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Introduction: Governing Work and Welfare in a New Economy: European and American Experiments

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1.1. Common Challenges, Convergent Responses?

Most recent discussions of work and welfare in Europe and the United States have tended to assume, implicitly if not explicitly, that little mutual learning could arise from transatlantic comparisons. According to one widespread view, common on the right, especially in the United States and certain international organizations, the 1990s saw the global triumph of a single dominant economic model, that of American free-market capitalism, whose superior efficiency was reflected in higher growth and lower unemployment rates than those of continental Europe. From this perspective, the main question raised by transatlantic comparisons was how to overcome the social, political, and administrative barriers to European emulation of the American model through the adoption of neo-liberal reform policies such as workfare and labor-market deregulation.¹ According to a second broadly-held view, common on the left, especially in Europe, such efforts to promote European emulation of the American model were both inappropriate and undesirable given the fundamental differences between the two regions in economic organization, social values, policy regimes, and political/institutional structures.

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¹ The *locus classicus* of this view is the OECD (1994); for a European statement, see Siebek (1997). This perspective remains dominant in much of the English-language international press coverage, especially the editorial pages of the *Economist*, the *Wall Street Journal*, the *New York Times*, and the *Financial Times*.

Not only were average levels of inequality within the European Union much lower than in the United States, but a number of European countries had sharply reduced unemployment without widening social divisions during the late 1990s through various combinations of homegrown reform efforts such as negotiated wage restraint, labor-market activation, and intensive training/retraining. Whatever its merits as a critique of the first view, from this perspective there might seem to be even fewer positive lessons to be learned by comparing work and welfare on opposite sides of the Atlantic.²

This book, the product of an interdisciplinary working group of leading European and American scholars convened by the European Union Center of the University of Wisconsin-Madison, starts from a contrasting premise. Despite the many evident differences between the United States and the European Union (as well as among EU Member States themselves), the contributions to this volume suggest that each have been struggling with a set of common challenges to which neither side has ready-made solutions. How to reconfigure labor-market institutions and welfare regimes designed for a previous era, based on very different patterns of productive organization, employment, and household/family structures, in a 'new economy', which as the essays in this book show has emerged in strikingly similar ways on both sides of the Atlantic over the past quarter-century? How to balance flexibility and security in this new economy, characterized by increased volatility and uncertainty, greater international openness and competition, a faster pace of innovation, more fluid boundaries between firms, and devolution of enhanced responsibilities to individuals and teams, resulting in rapidly shifting skill profiles and less-stable employment careers?³ How to provide individuals with the complementary resources and institutional supports or 'capabilities' needed to navigate safely through the ensuing hazards and transitions of the labor market and the life course? How to recalibrate established

² For examples of this second view, which has gained ground as a result of recent improvements in European employment performance, see Auer (2000); Esping-Andersen and Regini (2000); Ganssmann (2000); Conseil d'Analyse Économique (2000); Bermeo (2001); Huber and Stephens (2001: 323–37). In December 2000, before the American economy turned sharply downwards, seven European countries had equal or lower standardized unemployment rates (US: 4.0%; Luxembourg: 2.4%; Switzerland: 2.5%; Netherlands: 2.8%; Norway: 3.6%; Austria: 3.6%; Ireland: 3.8%; Portugal: 4.0%), while three others had only slightly higher rates (Denmark: 4.7%, Sweden: 5.1%, United Kingdom: 5.2%): OECD Standardised Unemployment Rates, February 2002. Of these, only the United Kingdom had experienced a widening of wage and income inequality comparable to that of the United States during the 1980s and 1990s: see Scharpf and Schmidt (2000: table A.21, 358); Atkinson (1999).

³ The 'new economy' in this sense thus long antedates the *fin-de-siècle* internet bubble and has continued to develop apace since its collapse. For an early and still influential analysis of the breakdown of the old order, see Piore and Sabel (1984); and for a review of the ensuing debates on the emergence of a new 'post-Fordist' production paradigm, see Hirst and Zeitlin (1991).

welfare programs and expenditures to cover changing distributions of social risk between generations and genders across the life cycle in response to demographic pressures such as population aging and increasing female laborforce participation? How to reconcile work and family life, in light of rising levels of women's paid employment, whose importance for economic growth and welfare state sustainability is widely acknowledged, but which requires expanded provision of complementary caring services for children and the aged, whether through public or private channels?

Beyond these common substantive challenges of reconfiguring work and welfare in a new economy, the contributions to this book further suggest that the European Union and the United States face similar problems of developing effective and legitimate arrangements for their governance. For on each side of the Atlantic, reform of what we may call the work-welfare (or employment-social protection) nexus constitutes a complex and thorny governance conundrum: among the wickedest of 'wicked problems' in British administrative parlance, combining both horizontal and vertical dimensions.⁴

On the horizontal dimension, welfare and employment reforms typically cut across formally distinct but functionally interdependent policy areas or governance domains, each involving a multiplicity of public and private actors. In the United States, for example, as a number of the chapters document, there is growing recognition that the long-term success of welfare-to-work programs may depend on complementary shifts in the provision of supporting services for low-wage employees like health care, child care, transportation, and training, as well as tax credits. In the European Union, too, as several of the contributors detail, activation and inclusion policies increasingly emphasize the value of an 'integrated approach' combining individualized social assistance, training, and employment placement services with broader initiatives aimed at stimulating urban and regional (re)development. Within the 'tightly coupled' welfare and labor-market regimes of continental Europe, similarly, recent efforts to promote job growth in the private-service sector have highlighted the need for conjoint reforms of wage determination, employment protection, taxation, social security, and pensions systems to make such initiatives effective.⁵

On the vertical dimension, as the essays in this book show, reforms of the work-welfare nexus typically cut across established divisions of labor between

⁴ 'Wicked' or 'cross-cutting' problems, according to Sabel and O'Donnell (2001: 76)'s account of recent British administrative reform debates, are those 'that both draw on the local knowledge of service providers and service users and require co-ordination of service provision across a wide range of formal jurisdictions'.

⁵ On the need for and difficulties of coordinated reforms across multiple policy domains to encourage the expansion of low-wage service employment in the key case of Germany, see, in addition to Chapter 4 by Ferrera and Hemerijck, Scharpf (2001*a*) and Streeck (2001).

different levels of governance. In the United States, a central feature of recent welfare-to-work and health care reforms has been the devolution of broad discretionary authority over program design and implementation from the federal government to states and localities.⁶ Europe, by contrast, has experienced a double (though far from complete) shift of competences in social and employment policy, downwards from the national state to local and regional governments and upwards to the EU level. In both cases, however, such reforms not only call into question existing distributions of powers and responsibilities among political and administrative units, but also pose a series of parallel challenges for the emergent system of multi-level governance in each region. How to coordinate policy-making and implementation across different levels of governance when comprehensive blueprints can no longer be designed and imposed from the center? How to avoid reform blockages by entrenched groups occupying strategic veto points? How to ensure accountability of local units and promote diffusion of promising solutions to common problems in a decentralized system of policy experimentation?

In an uncertain and rapidly changing environment like that of today's 'new economy', comprehensive, ready-made responses to these complex, multi-dimensional problems appear increasingly unsatisfactory. No country or region can plausibly claim to have worked out all the answers or to represent an optimal model for all others to follow.⁷ Precisely for this reason, experimentation with the work-welfare nexus has become the watchword of reform on both sides of the Atlantic. Such experimentation, as the contributions to this book abundantly illustrate, may take a wide range of forms depending on variations in institutional settings, policy inheritances, and problem loads, not only between Europe and the United States, but also

⁶ As is well known, US social welfare programs have generally remained less encompassing in scope, less generous in levels of provision, and more decentralized in their administration than in most European countries. But as Paul Pierson (1995) and others have argued, between the 1930s and the 1990s the United States experienced a 'creeping nationalization of income transfers' as a result of the more rapid growth of expenditures on national programs and the federal government's gradual assumption of increased authority over shared programs. The key element of the 1990s reforms of welfare and Medicaid, as in other policy areas such as education and transportation, was the relaxation of various grant-in-aid conditions accompanying federal financial assistance to state governments, which had been introduced during the previous phase of centralization. Yet, as scholars of American federalism have frequently observed, 'devolution' in this context is something of a misnomer, since the Constitution reserves to the states all powers not specifically delegated to the US government on the one hand, while Washington often continues to attach detailed conditions to states' use of federal money on the other. For authoritative overviews of recent developments within US federalism and the interpretive paradoxes associated with them, see Derthick (2001); Kincaid (2001); Donahue and Pollack (2001).

⁷ For insightful discussions of the empirical and normative difficulties of identifying a single 'peak economy' or optimal model of labor-market institutions and social policies within contemporary capitalism, see Freeman (1998, 2000).

across and even within the Member States of the European Union itself. Yet, there are intriguing signs, as the essays in this volume also indicate, that analogous solutions to the challenges of governing work and welfare in a new economy may be nonetheless emerging from these experiments.

In the European Union, the most significant innovation has been the development of the so-called 'Open Method of Coordination' (OMC), based on mutual agreement of policy objectives by the Member States; development of common guidelines, indicators, and targets; benchmarking of performance and exchange of 'good practices'; formulation of national action plans; peer review and joint monitoring of implementation in an iterative, multi-year cycle. By systematically and continuously obliging the Member States to pool information, compare themselves to one another, and reassess current policies in light of their relative performance, the OMC appears to be a highly promising mechanism for promoting crossnational deliberation and experimental learning across the European Union. This approach, which also seems particularly well-adapted to the problems of pursuing broad common concerns under conditions of institutional diversity among participating units, was pioneered by the European Employment Strategy (EES) during the late 1990s. But the OMC in various forms has now become a virtual template for EU policy-making in other complex, politically-sensitive areas, including not only social inclusion, pensions, and health care, but also macroeconomic management, education and training, research and innovation, immigration and asylum.⁸ Both the EES and the new OMC social inclusion process (inaugurated in 2001) likewise build on and at least potentially reinforce

⁸ OMC processes vary in their modalities and procedures depending on the specific characteristics of the policy field, the Treaty basis of EU competence, and the willingness of the Member States to undertake joint action. Thus the Commission and the Council have the right to issue formal joint recommendations to Member States on their implementation of the Employment Strategy and the Broad Economic Policy Guidelines, but not concerning the common social inclusion and pension reform objectives. National Action Plans are prepared and reviewed annually for employment and bi-annually for social inclusion, while in the case of the new OMC process for pension reform (launched at the end of 2001), looser 'National Strategy Reports' will be presented for review only every three or four years, with regular updates incorporated into the annual Broad Economic Policy Guidelines. In the words of Frank Vandenbroucke, Belgian Minister for Social Affairs and Pensions, who oversaw the development of the social inclusion and pension reform OMC processes during his country's 2001 EU Presidency: 'open co-ordination is not some kind of fixed recipe that can be applied to whichever issue . . . [It] is a kind of cookbook that contains various recipes, lighter and heavier ones': see Vandenbroucke (2001: 4). For a useful comparative analysis of coordination and cooperation procedures within the European Union by policy area and Treaty basis, see White Paper on EU Governance Working Group 4a (2001). For preliminary examinations of the new social inclusion process, see Ferrera, Matsaganis, and Sacchi (forthcoming 2002) and Pochet (forthcoming 2002); on the incipient OMC processes in pensions and health care, see de la Porte and Pochet (2002b); de la Porte (forthcoming 2002); Council of the European Union (2001); and Commission of the European Communities (2001).

established practices of social concertation and negotiated governance in reform of work and welfare at EU, national, and subnational levels, from the European social dialogue through national social pacts to territorial employment pacts and local or plant-level collective agreements. Yet, many unresolved questions remain, as several of the contributions to this book emphasize, about how exactly these coordination processes work in the absence of binding sanctions, their effectiveness in achieving common objectives, their contribution to crossnational learning, their transparency and openness to participation by non-state actors, and their impact on policies and practices at lower levels of governance.⁹

In the United States, as a number of chapters in this volume show, the most innovative initiatives toward building new systems of welfare provision and labor-market governance have come from state and local-level actors in response to devolution, privatization, and regulatory gaps in federal policies and programs. Some of these efforts involve local strategies of reconstructing training, job access, career transitions, and wage standards through community organizations, public-private partnerships, and other intermediary bodies, linked to but distinct from both unions and state agencies. In certain cases, like that of the Industrial Areas Federation (IAF) described by Paul Osterman, these strategies seek to connect problem-solving and organizational learning to the creation of new community-based collective actors powerful enough to demand a voice in reshaping the rules of the local labor market. Other state-level reform initiatives such as the expansion of health care coverage for low-income workers involve various combinations of information sharing, joint standard setting, and collaborative problem-solving by partnerships among state-level government agencies, advocacy organizations, and service providers, facilitated by flexible rules for the use of federal funding. As in Europe, moreover, these experimental approaches to labor-market and welfare reform are echoed by parallel developments in other policy areas such as public education, environmental protection, policing, and criminal justice, entailing decentralized, deliberative exploration of

⁹ For assessments of the objectives, potential contribution, and initial achievements of the OMC by two of its major architects, see Rodrigues (forthcoming); Larsson (2002). Maria João Rodrigues, former special advisor to the Portuguese Prime Minister and coordinator of the March 2000 Lisbon European Council, is widely known as the 'mother of the OMC', while Allan Larsson, former Swedish Finance Minister and Director General for Employment and Social Affairs at the European Commission, may equally be considered the 'father of the EES'. Academic evaluations of the OMC are just beginning to appear. In addition to 2, 3, and 13 chapters by Trubek and Mosher, Goetschy, and Sabel and Cohen, respectively, see: de la Porte and Pochet (2002a); Jacobsson (forthcoming); Jacobsson (2001); Hemerijck (2001); Scharpf (2002); Wincott (forthcoming); Sundholm (2001); Ahonen (2001); Hodgson and Maher (2001). For an internal review of the OMC prepared for the European Commission in connection with the Convention on the Future of the EU, see Romano (2002).

common problems, benchmarking and monitoring of progress, assistance and sanctions for poor performers, and diffusion of the most successful solutions.¹⁰ But as in the European case, there are many open questions. In the United States, the most salient of these concern the sustainability of local experiments, their capacity for expansion on a wider scale, and their potential integration with national programs and policies.

Despite the many unresolved issues highlighted by the essays in this volume, the simultaneous emergence on both sides of the Atlantic of new forms of experimentalist governance may indeed represent, as Joshua Cohen and Charles Sabel suggest in Chapter 13, a convergent if accidental response to a common dilemma: 'the proliferation of a broad class of situations in which inaction is unacceptable but omnibus solutions are plainly unworkable'. And it is a striking, if perhaps paradoxical feature of the book's findings, that despite the vast differences in social, political, and institutional contexts, it is at the local level that experimentation with reform of the work-welfare nexus in the European Union and the United States appears most similar.

1.2. Regime-Specific Problems, Hybridization, and Crossnational Policy Learning

The United States and the European Union, this book argues, face common substantive challenges of reconfiguring work and welfare in a new economy. They likewise face common procedural challenges of coordinating reforms of the work-welfare nexus across interdependent policy domains and levels of governance, each involving a multiplicity of public and private actors. And on both sides of the Atlantic new forms of experimentalist governance appear to be emerging as convergent responses to these common challenges. But what are the prospects for mutual learning from the policy solutions being developed across the two regions? Can promising policy approaches or 'good' if not 'best' practices be transferred effectively from one national context to another, and if so, under what circumstances?

Much recent work on welfare states and labor market institutions has advanced strong reasons to believe that the possibilities for genuine cross-national learning and policy transfer are instead severely limited. Although developed capitalist countries may all face broad common challenges such as globalization, deindustrialization, or population aging, an influential

¹⁰ For more extensive discussions of US experimentalist governance approaches in these policy areas, see, in addition to Chapter 13 by Sabel and Cohen, Dorf and Sabel (1998); Sabel, Fung, and Karkkainen (2000); Sabel (2001).

current of comparative research emphasizes that these manifest themselves in very different forms and intensities depending on pre-existing economic profiles, institutional configurations, and policy legacies. National welfare states, as several of the chapters in this book observe, are frequently classified into distinctive regime clusters or 'worlds', based on various criteria such as their principles of eligibility, structure of benefits, sources of funding, and organizational arrangements (Esping-Andersen 1990; Ferrera 1998; Esping-Andersen 1999; Huber and Stephens 2001). According to such typologies, for example, in the 'liberal' or 'Anglo-Saxon' world, tax-funded public welfare benefits and services are largely residual, flat-rate, and means-tested, with a predominant role reserved for private provision through the market and the family. In the 'social democratic' or 'Nordic' world, by contrast, tax-funded public welfare benefits and services are generous, extensive, and largely universal, with a limited role for private-market provision. In the 'conservative-corporatist', 'Christian Democratic', or 'Continental' world, relatively generous earnings-related welfare benefits are financed through employment-based social insurance schemes, often administered by the 'social partners' themselves, with a more limited role for public-service provision. Finally, some classifications (as in Chapter 4 by Ferrera and Hemerijck) distinguish a fourth 'Latin' or 'Southern European' world, with many institutional similarities to the Continental welfare regime, but characterized by greater fragmentation and unevenness of social insurance coverage, a larger role for public service provision (especially in health care), and heavier reliance on the family to compensate for persistent gaps in the social safety net.¹¹

As a result of these pervasive institutional variations, such analyses often argue, universal trends like economic internationalization and post-industrialism affecting all advanced countries nonetheless confront each cluster of national welfare states with a distinct constellation of regime-specific adjustment problems. A particularly strong version of this thesis is the 'service economy trilemma', originally formulated by Torben Iversen and Anne Wren (1998), but elaborated in closely related forms by other leading

¹¹ The most influential of these typologies is Esping-Andersen (1990)'s, 'three worlds of welfare capitalism', based on variations in their degree of 'de-commodification' or detachment of social rights from market forces, modes of stratification, and socio-political origins. Other comparative social policy scholars like Maurizio Ferrera (1998) have proposed alternative systems of classification based more on divergences in institutional and organizational arrangements. Although Esping-Andersen has now shifted the focus of his typology from 'welfare-state' to 'welfare' regimes, conceived as distinctive configurations of state-market-family provision, he continues to insist on the conceptual and empirical validity of his original three worlds, while rejecting alternative candidates: see Esping-Andersen (1999: chapter 5). For a useful critical review of the debates around Esping-Andersen's typology and the shifts in his position, see Wincott (2001).

comparative social policy scholars like Fritz Scharpf (Scharpf and Schmidt 2000; Scharpf 2001a) and Gøsta Esping-Andersen (1996, 1999). The nub of this trilemma is the difficulty for national governments of simultaneously attaining budgetary restraint, earnings equality, and employment growth in an open economy, where international competition and technological innovation restrict job creation in the exposed (mainly manufacturing) sector, capital mobility inhibits fiscal expansion, and relative productivity remains low in the labor-intensive sheltered service sector.¹² Employment growth in advanced economies, on this view, may be achieved either in well-paid public services, thereby undercutting budgetary restraint, or in low-paid private services, thereby sacrificing earnings inequality; hence governments may pursue any two of these goals but not all three at the same time. Since each of the three major types of welfare regime occupies a different position in relation to this trilemma, each accordingly faces a distinct set of policy adjustment problems. Thus, the social democratic welfare states of Scandinavia have sustained high levels of both employment and equality by expanding public-sector service jobs, but encounter increased difficulties in financing the ensuing costs through taxation and borrowing. Liberal welfare states in Anglo-Saxon countries like the United States and the United Kingdom, conversely, have created large numbers of private-sector service jobs without threatening the stability of public finances, but experience widespread problems of poverty and social exclusion among low-wage workers and their families. The conservative or Christian Democratic welfare states of continental Europe, finally, have maintained their commitments to both budgetary restraint and earnings equality, but only at the cost of low levels of employment in both public and private services. With social insurance benefits and funding closely tied to stable jobs, this third configuration confronts not only growing divisions between labor-market insiders and outsiders, but also a vicious spiral of increasing payroll charges, rising indirect costs, and declining employment, which could eventually undermine the financial sustainability of the continental welfare states themselves.¹³

¹² Iversen and Wren place greater weight than Scharpf on the role of endogenous shifts in consumption patterns and the price elasticity of demand for manufactured goods as structural causes of the relative expansion of sheltered service-sector employment, though they also acknowledge the importance of labor-saving productivity growth in constraining the scope for job creation in exposed sectors like manufacturing.

¹³ The conservative continental welfare states, as Esping-Andersen in particular emphasizes, also suffer from low levels of female employment and fertility which pose an added threat to their demographic and financial sustainability, primarily due to the difficulty for women of combining family responsibilities with careers outside the home in the absence of affordable public or private child and elder care services: see Esping-Andersen (1996) and Esping-Andersen (1999). See also the discussion in Chapter 4 by Ferrera and Hemerijck.

Not only the adjustment problems facing advanced welfare states but also the feasible responses available to them are often held to vary systematically as a consequence of differences in national institutional characteristics and capabilities. The crucial issue here revolves less around crossnational variations in welfare regimes *per se* than around divergences in production regimes and the linkages between the two. Thus a growing body of scholarship, pioneered by David Soskice and Peter Hall (Soskice 1999; Hall and Soskice 2001), distinguishes between two diametrically opposed 'varieties of capitalism': uncoordinated 'liberal market economies' (LMEs), in which exchange of goods and services is based predominately on arms-length, competitive market transactions, as in the Anglo-Saxon countries; and 'coordinated market economies' (CMEs), in which economic activity is orchestrated primarily through collaborative relationships and non-market institutions, whether organized around industry associations as in central and northern Europe, or around enterprise groups as in East Asia. Each variety of capitalism or production regime, on this view, depends on a different national framework of interconnected and mutually complementary institutions governing key dimensions of economic activity such as industrial relations, vocational education and training, corporate finance, and inter-firm relations. These different national institutional frameworks in turn systematically shape the production, investment, and innovation strategies adopted by economic actors, giving rise to distinctive patterns of comparative advantage in world markets, which further reinforce the internal coherence and external specialization of each regime.¹⁴ The fundamental source of crossnational divergence in production regimes, according to this analysis, lies in the coordinating capacity of business, though its exponents also recognize the causal significance of variations in the organization of labor and the state emphasized by other cognate approaches to comparative political economy.¹⁵ Where strong business coordinating capacity does not already exist, however, governments cannot create it, since the common understandings, mutual trust, and specialized expertise necessary for non-market coordination among firms 'takes typically decades to grow' (Soskice 1999: 46). Hence, policy solutions to common challenges facing advanced welfare states that depend on the encompassing character and coordinating capacity of business and labor associations, such as negotiated wage moderation or increased firm-based

¹⁴ For discussions of possible 'elective affinities' and institutional complementarities between production and welfare regimes, see Ebbinghaus and Manow (2001); Estevez-Abe, Iversen and Soskice (2001); and Huber and Stephens (2001).

¹⁵ For a related typology of national industrial relations systems based on variations in the coordination of collective bargaining and degree of state involvement, see Scharpf and Schmidt (2000).

training for transferable skills, will only be viable in CMEs. LMEs, conversely, can be expected to gravitate instead towards less institutionally demanding adjustment strategies such as deregulation, privatization, and welfare retrenchment.¹⁶

These theoretical approaches, which emphasize the radical diversity of national institutional contexts, lead to profound skepticism about the prospects for mutual learning and policy transfer across welfare and production regimes. Nations, on this view, are best able to learn from members of the same institutional family, which confront a common set of regime-specific adjustment problems. Following this logic, Scharpf has long advocated 'closer cooperation' within the European Union among subgroups of countries with similar welfare states and industrial relations systems, which he argues could gain far more than the Union as a whole from examining each others' experiences and coordinating their reform strategies, especially if they could make use of Community legislation for that purpose. Thus, for example, continental countries struggling to reform 'pay-as-you-go public pension systems might develop common solutions even if these would not apply to Member States relying to a large extent on either tax-financed basic pensions or funded public or private pensions', while 'Member States with national health systems might benefit from common solutions that would not apply in countries relying on compulsory insurance for the financing of privately provided health care, and vice versa' (Scharpf 2001*b*: 12–3). Over the past two decades, similarly, successive British governments and their academic advisers, both Conservative and Labour, have self-consciously looked to the United States and other liberal market economies or welfare regimes rather than to continental Europe as a model for reform initiatives across a wide range of policy areas, including welfare-to-work and education and training. Since 'the British and US welfare regimes have much in common' by contrast to their European counterparts, observes Robert Walker, a prominent UK social policy specialist, 'it is not surprising...that British politicians—even Labour ones—should look to the United States when in search of new policy ideas,' as in the case of the Blair government's 'New Deal' (Walker 1998; cf. also Deacon 2000; Peck 2001: chapter 7). And Soskice himself, who served as a policy advisor to the Blair government, has explicitly advocated that the United Kingdom should concentrate on the expansion of mass higher education along US lines as a means of upgrading young

¹⁶ For a parallel argument about the polarization of national industrial relations systems between the 1970s and the 1990s into a bimodal pattern of coordinated and market-determined wage-setting systems in response to external economic pressures, see Scharpf and Schmidt (2000: esp. 317–24).

people's general skills, rather than seeking to develop continental-style apprenticeship programs, whose success would require levels of employer coordination unattainable in a British setting (Soskice 1993).

Yet, the empirical foundations for these views of radical institutional diversity as an insuperable obstacle to crossnational learning and policy transfer across regime types are surprisingly shaky. As Anton Hemerijck and his colleagues have persuasively argued, the advanced welfare states that adjusted most successfully to the challenges of the 1990s have departed from their original regime types by developing new hybrid policy mixes incorporating elements borrowed from foreign models. 'It seems that precisely those countries that are deviating from their original clusters in selected policy areas have proved particularly effective in addressing the most typical problems to emerge from regime-specific structures', observe Ferrera, Hemerijck, and Rhodes. 'It is their very "hybridity"', they further contend, 'that appears to work in their favor in achieving a *system-wide search* for a new, economically viable, politically feasible, and socially acceptable profile of social and economic regulation' (Ferrera, Hemerijck, and Rhodes 2000: 44; cf. also Hemerijck and Schludi 2000: 205).

Thus, as Ferrera and Hemerijck's Chapter 4 in this volume shows, within the Nordic social democratic regime cluster Denmark has relaxed the public budgetary constraint on its welfare state while simultaneously maintaining high levels of social protection, employment, and income equality by increasing the funded and earnings-related components of its pension system on the one hand and by stepping up individualized labor-market activation and training programs for the unemployed on the other. Within the Anglo-Saxon liberal regime cluster, similarly, Ireland has achieved extraordinary rates of economic and employment growth while sharply reducing absolute (if not relative) income poverty and deprivation through negotiated wage restraint, increased welfare spending, and new forms of social partnership at both national and local levels, which integrate representatives of the unemployed and excluded into deliberative problem-solving fora alongside unions and employers. Within the Continental corporatist or Christian Democratic regime cluster, the Netherlands has likewise dramatically improved employment levels, especially in the private service sector and among women, while avoiding any sharp rise in budget deficits or earnings inequality, through promotion of part-time and temporary jobs (which increasingly enjoy rights of equal treatment in pay and social benefits), restriction of access to disability pensions and sickness insurance (which had been widely abused by employers and unions to cushion the social effects of industrial restructuring), and long-term, consensual wage moderation. Even within the Southern European regime cluster, whose adjustment problems are widely considered the most

severe of all, Portugal has combined a strong employment performance with a far-reaching recalibration of social protection through reform of unemployment insurance and pension systems, strengthening of the basic safety net, expansion of active labor market and insertion programs, and sustained wage restraint, all negotiated through a series of tri- and bipartite social pacts. In none of these cases, moreover, has the absence of supposed institutional prerequisites such as business coordinating capacity, encompassing unions, or corporatist traditions proved an insuperable obstacle to the sustained development of new forms of social concertation and negotiated governance, including in countries such as Ireland and Portugal where these had never previously existed.¹⁷

Most national cases, in fact, do not fully correspond to a single pure type of welfare regime, but comprise instead an idiosyncratic and historically contingent mix of institutions and programs derived from different models. Their heterogeneous character emerges even more clearly when we also consider the intersection of divergent industrial relations systems and 'breadwinner' or gender regimes (Lewis 1992, 1997) with the various 'worlds of welfare capitalism' themselves (Visser and Hemerijck 2001; Ebbinghaus and Manow 2001; Wincott 2001). Thus the Netherlands, unlike the archetypal Continental corporatist welfare state, provides a generous basic 'citizen's pension', which has facilitated the rapid expansion of 'atypical' jobs by ensuring a modicum of old-age security for employees with irregular or interrupted working careers. France, too, supports higher levels of female employment and fertility than other Continental welfare states, largely because of the country's historic commitment to subsidized public childcare, while also retaining a 'statist' or 'contestational' rather than corporatist system of industrial relations. Both the United Kingdom and Ireland, unlike other Anglo-Saxon welfare states, maintain universal national health services which are neither residual nor means-tested, while a number of Southern European countries such as Italy and Spain have adopted a more decentralized variant of the same model. And even the ultra-liberal United States still runs major earnings-related social insurance programs in the form of Social Security and Medicare for the elderly. As Robert Salais's Chapter 12 demonstrates using new international data, although the systems of rules governing social protection in advanced economies are far from uniform, they vary more by the type of risk covered than by country. Even those OECD countries

¹⁷ On the resurgence of social pacts and concertation during the 1990s among European countries lacking the classic institutional prerequisites postulated by neo-corporatist and production regime theories, see in addition to Chapters 4 and 5 by Ferrera and Hemerijck, and Rhodes, respectively, Rhodes (2001); Fajertag and Pochet (2000); Regini (1997).

most committed to a particular approach (universal, work-related, or means-tested) do not apply it to all social risks, and often combine multiple rules in tackling a single type of hazard such as old age, illness, disability, or unemployment.¹⁸

Such internal diversity within national welfare states and industrial relations systems may well serve, as Colin Crouch contends, as an adaptive resource in overcoming tendencies towards path-dependency and institutional 'lock-in' highlighted by regime theorists. Thus, as we have already observed in relation to the contribution of hybridization to welfare-state adjustment in the 1990s, what he calls 'mongrel' systems of mixed parentage may prove more robust and adaptable than purebred 'pedigree specimens' or regime types. But at a still deeper level, Crouch suggests, the sheer institutional complexity of most advanced industrial nation-states is likely to provide an alternative range of inherited characteristics which can be drawn upon by reflexive social and policy actors in developing opportunities for innovation when the dominant strand within their national systems no longer appears capable of resolving a particular set of problems (Crouch 2001*a,b*).

This empirical (re)discovery of historical contingency, internal heterogeneity, and innovative hybridization as pervasive features of the comparative institutional development of welfare states and industrial relations systems points instead to an altogether more positive view of the prospects for cross-national learning and policy transfer than that postulated by the regime theorists. Appreciation of shared problems, from this perspective, opens up new possibilities for identifying promising policy solutions or good practices through crossnational comparisons, not only within Europe, but also between the European Union and the United States. Yet, the successful assimilation of models and practices borrowed from elsewhere, as the policy-transfer literature among others emphasizes, demands close attention to national and local differences in institutional context, which may limit their direct applicability.¹⁹ In order to be effectively transferred, most such practices or models must therefore be adapted or even transformed to suit local circumstances and fit with interdependent elements of existing labor market and welfare state

¹⁸ Esping-Andersen himself is well-aware that 'there is no single pure case', since most countries contain elements drawn from multiple welfare regimes. But as Wincott points out, he and his followers nonetheless go on to argue that most national cases fall into one of the three major regime clusters on the basis of the 'over-dominating character of the whole welfare package', a concept which remains unspecified: cf. Esping-Andersen (1990: 28–9); Esping-Andersen (1999: 86–8); Wincott (2001: 417).

¹⁹ For a recent review of the policy transfer literature, which underlines both the potential benefits in terms of crossnational learning and the risks of failure associated with 'uninformed', 'incomplete', and 'inappropriate' transfer, see Dolowitz and Marsh (2000).

institutions.²⁰ Such an approach in turn requires what Visser and Hemerijck (2001) call ‘contextualized benchmarking’, based on careful examination of both the institutional environment from which a given policy solution originated and the local conditions surrounding its proposed implementation elsewhere, as opposed to the decontextualized variant more commonly practiced by international organizations such as the OECD, based on the generalization of standard one-size-fits-all models of best practice. This experimental process of crossnational policy borrowing and transformation, moreover, may give rise in turn to the emergence of new ‘good practices’, whose adaptation to local contexts elsewhere would likewise become a condition for their wider diffusion, thereby setting off an iterative cycle of imitation and innovation which might draw the participants closer together without ever resulting in full convergence between them.

Some promising policy solutions to the problems of reconfiguring work and welfare in a new economy have already begun to travel in opposite directions across the Atlantic—at least at the level of ideas. Among the examples discussed in this book might figure the US Earned Income Tax Credit (EITC) as a solution to the problem of the working poor associated with the expansion of employment in low-wage, labor-intensive services, or European ‘flexicurity’ policies mandating equal pay and benefits for part-time and temporary workers in exchange for some relaxation of job protection for full-time, permanent employees as a solution to the problem of labor market segmentation between ‘insiders’ and ‘outsiders’. But each of these examples also illustrates the necessity of adapting and modifying policy models borrowed from abroad to suit local circumstances and institutional contexts. Thus as Ferrera and Hemerijck point out in Chapter 4, the EITC has served as an inspiration for new or proposed policy initiatives aimed containing the rise of the working poor while encouraging the growth of low-wage service jobs not only in liberal states like the United Kingdom and Ireland but also in a number of continental European countries, such as Belgium, France, the Netherlands, and Germany. In the latter cases, however, public subsidies for low-wage jobs have been targeted primarily on reducing employers’ social security contributions rather than on topping up workers’ incomes, in order to accomplish similar aims to those of the EITC under different circumstances by offsetting the unemployment effects of high payroll taxes and wage floors associated with conservative–corporatist welfare regimes.²¹

²⁰ For parallel arguments in relation to transfer and hybridization of productive models, see Zeitlin (2000); Boyer, Charron, and Jürgens (1998).

²¹ For a detailed review of US research on the EITC, see Meyer and Holtz-Eakin (2001). On the German case, where the proposed employment subsidies for low-wage workers have not so far been implemented, see Scharpf (2001a).

And in the United States, similarly, where there are few legal or institutional restrictions on dismissals outside the shrinking unionized sector, the implementation of a 'flexicurity' approach would tend to focus more on improving standards of pay and benefits for 'atypical' or contingent workers than on reducing employment protection for labor-market insiders.²²

If hybridization of national welfare states and labor-market institutions through intelligent adaptation of policy solutions developed elsewhere is indeed an effective way to blunt the horns of regime-specific adjustment problems like the 'service economy trilemma', then experimentalist governance mechanisms may have a special role to play in facilitating this process. The Open Method of Coordination (OMC) in particular is specifically designed to assist the European Union's Member States in learning from one another how to reconcile full employment, social cohesion, and budgetary stability through a continuous cycle of contextualized benchmarking, peer review, and exchange of good practices.²³ Following this approach, as we have already observed, Member States are expected to compare their progress towards common objectives and targets by adapting jointly agreed European guidelines to national circumstances, to submit their current policies and future plans to reciprocal scrutiny, and to share information about successful experiments which could help to improve each other's performance. Thus for example the Peer Review Programme of the European Employment Strategy (EES), which involves in-depth conferences and study visits on specific good practices hosted by individual Member States, explicitly emphasizes both the importance of understanding the original institutional environment surrounding such policies and the ensuing need for often substantial adaptation in transferring them to different national contexts.²⁴

Contrary to the claims of Scharpf (2001c: 19) and others, therefore, the effectiveness of experimentalist governance mechanisms such as the

²² For discussion of US policy proposals aimed at equalizing pay and benefits of part-time and temporary workers with those of their permanent, full-time counterparts, inspired in some cases by European examples, see Barker and Christensen (1998: chapters 11–12) and Carré *et al.* (2000: 16–17).

²³ As Caroline de la Porte and Philippe Pochet remark, the European Union has now introduced an OMC process targeted at each corner of the 'service economy trilemma': the Broad Economic Policy Guidelines (and associated Stability and Growth Pact) for fiscal discipline, the EES for employment growth, and the Social Inclusion process for earnings equality: see de la Porte and Pochet (2002a: 287–9).

²⁴ As Trubek and Mosher note in Chapter 2, it is still too early to gauge the precise impact of this program and other learning-promoting mechanisms associated with the EES on the participating countries. But a preliminary evaluation by the European Commission concludes that 'although Member States may not necessarily adopt the policies reviewed in an identical form, they are interested in adapting them to their own circumstances. In most cases, Member States have been inspired by their participation in the peer reviews to develop new initiatives or improve existing ones': see European Commission (2001: 3); ÖSB/INBAS (2001).

OMC may be improved rather than impaired by the variety of institutional arrangements and policy legacies among the participating units. In the words of a recent report of a high-level group on industrial relations in the European Union, chaired by Maria João Rodrigues, the 'mother of the OMC': 'Diversity in Europe should be treated as an asset (a natural laboratory for policy experimentation) rather than as an obstacle to integration' (European Commission 2002: 37). Opportunities for mutual learning through comparative exploration of alternative solutions to common problems, on this view, are enhanced rather than diminished by the breadth of variation among the participants because of the wider range of experiences and perspectives on which they can draw. 'Comparison of different projects by publics that are themselves diverse in their composition', Cohen and Sabel contend in Chapter 13, 'makes it possible to examine each concept both in the mirror of the others and from the varying angles presented by differing points of view. This kind of examination has been shown in many settings to bring to light deep flaws in individual projects that remain long undetected when they are pursued in isolation, and to reveal novel possibilities that are missed when many projects are pursued simultaneously but in willful indifference to each other'. The upshot, they conclude in relation to emergent forms of experimentalist governance or 'deliberative polyarchy' on both sides of the Atlantic, is 'to transform diversity and difference from an obstacle to cooperative investigation of possibilities into a means for accelerating and widening such enquiry'.

These last considerations indicate that experimentalist governance arrangements themselves may constitute a promising field for transatlantic learning. Thus the European Union and its Member States may be able to learn something from the United State's predominately bottom-up, horizontal approach to policy coordination, discussed in several of the American chapters in this book, about how to involve a wide range of civil society actors and to develop commonly accepted standards for their participation. The United States, on the other hand, may also have something to learn from the European Union's OMC about how to combine genuine devolution of program design and implementation with accountability of local units while supporting diffusion of promising solutions to common problems in a multi-level system of policy experimentation. In the case of welfare reform, for example, prominent critics of the Temporary Aid to Needy Families (TANF) program have advocated that 'the federal role should not be to impose detailed prescriptions for state approaches' (such as the minimum weekly work requirements for all recipients that the Bush administration is currently proposing to extend), 'but rather to establish national goals and hoped-for-outcomes, and to hold states accountable for making progress

towards [them]’ (Strawn, Greenberg, and Savner 2001: 235)—a system which if enacted would bear an unmistakable resemblance to the OMC.²⁵

1.3. Reading the Volume

The volume proceeds in three parts. Part 1 focuses on experimentation with the work–welfare nexus in the European Union. Taken together, the essays in this section constitute a state-of-the-art overview of reform experiments, policy innovations, and new approaches to governance of work and welfare in the European Union at all levels from the Union through the national to the regional and local. Chapters 2 and 3, by David Trubek and James Mosher and by Janine Goetschy, respectively, closely examine the most important recent EU-level governance experiment, the EES, which has served as the model for the new OMC now emerging as the leading approach to European policymaking in social protection and other politically sensitive areas. After describing the origins, development, and operation of the EES, the authors then assess from different perspectives its practical impact on the Member States and potential contributions to EU social policy. Both the Chapters 2 and 3 reach broadly positive conclusions about the EES within the limits of the available evidence. Trubek and Mosher highlight its promise as a novel governance mechanism for the European Union capable of encouraging crossnational learning and partial convergence around common objectives and outcomes without demanding an unrealistic degree of uniformity in policies and institutions, while stressing the desirability of expanded public participation in the process. Although concurring with much of this assessment, Goetschy underscores instead the need to combine the OMC with the more traditional binding instruments of the so-called ‘Community Method’ like legislation and social dialogue agreements in order to avoid any potential dilution of EU social regulation.

Chapters 4 and 5 deal primarily with developments at the national level. Maurizio Ferrera and Anton Hemerijck begin by surveying the multiple ‘recalibration’ challenges (functional, distributive, normative, and politico-institutional) facing European welfare states. They then go on to anatomize the different problem loads created by these challenges and the varying responses to them across the four ‘Social Europes’ or welfare-state clusters

²⁵ For a similar suggestion by the editors of a recent transatlantic volume on comparative federalism that ‘the nation-states in Europe are increasingly using their ‘Union’ to implement a principle of mutuality and horizontal ‘delegation’ of competences or authorities from which the ‘United’ States may have a lot to learn’, with specific reference to the OMC, see Nicolaidis and Howse (2001: 6, 465–6).

(Nordic, Continental, Anglo-Saxon, and Southern). In each of these clusters, as we have seen, the countries that have adjusted most successfully to these challenges are those like Denmark, the Netherlands, Ireland, and Portugal that have deviated from their original regime type by selectively incorporating new hybrid elements from elsewhere. But the authors also argue that effective recalibration of welfare regimes is clearly underway to a greater or lesser extent across most European countries, including the larger ones, such as Germany, France, Italy, and Spain, where unemployment remains highest and the political obstacles to reform most formidable. Such recalibration, they conclude, has been fostered not only by innovative domestic adaptation of inherited institutional structures to fit new social needs, cultural values, and economic constraints, but also by EU policy initiatives, from Economic and Monetary Union (EMU) to the EES and other OMC processes, which increasingly shape the cognitive orientation, normative goals, and practical options of national reform efforts.

Martin Rhodes considers the national social pacts, which contrary to the expectations of many observers on the right and left alike have played a key role over the past decade in preparing national governance systems to meet the challenges of EMU across many of the EU's Member States. Despite these pacts' past successes in securing wage moderation and negotiated reform of labor markets and welfare states, he identifies a series of internal strains which may threaten their continuing capacity to serve as effective mechanisms for domestic adjustment to external pressures. Prominent among these strains are 'problem overload' or 'linkage stress' arising from the incorporation of an ever-wider range of policy issues and actors into 'augmented' mega-pacts; weakening vertical governability of bargaining systems in the face of intensified pressures for further devolution of negotiations over pay and employment conditions; ongoing tensions between the productivity and distributional aims underlying such pacts; and a resurgence of partisan politics and ideological conflict in several countries. At the same time, however, the imperatives towards continued concertation also remain strong, in terms of the obligation under EMU to sustain price/wage stability and budgetary consolidation, as does national actors' awareness of the high potential costs of unilateral action to achieve these goals. The resolution of these countervailing pressures, the author argues, may vary significantly from country to country, since the functional requirements of EMU are mediated through national institutional structures and politics. But where such national social pacts survive or are resurrected after a period of breakdown, as Rhodes considers probable in most EU Member States, their architecture is likely to become more complex, flexible, and articulated in order to mesh with an emergent double shift in the locus of bargaining towards enhanced cross-border coordination

of sectoral demands across the Eurozone on the one hand and increased decentralization of negotiations to the local and company levels on the other.

The final pair of chapters in Part 1 namely Chapters 6 and 7 concentrate on developments at the local and regional levels. Drawing on the results of a crossnational research project, Adalbert Evers compares the evolution of local and regional labor-market and social integration policies in three large European countries (France, Germany, and Italy), and assesses the influence of recent EU policies aimed at promoting local action for employment. In each of these countries, he reports, the research team found not only a clear trend towards decentralization of administrative competencies but also widespread take-up of key EES concepts such as shifting from passive to active measures, building cooperative partnerships among local actors (including the so-called 'third sector' of community groups and non-profit organizations), and integrating labor-market programs with complementary initiatives in related policy domains like social assistance, economic development, and urban regeneration. At the same time, however, the project also uncovered a series of fine-grained local and regional variations across these countries in networks of cooperation, program linkages, and policy objectives, which highlight the ambiguity of EU concepts such as an 'integrated approach' or 'local partnership' and demonstrate the continuing need for flexibility in their application.

Ida Regalia's Chapter 6, based on another crossnational research project, explores current trends towards the decentralization of employment protection and labor-market governance through local-level concertation in the five largest European countries (France, Germany, Italy, Spain, and the United Kingdom). Although the 'territorial employment pacts' promoted by the European Union and financed through its structural funds represent the most prominent examples of such sub-national concertation, Regalia also identifies a plurality of parallel experiments, from bilateral contracts between public agencies and private-service providers through multi-employer consortia to local and company-level collective bargaining agreements, which differ from one another not only in organizational form, but also in their willingness to depart from the standard model of permanent, full-time employment in defining new rules for regulating the conditions of 'atypical' workers. The long-term success of such experiments, she argues, will depend both on the willingness of local actors to work together in devising joint solutions to common problems, and on the resources and incentives for such cooperation provided by national and European levels of governance, including *ex post* performance monitoring.

Part 2 of the volume focuses on experimentation with the work-welfare nexus in the United States. Joel Handler critically reviews the most important

and widely discussed shift in US social policy over the past decade: the end of 'welfare as we knew it' through the conversion of federal matching support for entitlement benefits to poor single-mother families into block grants to the states, with expanded local discretion in the use of these funds subject to stringent work requirements and time-limits for recipients. Although the reported 'success' of local welfare-to-work projects figured prominently in the case for changing national policy, US welfare reform, as Handler shows, has lacked many of the features necessary for promoting learning from decentralized experimentation, such as consistent information reporting, systematic performance monitoring, and rigorous program evaluation. Based on the available evidence, however, he concludes that the majority of welfare leavers have not escaped poverty, while factors other than the reforms themselves such as improved macroeconomic conditions and the increased work incentives provided through the EITC appear to account for much of the dramatic decline in national welfare rolls. Future welfare reforms, Handler contends, should build on those local experiments which have proved most effective in improving recipients' lives and decreasing poverty through a flexible mix of job search, education, training, and work activities, while avoiding punitive sanctions.

Paul Osterman analyzes the national policy problems created by the changing structure of the US labor market and investigates a set of innovative local responses to these challenges. As job tenures have become shorter, internal career ladders have eroded, wage determination has decentralized, and union power has declined, workers increasingly lack institutional supports needed to guide them through a more mobile and uncertain labor market. In the absence of national policy reforms, Osterman observes, some of the most promising labor market initiatives have come from networks of community organizations such as the IAF. Through various combinations of training, employment services, educational reform, living wage campaigns, and political mobilization, he demonstrates that IAF branches across the US Southwest have enjoyed remarkable success in improving the skills, job opportunities, and wages of their poor and disadvantaged constituents, thereby helping to reshape the structure of local labor markets. As a multi-organizational network which seeks to orchestrate and diffuse mutual learning among its members, while linking programmatic initiatives with political mobilization, the IAF thus offers a possible model of how new national labor market policies may emerge from local experimentation, a recurrent pattern in US history.

Laura Dresser and Joel Rogers's Chapter 10 likewise takes its point of the departure from the conjoint effects of welfare reform and structural changes in the US labor market, which have expanded the ranks of the working poor

while weakening established mechanisms for wage and career progression. In response to these developments, they examine a variety of new 'workforce intermediaries', linked to but distinct from both unions and public agencies, that have arisen at a local level to facilitate career transitions, supply training, and/or guarantee wage floors no longer provided by collective bargaining, legislation, or market forces. These new intermediaries, the authors argue, can help to resolve a range of supply and demand-side collective action problems-besetting US labor markets, while contributing creatively to the governance of work and welfare in a substantially altered economic and institutional context. But generalizing such local experiments to a wider scale, Dresser and Rogers note, would require supportive public policies of various kinds, such as the creation of a national technical assistance infrastructure to diffuse good practice and conditioning firms' access to subsidized training on their participation in the relevant intermediary bodies. The growing salience of these 'workforce intermediaries' in US local labor markets, they conclude, offers new opportunities for reinvigorating American unions, but this promise will not be realized unless unions also expand their understanding of membership beyond certified majorities under exclusive collective bargaining agreements.

In Chapter 11, Louise Trubek addresses innovative programs for providing health care services to low-wage workers which have emerged in Wisconsin and other US states in the wake of welfare reform and the failure of the Clinton administration's national health plan. Taking advantage of enhanced flexibility in federal regulations, BadgerCare and other similar state-level experiments link national Medicaid and children's health insurance programs to employer-funded health plans in order to provide expanded workplace coverage through a managed care system. To resolve the resulting coordination problems, Wisconsin and other states have fostered collaboration among a multiplicity of public and private actors through information-sharing networks and community-based delivery systems, underpinned by privately certified but statutorily required quality assurance standards. These local collaborations and community delivery systems are intertwined with broader government, advocacy, and private foundation networks which promote learning from shared experiences and encourage transfer of knowledge, funding, and influence across states, thereby providing a mechanism for scaling up experimental programs. As in other policy areas, however, Trubek also suggests that these developing forms of horizontal coordination will eventually need to be matched by complementary changes in federal legislation and funding.

The Chapters in Part 3 of the volume survey emergent trends and reflect on future possibilities for the governance of work and welfare in a new

economy. Robert Salais re-examines (Chapter 12) the effective operation of welfare systems across OECD countries using new international data bases. From this evidence, he finds a surprising degree of convergence in levels of social expenditure (calculated on a net basis including private as well as public benefit schemes). Though the systems of rules governing social protection are plural, they turn out to vary more by the type of risk covered than by country. In Europe as well as the United States, Salais observes that the centrality of participation in work as a foundation for welfare provision is increasing, without necessarily undermining (and in some cases expanding) universality of access to in-kind services. These developments, the author argues, call for a new approach to work and welfare, based on Amartya Sen's concept of 'capabilities', aimed at promoting each person's positive freedom to act and choose, which would entail an expanded conception of work beyond dependent wage labor and a more active and preventative form of security across the life cycle. Such a capabilities approach, he contends, is congruent with current transformations both of work, such as the spread of new forms of organization demanding enhanced responsibility and initiative from individuals and groups, and of welfare, such as the growing personalization of in-kind services and efforts to combat social exclusion by enabling those at risk to acquire all the means necessary for participation in work and community life. Since European countries vary significantly in the extent to which their welfare systems promote capabilities, Salais concludes, the generalization of this approach should be actively pursued by the European Union through the OMC, whereby Member States benchmark themselves against one another and seek to emulate the standards reached by the best performers. To perform this role effectively, however, the OMC would need to develop better indicators for evaluating the quality of work and welfare and to foster a more inclusive public debate on the integration of a capability approach into national social and employment policies.

In Chapter 13, Joshua Cohen and Charles Sabel scrutinize emergent forms of economic and social governance in the European Union from the perspective of democratic theory, focusing on their implications for the relationship between popular sovereignty and redistributive solidarity. They begin by establishing a series of theoretically significant 'facts' about the European Union, which they see as producing a regulatory framework for market integration without sacrificing public health and safety or social protection through new forms of comparison-based governance issuing in opened rules, such as comitology and the OMC. The authors then use these 'facts' as a benchmark for assessing four alternative readings of the European Union: as a regulatory technocracy, as a consociational or neo-corporatist association of functional associations, as a cosmopolitan democracy founded

on a transnational public sphere, and as a deliberative polyarchy. Each of these readings, they observe, postulates a distinctive relationship between sovereignty and solidarity and between regulation and redistribution, while drawing on a particular view of US experience to buttress its arguments. The first two technocratic and associative readings, Sabel and Cohen contend, fall foul of the 'facts' about the European Union by underpredicting the scope and extent of social regulation on the one hand and the openness of the actors participating in the rule-making process on the other, while also misinterpreting US history. The third public sphere reading, in their view, alternatively ignores and impotently decries the evolving practice of political deliberation within the European Union as increasingly concentrated in delegated regulatory processes beyond the reach of conventional legislative oversight. Although many empirical questions remain unresolved, the authors argue that the progress and proliferation of new governance processes like the OMC in areas such as employment and social inclusion better supports the third reading of the European Union as a deliberative polyarchy. In such a polity, sovereignty in the sense of legitimate political authorship is devolved to problem-solving publics, solidarity is understood as mutual dependence and capacitation in addressing common challenges, rules are open and revisable, and redistribution flows from regulation aimed at reducing social risks by reordering markets rather than by correcting their undesirable outcomes. This reading of the European Union, they conclude, draws our attention to parallels with recent US experience of decentralized governance experimentation, such as the court-ordered reform of the Texas public education system, under which state agencies and individual schools themselves are obliged to monitor comparative performance in meeting their constitutional obligation to provide an 'adequate' education to all children and to take appropriate action to correct any shortfall. At the same time, this reading underscores the limitations of many European developments and shows the need to expand participation and accountability in order to ensure that the European Union's emergent deliberative polyarchy is genuinely democratic.

Chapter 14 by Alain Supiot looks beyond Europe and the United States to the broader international economy in a far-reaching reflection on the implications of current transformations of work and welfare for established categories and practices of labor law and social regulation. Increasing openness of borders, he observes, has produced a double movement toward economic globalization and localization which calls into question existing frameworks of solidarity based on the nation-state. One major response to the ensuing challenges, Supiot finds, has been the emergence of new forms of governance or *régulation* as states seek to compensate for their limited cognitive and practical capacities by retreating from fixing substantive rules for the achievement

of public goals in favor of establishing general objectives and procedures for their attainment through negotiations among the social partners and other relevant actors. This approach, he notes, has enjoyed considerable success at a national, European, and even international level, as can be seen from examples such as the reform of French labor law through collectively negotiated implementation of framework legislation; the EES, with its EU-wide guidelines and national action plans; and the International Labor Organization's declaration on core labor rights, to be put into practice by each of its Member States in their own way. Yet, the effectiveness of these new approaches to governance, Supiot contends, depends on two fundamental conditions. The first is the existence of an international regulatory authority capable of orchestrating consensus around the objectives to be pursued (as the European Commission has arguably done in the case of the EES) and of determining when national systems of social security and collective bargaining should be exempted from international legal norms of free competition (as the European Court of Justice has also done in a series of well-known cases). The second condition is the restoration of a balance of forces between workers and employers, which the author suggests might be advanced by exploiting the enhanced public vulnerabilities of firms under globalization to influence their social policies through information campaigns, boycotts, and investment pressures by labor organizations in collaboration with consumers, environmentalists, and other advocacy groups. The role of nation-states in the governance of work and welfare, he concludes, is not disappearing but being redefined as their core task shifts from setting domestic rules to incorporating global and local norms into national models. This shift can only operate harmoniously if each country accepts that it has as much to learn from as to teach one other, while eschewing efforts to impose its own rules on the rest of the world. Such mutual learning, Supiot argues, could best be fostered through the creation of an independent social market authority, recognized by all and empowered to adjudicate case by case the disputes arising from the development of international exchange.

The essays in this volume demonstrate that Europe and the United States confront common challenges of responding to the transformations of work and welfare in a new economy. Some older approaches no longer work, and new policies are needed. Given the novelty and complexity of the issues, coupled with the degree of uncertainty concerning the best way to proceed, policy makers in the European Union and the United States have increasingly recognized the need to accept diversity, encourage experimentation, foster collaborative problem-solving, and link multiple levels of governance. The result has been a proliferation of new forms of experimentalist governance based on various combinations of devolved decision-making, information

pooling and performance comparison, deliberative exploration of promising solutions, and redefinition of policy objectives in light of accumulated experience. Europeans are systematically studying and debating each others' policies and practices through the OMC, while American states and localities are likewise developing new mechanisms for information sharing and horizontal comparison. Hence, there is now an opportunity to expand the process of mutual learning to the transatlantic region as a whole. The book contributes to this project by tracing parallel trends in governance and showing how new policy options are emerging from such experimentation. Some of these options, like 'flexicurity' and the EITC, have already attracted attention from scholars and policy-makers from the other side of the Atlantic, thereby underlining the potential for future transatlantic learning.

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