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



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## 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

An **interim meeting** was held in Amsterdam, on February 25th and 26th, in order to present and discuss the key findings of the first 12 months of project activity. In this period, the research 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.

The analysis has revealed that **many actions related to the two first pillars of the active inclusion strategy** (i.e. adequate income support and inclusive labour markets) were undertaken in the selected case studies, though the strategy itself is

not explicitly mentioned in official documents.

As regards the role played specifically by the **actors of industrial relations** in the processes of policy making, this is not homogeneous among the selected countries and regions. In some cases, in fact, trade unions and employers' associations are directly involved, although mainly in the phase of implementation of policy measures. In other cases, **other actors** such as single employers, private agencies or third sector organizations have emerged as increasingly relevant players, especially in the phase of service delivery. In almost all cases, however, the role of the **central government** is still dominant, although **regional governments** can also be identified as key actors, above all in the field of active labour market policies.

Besides **unilateral policy making**, which in general seems to be prominent, **social dialogue** plays a relevant role in all but one case studies. In effect, several **negotiated policies** have been found. On the other hand, other "participative" mechanisms have also emerged as increasingly relevant methods of policy making, e.g. **public-private partnership** and **deliberative planning**.

As a final point, **coordination** appears weak in all cases, at both vertical and horizontal level. Few attempts to set up coordination tools have been detected, especially between the national and regional level.

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### *A) Findings from the European level of analysis*

Multi-level governance can be observed in European industrial relations, based largely on **soft governance methods**. European-level trade unions and employers' organizations have little hierarchical power over their members, but they do try to mobilise them around key policy issues. One way of doing so is through the so-called **autonomous framework agreements**.

At the inter-sectoral level, four such agreements have been reached until today. One of these is the **Autonomous Framework Agreement on Inclusive Labour Markets (2010)**. In this agreement, the European social partners outline a joint approach towards active inclusion, emphasising its importance and the contribution that national social partners could give to achieving active inclusion in the Member states.

Nevertheless, **European trade unions and employers** have different positions on the contents of the framework agreement. In particular, the **ETUC** demands a stronger integration between employment, education and economic policies, and greater public investments in education and training. Besides, it wishes that the objectives concerning employment and education are no longer subordinated to economic objectives, and that European policies in these areas become more binding

for Member states. What is more, it calls attention on job quality as a crucial but underestimated issue. On the other hand, **BusinessEurope** asks for reforms of the labour market leading to a greater flexibilization, involving employment contracts, working hours and wages, and also implying a lower employment protection. Again, it asks for reforms of social security aimed at reducing the generosity of income support (stricter eligibility, lower amounts, and shorter duration of payments) and, at the same time, encouraging the activation of the unemployed.

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## *B) Findings from the national case studies*

The analysis, which has so far been conducted on **four countries**, namely France, Italy, Spain and the UK, has shown that engagement with EU-level initiatives is generally superficial or subordinated to domestic political priorities.

Nevertheless, national differences can be identified in the **political discourses on active inclusion**. In particular, in Italy and Spain the discourse is focused on the long-standing issues of flexibility and age segmentation, which are given even more prominence in the context of the recent crisis. By contrast, in France and UK there is a persistent attachment to national approaches to labour market inclusion, though in France we find a stronger emphasis on the social, rather than on the individual explanation of unemployment and of the exclusion from the labour market, while in the UK this is basically understood as an individual responsibility.

Despite the enduring differences and the low incisiveness of EU initiatives, some common trends are discernible. Firstly, a rise in **conditionality** of income support. Among the four countries, the UK is where conditionality is most strictly enforced. Secondly, with the exception of Italy, there has been a move towards a **"one-stop shop" system** of job-seeking assistance and unemployment benefits management. Thirdly, overall marketization processes have affected **public employment services** across the four countries. This last trend is associated with evidence, in particular in the UK and France, of the negative tendency to 'cream and park' different categories of job seekers, resulting in further exclusion for those groups that are more difficult to allocate in the labour market.

**Central governments** play the core role in the definition of activation strategies. On the other hand, the **actors of industrial relations and social dialogue institutions** have had varying levels of impact depending on the country. In the period since the launch of the active inclusion strategy, in effect, social dialogue has been marginalised in the countries where it used to be strong, such as Italy and Spain, while it has increased in others, such as France, even if the government maintains the right to ultimately decide. The UK has not followed the same path as

France, hence consultation of social partners remains limited to the arm-length collection of opinions on policy proposals. It therefore appears that employment has the potential, as in the 1990s, to vitalise social dialogue as a "positive-sum" game even in countries where it was previously weak, but that the framework of hard budgetary constraints introduced by the new economic governance of the EU leaves less space to it.

What is more, all cases display a weak **vertical coordination** with both supra-(EU) and sub-national levels. EU recommendations on active inclusion appear as more influential in France, but even there in a very politically-mediated form. Italy and Spain are instead too focused on structural reforms within the Eurozone governance to allow much attention to other issues. The coordination with sub-national levels is particularly difficult in Spain, where a contradiction between centralisation of financial control and decentralisation of risks occurs. **Horizontal coordination** among policy fields is also limited, despite moderate positive effects of EU-demanded National Plans against poverty and social inclusion, which are most visible in France. UK policies appear as particularly disconnected horizontally, although the benefit system is being integrated into one "universal credit" system. In general, different policy areas – income support, employment services, education and training – refer to different ministries and departments, with largely insulated decision processes.

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### *C) Findings from the regional case studies*

The research, in the first phase, has concentrated on **four case studies**, involving both the regional and sub-regional level. These are specifically: the region of Rhône-Alpes and the city of Lyon; Lombardy and Milan; Catalonia and Barcelona; Greater Manchester and Manchester.

The analysis has outlined **four approaches to active inclusion**, different from each other with regard to focuses, target groups and modes of governance, which nevertheless seem to have a common point in the emphasis on the dimension of **activation** and on the **personalization of policies and services**. In general, the rhetoric of activation seems to be widely accepted and implemented through the principle of **conditionality**. Only in Great Manchester, and since more recently in Lombardia, this principle is however associated with a goal-oriented approach and to the recourse to payment-by-result mechanisms in the delivery of services. On the other hand, a "pragmatic" attitude of both regional and local actors has emerged with regard to the use of **EU funds**. In this sense, all four cases have shown the key role played by the ESF in conveying the principles of active inclusion, and therefore inducing isomorphism, but also forms of coordination. In general, poor attention is

paid to promoting **quality jobs**. As such, the approaches to welfare policies in the four regions appear strictly mainstream, with rare exceptions at (sub-regional) level.

The **regional government** is a crucial actor, above all in the field of active labour market policies, though the **central government** is still dominant in France (despite decentralization) and in the UK (despite “devolution” to city-regions), while Italy is facing a process of re-centralization of labour policies (but Lombardy has succeeded in preserving its role and its model of service delivery); on the other hand, in Spain, State and Autonomous Communities are in competition with each other. As for **social partners**, they play a critical role in Lombardy, where they are involved in an intense social dialogue, which often result into "negotiated policies", though these are mostly cases of "pragmatic" negotiation, aimed at the implementation of policies. In France, and particularly in Rhône-Alpes, they are increasingly involved in social dialogue, though in a merely formal manner. In Spain and Catalonia, instead, since the acute phase of the crisis, they play a marginal role, with no room for negotiation, while in the UK and Greater Manchester they are traditionally excluded from policy making.

Besides, new actors have entered the political space, eroding the room for manoeuvre for social partners. These are: **third sector organizations**, increasingly important in the Catalan case, but also in Lombardia (where they play a subsidiary role), and in Greater Manchester (as "delivery partners"); and **formalized coalitions**, which include also social partners in the case of Rhône-Alpes.

What is noteworthy, in the end, is that in none of the four cases social partners are involved in the phase of agenda setting. This means that they have not the power to influence the definition of policy priorities. In general, **unilateral policy-making** seems to be prominent in at least three cases. Despite this, in Lombardy **social dialogue** has played a relevant role in improving the system of labour policies. Where social dialogue is instead present, but in a softer version (Rhône-Alpes), or simply weaker (Catalonia), **deliberative mechanisms** are also adopted.

Both **vertical and horizontal coordination** are generally weak. Even where social dialogue has developed more (Lombardy and, recently, Rhône-Alpes), this has not translated into a strong coordination between actors at different levels, nor has it favoured the integration between policy fields. Efforts in the latter direction, instead, have been made in Greater Manchester, though the degree of policy integration is still relatively low.

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## *D) Findings from the multi-level analysis*

In the first phase of the research project, a **comparative analysis**, based on official

statistical data related to the issues of active inclusion, was conducted in order to identify common trends and divergences within the EU member states. As such, the analysis has led to a distinction between two types of **inclusion in the labour market**, which are not always correlated with each other:

- Inclusion related to the **"quantity" of employment**, that is referred to the level of employment of specific social groups;
- Inclusion related to the **"quality" of employment**, that is referred to the characteristics of employment.

In order to look at the quantitative inclusion in the labour market, an indicator that measures the **degree of disadvantage in the labour market** for specific groups of people (women, young people, immigrants, low-skilled workers) has been set up.

The analysis has shown that **different paths of quantitative inclusion** in the labour market can be identified. Among the AIRMULP countries, Poland, Spain and Italy are those with a higher level of discrimination for young people and women, and especially for the low-skilled in Poland. In France, young people, low-skilled workers and migrants are facing more difficulties. Sweden and the UK are instead characterised by low levels of discrimination of many of the groups considered, which nevertheless go hand in hand with higher employment rates. The latter two countries, in effect, belong to different models of capitalism and are dissimilar to each other in terms of labour market regulation, but display similar results in terms of inclusion in the labour market. This means that the quantity of employment, alone, can not explain these phenomenon. The quality of employment is also to be taken into consideration.

Three indicators have been selected to measure the **quality of employment**:

- In-work at-risk-of-poverty rate,
- The proportion of low-wage workers to total employed people;
- Labour productivity.

In general, the analysis shows that the relationship between quality and quantity of employment is not always tight. In some countries, like Poland, Italy and Spain, the low employment rate is associated with a high level of **in-work at-risk-of-poverty rate**. On the contrary, in the UK, high levels of employment go hand in hand with a medium-to-high level of in-work at-risk-of-poverty rate, that is anyway higher than the EU-28 average. France and Sweden are the AIRMULP countries where the share of workers that have an equalised disposable income below the risk-of-poverty threshold is below the EU-28 average. In the UK, a high employment rate coexists with a high percentage of **low-wage workers**. In other countries, like in Italy and Spain, the level of employment is very low, but the percentage of low-wage earners is below the EU-28 average. This data stress the difference between Sweden and the UK: these two countries, in fact, have a similar employment rate, but the quote of low-wage earners is very low in Sweden and very high in the UK. As regards **labour**

**productivity**, data show that Italy, Spain and the UK have similar values, despite they have very different employment rates. On the other hand, notwithstanding a lower employment rate, France has a higher labour productivity. Therefore, the relationship between quality and quantity of employment appears weak.

If we combine the quantitative and qualitative dimensions of inclusion in the labour market in order to create **two synthetic indexes**, a variety of models of inclusion emerge among the EU28 countries:

- 1st model – Countries with a high level of quantitative inclusion and a low level of qualitative inclusion, such as Germany, the UK and Portugal.
- 2nd model – Countries with a high level of both qualitative and quantitative inclusion, such as Denmark, Norway, Finland and Sweden.
- 3rd model – Countries with a low level of quantitative inclusion and a high level of qualitative inclusion, such as France and Belgium.
- 4th model – Countries with a low quantitative inclusion and a low qualitative exclusion; Italy, Spain and Poland can be found in this type.

Data show also that the **involvement of the actors of industrial relations in policy making** affects positively the inclusion in the labour market, both in its quantitative and qualitative dimensions. The same is true for **union density** and **collective bargaining coverage**, that foster a "high road" to inclusion based on quality of employment. More generally, there is a positive association between the "weight" of industrial relations and quality of employment.

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## Next steps and meetings

In the remaining months, the project partners will be committed to the completion of the case studies, to an overall interpretation of results, and to the preparation of final reports. Advanced drafts of the reports will be presented and discussed at an **internal workshop**, which will be held on June, 16th and 17th, in Florence (Italy). A public presentation of the key findings of the research will then be made within a specific panel set up at the **European Regional Congress of the International Labour and Employment Relations Association (ILERA)**, which will be held on September, 8th, 9th, and 10th, in Milan (Italy). Lastly, the **final conference of the project** will be held in December, in Florence (Italy).

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#### **Project Coordinator**

Prof. Luigi Burroni, University of Florence - DSPS  
E-mail: [luigi.burroni@unifi.it](mailto: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](mailto:luigi.burroni@unifi.it)

Gemma Scalise, [gemma.scalise@unifi.it](mailto:gemma.scalise@unifi.it)

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

