This issue is likely to become more pressing with Eastern enlargement.

Absorptive labour markets often provide the primary safety net in liberal Anglo-Saxon regimes, where upward labour market mobility is highest. So far, this has also been an effective way to integrate the immigrant population. But precisely because the liberal regime relies on the market as a social safety net, it is characterised by a high incidence of poverty, inequality and social exclusion of a permanent sort. The unfettered price mechanism in labour markets makes for wide dispersion of wages. This, in turn, may devalue or frustrate the acquisition of skills, at least in the lower paid segments of the labour market, although it also creates incentives for skill enhancement in well-paid occupations. The prime reform challenge for the Anglo-Saxon regime is to contain the amount of income inequality while retaining the flexibility that makes its labour markets so absorptive. More emphasis on social services for double-earning families could greatly improve social security and break the intergenerational cycle of welfare dependency and poverty traps. Another obvious measure in line with this regime's inherent ideals is to improve skill formation among youngsters.

The differential 'performance' of the various regimes could become even more pronounced in future. Change may bring the strengths of the Nordic and the weaknesses of the Southern regime even more to the fore. The emergence of viable 'hybrid' regimes means that countries do have choices, but they are unlikely to simply switch between them since welfare states belong to specific regimes, i.e. given more or less tightly knit packages of policies, no outright or wholesale transfer of policies will occur. Yet it is in exposing Members states to alternative 'policy mixes' that the EU can play a useful role, as it could provide a platform for the transfer of learning experiences, for instance about the compatibility of certain activation measures.

3.4.4 Ireland: breaking the anglo-saxon mould

Ireland is an especially interesting case because the commitment of the social partners has been a crucial ingredient in the Irish stance against social exclusion. In this regard, it can be argued that Ireland has witnessed a significant shift in the character of its policy that belies the tendency to bracket the country among the anglo-saxon welfare regimes. The involvement of the social partners has helped not only to promote a shared understanding of economic and social challenges, but also to achieve popular support for government policies. From this perspective, the incorporation of social inclusion policies into the national agreements can be seen as a mechanism of political exchange. The social partners gave crucial support to the government's package of economic reforms, while the government responded with a set of regional, urban and social inclusion policies (O'Donnell, 1999). The resulting consensus between the government and social partners indicates that this exchange has served the interest of the former well.

Far from beings a one-sided affair, however, the incorporation of social inclusion policies into national agreements has yielded manifold benefits for the fight against social exclusion. First, the national agreements provide a forum in which social issues can be discussed alongside economic ones. In so doing they have raised the profile of social inclusion in Ireland significantly, leading to a vigorous debate in political, administrative and public circles since 1996. Second, the social partnership approach has boosted the efficiency of social inclusion policy-making.

3.4.5 Lessons (?) from the United States' welfare reforms

The radical overhaul of the US social welfare system in 1996 was meant to tackle precisely the problems for which the term social exclusion was coined: the multi-dimensional character of deprivation that warrants a more complex policy approach than handing out cash assistance; the persistence and selective incidence of poverty that calls for localised and group specific approaches; and the dilemma that social disadvantage may be maintained or even created by the subtle workings of social protection itself. US workfare is, in other words, a way to deal with social exclusion. Public resources have been shifted from cash assistance to the provision of job-related services. This allocation of welfare spending is presumed to be better at tackling the multi-dimensional character of deprivation, helping the most vulnerable or persistently poor population into employment and eliminating the work disincentives of traditional welfare. The underlying idea shows up in State evaluations of PROWRA – the acronym for the 1996 reforms.

Indicators of hardship, marital status or child well-being try to capture what lies behind caseload decline, employment rates of leavers and earnings of those employed. Emulating many in the EU

(Atkinson and Hills, 1998; Mayes 2001), proponents of workfare in the USA assume that labour market integration is the prime mechanism to lower other risks of social exclusion. The mechanisms are strengthening the means and ambitions for self help, furthering family formation to insure against (extreme) poverty, and providing better children's role models (Bane and Ellwood 1994, Mead 1997, Phelps 1997). Yet, a look at the evidence showed mixed results: while poverty, especially among children, declined slightly but steadily even before the reform, single mother families at the bottom end of the income distribution tend to be worse off, as their average disposable income seems to decline. Thus, the most disadvantaged with multiple barriers to employment need more than workfare to become included.

At the same time, while many of the relevant indicators have generally improved significantly (welfare caseload, leavers' employment and earnings, teenage motherhood), it is not yet clear whether this merely meant a switch from a welfare to a workfare trap. Reducing dependency on non-work transfers and increasing the turnover of the welfare population, e.g. by reducing the spells of return to cash assistance, may make the working poor syndrome even more insidious (Solow 1998). Finally, while increased earnings combined with in-work benefits, such as the EITC (a variant on a 'negative' income tax that boosts the income of low paid workers), have reduced poverty among single parent households, the reduction of market poverty achieved is still comparatively low at around 35%. Traditional social welfare states, e.g. the Bismarckian system of Germany or the Beveridge system of the UK, reduce pre-tax/transfer poverty by roughly 75%.

These points are pertinent to EU social welfare reforms geared to furthering social inclusion through pressures towards labour market re-integration. The US workfare system tries to fight long-term *poverty*. In most EU countries, a more pressing concern is long-term *unemployment*. In-work benefits and job-related services work only where employability does not impair a response to the carrots and sticks provided. This is why US workfare has not yet quite proven that it will succeed. EU governments contemplating workfare reforms may want to get an idea about the employability of their respective welfare population first. If governments consider this precondition as met, in that a majority of the long-term unemployed is employable, they face a trade-off. By alleviating the problem of long-term unemployment through stricter work requirements, they aggravate the problem of marginal long-term poverty, since workfare selectively adds to the labour supply, predominantly among the low skill/pay segments of the labour market. Absorption will require a depression of wages in these segments (Solow, 1998).

Consequently, workfare reforms imply an awkward choice: to cope with long-term unemployment by improving conventional measures, e.g. active labour market policies despite non-encouraging

success rates, or to substitute it partly for long-term poverty as the unpleasant side-effect of work-first strategies. Although employment is high among welfare leavers, the rise in earnings is not sufficient to lift a working family out of poverty, despite favourable economic conditions and a poverty standard lower than in the EU.

The US experience also points to a 'workfare trap', (equivalent to the welfare trap), aggravated by two factors: market forces, just mentioned, leading to wage depression, and incentives implied in means-testing. It is a standard result in economics that the phasing out of means-tested benefits such as Food Stamps and the EITC discourages the extension of working hours or the take up of jobs with only slightly better pay. It is not enough to show that workfare would increase the income of a former welfare recipient to conclude that the new system encourages work and self-sufficiency. If the additional income does not compensate for the loss of leisure and time for unpaid activities such as housework and childcare, it is advantageous to work only the required amount and stay on the workfare rolls. This is not necessarily a reason to dismiss workfare, but it is a reminder to reformers that in this respect workfare is not fundamentally different from traditional welfare. It is the inherent reliance on means testing that makes for analogous work disincentives of workfare. From the point of view of social exclusion, this may still be preferable because workfare recipients have to engage in some work activities and thus join the mainstream to qualify for benefits.

Another aspect of US workfare, apart from its marginally better effects on poverty reduction compared to the system it replaced, is that it is less stigmatising and thereby contributes to the political legitimacy of public assistance (Besley and Coate 1992). Social welfare was identified with benefit programmes of last resort, separate from mainstream social insurance. Workfare has built bridges between the two systems, as seen by EITC. While it is a means-tested benefit, recipients are treated like ordinary taxpayers who happen to get a refund (beyond the amount of tax paid). It avoids the embarrassment of having to apply for benefit because entitlement is automatically assessed by the tax authorities. Generally, workfare has made public assistance in the US more universal and inclusive. It does so at the price of leaving one basic income risk, unemployment, virtually uninsured.

In EU social welfare states, the building of bridges may be less urgent, especially if it comes at the expense of unemployment insurance, considered a basic social entitlement. But take-up problems and the institutionalised invisibility of many forms of destitution indicate that the more comprehensive European welfare states warrant some amendments nevertheless. US experiences with workfare show that universalisation is one of its most attractive features, if only to achieve reforms with cross-party consensus and electorate popularity.

The US experience also suggests that devolution or subsidiarity is compatible with varied approaches to combating social exclusion. This is not necessarily a cause for concern. Different policy packages seem to influence performance. This was demonstrated with respect to caseload decline but broader measures used by Mayers et al. (2001) are likely to be affected as well. Thus, a social federation like the USA or the future EU can serve as a laboratory tackling social exclusion.

4. Conclusions and policy implications

There can be little doubt that social exclusion is a phenomenon that will require increasingly careful attention from policy-makers as EMU is consolidated and as the EU embraces new members from Central and Eastern Europe. However much some member states might wish to draw a boundary around social issues, the social dimension of EU integration cannot be swept under the carpet. EMU and enlargement will, plainly, have far-reaching effects on the economic and political context of policy-making, while the many pressures for welfare reform will inevitably affect the evolution of social policy. The EU also has to confront new economic and social challenges and, ultimately, to decide how far it wants to pursue integration beyond economic domains.

Social policy, however, is the poor cousin of Economic and Monetary Union (EMU). The importance of taking account of the social dimension of European integration is frequently articulated, but genuine measures to develop EU-wide policies as opposed to statements of principle or broad objectives are conspicuously rare. In part, this is because of the sensitivity of the policy area in all Member States, with social values and carefully negotiated accommodations between different interests having shaped institutions and priorities.

Nevertheless, the fight against social exclusion has been a key element of the social dimension of integration since the late 1980s when the Delors Commission strove to complement the primarily economic integration project. Although the term ‘social exclusion’ was coined in French academic debates in the 1960s, it was the EU Commission, which popularised it in policy circles by using it in official documents from the late 1980s onwards. The conservative governments of Germany and the UK regarded the term ‘new poverty’ (Room 1990) as politically incorrect when applied to their countries. With the Agreement on Social Policy in the Amsterdam Treaty, the fight against social exclusion also became part of the EU constitutional order.

The main thrust of the EU’s current position is to encourage activation – that is enhancing employability of individuals so that they are better able to move from welfare to work - while seeking to reform social protection systems. This interpretation is suggested by the six main social policy orientations outlined in the Nice Council resolutions (European Commission, 2001c):

- Promoting more and better jobs;
- Anticipating and managing change in the working environment;
- Combating poverty, exclusion, and discrimination;

- Modernising social protection;
- Promoting gender equality;
- Strengthening the external dimension of employment and social policy, in particular for enlargement.

A major social policy initiative was launched at the Nice European Council, held in December 2000, with the agreement to ask member states to develop National Action Plans for promoting social inclusion (NAPincs). The model for these was, clearly, the European Employment Strategy which, similarly, requires member states to present and implement a National Action Plan (NAPempls). In he approach underlying both policy areas - the OMC - the role of the European bodies is to set the framework and objectives, and to orchestrate the monitoring and review of the Plans, leaving member states free to decide on detailed policies and their implementation (for an overview of OMC, see Hodson and Maher, 2001; and Telo, 2001).

This chapter tries to draw together the conclusions of the EXSPRO project, to deepen the analysis of the evolution of social policy at EU level and to consider how it might adapt to the new economic and social challenges facing the Union. The next section sketches out the development of the social dimension of integration and the constraints on 'Europeanisation'. Section 4.2 then assesses the impact of EMU and relates it to the macroeconomic aspects of dealing with social exclusion. We then look at the role of social protection systems and their reform and conclude with a discussion of the way forward.

4.1 The evolution of the social dimension of integration

Co-ordination of social policies has been an issue in European integration ever since the negotiations leading up to the Treaty of Rome in 1957. At the time, it was perceived as a call for 'harmonisation', more specifically the need to approximate the rates of social security contributions between the six founding Member States. But each wave of enlargement raised new barriers to harmonisation, the first taking place in 1973 with Denmark, Ireland and the UK joining. The member countries differed not only as regards the contribution rates but also in terms of the underlying principles of their welfare systems. Over time, harmonisation came to be regarded as impossible as well as unnecessary (Chassard, 2001).

The EU's position on social policy has also been shaped by the *Internal Market Programme*. Competition policy and rulings by the European Court of Justice (ECJ) concerning completion of the single market may, in fact, have had a stronger influence on social matters than explicit attempts

at social policy co-ordination (see, in addition to the EXSPRO work, Leibfried and Pierson, 2000). From the perspective of competition policy, national bodies that exclusively administer social security schemes are suspected of abusing their dominant position. But from a social insurance point of view, a dominant position may be required to insure individuals effectively against risks that private companies could not profitably provide. The case law created by the ECJ's rulings over the years now differentiates between voluntary schemes and compulsory schemes. The latter include the growing number of supplementary retirement schemes based on collective agreements between the social partners, which are compulsory for the individual employee. Compulsory schemes are considered to be compatible with the internal market if the insurance bodies in question pursue a social objective for which compulsion is required to realise the principle of solidarity as well as financial viability.

As explained in section 3.2.1 above, the social dimension of integration has evolved around the concept of 'Convergence of Objectives' articulated in the two 1992 Council Recommendations on, respectively, 'Convergence of social projection objectives and policies' and 'Common criteria concerning sufficient resources and social assistance in the social protection systems'. Thus, rather than being rooted in either supranational competence or binding legislative instruments, 'soft' policy co-ordination has been the norm in social policy. The principal exception has been where differences were thought to offer opportunities for unfair advantage in the context of the single market, as in the case of health and safety or conditions of employment, with action justified not on social but on competition grounds.

The major stages of this evolution are sketched first. Then we describe the current position and, finally, provide an outlook on opportunities and constraints after the Nice European Council.

4.1.1 Brief historical account

The social chapter in the *Treaty of Rome* laid down that the Community has responsibilities with respect to the freedom of workers and the freedom to provide services, as well as promoting equal pay for men and women. The very first regulations issued by the Commission outlined the requisite co-ordination procedures. The most important established the principle of 'Lex locis laboris': the contributions in the country of work are applicable to all workers, and migrating workers take their acquired rights with them. Out of this principle, four guidelines of social policy co-ordination emerged by the early 1970s that are still valid:

- Apply one single legislation.
- Treat nationals and non-nationals from other member states equally.

- Maintain acquired rights.
- Aggregate periods of insurance, employment or residence in which rights are acquired.

The *Single European Act in 1986* amended the Treaty of Rome for the first time. It paved the way for the internal market programme, first by extending qualified majority voting and, second, by granting free movement of capital and the freedom of services, in particular in the banking and insurance sector. The latter had lasting consequences for the domestic provision of social security. The Act also endowed the Community with the legal instruments to implement these two additional freedoms.

After the Single Act had been passed, the Delors Commission became more active in the social policy field. Several directives and recommendations were put together in the 'Charter of fundamental social rights of workers' and issued in 1989. Later, it was attached as the 'Social Charter' to the *Treaty on European Union in 1992*. Due to the UK government's opposition, the Charter received only a declaratory status as an Annex to the Maastricht Treaty. The new UK administration ratified the Charter shortly after coming to power in May 1997, allowing the Social Charter to be written into the *Amsterdam Treaty in 1997*. Now called the Agreement on Social Policy, it became part of the EU's constitutional core.

The Social Charter laid down basic provisions as regards health and safety in the workplace and legislation on maximum working hours and stressed the notion of 'Convergence of Objectives'. This amounted to an official retreat from the goal of harmonisation. It was a retreat that governments had been pushing for while the Commission would have preferred to ask also for a convergence of policies. 'Convergence of Objectives', which eventually became 'Convergence of Objectives and Policies', meant in practice to agree on minimum standards. These standards effectively codified the lowest common denominator of the national systems. More specific was a Recommendation, adopted unanimously, that postulated the guarantee of a minimum income to every citizen. By its very nature, the Recommendation was not legally binding. But it did further the implementation of minimum income schemes in Southern Europe where they had not been in place before.

The Recommendation of a minimum income, together with the two 1992 Recommendations, can be seen as precursors of a broader acceptance of 'soft' social policy co-ordination. This procedure was formalised by the Social Agenda of the *Nice Council Resolutions in December 2000*. Under the OMC approach now deployed in these areas, the procedure is for a set of guidelines to be adopted, identifying a number of specific targets which the Member States are required to achieve in their

national policy framework outlined in National Action Plans. In the employment arena, an 'employment package' is then adopted each autumn, comprising an updating of the guidelines, a 'joint report' on employment (jointly prepared by the Commission and the Council) and recommendations to the Member States. The procedure, which gives a much greater role to inter-governmental processes than supranational bodies, will now be applied to the social policy field. The governments were asked to present their National Action Plans to further inclusion (NAPincl.) for the first time in June 2001, covering the two years from July 2001–June 2003. The Joint Report was discussed at the Laeken Council in December 2001, thereby completing the process.

The NAPs on inclusion are supposed to translate at national level into a set of key goals in the fight against poverty and social exclusion (European Commission, 2001b), although the agreement on widely shared objectives leaves plenty of room for re-interpretation at the national level. The goals are to:

- Facilitate participation in employment and access by all to resources, rights, goods and services;
- Prevent the risks of exclusion;
- Help the most vulnerable;
- Mobilise all relevant actors.

4.1.2 Assessment of constraints and opportunities post-Nice

There are many constraints on the scope for a more extensive EU social policy, the most obvious of which is the EU's very limited formal competence in these matters. Social security issues are still to be decided unanimously by governments and such policy co-ordination as there is under the OMC in the employment and social areas clearly gives the lead role to governments. From a strictly legal point of view, the EU can still promote social cohesion, but only as a means to promote economic cohesion. But it has been pointed out with respect to the 'social economy' that this is not necessarily consistent with declared goals of combating exclusion.

Other constraints reflect more fundamental issues. First, the directives that grant freedom of movement apply only to employed workers, but not to job seekers. On the one hand, this is legally at odds with the promotion of EU citizenship as postulated in the Treaty. But there are, of course, political and economic constraints on a legally more consistent solution. These constraints stem from the public's fear of 'social tourism', i.e. marginally employed households migrating to more generous welfare states. Even though there is scant evidence that this phenomenon is significant, the

spectre of migration alone alarms the public and, as a result, politicians. This is a particular threat to systems that rely heavily on means testing, that is on non-contributory benefits.

A second major difficulty is the very fact that the European welfare states are so different. Problems of compatibility arise for instance with respect to means testing. A tax-payer who has faithfully contributed to finance social security in his or her country has no acquired rights when moving to a country where contribution-based benefits prevail. Another prominent example for compatibility problems is the extension of privately funded pensions. In contrast to statutory social protection programmes, supplementary pensions are not covered by Community regulations on co-ordination. With reforms tending towards partial privatisation of social protection, this is likely to become a more important issue.

The future of co-ordination will be affected by the volume and structure of migration. There is still large uncertainty about the volume of migration, especially in the aftermath of future Eastern enlargement. But fears of 'social tourism', largely unrelated to actual migration, could be dealt with by the EU's promotion of activation. A shift towards insurance against low 'employability', not against unemployment, may ease the corresponding pressures for retrenchment (Chassard, 2001). More is known about the structure of migration: in particular, mobile workers are now predominantly skilled workers who, like their employers, tend to prefer private insurance or to retain home schemes for temporary assignments. So far, this is only possible for up to one year and can be renewed only once. This is a challenge for the fight against social exclusion and an opportunity for the promotion of European citizenship at the same time.

Eastern enlargement can be seen as an opportunity to remind citizens and their governments how essential a part of integration social policy already is. This will be true irrespective of the volume of migration. The experience with Southern enlargement is only of limited value in this respect because wage and employment prospects differ much more now than they did in the late 1980s. This is why the social *acquis* plays a fundamental role for the political legitimacy of enlargement. But selective migration of younger and more skilled workers from the accession countries is likely to threaten the viability of *these countries'* pension systems. The recent Commission initiative to create a Single Labour Market by 2005 is directed at enhancing mobility of skilled migrants: this will provide an opportunity to take the concerns of the sending (Eastern applicant) countries into account.

The still unsatisfactory state of gender equality, a goal to which every government likes to pay lip service, shows that the EU is more effective in exerting moral pressure than legal enforcement. Pay

differences, although slowly narrowing, are still large, with an EU average of only 83% of men's hourly wages. Employment rates of women with children under the age of 6 are 20% lower than for those without children. This is at least to some extent due to a lack of day-care facilities. The Commission can do little more than appeal to governments not to risk equality rules becoming a dead letter (European Commission, 2001a).

Ongoing reforms in the member countries provide an opportunity for the EU to further learning experiences. Stalemate in domestic reform efforts may give it the role of an actor of last resort that promotes experimental modernisation. This would be a revival of the time-honoured idea of laboratory federalism (Oates, 1999), namely that decentralised government can be used as a laboratory for reforms. The challenge for the Commission that arises out of this role is to avoid being made a scapegoat when governments want to shift the blame for unpopular reforms.

4.2 What EMU changes

Whatever view is taken of the advantages of EMU and how the euro is functioning, it is vital in trying to develop policies to counter social exclusion to recognise that the advent of the single currency changes the policy environment. Most obviously, macroeconomic policy under EMU has to be set to reflect overall EU economic developments, reducing the scope for demand management to deal with national differences in unemployment, even though fiscal policy is the demand-side mechanism that is expected to deal with national macroeconomic divergences. Other policy instruments are, consequently, required to facilitate economic adjustment. The complex and bi-directional links between macroeconomic change and social exclusion, many of which will be affected by EMU, also have to be taken into account. There are both current and prospective elements to this. Moreover, to the extent that EMU increases mobility of capital and labour, it will intensify fiscal competition. The combination of the changing policy environment and more intense fiscal competition is expected to reinforce existing reform pressures in Member States and to require urgent attention.

4.2.1 Macroeconomic environment, fiscal competition, and reform pressures

The internal market (which represents much of the 'E' in EMU) and monetary union have an immediate impact on the macro-economy of Member States and thus on their policy environment. They replace old, and create new, income risks. While a monetary union lessens the risk of exchange-rate instability as a source of country specific shocks, three new risks can be identified:

- First, an ever more closely synchronised EU business cycle due to market integration.

- Second, a common price dynamic, i.e. inflationary or deflationary pressures.
- The third is that a one-size-has-to-fit-all interest rate policy may affect different regions differently.

Together, they underpin the case for the EU level to assume a more extensive role in stabilisation (Goodhart and Smith 1993), usually understood to amount to a call for closer co-ordination of EU Member States' fiscal policies. But social policy also provides partial insurance against the three new income risks, because social policy expenditure acts as an anti-cyclical 'stabiliser'. Contributions tend to rise in line with aggregate income while expenditure on unemployment benefits moves counter-cyclically. These automatic changes serve to dampen aggregate demand in a boom and to support it in a recession.

Some federations (or unions such as the EU) experience fiscal competition between national social welfare regimes intensifies due to enhanced factor mobility or, as noted above, perceived 'welfare magnetism', which may be quite unrelated to actual changes in their mobility (Peterson and Rom 1990). Exit (emigration) and voice (tax revolt), especially the voice of taxpayers, may then generate pressures to cut back on social welfare and taxation to finance it (Atkinson 1996). The inference is that if the EU forms a social federation by default, its heterogeneous welfare regimes and income levels may induce a 'rush to the bottom' in welfare provision. Eastern enlargement, which will make the EU even more heterogeneous, can only exacerbate such pressures.

Yet, there is not only a risk of a 'rush to the bottom' but also one of a 'rush to the top'. Upward convergence to attract high skill/high income households can result because there is competition between regions for high skill/high income members of the workforce. This is problematic. The reasoning goes back to the basic Rawlsian argument that a risk-averse rational actor would choose high-quality, if costly public services. These preferences would not necessarily encompass means-tested poverty relief, however, but rather generous health care and pension provision for the middle and higher income households. This could compromise the fight against social exclusion. Policy based on the 'median voter' can readily ignore the problems of the tails of the distribution.

It is even conceivable that downward convergence in cash assistance will result from welfare magnetism while there is upward convergence in certain tiers of the social insurance system at the same time. There will also be a spatial dimension since fiscal competition for high income households may entail lock-in effects, that is low-welfare traps, for areas deprived of high skill/high income residents. In short, all these effects underscore the detrimental effects of fiscal competition against which only EU level agreement will provide a safeguard.

A further change stems from reform pressures that mature welfare states have felt since the 1970s. The EU is an integral part of domestic reform politics and rhetoric. Reforms of social welfare and labour markets were justified by the need to meet the externally imposed target of the Maastricht criteria, and have also been ascribed to the need to be attractive to mobile capital. In this respect, EU integration is a variant of the two-level game governments play in international policy co-ordination, namely one in the supranational or intergovernmental arena and another one in their domestic policy arena. While the domestic arena is usually seen as a constraint for the extent of international co-operation, the EU turns this logic upside down. International commitments seem to have given governments more room for manoeuvre in dealing with domestic interests. In this sense, the EU has become a social federation because Member State governments are keen to get additional leverage for their domestic reform agenda. The political economy of this reform strategy entails some dangers for the EU Commission because it could easily become the scapegoat for reform failures (Pierson, 1998; Chassard, 2001). But an open situation like this, with the policy area to be co-ordinated being in a state of flux, can also be an opportunity, namely to use the EU level set-up of social policy as a laboratory for reform.

4.2.2 Macroeconomic influences on social exclusion

A key policy debate is whether the macroeconomic stability that EMU promises to deliver is more or less likely to foster social inclusion. That macroeconomic developments can influence the prospects for curbing social exclusion and promoting inclusion is well known. Two core questions about the relationship between macroeconomic performance and social exclusion are:

- Are current policies adequate for reducing the existing social exclusion that has built up from the economic and social problems of the past?
- Will the current policy framework be adequate to cope with the social exclusion consequences of the unexpected shocks and future problems – both conjunctural and longer-term, such as ageing of the population and enlargement of the EU?

A number of developments in macroeconomic thinking bear on this matter. The credibility and commitment of the central bank is widely agreed to be favourable to curbing inflation, and it is clear that the independence conferred on the European Central Bank reflects this approach. A second factor is the focus in macroeconomic policy primarily on assuring stability, rather than more interventionist approaches. In part, this is attributable to the perceived failure of Keynesian policies in the 1970s and the excessive volatility in the 1980s and early 1990s. The logic is that stable economic growth means more rapid and sustainable growth. More rapid growth, in principle, should

generate resources that could be used to diminish social exclusion. But it can also be argued that the weight given to stability-orientated objectives could inhibit the capacity of governments to deal directly with problems. In these circumstances, other policy instruments will be needed to substitute for the loss of macroeconomic discretion. There are, after all, clearly circumstances in which demand management can facilitate change.

A linked issue is the incidence of macroeconomic shocks – both symmetric and asymmetric. Adverse shocks can cause or aggravate social exclusion, and often have a disproportionate effect on particular regions. It is also important to note that the process of economic development in Europe is inherently *uneven* – adverse shocks tend to have a greater unfavourable impact on social exclusion than favourable shocks of the same size have a positive effect. This might, for instance, be because the distress and frustration that unemployment inflicts on the individual can lead to health problems that make this person less employable in the future. Individuals who have become excluded from the labour markets may then become socially excluded in a more comprehensive sense. This phenomenon makes for path dependency of unemployment: high rates of unemployment are likely to stay high even after the recession that caused it is over. Moreover, economies can only slowly absorb large favourable shocks and the interim response can increase exclusion through movements in relative prices. Policy needs to be asymmetric in the opposite direction to handle these problems.

Policy co-ordination could provide for a portfolio of policy instruments not available to national governments before. There are contrasting views on the desirability of co-ordination between fiscal and monetary policy in a monetary union (see the discussion in Alesina et al., 2001). These overlap with concerns about the policy mix, the assignment of instruments to targets and the underlying role of macroeconomic policy. One line of thought is that co-ordination is unnecessary because it will give national governments incentives to shirk their responsibilities, and may prove to be harmful. Most commentators do, however, accept that informal meetings at which fiscal and monetary authorities are able to exchange information and understand each other's thinking are considered to be worthwhile. Others go further, arguing that the absence of co-ordination is likely to make life more difficult. Co-ordination need not, however, be confined to conventional, demand-side macroeconomic management, and a case can be made that it is in other areas that it is most lacking.

The *Stability and Growth Pact* is meant to provide for some co-ordination of national fiscal policies. But there is concern that the thrust of the *Stability and Growth Pact* is to forestall excessive debt and deficits, and is, therefore ill-suited to dealing with longer-term shifts in public finances that are relevant to social policy. This is illustrated by the concern in the Broad Economic

Policy Guidelines that there may not be an adequate cushion for the expected demographic problems of the future. Its slant thus adds to the asymmetry caused by the unfavourable shocks of the past. The structure of the Broad Economic Guidelines and the principles inherent in open co-ordination reflect a third feature of the asymmetry in the EU economy. This is that the member states remain different both in terms of the shocks they face and in the institutional and behavioural responses.

4.2.3 Macroeconomic prospects and their consequences

Although macroeconomic policy debate often turns on short-term prospects, especially in periods of economic slowdown, it is the medium- to long-term trends in the EU economy that will form the backdrop to policies to deal with exclusion. Here, the evidence of recent years is that the sharp cyclical fluctuations that characterised the period from the first oil shock in 1974 to the mid-1990s may have been superseded by a more stable macroeconomic environment. Monetary policy has become more pre-emptive, rather than reactive, and the disciplines imposed on fiscal policy should curb volatility. The question that remains, however, is whether the upshot will be sustainable growth that facilitates a decline in the underlying unemployment. The optimistic scenario is that the EMU policy framework and avoidance of the policy mistakes on the last twenty-five years offer a promising outlook. But the jury is out.

Longer-term shifts in the supply side of the economy also bear on social exclusion. Although the 'new economy' is going through a sticky patch, the inexorable nature of the structural changes cannot be ignored. Rising productivity brings obvious benefits, but the skills requirements of the 'new' industries make inclusion more difficult and may also contribute to the creation of new classes of excluded. It follows that in the articulation of ambitious targets, as at Lisbon, the impact of such policies on social exclusion deserve to be made explicit.

There is very considerable evidence of 'scarring' from unemployment – a specific facet of asymmetry, whereby involuntary unemployment tends to make future re-employment more difficult even after taking into account all other factors (included above). Hence it is worth exploring measures of labour market flexibility that help avoid unemployment in response to shocks. These measures include short-run reductions in the cost of labour to employers, such as those afforded by the buffer funds in Finland, and short-run reductions in working hours. Activating policies and universal safety nets also have the potential to make labour markets more flexible.

In other words, at the margin, avoidance of social exclusion in the first place may be less expensive than correcting its consequences after the event. But it is difficult to decide how far exclusion is

avoidable and it is important that automatic smoothing does not counteract the forces for essential structural change. Policies that promote contra-cyclical employment in existing jobs need to avoid offsetting policies that reduce the costs for efficient movement between jobs.

4.2.4 Social policy's macroeconomic salience in the post-EMU policy framework

Social protection outlays averaging 28% of GDP in the EU are bound to play an important role in the economy. They not only have an impact on stabilisation of aggregate economic activity by acting as automatic stabilisers, but also help to equilibrate regional imbalances. These, however, are essentially passive, albeit substantial macroeconomic effects. A more active role for social policy can be envisaged in the context of supply-side reforms.

Social policy is apt to be judged primarily on whether it succeeds in alleviating the immediate social problem it is designed to address, such as reducing homelessness or providing income support to vulnerable groups. The argument here is that appropriately configured social policy can also contribute to the solution of macroeconomic adjustment problems. It is in this context that the scope for social protection to have productive effects is critical. In the emerging EMU policy framework, different policy areas will combine to determine the overall macroeconomic impact. The challenge will be to ensure that the trajectory for demand management is not set so as to exacerbate social exclusion, but equally that the package of social measures is consistent with stable growth.

4.3 The role of social protection systems

Recent changes in the social fabric of mature economies have put pressure on governments' entrenched ways of pursuing social welfare objectives through regulating employment relationships. These changes have been extensively analysed (e.g. Esping-Andersen 1999, Scharpf 2000): families have become less stable and more women pursue their own careers, both of which call into question the male breadwinner model of social security. Rapid technological change has entailed more income and employment risks for low-skill workers. This is due, in part, to the weakening of mechanisms that once provided for a trickling-down of gains, such as strong unions in manufacturing. International competition has accelerated the pace at which firms and sectors restructure, such that stable life-time employment has become the exception rather than the rule.

Not all of these changes are exogenous events for mature welfare states. The readiness to restructure and embrace technological progress is one way to justify economically the high labour costs that finance high standards of social protection. Thus, the welfare state may create labour market insiders and outsiders with a parallel dichotomy in relation to social protection, the outsiders being those whose employment is not profitable at wages that would cover these costs. This can lead to

opposing conclusions vis-à-vis the welfare state: reforms can seek to lower the costs, resulting in welfare retrenchment, or provide more public assistance for an upgrading of skills that would make employment profitable.

The debate on the 'modernisation of the welfare state' and on how it needs to change to adapt to new work requirements in particular would be seen in a different light by adopting a broader view of the role of the EU, on the one hand, and of the capabilities approach on the other. The question is no longer to look for ways to restrict help and make it conditional, or to expect certain attitudes and actions from the poor and the unemployed. It is on the contrary to provide individuals with what they need in order to enhance their capabilities. A conclusion of the EXSPRO research is that the EU level is suited to be the laboratory for constructing policies aimed at the development of such capabilities, notwithstanding the rather timid and limited scale of EU social policy hitherto. This section elaborates on these matters.

4.3.1 Social exclusion as a new phenomenon and the capabilities approach

Against this background, there are grounds for treating social exclusion as a new, distinct phenomenon, albeit one overlapping with poverty and unemployment. What was once a successful mode of re-framing the 'social question', namely to switch from a focus on pauperism to one of unemployment, has become less effective. Social exclusion will not whither away with social policy being geared to support an efficient labour market and fiscal policy making up for insufficient aggregate demand. An important finding from the EXSPRO research is that income poverty, tackled by traditional social policy, does not fully capture resource deprivation which is arguably a more relevant indicator of individuals' capability to participate in social life. The distribution of resources like health, housing and education is also less equal than that of income which is why the incidence of resource deprivation is more severe even in egalitarian welfare states. Social policy now has to support not only the 'freedom from want' but also the 'freedom to act', for instance the freedom to combine career and child rearing or to engage in life-long learning.

The EXSPRO country studies found that public debates and policy reforms reflect these changes and demands. European integration, especially the discourse on the 'new poverty' (Room 1990) and social exclusion initiated by the Commission, played a catalytic role for this re-orientation of social policy at the country level, along with the 1995 UN social summit in Copenhagen. The relationship between employment policies and social exclusion has, latterly, become a key aspect of EU policy making ever since the European Employment Strategy was launched in 1997 followed by the Social Agenda in 2000.

Many recent changes in the structure of the economy and in production processes require new capabilities. In the light of these changes, new approaches are needed to equip people better to participate in society, balancing equity and efficiency. This is what the notion of capabilities strives to grasp: real and lasting opportunities for all, depending on their specific needs and attributes. We believe that the EU level is well placed to give a lead in this area by facilitating and encouraging the development of new policy initiatives aimed at developing individual and collective capabilities. Moreover, the open method of coordination is ideal for promoting capabilities through exchanges of policy experience and learning between Member States.

In the same vein, many social aims can be better understood by relating them to capabilities. The likelihood of finding a job depends partly on the person's efforts, but is also affected by 'social' variables such as basic education, the prosperity of the region of residence, inclusion in networks, access to transport or health care and so on. The link with social exclusion can then be more clearly specified: it is about the lack of capabilities that allow the person to live the life he or she has reason to value. It follows that policies to counter exclusion should be about providing the individual with capabilities in a way that empowers and increases prospects.

Such capabilities-based policies have to avoid two pitfalls. The first pitfall is the provision of undifferentiated help, generally in cash, regardless of circumstances. Although cash payments are better than nothing, they do little to enhance capabilities. The second danger is the use of capabilities as a way to discriminate *a priori* between different people's access to public resources. An example is denying training provision to a person because his or her 'intrinsic' employability is deemed to be too low. In this case, the capacity ('employability') of the person is the reason for being denied help. It can be argued that this is not uncommon in 'active' policies, the purpose of which is to make public spending more efficient, even if it means turning what were rights into conditional help, generally in a discretionary way (Abrahamson, 2000).

4.3.2 The contours of welfare reform: the equity efficiency trade-off

Much of the impetus for reform of the welfare state comes from the perception that expenditure on social policy imposes costs on the 'productive' economy that undermine competitiveness. That this can happen cannot be disputed, and it is also easy to envisage circumstances in which the character of social provision has a corrosive effect on incentives. Ironically, the argument that social protection is motivated primarily by, and should only be analysed in terms of, solidarity has a similar starting-point, namely that there is only a stark choice between economic efficiency and social equity.

Social security is a public good that makes up for some failures of private insurance markets. Under conditions of uncertainty and asymmetric information, markets suffer from complete or partial failure. If information about the true risk of those who seek insurance is private, i.e. asymmetrically distributed between the seller and the buyer of an insurance contract, market failure results from adverse selection (asymmetric information ex ante) and moral hazard (asymmetric information about ex post changes in behaviour). Typically, this leads to a market outcome in which low-risk individuals, the 'good risks', are more favourably treated. More risk-prone individuals will be underinsured, because private insurance companies will not offer them full insurance contracts at actuarially fair premia. Mandatory social insurance is then a cost-efficient way to provide full insurance to all, good and bad risks, although good risks may become over-insured that way. This is basically due to the fact that its compulsory nature prevents adverse selection.

This view answers the efficiency question that preoccupies reform-minded governments these days. The social welfare state may enhance the efficiency of economies because it allows individuals to bear more risk: 'under the protection of the welfare state, more can be dared.' (Sinn, 1995). The enabling features of social insurance show up in that individuals become more mobile, acquire more specialised skills, found companies in tiny market niches, or spend more time in educating themselves instead of pursuing gainful employment. More generally, social insurance and redistribution do not necessarily entail a trade-off between efficiency and equity (Sandmo, 1995). Market forces tend to select projects which exhibit a positive correlation between risk and return. Therefore social insurance that is efficiency-enhancing would show up in an increase in the expected aggregate income without increasing volatility, or vice-versa, in a reduction of volatility at a given mean income.

The risk-efficient level of redistribution is likely to vary with the stages of economic development, namely rising with the maturity of an economy. This is because the efficient level of individual risk-taking varies with preferences for risk and the constraints to insure them. As regards preferences, there is the stylised fact of a positive income elasticity of demand for social insurance, i.e. household expenditure for insurance rising with income and wealth. This suggests that the risk-efficient level rises with income as well.

The ethos of the single market is to sweep away restrictions and impositions that raise costs unnecessarily, and social expenditure and regulation are, consequently, seen as prime targets. As a result, single market and cohesion policies are often seen to be at odds in EU policy-making, and it is the latter which tend to lose. The result is often a dialogue of the deaf with valid social objectives

dismissed because of pro-competitive aims, even though there is no necessary contradiction. There is, however, an alternative way of looking at the objective of promoting social inclusion which is to see it as raising the collective standard of living. Three elements enter into such a conception: the volume of goods and services available, their distribution, and the costs incurred in generating them. The potential conflicts between higher growth and environmental damage have received increasing attention and spawned a literature on sustainable growth. It is argued here that similar reasoning is called for in relation to the personal and social costs of growth.

In this regard, it is useful to look more carefully at the very slippery concept of competitiveness. At one level it is equated, usually loosely, with the 'performance' of an economy, an absolute measure which tends to take only the volume of goods and services available into account. At another, because it relates to competition, it implies a comparative element, with the implication that, to be competitive, a country has to undercut its rivals or offer better value-for-money. In this sense, competitiveness is essentially about securing (or defending) market-share. High labour costs are frequently blamed for the persistence of unemployment, usually coupled with criticism of the social protection system and of the high level of social charges.

These critiques can confuse actual labour costs and *unit* labour costs (which correct for productivity differences), while incentives have to be taken into account, but the prescription is usually cost cutting. Cutting wages and undermining labour market consensus are, however, unhelpful if they reduce incentives, deter investment in human capital and create division. 'Competitive advantage' can, undoubtedly, be gained by paying yourself less, but is likely to be self-defeating if it amounts to a reduced standard of living. There is also a risk that an excessive pursuit of competitive advantage will damage the vulnerable and lead to a neglect of other policy aims such as sustainable development or redistribution. Short-run unit costs are, moreover, only one element of 'competitiveness'. Competitiveness depends on the ability to innovate in both products and process, and the quality of product and service depend on the extent and quality of human capital, physical capital and the economic, business and social infrastructure.

Just as a poorly conceived or targeted competitiveness policy can damage social cohesion and aggravate social exclusion, an absence of social cohesion can undermine competitiveness. For example, if exclusion leads to unrest or, more insidiously, to a decline in 'social capital', the dynamics of economic performance may be called into question. It is important, therefore, in thinking about how to promote social inclusion, to be bold in stating that social cohesion is more than an issue of redistribution: it can affect productivity.

4.3.3 Social policy as a productive factor

Many recent contributions to the debate on social protection have emphasised the need to modernise and reform it. Curbing outlays – especially seeking ways of dealing with the future pensions burden - and raising efficiency in delivery of benefits is part of this modernisation agenda. The role of social protection as a productive factor, in the sense of contributing to the better functioning of the economy and improved productivity growth, has also been stressed. This orientation is not without its opponents, who object to the watering-down of the 'solidarity' element of the social model and see it as incompatible with the political aims of social policy. However, it is clear that this is a dimension of policy that cannot be ignored in the present climate.

Among the main emphases in making social protection more productive, a key one is identifying ways of shifting from 'passive' to 'active' policies. This implies linking social protection more explicitly to employment policy, but also trying to respect budget limits. Because the constraints of financing universal insurance become less binding with rising income and wealth of an economy, the challenge to social protection becomes more one of refining its role in modern society than scrabbling to achieve basic poverty relief. Given the positive correlation of risk and return, a normative interpretation of these considerations would be that more individual risk-taking is required if an economy wants to maintain high and rising income levels. This can be seen as an a priori case for diversity of social insurance arrangements in a federation of Member States as heterogeneous as the EU.

It is important to contrast this focused approach with the finding that, beyond a certain point, an increased share of fully-funded government expenditure tends to reduce the overall rate of economic growth and wealth creation. In these circumstances the balance has to be assessed between the decrease in social exclusion from the extra expenditure and the increase in exclusion from the slower growth. Hence the most effective approach to social policy as a productive factor may be more as a switch than an increase in spending.

4.4 Mapping a way forward

In looking forward, two key questions arise. The first is whether there should be more emphasis on 'social' in 'European' policy and the second is whether 'Europe' should be more prominent in the 'social' policies of member states and, indeed, sub-national tiers of governance. One of the main conclusions of the EXSPRO research is that both questions should be answered in the affirmative.

With monetary union now fully operational, the time is ripe for a fresh look at what the EU level does in the social policy field and how it does it. Although the expectation is that EMU will have a

positive impact on the economy, it is bound to have effects on the causes and consequences of social exclusion and it cannot be taken for granted that these will always be positive. EMU will also shake up the policy framework by changing the mix of policy instruments available to different tiers of government. We argue that in this new policy environment, there are persuasive reasons for advocating a more extensive role for the EU level in certain facets of social policy, and that social exclusion is one of these. Not everyone will agree and the boundaries need to be thought about with care. At the same time there are dangers in being trapped into thinking that, because competence is currently assigned to Member States, it is necessarily the best – or only - approach. The case for a more extensive social dimension is elaborated below.

The rationale for putting more 'Europe' into 'social' is that there are core values and principles that characterise the broad approach of the EU to welfare provision and that these need to be enhanced and sustained in the light of integration. Different EU social protection systems have flaws and can be criticised, but they also have great strengths that deserve to be recognised (Buti et al., 1999). The fundamental qualities at the heart of the European social model are, too often, forgotten or denied the recognition they deserve. Yet the desire of so many candidates for EU membership to adopt the main features of this European social model makes its attractiveness clear. These attributes were given overdue recognition by the EU's leaders at the Laeken where they agreed to take new measures to flesh out the European social model on issues of social exclusion, gender equality (pay inequalities), social protection, the protection of workers and pension systems.

4.4.1 The nature of the policy challenges

The clear policy message from our analysis of the incidence of social exclusion is that 'one-size-fits-all' policies aimed at fighting social exclusion across EU member-states are likely to be ineffective. Social arrangements, economic conditions and, especially, the type of the welfare state are likely to be crucial determinants for the success or failure of the policies that will be adopted in individual member-states. A distinction does, however, need to be made between the *policies* and the *objectives* being pursued. Nor does it follow that there should be no attempt to co-ordinate policy responses. On the contrary, the conjunction of common problems and divergent national means is suited to the soft co-ordination method.

Concern about the shortcomings of welfare systems has led to a variety of reforms aimed at modernising and enhancing social protection. In particular, most EU Member States have sought to recast the link between work and welfare, and are trying to make employment relationships and social protection more responsive to new demands. There is a lot of variation both in the measures

taken as well as in the outcomes achieved. This should not come as a surprise since social policy reform is highly path-dependent because of different welfare traditions and employment regimes that are also confronted with different challenges.

There is, however, a unifying theme in these varied reform efforts that is captured in the expression *flexicurity*. The idea is to implement a mutually reinforcing relationship between *flexi*bilisation of employment relationships and the protection afforded by safeguarding social se*curity*. The employment regimes that we have identified in the EXSPRO project differ substantially in how they combine employment regulation and welfare benefits to deliver social protection. Although generalisations are risky, the Southern European, traditionalist regime seems to deliver the worst combination as regards 'flexicurity' while the Nordic regime manages to promote both dimensions of the term most successfully. The Anglo-Saxon regime is weak on the social security part while the Continental European does not perform particularly well as regards flexibility.

Other trends add to the challenges. Social exclusion of immigrants is one that all EU Member states struggle with, even the rather inclusive Nordic country regimes. With enlargement fast approaching, the likelihood is that the issue of immigrant populations will become more severe. Greek experience shows how the social tensions arising from the massive population movements witnessed in the last decade or so could make progress towards integration slower and more uneven than might have been otherwise. In some instances, social protection for many immigrants is limited to the informal networks of their own communities or to services provided by humanitarian organisations. As a result, immigrants are decidedly more vulnerable to social exclusion than other population groups.

It is, consequently, vital to examine and develop the case for the EU tier of governance to have a more extensive role in the social policy area. Much of this debate focuses on the awkward question of harmonisation versus co-ordination. Harmonisation is not wanted (and may be impossible), while co-ordination, although it has advanced in the last three years at a more rapid pace than might have been anticipated, is still contested. This implies that the criteria on which it is based should be widely and openly discussed. While the search for efficiency and effectiveness in policy delivery underpin many arguments for a more extensive EU level role, particular attention needs to be paid to the legitimacy of emerging forms of policy integration.

4.4.2 Ways and means

Since the Amsterdam Treaty was agreed in 1997, it is clear that new approaches to economic integration are being sought and favoured. In particular, the open method of co-ordination can be seen as an innovative attempt to advance integration more subtly than by transferring competence.

Soft law is manifestly being preferred to hard. This raises a core question about social policy at EU level: is this relatively informal approach sufficient to ensure that social issues are given the importance they deserve? A conclusion of this report is that as a starting-point and in the present political circumstances, OMC is worthwhile, but that it needs to be reinforced in due course.

Yet there is continuing uncertainty about how to define exclusion and the excluded, because the occurrence of exclusion (for whom, how and when) is unforeseeable, specific to concrete situations and absolute (it is a deprivation). This complicates the question of how best to respond and who should take the lead. Only actors engaged in concrete and local action can detect those who, having fallen through the safety net, need to be helped, where, when and how. This detection should be the responsibility of the multitude of local structures, public, professional (social partners) and not-for-profit organisations that are on the lookout, who inform, co-ordinate and act, and who are in touch with those in need. There is no way, other than through these structures, to achieve efficient action.

Even if such local actors draw up the strategies and implement policies, however, a need remains for a broader structure for policy. To achieve this, we advocate that the EU level should define a general framework of action, suggest appropriate methods, supplement and support. Three types of action have to be considered in this regard:

- First, a wealth of experience has been built up by the actors involved in fighting exclusion. The issue now is how to evaluate and capitalise upon this experience. Best practices must be discussed and disseminated. Evaluation of this body of experience should be made by reference to enhancing the capability of individuals and families.
- Second, funding and evaluation should be based on the quality of integration, assessed through the trajectory of each person and the capability provided to each one (in terms of effective freedom to act, specially to integrate the labour market). Measurable quality standards need to be developed. The theoretical and methodological literature pertaining to quality indicators needs to be compared with the experience garnered by programmes. A European research programme should be drawn up to spawn recommendations for the reform of the criteria for the attribution of structural funds.
- Third, funding is the key incentive for taking adequate action in the field to fight exclusion. The issue is not so much to spend more, but rather to spend better and more efficiently. The methods of selection should be both bottom-up (development of local projects) and top-down (renewal of criteria, guidance of the process of learning) in order to launch a process of collective learning.

The role that national administrations are all too often inclined to play as an opaque filter should be weakened. A right to recourse before the European courts could be imagined, if it works as an incentive for the adoption of good methods and good criteria. Are new targeted European funds needed (it is unanimously agreed that new funds are possible in the framework of measures aimed at economic and social coherence), or should budget items (or other criteria) be added to the remit of existing expenditure programmes, such as the Structural Funds? The answer to this question is essentially a practical matter, rather than a question of principle.

4.4.3 Why Europeanise?

With the advent of monetary union, there is a good case for looking at the scope for the EU level to play a more extensive role in social policy, particularly in developing an over-arching framework within which local actors can deal with social exclusion. It might, however, be asked why Europeanisation of social policy should be contemplated, given that national traditions and priorities are so diverse. Certainly, the preference in recent years has been to maintain the status quo, but it can be argued that shared values - such as a commitment to 'minimum guaranteed resources' - justify greater EU involvement

The deepening of European integration could itself justify a rethinking of the assignment of policy competencies. One reason to do so is that there are manifestly common problems. Despite the recent decline in the headline total of unemployment, all Member States bar Luxembourg have pockets of persistent unemployment, a significant proportion of which result from EU-wide structural changes. Similarly, although the EXSPRO research shows the diversity in forms of social exclusion, it is clear that it is something qualitatively different that European society as a whole has to face. Therefore, just as the recognition of a common problem motivated the employment strategy, it can be argued that the fight against social exclusion should similarly be a shared endeavour.

An EU level input into the fight against social exclusion is written into the Amsterdam Treaty explicitly as a fundamental aim of the EU (Article 136), even though the means for pursuing this aim remain slender. Indeed, it is followed in the Treaty by Article 137 which reaffirms the primacy of Member States, although a limited range of initiatives under the European Social Fund have explicitly targeted social exclusion. The continuing resistance of a number of Member States meant, however, that the veto on allowing more social policy to be subject to qualified majority voting was not relaxed at Nice, despite the advocacy of the French Presidency.

The relevant question is, thus, not ‘whether the EU should do more’, but rather ‘what is the most desirable distribution of competencies between different levels of governance?’ In this regard, the potential for local actors, working in partnership with the national and EU levels, to be more involved (as they are in Denmark, for instance) should not be overlooked. For too long the debate has been conducted purely in defensive terms: what we have, we keep. There are justifications for a more extensive role for the EU and the case needs to be examined with care and objectivity.

There are several options for altering the EU role in dealing with social exclusion, involving differing degrees of integration of policy formulation and the implementation of any measures agreed. The two extreme cases are no change, that is, leaving competence for dealing with social exclusion entirely with Member States, and Treaty changes that transfer at least some competencies to the EU level. In-between, there are various possibilities either for new directives that increase the scope of EU rules or for enhanced co-ordination of policy. With various institutional reforms having recently been agreed at Nice, the next opportunity for a Treaty change is some years away. Although some proposals for directives are working their way through the legislative process, there is little sign that major new initiatives will surface.

OMC is not, however, a panacea and is open to a number of criticisms concerning legitimacy, the monitoring and enforcement of policy decisions and the risk that it becomes a device for avoiding hard political choices. Equally, as a novel approach to integration it has the potential to be developed in diverse ways. Given the lack of alternatives, the challenge may be to work out ‘how’ rather than ‘whether’ to use OMC. But a robust response to social exclusion would entail going beyond the agreement reached at Nice on national plans to combat poverty and social exclusion to develop more explicit and forceful guidelines for national policies. One potential benefit would be to persuade public opinion that the EU was adopting a constructive approach to the promotion of social inclusion.

A particular concern under the EMU umbrella is that too much of the policy agenda is predicated upon a narrow definition of remits, with anti-poverty policy falling almost exclusively under the welfare label, while macroeconomic policy is not required to pay heed to social inclusion. Employment policy is gradually becoming better integrated with fiscal and monetary policy, the two conventional poles of macroeconomics, but it has been a slow and tortuous journey. Yet the nature and evolution of employment regimes have a marked impact on social cohesion. Our conclusion, therefore, is that an excessive compartmentalisation of policy is not only unhelpful, but also leads to poorly informed choices. This is more than a plea for more ‘joined-up’ government in responding to social exclusion. The complementary challenge is to develop a conceptual model of

policy-making that recognises the interplay and reciprocal impact of policy areas in shaping social outcomes.

4.4.4 Policy integration and learning

There is a growing recognition that the concept of social exclusion can provide an original and innovative approach to problems related to deprivation, and to the formulation of an integrated approach to social policy in mature welfare states. A key aim must be to halt the 'spiral of precariousness'. Social exclusion stresses the importance of policies aimed at empowering individuals through human capabilities such as skills, knowledge and health, so as to enable them to catch up with the rest of society. Such policies require a partnership approach, such as reintegration contracts. A further implication is that policy learning and policy transfer among the Member States could lead to a clear reduction in social exclusion in Europe.

A successful social inclusion policy also requires an enabling framework that ensures full use of these capabilities and should address the contribution of institutions to social exclusion. Policies should aim at removing various kinds of active and passive boundaries that obstruct the participation of individuals in the economic, social and political life of a society. The scale and scope of the problems of social exclusion also call for new forms of public action.

In particular, fresh thought is needed on the relationships between social exclusion and the 'new' requirements of the workplace. The EXSPRO research has shown that employment policies make a difference, as countries within the most active employment policies tend to have a lower level of social exclusion measured by almost all indicators. The policy implication is that ambitious and efficiently implemented employment policies can in fact lead to a lower level of exclusion from the labour market. Countries with the best-developed and funded employment policies tend to experience the best outcomes measured by the available indicators of social exclusion from the labour market. It is also noteworthy that some countries, like Ireland and Portugal, seem to be on the move, developing their employment policies towards a broader and more activist approach, with encouraging results. Peer review and bench-marking should be seen less as means of apportioning blame of criticising the efforts of others, than as an opportunity for the exchange of learning experiences.

An important, if obvious, conclusion is that employment policies and other measures aimed explicitly at dealing with social exclusion have to be co-ordinated: policy integration is essential. There is plainly a danger in allowing 'processes' and policy initiatives to proliferate with insufficient efforts to develop a strategic overview. In this connection, the programming approach

adopted for the Structural Funds, with social inclusion given greater prominence, could prove to be helpful.

Attempting to take isolated policy elements developed for the specific set of institutions in which they appear to succeed in one Member State and transfer them to other social environments would run a high risk of being unsuccessful. Equally, some factors could also be relevant in other contexts. An advantage of the comparative work conducted in this project is that it draws attention to successes as well as failures. As an illustration, Danish experience points to the importance of the macro-economic environment. Labour market policies cannot generate ordinary jobs by themselves and sufficient pressure from the demand side is a prerequisite. On the other hand, once the upswing is under way, labour market policies play an important role in securing the supply of skilled labour and avoiding bottlenecks. Some of the specific elements of Danish labour market policy in recent years could, therefore, be of relevance for other countries, such as:

- The idea of *decentralization* to adapt labour market policy more closely to local needs;
- A strong involvement by the social partners has proved to be successful, but can only be implemented in the context of a well-developed industrial relations system;
- The concept of the *individual action plan,* which signifies a more flexible and individualised approach to the activation and training of the unemployed; and
- The concepts of voluntary *job rotation and leave schemes,* in which upgrading the skills of the workforce in general, or meeting other needs of employees, is combined with the education and training of the unemployed to act as substitutes. One important lesson of Danish experience in this respect is that removing strict requirements on the hiring of substitutes stimulates the spread of such programmes. Another lesson is that such programmes may function well in both individual job rotation systems and planned job rotation schemes involving a number of employees from one or more firms.

In addition to these more specific elements, emphasis should also be placed on the way in which the Danish employment system combines a flexible employment relationship with good coverage by the unemployment benefit system and the principle of the right and duty to activation.

Care is needed in compartmentalising policy by targeting ‘youth unemployed’, ‘long-term unemployed’, homelessness and other facets of social exclusion, because the clear policy message is that is precisely the multi-dimensional character of social exclusion that is its distinguishing feature. From the point of view of individuals, it can lead to the stigmatisation of the people

concerned, but it may also lead to inefficient policy, as the needs of persons in the same category may differ widely.

4.4.5 Possible Guidelines for a social pact

Although OMC, by definition, lends itself to different packages for different purposes, the challenges of dealing with social exclusion are sufficiently similar to those in the employment arena to justify a similar approach. The EXSPRO project therefore elaborated draft guidelines for a European Social Pact. Sticking reasonably closely to the form of the Luxembourg Process, four pillars might, again, be suggested. A list of possible guidelines is shown in the accompanying box, although it should be stressed that these are tentative proposals designed to stimulate debate and not intended as a finished an inviolable package.

The first proposed pillar – 'participatibility' - deliberately echoes the notion of employability in the Employment Strategy by seeking to promote the degree to which excluded groups are able to participate in 'mainstream' economic and social activity. An aspect of this is that individuals can be empowered and will be better able to enhance their capabilities. There are marked differences between societies in how opportunities to participate are assured and multiple dimensions to be considered. Plainly access to social protection, especially to activating policies is central to the prospects for excluded groups, but differences in entitlements to basic public services, democratic rights and the scope for obtaining adequate housing also affect capacities to participate. The French law of 1998, for example, shows the breadth of the field of action needed to counter exclusion.

It is evident that Member States differ in the degree to which policies currently in operation encompass the breadth of interventions needed to promote participation. In addition, many traditional national policies have failed to address the issue in a satisfying way. The peer review and benchmarking procedures of OMC therefore offer a promising route for comparing experience and for policy innovations that allow obstacles to inclusion to be overcome more easily.

Although there are exceptions, most socially excluded individuals did not 'choose' to be in the situation they are in and may have difficulty in responding to 'incentives' designed to make them behave differently, as if they could effectively choose to do so. Instead, policy has an obligation to promote being in good health, taking part in the life of the community, having a job and other attributes that foster social inclusion. For this reason policies beyond labour market inclusion are crucial, albeit without ignoring the important role of incentives. Thus in housing markets, new or experimental approaches to the provision of social housing in one Member State could provide

insights for others in much the same way as schemes to promote employability have been the subject of policy transfer under the EES.

Box **A first attempt at defining guidelines for a Social Pact**

'Participatibility': measures to ensure that more people are 'included' by being able to participate in economic or social activity

Providing individuals with capabilities to facilitate labour market participation

Easing of obstacles in housing and transport

Remedial education and training

Improving access to health care for vulnerable groups

Productive social protection

Shifting towards active labour market policies

Re-balancing incentives

Development of pilot schemes

Mobilising economic and social actors in the fight against exclusion

Improving the flow of information between front-line departments and political powers

Involvement of social partners and NGOs

Motivating and supporting the activities of the voluntary sector

Making more effective use of local strengths

Equality of treatment

Clarification of rights and obligations

Assuring take-up of benefits by social groups at risk - especially the elderly

Setting thresholds for minimum guaranteed minimum resource allocation

Movement of labour – especially cross-border migrants

Gender equality

We propose measures to enhance the productive role of social protection as a second pillar for reasons that are set out in previous sections. Welfare systems, plainly, need to adapt to new demands on them and to respond to exclusion as a distinct challenge, while continuing to fulfil their role in attenuating inequality. Positive roles for social protection, such as in activating excluded groups, can help by legitimising intervention and by stressing the right to work and other elements of inclusion discussed throughout this report. Modernised and productive social protection also has to be seen as part of the *economic* policy framework under EMU, as well as having social objectives. It is for this reason that a fresh look at how incentives operate in welfare systems is a proposed as one of the guidelines. The advantage of OMC in this regard is that there is scope for countries not only to learn from one another, but also to exploit the bench-marking process to reveal weaknesses and potential for enhancement of policy delivery in their own countries. Critical to this is how willing countries are not just to see bench-marking as a form of target-setting, but also as a means of 'deconstructing' what they do.

Innovation in how social aims are dealt with come not just from government action, but also from the involvement of other social actors. The contributions of the social partners and voluntary groups, in particular, can be enhanced by developing new approaches. The degree to which local agencies are empowered and motivated will also be vital. Again, the diverse national approaches ought to be a source of strength: for instance, the success of the Netherlands or Ireland in engaging the social partners (indeed, a broader partnership in Ireland) offers lessons for others.

The last group of guidelines is advocated, in part, to maintain the essence of the European social model. The French emphasis on rights is, clearly, prominent in this respect, but so too are many of the Nordic traditions. The EXSPRO research has shown that one of the consequences of social exclusion is that affected individuals tend to be outside support networks and have difficulty accessing social protection. Equality of treatment also has to be recognised, however, as having economic consequences in so far as it affects the workings of the labour market, especially cross-border movement.

5. Dissemination and/or exploitation of results.

To maximise the impact of the project, the dissemination and publication strategy of the EXSPRO project included outputs targeted at different audiences. The principal academic outputs include: two collective volumes bringing together work by all the partners in the project, being published by Edward Elgar (one already published, the other due out in 2002); journal articles and contributions to other works by individual members of the project teams; and conference presentations. In addition, a special issue of the *Journal of European Social Policy* based largely on the EXSPRO work will be published in 2002. A full list of publications and conference presentations is appended.

5.1 Academic output

The two collective volumes and the special issue of *JESP* present the main scientific findings of the project. The first book (Mayes et al., 2001) focuses primarily on conceptual and policy issues. The analysis clearly demonstrates the pan-European character of at least some dimensions of the problems of high unemployment and social exclusion in the EU. However, the scope for the EU 'to do something about it' is severely constrained by its lack of formal competence for the policy areas in question. Some of the chapters concentrate on the concept of social exclusion and show that it has evolved considerably since its 'invention' in the 1970s and, in the process, has moved to centre-stage in policy circles. Yet it is also clear that confusion remains over the use of the concept for policy purposes, with different Member States continuing to interpret it in different ways.

Questions explored include whether the EU has stimulated, or could motivate, greater efforts by Member States to develop policies to promote social inclusion, but the cases examined reveal big differences. Thus, in Greece the notion of social exclusion is one that has only recently entered into policy discourse with the establishment of major EU programmes playing an important part in this shift. Similarly, in the UK, it can be argued efforts to engage more with the EU and its policy priorities may have helped to focus interest on social exclusion, a factor which may also have been influential in Ireland. It, would, though, be wrong to ascribe too direct an influence to the EU; rather, its impact may have come in changing the tone of policy debate. In France, where the notion of exclusion is of longer pedigree, or Denmark, where the EU programmes have, arguably, been less obvious and

where the national consensus on social policy is stronger, the impetus from the EU has probably mattered less.

Doubts about the efficacy of EU institutions and procedures combine with political concerns to reinforce the reluctance to see the EU given powers in this area. As a result, the integration of social policy so far has been achieved by less formal steps or, as is the case for health and safety directives, by adopting them under competition provisions. Nevertheless, both the intellectual and policy debates on social exclusion have moved on considerably over the last three decades. Recognising this shift, one of the key aims of the volume is to examine the case for a more extensive EU role in policy.

The second volume concentrates on empirical analysis, drawing principally on the ECHP and on the Member States' National Action Plans for employment as sources. It also has an empirical analysis of the links between macroeconomic trends and social exclusion and extensive policy conclusions. The starting point for the volume is that attempts to operationalise the concept of social exclusion and to employ it in empirical analyses have been bedevilled by the vagueness of the term and the resulting plethora of approaches. This ambiguity is compounded by a lack of sufficient information to capture the range of dimensions embedded in the multi-dimensional social exclusion concept. Consequently, to provide empirical evidence on 'social exclusion' in Europe the volume contains a variety of approaches aimed at highlighting particular aspects of 'poverty', 'deprivation', 'social exclusion', or 'labour market exclusion'. Nevertheless, in trying to draw lessons for national and European policies, by and large consensus was reached among the wide range of disciplinary angles from which the issue was studied to agree on Sen's 'capability' approach as an anchor for deriving novel views on European policies to combat social exclusion

The special issue of *JESP* contains an introduction (Begg and Berghman) which set the scene by looking at what is meant by 'the European social model' in the context of reforms of European welfare states' despite the substantial differences among the countries of the EU. The article also looks at whether there is an obvious role for the European level of governance and assesses the viability of the OMC as a means of reconciling the conflicting pressures. A key message is that OMC, imaginatively used, does offer a means of achieving the aims of a more integrated European social policy without compromising national interests. A second article, by Mayes, examines the inter-play between macroeconomic developments, especially the advent of the single currency, and social exclusion. His evidence suggests that even if the average effect of EMU (whether of income, employment or unemployment) across the

monetary union is unchanged, there will tend to be an asymmetric effect on those that are adversely affected by shocks. Much the same is true of the risks engendered by enlargement. An answer would be to increase expenditure on policies to counter social exclusion, but here too Mayes identifies a dilemma: beyond a certain threshold, a high share of public expenditure (generally) has a dampening effect on an economy's potential for growth and employment creation. Therefore, action to be targeted towards productive potential.

In an empirical article, Tsakloglou and Papadopoulos reveal an important variety among countries with respect to the incidence of social exclusion and the impact of their welfare systems, a one-size-fits-all answer will be highly inappropriate. This will even be more the case and the national level may even more remain the obvious level of governance when socio-economic developments point towards more 'flexicurity' and a predominantly 'activating' approach to policy. The fourth article, by Ferrera, Matsaganis and Sacchi explains how in such a setting the OMC may prove to be the flexible policy making device we are in need of. Imaginatively used it may be the instrument that reconciles the aims of a more integrated social policy in Europe without threatening national interests, variety and adherence to the principle of subsidiarity. This might help to have the Europen social model survive. The commonality of it will remain in its value basis and policy objectives, and not in its provisions and welfare state systems.

5.2 Dissemination to policy makers and practitioners

Engagement with prospective 'users' of the research was given a high priority throughout the project. While the project was in progress, the researchers were in contact regularly with officials in Member States and in the Commission services. A 'policy report' aimed principally at practitioners and policy-makers was produced and distributed immediately – both electronically and in paper form - after the end of the project, in July 2001. The report was explicitly aimed at influencing contemporary debate and sought, particularly, to contribute to the discourse stimulated by the Belgian Presidency. The report was presented to the Belgian social security minister, Frank Vandenbroucke, to the President of the newly constituted Social Protection Committee, Raoul Briet and to other national representatives. on the Committee, to key officials of the European Commission and the OECD Social Affairs division, and to officials in national governments.

All the partners also ensured that the EXSPRO findings were drawn to the attention of the wider policy communities in their respective countries. An especially successful launch was

held in Helsinki, with an attendance of 50 people, including Matti Vanhala (Governor of the Bank of Finland) and Vappu Taipale, the Director General of Stakes (the government social research institute). Among the other participants were two members of parliament (the social policy spokespeople for the social democrats and the left alliance), officials responsible for the social policy area from the ministries of finance, health and social affairs and labour, and research directors from the relevant research institutes and academics active in the field. Interestingly, it was the ministry of finance who were most intrigued and sent three people. The atmosphere was very positive and it has been agreed to hold a further meeting in 9 months time to discuss progress and new ideas

In addition, the report was given wide circulation through academic channels and by making it available at conferences, including (with the agreement of the Vandenbroucke cabinet) distribution at the major conference on the future architecture of social protection in the EU held in Leuven in October 2001. An earlier draft of this report had previously been the centrepiece of a conference attended by practitioners, invited academics and members of the EXSPRO team, held at the Catholic University of Leuven in June 2001. This conference was organised in manner that encouraged debate and exchange of views and fed into the revision of the 'policy report'. The report was also distributed at a DG research conference in October 2001 and as a result of these dissemination efforts, the report has elicited considerable attention. Indeed the research team was gratified to learn in a recent communication from one of the organisers that the report served as 'the focus of discussion at a session at the University of Wisconsin's European Union Center on the social exclusion OMC'.

Further dissemination based on the EXSPRO work arose from the active participation of project members in high-level conferences, and seminars and workshops attended by mixed audiences under the auspices of think tanks or networks. In particular, contributions from different EXSPRO members were made to conferences on social policy issues organised by the Finnish, Portuguese, French, Swedish and, especially, Belgian Presidencies of the EU. Other examples of dissemination activities include participation in seminars organised by the Danish Ministry of Labour in conjunction with the Russian Ministry of Labour, and collaborations with the Observatoire Social Européen in Brussels and the *TEPSA* network.

6. Acknowledgements and References

Acknowledgements

The partners in the EXSPRO project are grateful to the European Commission for the generous financial support provided for the project under the TSER programme. We are also grateful to the staff of DG Research who have facilitated the conduct of the project, particularly our project officer, Fadila Boughanémi, who dealt in an efficient and cheerful manner with the many and varied administrative matters we threw at her.

No research project can succeed without the often unseen support provided by research staff and administrators, and the partners wish to thank all of those in our respective institutions who contributed so much to the work. Special thanks are due to Sarah Plant, the administrator of the European Institute at South Bank University for all her efforts and, not least, for her unfailing good humour.

A large number of people have assisted us in data gathering, by making themselves available for interview, giving advice on the scientific content and political dimensions of the research, and by taking part in the events organised under the auspices of the project. We thank all of them for their help and, naturally, absolve them from any blame for our errors, omissions and any lapses in judgement we have exhibited.

References cited in the text

Abrahamson, P. (2000). 'The active turn in Scandinavian social policy: the case of Denmark.' paper presented at the DREES Conference *Comparing Social Protection Systems in Europe*: Paris.

Atkinson, A. (1996): 'Reflections on social protection and the European Economic and Monetary Union', J. Pacolet (ed.): *Social Protection and the European Economic and Monetary Union*, Aldershot UK: Avebury, pp. 291-300.

Atkinson, A.B. (1995). 'The Welfare State and Economic Performance'. *National Tax Journal*, vol. 48 (2), pp. 171–198.

Atkinson, A.B. and Hills, J. (1998). *Exclusion, Employment and Opportunity*. CASE Paper 4, Centre for Analysis of Social Exclusion, London School of Economics.

Bane, M. and Ellwood, D. (1986). 'Slipping Into and Out of Poverty: the dynamics of spells'. *The Journal of Human Resources,* vol. 21 (1), pp. 1-23.

Besley, T. and Coate, S. (1992). 'Understanding Welfare Stigma: taxpayer resentment and statistical discrimination.' *Journal of Public Economics,* vol. 65, pp. 165–83.

Bourgignon, F. (1999). 'Absolute Poverty, Relative Deprivation and Social Exclusion'. Paper prepared for the Villa Borsig Workshop Series 1999, 'Inclusion, Justice, and Poverty Reduction'.

Bruto da Costa, A., Anderson, J., Chigot, C., Duffy, K., Mancho, S. and Mernagh, M. (1994). 'Contribution of the 'Poverty 3' Programme to the Understanding of Poverty, Exclusion and Integration'. Lille: Animation et Recherche (EEIG).

Buti M. Franco D. and Pench L. (eds.) (1999). *The Welfare State in Europe: challenges and reforms*. Cheltenham: Edward Elgar.

Conlan, T. J. (1998): *From New Federalism to Devolution. Twenty-five Years of Intergovernmental Reform*, Brookings Institution Press: Washington, D.C.

Duncan, G.J., Gustafsson, B., Hauser, R., Schmauss, G., Messinger, H., Muffels, R. Nolan, B. and Ray, J.C. (1993) 'Poverty Dynamics in Eight Countries'. *Journal of Population Economics*, vol. 6 (3), pp. 235-59.

Esping-Andersen, G. (1990). *The Three Worlds of Welfare Capitalism.* Princeton: Princeton University Press.

Esping-Andersen, G. (1999). *Social Foundations of Postindustrial Economies.* Oxford: Oxford University Press.

European Commission (2000), Building an Inclusive Europe, COM (2000) 79, Brussels: European Commission.

European Commission (2001a), Anna Diamantopolou: 'Gender equality rules will remain a dead letter unless they are properly enforced on the ground', Communication of the Commission, DG Employment and Social Affairs, 22/01/01, Brussels: European Commission.

European Commission (2001b), The EU's new national action plans on social inclusion, Communication of the Commission, DG Employment and Social Affairs, 23/02/01, Brussels: European Commission.

European Commission (2001c) 'First Social Policy Scoreboard adopted', Communication of the Commission, DG Employment and Social Affairs, 26/02/01, Brussels: European Commission.

European Council (2000) Nice European Council Presidency Conclusions

Giddens, A. (1998). *The Third Way: the Renewal of Social Democracy*. Cambridge: The Polity Press.

Goodhart, C. A. E. and Smith, S. (1993): 'Stabilization', *European Economy (1993, Nr. 5)*, 417-455.

Gore, C. and Figueiredo, J.B. (eds.) (1997). *Social Exclusion and Anti-Poverty Policy: a Debate*. Geneva: International Institute for Labour Studies, ILO.

Haan, A. de (1999). 'Social Exclusion: towards a holistic understanding of deprivation'. Paper prepared for the Villa Borsig Workshop Series 1999, Inclusion, Justice, and Poverty Reduction.

Hodson, D. and Maher, I. (2001). 'The Open Method as a New Mode of Governance: The Case of Soft Economic Policy Co-ordination. *Journal of Common Market Studies*, vol. 39, no. 4, pp. 719-746.

Leibfried, S. and Pierson, P. (2000) 'Social Policy Left to Courts and Markets?', in: Helen Wallace and William Wallace (eds.), *Policy-Making in the European Union* (4th edition), ch.10, Oxford: Oxford University Press.

Mead, L.M. (1997). *The New Paternalism. Supervisory Approaches to Poverty*. Washington, DC: Brookings.

Meyers, M.K., Cornick, J.C., Peck, L.R. and Lockshin, A.J. (2001). 'Public Policies that Support Families with Young Children: variation across the U.S. States', in K. Vleminckx and T. Smeeding, pp. 409–32.

Muffels, R. and Fouarge, D. (1997). 'Duurzaamheid van Armoede. Blijfkansen in Armoede en Determinanten van Instroom en Uitstroom in Nederland 1985-1995', in Engbersen et al. (1997), pp. 59–70.

Oates, W. E. (1999): 'An Essay on Fiscal Federalism', *Journal of Economic Literature 37* (Sept.), pp. 1120-49.

Paugam, S. (1995a). *L'Exclusion: L'état des Savoirs*. Paris: La Découverte.

Paugam, S. (1995b). 'The Spiral of Precariousness: a multidimensional approach to the process of social disqualification in France', in Room (1995), pp. 49–79.

Paugam, S. (1998), 'Poverty and Social Exclusion: a sociological view', in Rhodes and Mény (1998), pp. 41–62.

Paugam, S. (1999a). 'L'Ambition Française de Renforcer la Cohésion Sociale', in S. Paugam (1999c), pp 45–72.

Paugam, S. (1999b). 'Représentations de la Pauvreté et Modes d'Assistance dans les Sociétés Européennes', in Paugam (1999c), pp 13–44.

Paugam, S. (ed.) (1996). *L'Exclusion. Etat des Savoirs.* Paris: La Découverte.

Paugam, S. (1991). *La Disqualification sociale: Essai sur la Nouvelle Pauvreté*. Paris: Presses Universitaires de France.

Peterson, P. E. and Rom, M. (1990), *Welfare magnets. A New Case for a National Standard*, Washington, D.C.: The Brookings Institution.

Phelps, E.S. (1997). *Rewarding Work. How to Restore Participation and Self-Support to Free Enterprise*. Cambridge, MA: Harvard University Press.

Pierson, C. (1996). 'Social Policy' in Marquand and Seldon (eds.), pp. 139–65.

Pierson, P. (1998): 'Social Policy and European Integration', Andrew Moravcsik (ed.): *Centralization or Fragmentation? Europe Facing the Challenges of Deepening, Diversity, and Democracy*, Washington, D.C.: A Council on Foreign Relations Book at Brookings Press, 124-158.

Room, G. (ed.) (1995). *Beyond the Threshold: the Measurement and Analysis of Social Exclusion.* Bristol: The Policy Press.

Room, G. et al. (1991). *National Policies to Combat Social Exclusion* (First Annual Report of the EC Observatory on Policies to Combat Social Exclusion). Brussels: European Commission.

Room, G. et al. (1992). *National Policies to Combat Social Exclusion* (Second Annual Report of the EC Observatory on Policies to Combat Social Exclusion). Brussels: European Commission.

Sandmo, A. (1995): 'Introduction: The Welfare Economics of the Welfare State', *The Scandinavian Journal of Economics* vol. 97/ No.4: The future of the welfare state, 469-476.

Scharpf F. W. (2000), 'Economic Changes, Vulnerabilities and Institutional Capabilities', in Scharpf F.W. and Schmidt V.A. (2000a), pp. 21-124.

Scharpf, F. W. and Schmidt, V. A. (eds.) (2000a): Welfare and Work in the Open Economy, vo.1: 'From Vulnerability to Competitiveness', vol.2: 'Common Challenges and Diverse Responses', Oxford: Oxford University Press.

Sen, A. (1998). 'Social Exclusion: a critical assessment of the concept and its relevance'. Paper presented at the Asian Development Bank.

Sinn, H.-W. (1995), 'A Theory of the Welfare State', *The Scandinavian Journal of Economics* vol. 97/ No 4: The future of the welfare state, pps. 495-526.

Solow, R.M. (1998). 'Lecture II: Guess Who Pays for Workfare', in A. Gutmann (ed.), *Work and Welfare*. 1997-98 Tanner Lectures in Human Values by Robert M. Solow. Princeton NJ: The Princeton University Center for Human Values, pp. 23–43.

Vranken, J., Van Menxel, G., Geldof, D. (1997). *Jaarboek Armoede en Sociale Uitsluiting*. Leuven: Acco.

7. Annex: The output from the project

Books

Social Exclusion and European Policy, Mayes D.G., Berghman J. And Salais R. (eds) Cheltenham: Edward Elgar, October 2001

- Mayes, David, Introduction
- Vleminckx, Koen and Berghman, Jos 'Social Exclusion and the Welfare State: An Overview of Conceptual Issues and Policy Implications'
- Raveaud, Gilles and Salais, Robert 'Fighting against Social Exclusion in a European Knowledge-based Society: What Principles of Action?'
- Schoukens, Paul and Carmichael, Laurence 'Social Exclusion in Europe: Testing the Limits of European Integration'
- Muffels, Ruud & Fouarge, Didier 'Social Exclusion and Poverty: Definition, Public Debate and Empirical Evidence in the Netherlands'
- Madsen, Per Kongshøj, Munch-Madsen, Peter and Langhoff-Roos, Klaus 'All Hands on Deck! - Fighting Social Exclusion in Denmark'
- Carmichael, Laurence 'Social Exclusion in the UK: Rediscovering Social Solidarity'
- Hodson, Dermot 'Social Inclusion through Social Partnership: The Case of Ireland'
- Matsaganis, Manos and Tsakloglou, Panos 'Social Exclusion and Social Policy in Greece'
- Choffé, Thomas 'Social Exclusion: Definition, Public Debate and Empirical Evidence in France'
- Carmichael, Laurence 'The EU and the Fight Against Exclusion: Maximising the Means to Match its Ambitions'
- Madsen, Per Konshøj & Munch-Madsen, Peter 'European Employment Policy and National Policy Regimes'
- Chassard, Yves 'European Integration and Social Protection. From the Spaak Report to the Open Method of Co-ordination'
- Begg, Iain and Berghman, Jos, 'The Future Role of the EU in Dealing with Social Exclusion: Policy Perspectives'

Social Exclusion in European Welfare States, Muffels R., Tsakloglou P. and Mayes D.G, (eds) Cheltenham: Edward Elgar (forthcoming summer 2002)

- Muffels, Ruud & Tsakloglou, Panos 'Labour market integration and social exclusion in European welfare states: setting the scene'
- Mayes, David and Viren, Matti 'Macroeconomic Factors, Policies and the Development of Social Exclusion'
- Muffels, Ruud & Fouarge, Didier 'Employment Regimes and Labour Market Attachment: Evidence from the ECHP'
- Kosonen, Pekka & Moisio, Pasi 'Flexibilisation of Labour Markets: An Answer to Long-term Unemployment? - A Comparison of Finland, Germany and the UK'
- Vleminckx, Koen 'The Proliferation of Part-time Work and Household Income Security'
- Tsakloglou, Panos & Papadopoulos, Fotis 'Identifying Population Groups at High Risk of Social Exclusion: Evidence from the ECHP'
- Moisio, Pasi 'The Nature of Social Exclusion - Spiral of Precariousness or Statistical Category?'
- Whelan, Christopher, Layte, Richard, Maître, Bertrand and Nolan, Brian 'Income and Deprivation Approaches to the Measurement of Poverty in the European Union'
- Muffels, Ruud and Fouarge, Didier 'Do European Welfare Regimes Matter in Explaining Social Exclusion?'
- Madsen, Per Kongshøj, Munch-Madsen, Peter and Langhoff-Roos, Klaus 'How well do European Employment Regimes Manage Social Exclusion?'
- Raveaud, Gilles 'Employability and Social Exclusion: a Capabilities Approach'
- Schelkle, Waltraud 'Workfare and Social Exclusion - Evidence from the Recent Welfare Reform in the US'
- Begg, Iain, Muffels, Ruud & Tsakloglou, Panos, Conclusion and discussion

Special issue of the *Journal of European Social Policy (due out summer 2002)*

Iain Begg and Jos Berghman 'Introduction: EU social (exclusion) policy revisited ?'

David Mayes ‘Social exclusion and macroeconomic policy in Europe: a problem of dynamic and spatial change’

Panos Tsakloglou and Fotis Papadopoulos ‘Aggregate level and determining factors of social exclusion in twelve European countries’

Maurizio Ferrera, Manos Matsaganis and Stefano Sacchi ‘Open coordination against poverty: the new EU ‘Social inclusion process’

Other Journal Articles, Chapter in Books and Working Papers

Begg, I. (2002) ‘EMU: a success against the odds’ *Eastern Economic Journal*

Begg, Iain (2000) ‘Social protection: the Achilles heel of EMU’ in Busch K. Flore M. Schlatermund H. Schwanholz M. and Szell G. eds *Ways to Social Peace in Europe* Osnabruck: Seccolo

Begg, Iain (2000) ‘Reshaping the EU budget: yet another missed opportunity?’ *European Urban and Regional Studies* 7, pp 51-62

Begg, Iain and Hodson, Dermot (2000) ‘Esta Keynes vivo, muerto o nececsita reencarnarse en la union europea’ [Is Keynes alive, dead or in need of reincarnation in the EU] *Sistema* 155/156, 15-30

Begg, Iain (2000) ‘European integration and its implications for policy-making in the 21st century’ in Fraser N. and Hills J. eds *Public Policy for the 21st Century: Social and Economic Essays in Memory of Henry Neuburger* Bristol: The Policy Press, pp 143-57

Begg I. and Landor J. (1999) ‘Social policy and the Euro’ in Louis J.-V. and Bronkhorst H. eds *The Euro and European Integration* Brussels: PIE - Peter Lang pp 249-70

Berghman, J., Fouarge, D. and Govaerts, K. (2000), *Social protection as a productive factor. Collecting evidence of trends and cases in the EU*. Leuven, K.U. Leuven, Departement Sociologie, 47p. Onderzoeksverslag Sociologie van Sociaal beleid, SB/2000-1.

Berghman, J. (2000), 'Verzekering en solidariteit', *Documentatieblad*, 60(2), 195-208.

Berghman, J. (2000), 'Sociological Consequences of the Privatisation of Social Security' in Pieters, D. (ed.), *International Impact upon Social Security. EISS Yearbook 1998*, (155-175), London/The Hague/Boston: Kluwer Law International.

Berghman, J. (2000), 'Globalization and Social Policy', *Soziale Sicherheit in Japan/Social Security in Japan* (in press).

Berghman, J. (2000), 'Globalization and Social Policy' in Von maydell, B., Shimomura, T. & Tezuka, K. (eds) *Entwicklungen der Systeme sozialir Sicherheit in Japan und Europa*, (pp. 57-72), Berlin: Duncker & Humblot.

Berghman, J. (2000), 'Social Exclusion and Social Protection: The Scope for Policy within the EU' Op: *Conference on Financing Social Protection in Europe* [CD-ROM] . Proceedings of the conference held in Helsinki, 22-23 November 1999, 7p. Helsinki: Ministry of Social Affairs and Health, Finland/European Commission.

Berghman, J. (2000), 'Modernising and Improving Social Protection in the Context of the New EU Policy for Strengthening Co-operation between Member States in this area' in Lavan, A. (ed) *50 Years of Social Welfare Policy*, (pp. 39-47), Dublin: Department of Social, Community and Family Affairs (Seminar Proceedings).

Bosco, A. and Chassard, Y. (1999), 'A Shift in the Paradigm: Surveying the European Union Discourse on Work and Welfare' in *Linking Welfare and Work*, Dublin, European Foundation for the Improvement of Living and Working Conditions.

Fouarge, D. (2001), *Social Europe: Fiscal Competition or Co-ordination?*, EXSPRO Working Paper, Tilburg University, 33 pp.

Harkonen, Juho (2001), 'Households and poverty in welfare systems. A comparison of Denmark, the Netherlands, Ireland and Greece', Department of Sociology, University of Turku, June 2001.

Kosonen, P. (2000), 'Activation, Incentives and Workfare in four Nordic Countries' in *Comparing Social Welfare Systems in Nordic Europe and France.* DREES; Collection MiRe, Paris, pp 419-443.

Kosonen, P. (2000), 'Activation, incitations au travail et workfare dans quatre pays scandinaves', *Travail et Emploi*, No 79, 2/1999, pp. 1-15.

Kosonen, P. and Saari, J. (2000), 'Hyvinvointipolitiikka. EU: n sosiaalisen ulottuvuuden rajalliset vaikutukset' (Welfare policy. The limited impacts of the EU social dimension, in Finnish), pp 243-262 in Tapio Raunio & Matti Wiberg (eds) : *EU ja Suomi*, Edita: Helsinki.

Kosonen, P. (1999), 'Pienet hyvinvointivaltiot globalisaation prossissa' (Small Welfare States in the Process of Globalisation), in Pekka Kosonen & Jussi Simpura (eds.), *Social Policy in the Globalising World* (in Finnish), Gaudeamus: Helsinki.

Kosonen, P. (2001), 'Globalization and the Nordic Welfare States' in Robert Sykes et al. (eds.), *Globalization and European Welfare States,* Palgrave: Basingstokes.

Madsen, Per Kongshøj (forthcoming 2002), 'The Danish model of *flexicurity*: A paradise - with some snakes', in Hedva Sarfati & Guiliano Bonoli (eds.), *Labour market and social protection reforms in international perspective: Parallel or converging tracks?,* Ashgate.

Madsen, Per Kongshøj (2000), 'Markedet og det rumelige arbejdsmarked', *Noget soerligt*, nr. 7/2000, 2. Årgang, pp. 12-15.

Madsen, Per Kongshøj (2000), 'Evaluating the effects of the Danish labour market reform', in Per Kongshøj Madsen (ed.), *Report from the seminar: Labour Market Monitoring and Evaluation Methods*, 3-4 November 1999, Hotel Centrum, Vilnius, Ministry of Social Security and Labour, Lithuania, and SISA, Ministry of Labour, Denmark, København.

Madsen, Per Kongshøj (2000), 'Det danske jobmirakel - Fra massearbejdsløshed til fuld beskaeftigelse', *Søkelys på arbeidsmarkedet, Vol. 17, pp. 115-123.*

Madsen, Per Kongshøj (1999), 'The role of policy integration in employment policies - concepts and tools', in *The Baltic sea Region Sector Programme on Labour Market Policy: Report from the 1st Labour-Market Seminar in St. Petersburg* 15-16 September 1999, Arbejdsministeriet, København, pp. 21-32.

Matsaganis, M., Papadopoulos, F. and Tsakloglou, P. '*Estimating extreme poverty in Greece and the cost of eliminating it through a minimum income guarantee scheme'*, Discussion Paper 2000-02, Department of International and European Economic Studies, Athens University of Economics and Business, February 2000.

Matsaganis, M, Papadopoulos, F. and Tsakloglou, P. (2001), 'Eliminating extreme poverty in Greece' *Journal of Income Distribution* 10 (1).

Matsaganis, Manos (2001), 'The trouble with the Euro-stipendium', *Journal of European Social Policy* 11 (4).

Mayes, David G. and Viren, Matti 'Asymmetry and the Problem of Aggregation in the euro area', *Bank of Finland Discussion Paper* 11/2000 and forthcoming in *Empirica* 2001.

Mayes, David G. and Kortelainen, Mika (November 2000), 'Using EDGE - a Dynamic General Equilibrium Model of the Euro Area', revised February 2001, forthcoming in *Schriftenreihe,* Duncker and Humbolt Berlin.

Mayes, David G. 'Policy Co-ordination and economic Adjustment in EMU: Will it Work?' in A.M. El-Agraa (ed) *The Euro and Britain*, London: Pearson (forthcoming).

Mayes, David G. 'Asymmetry and the Single Monetary Policy in the Euro Area' in K. Iwata and S. Tanaka (eds.) *The Euro and the Financial System in the EU* (forthcoming).

Moisio, Pasi (2000) 'Kasautuvatko sosiaalisen syrjaytymisen muodot EU-maissa?' (Do Forms of Social Exclusion Accumulate in the EU Countries?*)*, *Sosiologia*, the Journal of Westermarck Society 37:3.

Muffels, R. and Fouarge, D. *Labour market attachment, income poverty and consumption deprivation. How successful are employment regimes to cope with exclusion? A comparative study based on the 1994 to 1996 waves of the ECHP,* TISSER, 32 p.

Muffels, R.and Fouarge, D. (2001), 'Explaining Income Poverty and Resources Deprivation in European Welfare States', *WORC Report* 01.06.08, ISBN 90-75001-45-2, pp. 1-47.

Raveaud, Gilles 'Employability and welfare state regimes - A study of the NAP 1998-2000', presented at the Goteborg conference (7-9 September, 2000), forthcoming in the *EISS Yearbook*, Kluwer Law International ed.

Raveaud, G.(2000), 'Justice et efficacité: le cas de l'attribution des logements par une association d'aide aux sans-abri' in A. Alcouffe, B. Fourcade, J-M. Plassard et G. Tahar (eds.), *Efficacité versus équité en économie sociale*, Paris, L'Harmattan, 2000, pp. 361-372.

Raveaud, G. (2001), 'Employability and the Dynamics of Welfare State Regimes' in Peters D (ed.) 2001, *Confidence and Changes in the 21st Century*, London, Kluwer Law International (initially a contribution to the EISS (European Institute of Social Security), Conference, Göteborg (Sweden), September 6-9, 2000).

Salais, R., (2001), 'Filling the gap between macro economic policy and situated approaches to employment. A hidden agenda for Europe?' in B. Strath, L. Magnusson (eds), *From the Werner Plan to the EMU. A European Political Economy in Historical Light*, Brussels, Peter Lange, pp. 413-446.

Salais, R. (2001), 'Security in a Flexible Economy: Toward a Third Age for Work and Welfare links?', *Transfer*, Vol. 7, 2. Summer, pp. 309-320.

Salais, R. (2001) 'Work and Welfare. Towards a Reappraisal in terms of capability' in Trubek D. and Zeitlin, J (2002), *Reconfiguring Work and Welfare in the New Economy*, Cambridge MA, Cambridge University Press, forthcoming.

Vleminckx, K., Smeeding, T.M. (2001), *Child Well-being, Child Poverty and Child Policy*, The Policy Press, Bristol.

Conference Presentations

Iain Begg was invited to act as rapporteur at the European Parliament Conference *'The Social Policy Agenda*' on 21-22 September 2000.

Iain Begg and David Mayes gave papers at the UACES 30th Annual and 5th Research Conference *'Rethinking Europe'* (6-10 April 2000, Budapest).

Iain Begg and Ruud Muffels were invited speakers at the SEDEC end of project workshop (Brussels, 25th February 2000).

Iain Begg presented a paper at the Portuguese Presidency conference on *'Europe, Globalisation and the Future of Social Policy'* in Lisbon on the 5th and 6th May 2000.

Iain Begg was invited to give a paper on 'Soft policy co-ordination: the way forward for the EU' at a workshop on *Learning from Diversity in Federal Systems*, the German Historical Institute, Washington DC, November 2000

Iain Begg presented a paper on the 'EU employment strategy: policy integration by the back-door?' given at the FLACSO 25 anniversary conference, Mexico City, October 2000

Iain Begg was an invited speaker on panels discussing the EU employment strategy or the Social Agenda at successive TEPSA Presidency conferences – bringing together decision-makers in the respective countries in advance of the Presidencies - held in Vienna (May 1998), Bonn (May 1999), Paris (June 2000), Stockholm (November 2000), Brussels (April 2001 and Madrid (November 2001).

Iain Begg was a keynote speaker on 'EMU and Employment' at a Belgian Presidency conference on 'Social Models in the EMU: Convergence? Co-existence? The role of economic and social actors', Belgian national Bank, November 2001

Jos Berghman was invited to act as general rapporteur at a seminar on *'EU Law and Health Policies'* on 28th January 2000 in Amsterdam.

Jos Berghman presented a paper on '*Social protection policies*' at a seminar by the Portuguese presidency on 17th February 2000 in Sintra, Portugal.

Jos Berghman was general rapporteur at a colloquium on current research on social protection on 9th March, 2000 in Brussels.

Jos Berghman participated in a colloquium by the Cost A15 project on *'Changing social protection systems'* on 10th March, 2000 in Brussels.

Jos Berghman was general rapporteur at an official conference of the Potuguese EU-presidency on social policy on April 13th, 2000, Porto, Portugal.

Jos Berghman chaired a guest lecture by the Dutch Minister of Social Affairs, Melkert, to a Belgian audience on April 25th 2000, in Leuven, Belgium.

Jos Berghman was invited to present a paper on *'European fight against social exclusion'* at seminar in preparation of World Bank rapport on 12th June 2000, in Washington DC.

Jos Berghman was a discussant in a seminar on the results of the Lisbon Summit for social policy in the EU on July 12th 2000, in Brussels.

Jos Berghman gave a series of guest lectures to social security administrators from the three Baltic countries, August 17-20th 2000, Tallinn.

Jos Berghman was Chairman of the Conference of the European Institute of Social Security on *'Social Protection in Europe'* 5-9 September 2000, Göteborg (Sweden).

Jos Berghman was rapporteur at a conference by the European Parliament on the Social Agenda, Sept. 21-22 2000, Brussels

Jos Berghman was the session chairman of the research conference of the International Social Security Association, Sept. 25-27 2000 in Helsinki.

Jos Berghman gave a lecture on European decision making on social protection for higher civil servants of the Ministry of Social Affairs of the NL; Oct 4th 2000 in The Hague.

Jos Berghman gave a paper on European Social Policy at a seminar of the Social Faculty of the University of Llubljana, Oct. 20th 2000 in Llubljana

Jos Berghman was chair of the panel discussion of the British and Belgian Ministers of Social Affairs, resp. Darling and Vandenbroucke, Oct. 30 2000, Leuven

Jos Berghman was discussant on the Poverty Report for Belgium at a colloquium on it, Dec. 8th 2000, in Antwerpen

Jos Berghman was discussant of the PhD thesis of J. Pakaslahti on European social protection policy, Dec. 18 2000, Helsinki

Jos Berghman gave a paper on *'Values and social security'* at a seminar on the future of social security in South-Africa organised by the parliamentary committee on social affairs and the Government Expert Group on social affairs, 24-25 January 2001 in Johannesburg (South-Africa).

Jos Berghman was a panel discussant at the session on social protection of the EU-conference on Social Policies, February 23rd 2001, in Brussels.

Laurence Carmichael presented a paper on *Convergence of Social Exclusion Policies in the EU: Towards an EU Model?* at the UACES 30th Anniversary Conference and 5th Research Conference *'Rethinking Europe'* held in Budapest (6-8 April 2000).

Yves Chassard was a speaker at the Belgian Presidency Conference on *'Towards a New Architecture for Social Protection in Europe? A Broader Perspective of Pension Policies*', to be held in Leuven, October 19-20, 2001.

Pekka Kosonen gave a paper on *'Global Competition, Work and Welfare: a Comparison of Five Small Countries'* to the ISA Research Committee 19 Annual Conference on *'Social Protection in the new era: what future for welfare?*' August 24-27, 2000, Tilburg.

Pekka Kosonen: *Pienet hyvinvointivaltiot globaalisssa talousmallssa.* (Small welfare states in the global economy, in Finnish). Conference of the Finnish Social Policy Association, Tampere 27-28 October, 2000.

Pekka Kosonen presented a paper *'The Nature of Social Exclusion - Spiral of Precariousness or Statistical Category?*' at the weekly research seminar of CEPS, Luxembourg 4.5.2001

Pekka Kosonen presented a paper *'Does One Form of Social Exclusion Increase the Risk of Other Forms in the EU?*' to the European Welfare State - Working Group at the European University Institute 30.3.2001

Pekka Kosonen presented a paper on *'Social exclusion as a notion in the European Social Policy'* to the Annual Conference of Finnish Social Policy, Jyvaskyla 23-24.10.1999.

Pekka Kosonen presented *'Kotitaloudet, tyomarkkinat ja koyhyys. Suomen, Hollannin, Irlannin ja Kreikan vertailu'* (Households, labour markets and poverty. A comparison of Finland, the Netherlands, Ireland and Greece) to the Annual Conference of the Westermarck Society, Rovaniemi 23-24.2001.

Pekka Kosonen presented *'Comparing Economic and Social Policy Reversals: Denmark, Finland, Ireland and New Zealand.*' to the ISA Research Committee 19 Annual Meeting. Prague, September 9 to 12, 1999.

Manos Matsaganis, Yves Chassard and Jos Berghman contributed to the conference *'Social Protection as a Productive Factor'* organised by the Ministry of Labour and Solidarity as part of the Portuguese Presidency (Porto, Portugal, 13-15 April 2000).

Manos Matsaganis presented a paper on '*Social protection as a productive factor: a view from the South*' to the conference of the Portuguese Presidency of the EU, Porto, Portugal, April 2000.

Manos Matsaganis participated in a workshop on '*Family policies in Europe*', organised by the National Centre for Social Research, Athens, May 2000

Manos Matsaganis presented the paper '*Prerequisites to minimum income reform in Greece*' at a seminar ('Improving minimum income systems in the EU') organised by the Catholic University of Leuven with the support of the European Commission (Leuven, Belgium, February 2001).

Manos Matsaganis presented the paper '*Welfare reform and modernisation of society*' at the inaugural conference of the Hellenic Social Policy Association (Komotini, Greece, May 2001).

David Mayes presented a paper on *'Unemployment in Finland: Progress and Policies'* at a conference by the Finnish Institute for Labour Market Research, November 2000.

David Mayes presented the paper *'Asymmetry and the Problem of Aggregation in the euro area'* at the Austrian National Bank, Vienna, May 2000.

David Mayes presented a paper *'Using EDGE - a Dynamic General Equilibrium Model of the Euro Area*', RWI Essen, November 2000

David Mayes presented the paper *'Social Exclusion: A dynamic and spatial problem for Europe*', Canterbury University, New Zealand, March 2001 and University of Melbourne, Australia, Arpril 4th 2001.

David Mayes presented a paper titled *'Policy Co-ordination and Economic Adjustment in EMU: Will it Work?'*, to the ECSA conference in Wisconsin, USA, May 2001.

Ruud Muffels and Didier Fouarge presented a paper on *'Social Exclusion and the Enabling Society. A European Perspective*' at the Symposium 2001. *'A Second century of social security: social integration in the 21st century.*' The Hague, The Netherlands, pp. 1-28.

Ruud Muffels and Didier Fouarge presented the paper *'Do European Welfare Regimes Matter in Explaining Social Exclusion? Dynamic Analyses of the Relationship Between Income Poverty and Deprivation: A Comparative Perspective'* at the ESPE Conference at Athens University, June 14-16, 2001, pp. 1-39.

Ruud Muffels, T. Wilthagen, and N. van den Heuvel had their paper on *'Labour Market Transitions and Employment Regimes: Evidence on the Flexibility-Security Nexus in Transitional Labour Markets'* presented at the 13th Annual Meeting on Socio-Economics, University of Amsterdam, Amsterdam, June 28th - July 1st, 2001, Amsterdam: SISWO, pp. 1-31.

Robert Salais and Gilles Raveaud presented the paper *'Confidence and Changes: Managing Social Protection Systems in the New Millennium'* at a conference organised by the European Institute of Social Security (EISS), Göteborg, Denmark, September, 7-9, 2000.

Robert Salais presented a paper on 'In Search of Worlds of Work and Welfare. Toward a Reappraisal in Terms of Capability' to the conference on 'Reconfiguring Work and Welfare in the New Economy. A Tansatlantic Dialogue', held by the EU Institute at the University of Madison-Wisconsin (USA) May 10-12, 2001.

Robert Salais and Gilles Raveaud contributed to a conference 'Towards A European Politics of Capabilities', held in Brussels, January 12-13, 2001 under the chair of the DG Employment and Social Policies.

Panos Tsakloglou organised a conference in Athens on 9-10 September 1999 on '*Unemployment, poverty and social exclusion in the European Union*'. Various aspects of social exclusion in a number of European countries were analysed during the conference. Among the papers presented were those by EXSPRO coordinator Iain Begg (on the possible role of social protection in the framework of EMU) and Panos Tsakloglou (on aspects of poverty in Greece).

Panos Tsakloglou presented the paper '*Economic inequality and poverty in Greece: structure and inter-temporal change*' at the inaugural conference of the Hellenic Social Policy Association (Komotini, Greece, May 2001)

Panos Tsakloglou and Fotis Papadopoulos presented their paper on '*Identifying groups at high risk of social exclusion: evidence from the ECHP*' to the 14th Annual Meeting of the European Society for Population Economics, Bonn, Germany, June 2000.

Panos Tsakloglou, was discussant of the paper of A.B. Atkinson, B. Cantillon, E. Marlier and B. Nolan '*Indicators for Social Inclusion in the European Union*' at the International Conference on '*Indicators for social inclusion: making common EU objectives work*', organised by the Belgian Presidency of the EU (Antwerp, Belgium, September 2001).

Fotis Papadopoulos presented the paper '*Estimating extreme poverty in Greece and the cost of eliminating it through a minimum guaranteed income scheme*' at the 57th World Congress of the International Institute of Public Finance (Linz, Austria, August 2001)

Fotis Papadopoulos presented the paper '*Identifying population groups at high risk of social exclusion: evidence from the ECHP*' at the 5th European Sociological Association Conference (Helsinki, Finland, August 2001).

Koen Vleminckx *'Child Poverty in Belgium'*, Presentation at the Office of the Federal Minister of Social Affairs, 15 January 2001, Brussels, Belgium and at the 'Justice and Poverty: examining Sen's Capability Approach' conference organised at St. Edmund's College, University of Cambridge (Cambridge, June 2001).

Koen Vleminckx presented a paper *'Comparative Social Policy and Social Indicators'* at the *'Training European Statisticians'* Workshop, TES Institute, 29 May 2000, Sienna, Italy.

Koen Vleminckx, Comparative Social Policy and Social Indicators, Workshop *'European Masters in Social Security'*, European Institute for Social Security, 11 April 2000, Leuven, Belgium.

Koen Vleminckx presented a paper on *'The Consequences of Labour Market Deregulation and the Proliferation of Non-Standard Employment for Individual and Household Income Security: The Case of Part-Time Employment'* at the 59th annual congress of the Midwest Political Science Association, April 19-21, 2001, Chicago, Ill., U.S.A.