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UNIVERSITY OF AMSTERDAM
Amsterdam Institute for Advanced labour Studies

Active inclusion and industrial relations from a multi-level governance perspective



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AIRMULP Project

Objectives of the research

The AIRMULP Project focuses on **the relationship between active inclusion and industrial relations**.

More specifically, the Project is concerned with the analysis of active inclusion issues – e.g. social exclusion, in-work poverty, labour market segmentation, long-term unemployment and gender inequalities, income support and inclusive labour markets – in the framework of social dialogue and collective bargaining, **at three different levels** (European, national and sub-national), and **in six countries** (France, Italy, Spain, Poland, Sweden, and the United Kingdom).

In general, AIRMULP aims at answering the following questions:

- What are the policy objectives and strategies of social partners at European, national and territorial levels to overcome the challenges related to active inclusion?

- To what extent are their actions horizontally coordinated through mechanisms that integrate the policy fields and social groups (e.g. youth employment and vocational training; active ageing and youth employment; in- and out-of-work benefits)?
 - And to what extent are their actions vertically coordinated (either from the top or from the bottom)?
 - Finally, how can social partners, in the future, contribute to the strengthening of an active inclusion strategies at the different levels?
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Methods

AIRMULP uses **a combination of qualitative and quantitative methods** of data collection and analysis. In particular, it carries out:

- Analysis of available statistical data;
 - On-desk analysis of scientific literature and official documents concerning active inclusion policies (included the EU, national and regional legislation, the available texts of social pacts and collective agreements);
 - Interviews with key informants (such as representatives of the social partners at each level, members of EU institutions as well as national, regional and local governments, various stakeholders, and other qualified actors).
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Key findings

A **coordination meeting** was held in Florence, on June 16th and 17th, in order to present and discuss about the state of the art of the project and the key findings of the last 6 months of research, which was devoted to the completion of the fieldwork.

The research has focused on **five main issues**:

- The discourse on active inclusion;
 - Contents and outcomes of policy measures;
 - The roles played by key actors;
 - The method of policy-making;
 - Vertical and horizontal coordination between actors and between policies.
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A) Comparative overview

The Airmulp Project refers to three types of literature, of political science, economic sociology, and industrial relations. If we assume these three **different points of view**, we can identify a series of common features among the countries examined. Regarding labour regulation, for instance, despite that no explicit reference to the active inclusion strategy can be found, there are many policies addressed to those groups targeted by the active inclusion strategy itself.

These policies have three **common points**, at both the national and regional level: *flexibility*, *conditionality*, and *individualization*. Such concepts, however, can be linked to each other in different ways. Conditionality in Spain and Sweden, for instance, has dissimilar meanings.

If we look at the dimensions of **governance and industrial relations**, then, we find that the state plays a prominent role. The social partners also count, though they share the political space with other actors, not properly of industrial relations, such as the charities in Britain, third sector organizations in Italy, and Caritas in Spain. The relationship between the state, social partners and other actors, however, is different from a country to another.

As for social partners, they resort to different forms of actions, from “direct” actions (basically, services) to an “indirect” influence (e.g. through mobilizations, as in France) and a “direct” influence on policies (e.g. through social dialogue). We, thus, find three main **modes of action** in each country, but combined in different ways.

In all countries examined, except for Sweden, we find a very low **coordination**. Quite the reverse, we find a high fragmentation between actors and between policies. This is a problem, because fragmentation makes policies less effective.

If we focus on these common elements, we can answer some **key questions**. The **focal question**, which should guide the analysis, is the following:

- *Is there a relationship between industrial relations and active inclusion?*

There are, anyway, also some **meta-questions**:

- *First, what is the impact of the European level of regulation?*
 - *Second, is it possible to identify processes of convergence or divergence? Are the countries and regions that we analyse converging towards a single model or not?*
 - *Third, is there a relationship between institutional architectures and their outcomes in terms of inclusion in the labour market?*
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B) Findings from the analysis conducted at the European level

The analysis at this level is focused on the **discourse** and how it has changed over time, how the term active inclusion became a deal at the European level, what kind of policy ideas were shaped because of that, and what kind of instruments and policy tools are used to disseminate those ideas.

What emerges is that there is continuity in the main ideas, like *flexibilization* and *individualization*, at the European level. At the same time, there are also differences. On the other hand, increasing employment has been a general tendency, as a way to reach social inclusion and to make income support less necessary.

The first European instrument for political coordination was the **European Semester**, which started in 2011. Already since 2005, however, the integrated economic guidelines came up with the employment guidelines. This was the first step towards what is now the European Semester. This is a combination of two things, that is: the ideas of integrated economic and employment guidelines, and of social policy guidelines; and the Open Method of Coordination. There is strong horizontal coordination at the European level. For instance, there are advisory committees, where national-level policy makers get together to discuss policies for each country. With the European Semester, the European social partners are also invited to participate. All the countries receive country-specific recommendations. Because it is a negotiated process, before the recommendations are adopted by the member states, they are discussed within the committees. In this sense, recommendations look like a European-level produced thing, but they are negotiated with national policy makers.

Another instrument is represented by the **Troika measures**. Sustainability and competitiveness are emphasized, but it is all about how to cut costs. Therefore, policies are reducing public sector employment, which is detrimental to inclusion, because jobs are being cut, and very often these are female jobs. Great emphasis is on flexibility and the reduction of protection legislation. Wages are supposed to be minimized, in order to be more competitive. Collective bargaining, then, is decentralized, especially when it concerns wages.

Last but not least, the **European Social Funds** (ESFs) are an instrument for supporting jobs and helping people to get better jobs. If we look at the programmes that countries have adopted, they are about training, employability and upskilling. The ESFs have a multi-level governance structure. The Commission provides the main ideas and goals, while national governments, together with the Commission itself, negotiate operational programmes. Public and private actors as well as third sector organizations are involved.

What is to do is to look at ideas, from where they originate and how they spread.

C) Findings from the country case studies: Poland and Sweden

Sweden

Activation, in Sweden, has a long-standing tradition. It underpins all the welfare system. The basic idea is having a low unemployment rate and a high participation in the labour market of all social groups. The system is highly individualistic, in an ambivalent way. Individualism, in fact, means that all income support schemes as well as job seeking are into the individual. Each person must be active and be responsible for him/herself. Every kind of support is linked to the individual. From 2006, conditionality, which was already quite strong in Sweden, was emphasized through this idea of individual activation, which means stricter criteria for being eligible for income support schemes, time limits in unemployment and sickness benefits, and higher fees to be member of the unemployment insurance. On closer inspection, the concept has, thus, three different meanings: **individualism**, **individual responsibility** and **individual measures**.

The *unemployment insurance system* is based on a non-means-tested scheme, that is the unemployment fund managed by the social partners and co-financed by the state. Membership is voluntary, but it is compulsory in order to receive unemployment benefits. A universal scheme is, instead, the *last-resort support* provided by municipalities. The voluntary unemployment scheme has been recently reformed by the centre-right government in 2006. They reduced the amount and shorten the duration of benefits in order to reduce the dependency upon income support.

The main target groups in the country are long-term unemployed persons, NEETs, asylum seekers and refugees. In addition to public policies, we find programmes targeted on these social groups introduced by the **social partners**, through social dialogue or collective bargaining. There are many formal agreements, such as that on *temporary layoffs*, previously not permitted in Sweden. Another instrument is, then, the *vocational introduction scheme*, which tackles youth unemployment by the improvement of skills and the support in entering the labour market. Finally, there is an agreement that introduces the so-called *working life introductory positions*, to offer entry jobs in the public sector to young unemployed people.

The state is, nevertheless, prominent in this country. Policies are discussed mainly at the national level with the government, which uses a centralized, though not unilateral, approach. Social partners are traditionally involved, in different ways. They are always informed and consulted. Moreover, they are a reference group of the government, when this decides to test the state of the art of a specific issue. Finally, there are initiatives promoted by the social partners, which negotiate bilateral agreements, with no direct intervention by the state.

The issue of **coordination** is still debatable. Horizontal coordination is, in fact, quite strong, since decision making is run by the Cabinet, which coordinates the Ministries at the national level. On the other hand, there is still fragmentation and overlapping across the different areas of labour market and social policy. Regarding vertical coordination, the European level has represented an extra arena for Sweden to debate activation strategies. Coordination between the national and local levels, then, seems to be quite good, thanks to the role played by Public Employment Services, which coordinate policies.

Poland

Social dialogue, in Poland, is an interesting aspect, because there has been correspondence between what the European Union had proposed by the framework agreements and the tripartite talks at the national level to implement that.

It is a recent history of industrial relations for Poland. **Trade unions** have a long history, but the employers have little experience. A big problem is the **employers' participation**, because they do not know what to do. It is more difficult for them to have a common line. This is, thus, the weaker part.

In Poland, there is more attention to the **European discourse** than in other countries. On the other hand, even though they take everything literally and they put it on their national policies, this does not lead to revolutionary changes. Poland does not become an example of flexicurity just because it refers to the concept of flexicurity. It is also an example of how tripartite dialogue is working. There is a will to make it work, but whether it works or not is another matter. In the end, social dialogue has been institutionalized by a recent law, but it is still in its very initial phase.

One of the most interesting points, then, is the re-organization of **public employment services**, which were also decentralized and somehow outsourced. And this decentralization led to a regional divide.

The interviewees are very critical about how you can really get to know the **outcomes** of certain policies, because when the agencies are assessing themselves you never know whether they are forcing the numbers or not.

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D) Findings from the regional case studies: Lower Silesia (PL) and Gothenburg (SE)

Gothenburg

In Gothenburg, we find a **local model of activation**. Active inclusion, in this case,

is embedded in the local system of social services. We also find a diverse combination of labour market policies, though generally there is more attention to human capital investment. We can say that it is an easy labour market situation, though actually there are vulnerable categories. And the major policy issue is represented by migrants and asylum seekers. Foreigners are, in fact, 18% of the total population. In terms of governance, what we find is a cooperative model. It is also an integrated model, characterized by a strong vertical and horizontal coordination.

Gothenburg is an important city in the Scandinavian context. There are many important companies, Volvo, Eriksson, and so on. But today the city is changing, and just like other comparable cities, like Manchester and Lyon; high-skill services, particularly financial services, are becoming more and more important. What is worth noting is the traditional climate of cooperation, which is very typical of Scandinavian countries, but is very rooted in the city. So, we find that both trade unions and industrial leaders play an important role, and exert a political influence on decision making.

The **discourse** focuses on the defence of the universalistic model of activation, but at the local level it is more focused on municipal action and goals. In detail, there are two main goals: first, enhancing individual skills and education through training; second, reducing social assistance dependency. So, there is an emphasis on the dependence of unemployed people on the municipal social assistance, especially of those who are not eligible for the unemployment benefits. Concerning the European strategy, this is considered of less efficacy compared to the national system.

Labour policies are centralized, but municipalities are responsible for social assistance benefits. These are means-tested benefits. And municipalities have full autonomy in this policy area. For example, they have the autonomy to reduce social assistance benefits. The role of municipalities is, however, a complement to the unemployment insurance system.

The **social partners** have different views. On the one hand, employers support activation measures set up by the local government, they stress the importance of incentives to work and of a quick entrance into the labour market. On the other hand, trade unions are in favour of a more supportive activation. In any case, they play an important role, because there are regular consultations. Municipalities inform them about their plans, and they ask them for comments; there are also tripartite discussions with the Public Employment Services, that is *local* trade unions and a *national* agency. The social partners also provide services. There are specific projects for attracting and helping undocumented people, and other projects addressed to local employers and workers for raising awareness of the necessity of integrating these people.

Of course, there are some **criticisms**. Trade unions stress the fact that this kind of interventions put the pressure on individuals. They also observe that an economic divide exists between those who are integrated into the labour market and those who

are not. Furthermore, the strategy of making the inclusion in the labour market as fast as possible increases the risk of placing people in unstable jobs. Then, trade unions call attention to the discretionary power of municipalities in determining eligibility criteria for social assistance. Finally, they complain about the shift of responsibility from the state to the social partners.

Regarding **coordination**, we find a strong *vertical* coordination, because there are regular consultations between Public Employment Services (national level) and Labour Market Units (local level). But there is also *horizontal* coordination, for instance with the employers.

Lower Silesia

The region is located in the South-West, which is the most dynamic area of the country. It displays a relatively low level of wealth, but associated with low unemployment. Low wealth is basically the result of low wages, but low wages, together with low taxation, are primary factors of competitiveness for Poland and, maybe, for the CEECs overall. Lower Silesia, nevertheless, is third in rank, among the OECD regions, by growth rate. On the other hand, the region did not develop uniformly. The unemployment rate, in fact, varies from 3% in the city of Wrocław to 23% in peripheral zones.

The main source of regulation is a national law, that is the Employment Promotion Act. The allocation of resources, then, is a vertical process: they have a national labour fund, from which resources are distributed to sub-national authorities. The **state** is, thus, a dominant actor. And it is prominent also in social dialogue, due to the presence of state representatives in social dialogue institutions at each level, which since 2013 played a role of direction within such bodies. But this has changed with the last reform, in 2015. A key role is played by the regional and district labour offices, which are structures that belong to regional and local government, though they have an operational autonomy.

Social dialogue is weak and slightly influential, due to a low membership level, ineffective organizing strategies and the existence of institutional constraints that create disincentives to join the unions. This is true for the national level and, above all, for the regional level. In the latter case, this weakness is also due to the distance from the centre of decision making. A hidden function of the *regional* social dialogue, in effect, is to try to influence *national* policy makers. Within tripartite bodies, in general, social partners are only informed and, in some specific cases, consulted. This happens, for instance, in the phase of preparation of the Regional Action Plan for Employment, which is the main tool for coordination of labour policies at the regional level. In that event, social partners are consulted and they can express opinions, but these opinions are not binding. So, their power to influence policy making is very low.

Unilateral policy making is therefore the prominent method of regulation. This is

anyway supported by **tripartite bodies**, which have a consultative and advisory function. Actually, there are two types of bodies: the regional and district labour market councils; and the regional social dialogue council. This latter has still a vague role, because it was established at the end of 2015 and, since now, has produced mostly procedural documents; so, they are still defining their functions. A specific feature of this region is that there are some **informal bodies** for social dialogue: the Lower Silesian Political and Economic Forum (tripartite); the Social Partners' Forum (bilateral).

We have also – and this is a common trend among the cases examined – the emergence of several forms of **"pragmatic" cooperation**, which involve the social partners, on the one hand, and public institutions, on the other. These are basically partnerships that are aimed at the use of funds.

This represents a case of **top-down policy making**, while resource allocation represents a sort of governing by algorithms, which does not create so many spaces, a large room for manoeuvre for the social partners. Despite this, vertical coordination is very low. The different levels of regulation are, in fact, independent upon each other. Horizontally, we have a low degree of coordination as well, though some attempts to create integrated policies can be found, for instance the so-called *programme for activation and integration*, addressed to the most disadvantage. What is worth noting, here, is that social dialogue institutions do not work properly as coordination tools.

If we consider the Regional Action Plan for Employment as an outcome of social dialogue, we must conclude that the social partners, in the region, have accepted and legitimized the **rhetoric about flexicurity and activation**. If we look, instead, at the overall impact on social dialogue on labour policies, this is very poor. In general, the social partners seem to have accepted a restrictive use of conditionality. The analysis of regional social dialogue, thus, seems to confirm the persistence of the model of **façade corporatism**, whose role is basically to legitimize the convergence towards a neo-liberal approach. On the other hand, some changes can be found in the internal organization and functioning of regional tripartite institutions, so that some interviewees have spoken of a **"revival" of social dialogue**.

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Next steps and meetings

In the remaining months, the project partners will be committed to the preparation of the four reports, one for each work package. The reports will be presented and discussed at the **Airmulp Final Conference**, which will be held on December 1, in Florence (Italy). A public presentation of the key findings of the research will be also made within specific panels set up at the **European Regional Congress of the**

International Labour and Employment Relations Association (ILERA), which will be held on September 8-10, in Milan (Italy), and at the **Annual Conference of ESPAnet Italia**, which will be held on September 22-24, in Macerata (Italia).



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Project Coordinator

Prof. Luigi Burroni, University of Florence - DSPS
E-mail: luigi.burroni@unifi.it

Consortium

[University of Amsterdam \(NL\)](#),
Prof. Maarten Keune and Noëlle Payton.
[Autonomous University of Barcelona \(ES\)](#),
Prof. Antonio Martín Artiles and Prof. Oscar Molina.
[University of Warwick \(UK\)](#),
Prof. Guglielmo Meardi, Prof. Manuela Galetto and
Dr. Anna Mori.
[University of Florence \(IT\)](#),
Prof. Luigi Burroni, Prof. Laura Leonardi, Dr.
Andrea Bellini and Dr. Gemma Scalise.

Contacts us

Luigi Burroni, luigi.burroni@unifi.it
Gemma Scalise, gemma.scalise@unifi.it

University of Florence - Department of Political and Social Sciences - Via delle Pandette, 21 - 50127 Firenze - Italy

