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Active Inclusion at the European Level: Actors, Discourses and Policies

European labour market policy as multi-level governance

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Abbreviations of European-level bodies and policy instruments

European Institutions

Council	European Council (European heads of state)
EC	European Commission
ECB	European Central Bank
EP	European Parliament

European Councils of Ministers (consisting of relevant ministers of Member States)

ECOFIN	Economic and Financial Affairs Council
EPSCO	Employment, Social Policy, Health and Consumer Affairs Council

Advisory committees to the European Commission (consisting of EU Member State delegates)

EFC	Economic and Financial Committee
EMCO	Employment Committee
EPC	Economic Policy Committee
SPC	Social Protection Committee

Directorates-General (DG) of the European Commission

DG ECFIN	Economic and Financial Affairs
DG EMPL	Employment, Social Affairs and Inclusion
DG SG/ Sec Gen	Secretariat-General

European social partners

BusinessEurope	European employers' organization
ETUC	European Trade Union Confederation
ETUI	European Trade Union Institute (ETUC's research institute)

European policy instruments/ strategies

EES	European Employment Strategy
OMC	Open Method of Coordination
SGP	Stability and Growth Pact

1. Introduction

In spite of it limited competencies to develop hard regulations in the social and employment field, the EU aims to exercise influence on national social and employment policy. In the past two decades, a number of mechanisms to exercise such influence have emerged. In the next section we will discuss these mechanisms under two headings: governance by ideas and governance by conditionality. In section 3 we briefly explain our methodology. Section 4 will describe three instruments of governance by ideas used to influence social and employment policy advocating the concept of active inclusion, i.e. increasing employment rates and fostering social inclusion through employment, focusing in particular of persons 'with a distance to the labour market'. It will start off with European policy discourse as a policy tool, simultaneously describing the evolution of the concept of active inclusion. This will be followed by an assessment of the presence of active inclusion ideas in the country-specific recommendations of the European Semester and the take-up of the concept by the European social partners. In section 5 we discuss the European Social Fund and the Troika bail-out programmes as examples of instruments for governance by conditionality. and the European Social Fund. Section 6 concludes.

2. EU influence on national social and employment policy: governance by ideas and by conditionality

2.1 The EU and social and employment policy

In today's European Union, national and local policy making in almost all fields is increasingly intertwined with European-level rules, ideas, policies and actions, in the EU's system of multi-level governance (Hooghe and Marks 2001). The extent to which and the way in which this is the case differs however across policy fields. Between the economic and social fields, EU integration is very profound in the economic area, with extensive transfer of sovereignty from the national to the EU level and a comprehensive framework of hard EU level regulations. This is much less so in the area of social and employment policy. Here the competencies of the EU for hard regulations are limited and the national level is still dominant, even though economic integration is increasingly putting constraints on national autonomy in this area (Keune 2012).

In spite of the limited formal competencies to create hard social and employment regulations, since the 1990s, the EU institutions, and in particular the European Commission, have demonstrated a strong interest in developing social and employment policy and in exercising influence over national policy making in this field. This interest stems from two almost opposing views on the goals of EU social policy. One looks at social policy from a social perspective and sees reduction of poverty, social exclusion, unemployment and inequality as major objectives. It aims to soften the economic primacy of EU integration and to strengthen the EU's position as a policy actor sensitive to the worries and problems of the EU citizens (Keune 2012). Starting in the late 1980s, the EU has been criticized repeatedly for not addressing social and unemployment problems, which often result from the type of EU economic integration that has been adopted. This prompted the Commission in subsequent years to attempt to strengthen its social face and to put issues like unemployment, poverty and insecurity more firmly on the agenda.

The other is rather to view EU social and employment policy as a way to strengthen economic development, starting from the understanding of social policy as a productive factor (Morel et al. 2012). Here social and employment policy is considered first of all from an economic perspective, i.e. in function of economic stability, growth and efficiency, by increasing labour supply through activation and reducing financial disincentives, adjusting the characteristics of labour supply to labour demand through education and training, increasing labour market flexibility, respecting budgetary limitations by limiting social expenditure, etc. This includes the view that generous social policies are not necessarily detrimental to economic growth and efficiency and may even have a positive economic function (Esping-Andersen et al. 2002).

The two perspectives, different as they may be, do have a common basic element. They both see employment as the best social policy, the first perspective because of the poverty alleviating and social inclusion effects and the personal development opportunities it offers, and the second perspective because of the negative effects on welfare dependency and public expenditure, and the positive effects on labour supply (cf. Marx 2007: 168-170). Both hence advocate an increase of employment rates and whereas the two perspectives can analytically be separated, in practice this is often less clear. Indeed, EU social and employment policy is often ambiguous, discursively combining economic and social goals.

2.2 Governance by ideas

Since the competencies to develop hard regulations in the social and employment field are very limited, other mechanisms have emerged for the European Commission to frame and influence national policy in this field. Key here is the production and promotion of ideas and concepts, with the aim of framing and structuring the debate on employment and social policy. In this way, the

Commission tries to influence horizontally the views and analyses of other European-level actors as well as vertically those of national and local policy actors, offering them an analysis and a narrative, as well as a set of concepts and instruments which they can adopt, adapt and apply in their own contexts (Keune and Serrano 2014; Schellinger 2016; Crespo and Serrano 2005). Examples of such ideas and concepts are social exclusion, social inclusion, flexicurity and social investment, as well as active inclusion, which will be discussed in more detail below. The Commission has proven to be able to identify such new concepts and ideas that are floating around in academic and policy debates, adopt and further develop them in line with their own views and objectives, and to position them at the centre of the European policy debates (Keune and Serrano 2014).

This governance by ideas allows them to play a key role in defining what problems EU countries are facing and what the proper ways of dealing with these problems are. Governance by ideas concerns soft governance (as opposed to hard rule making) based on the on hand on the power of persuasion, i.e. the Commission's convincing (although not necessarily correct) claim to expertise, its capacity to present continuous comparative analysis and to draw convincing (though again not necessarily correct) policy conclusions from this analysis, and its capacity to capture its message in attractive narratives and concepts. The latter includes the use of ambiguous concepts that have a broad appeal because they are open enough to be adapted to particular contexts or to the interests of particular actors (Burroni and Keune 2011). On the other hand it is based by the agenda-setting power the Commission derives from its central position in EU debates and decision-making processes. In this way, it has ample possibilities to ventilate its ideas and to frame the debate. Transmission of ideas is also expected to lead to learning by the receiving (national or EU) actors.

Apart from the general policy debate in the EU, possibly the most important channel for the Commission to ventilate these ideas and concepts is the open method of coordination (OMC), a form of soft governance that was initiated with the European Employment Strategy in 1997 and expanded to a number of other social areas afterwards. The OMC is based on the exchange of ideas and experiences among the member states, common objectives, persuasion, benchmarking, learning and mimicking rather than on hard laws and regulations with compulsory implementation (Trubek and Trubek 2005; Barcevičius et al. 2014). In this process the Commission plays a key role, among others by providing new ideas and concepts, as well as policy proposals based thereon, and by setting the agenda of what to discuss and when. The extent to which the OMCs actually influence national policy making is disputed (De la Porte and Pochet 2012; Mailand 2008) but there is little doubt that the Commission manages to use the OMC to frame the debate (Keune and Serrano 2014).

Since 2011, the European Semester process is the main policy instrument applying the OMC methodology while integrating economic, employment and social policy. While the different policy areas have different treaty bases when it comes to European influence, the high political visibility of the Semester and the inclusion of binding recommendations (i.e. the economic ones) have given it a less non-committal character than its EES and Social OMC predecessors. The elements of the annual European Semester policy cycle give the Commission ample opportunity to promulgate its problem analyses of the member states' economic performance beginning with the Annual Growth Survey, as well as its policy conclusions in the form of country-specific recommendations (CSRs). The production of these documents give the Commission considerable agenda-setting power as well as media for disseminating concepts and ideas. The necessity of gaining the approval of the European ministers for employment and social affairs (united in the Employment and Social Affairs Council) and the involvement of a range of advisory committees consisting of national-level policy makers from all members states in negotiating and evaluating progress on the CSRs make for a potentially effective way of exposing important policy actors to the Commission's analyses and ideas.

A third soft governance mechanism works through other EU institutions, of which the European social partners play an important role in the employment and social field. These include the European Trade Union Confederation (ETUC) on the employee side and BusinessEurope, CEEP (the European association of public employers) and UEAPME (the European association of small and medium-sized enterprises) on the employers' side. Both as a result of agenda-setting and persuasion, these actors often start using the (new) concepts and ideas presented by the Commission, even though they may give their own interpretation to them (Burroni and Keune 2011). They can then, through their own interaction with national unions and employers' organisations, influence national policy making by these national social partners or by governments (Keune and Marginson 2013).

2.3 Governance by conditionality

Apart from influencing national policy making through governance by ideas, the European institutions in general and the Commission in particular can also resort to governance by conditionality. Governance by conditionality has possibly been studied most in the context of the EU accession process of the countries from Central and Eastern Europe (CEE) (Schimmelfennig and Sedelmeier 2004; JEPP 2008). It refers here to the transfers of rules to the CEE countries as a condition for membership. In the present paper, it rather refers to the access to financial support from the EU under certain conditions. We consider a weaker and a stronger version of such conditionality.

The weaker version is found in the European Social Fund (ESF). It is one of five European Structural and Investment Funds (ESIF) that have a joint budget of €454 billion covering all EU countries and the years 2014 to 2020. The allocation of funds and the individual projects funded by them are to reflect and contribute to the priorities set by the Commission, currently embodied in the Europe 2020 Strategy goal of "smart, sustainable, and inclusive growth". The European Social Fund (ESF) provides financial support to national and local actors for activities aimed at reaching the EU's common employment-related objectives and has a budget of nearly €113 billion (or 24.8% of the entire ESIF budget). By setting the criteria for what type of activities can be financed with ESF funds and negotiating national and local programmes (operational programmes, or OPs) with domestic policy makers, the ESF constitutes an instrument for the EU to project its ideas and concepts on national policy making processes (Verschraegen et al. 2011; van Gerven et al. 2014). It does so not so much by imposing or prescribing specific policies but by limiting financial support to certain predefined activities or approaches, steering national and local policies in certain directions.

The stronger version of conditionality concerns the Troika bail-out programmes that have been developed in the context of the crisis. Here financial support is provided by the EU, the ECB and the IMF to countries in financial difficulties, conditioned by detailed reform programmes formalized in Memoranda of Understanding (MoU). According to Theodoropoulou (2015: 49), "…the potential of the EU to intrude in national social and labour market policy reforms has increased, in the context of the crisis, to reach unprecedentedly high levels through the use of the MoUs in the bailed-out member states." Indeed, the Troika-imposed reform programmes in the MoU countries contain detailed prescription of reform of wage setting, wage levels, pension policies, labour market policies, etc. This strong type of conditionality applies in particular to the countries that have negotiated MoUs with the Troika. However, there is some evidence that also other countries with weak financial systems have been influenced by the implicit conditionality following from the potential access to financial support by the Troika in case of a worsening of the financial situation (Sacchi 2015).

3. Data and methods

The primary data sources used for this paper are European-level policy documents and interviews with key actors and experts at the European level. Documents used to analyze European policy discourse in general were chosen for their relevance to European employment and social policy and references to “active inclusion” and related concepts. These include Recommendations and Communications (e.g. those on Active Inclusion and the Open Method of Coordination) by the European Commission, Council Decisions, Council Guidelines, European strategic documents (European Employment Strategy, Lisbon Strategy, Europe2020, etc.), and annexes to all these documents. Information derived from these documents was supplemented by interviews with relevant policy actors, who will be described later. To assess the extent to which the idea of active inclusion is incorporated in the European Semester, we looked at the CSRs dating from 2011 (the first ones) and 2015 (the most recent ones) for the six countries in this project. Background information to these CSRs was again provided by interviews. As for the social partners, we studied relevant policy documents produced by the social partners jointly (e.g. the Autonomous Framework Agreement on Inclusive Labour Markets, work programmes, labour market analyses, implementation and follow-up reports of the Framework Agreement) as well as separately by the ETUC and BusinessEurope (policy statements, speeches, an implementation guide accompanying the Framework Agreement, website texts, etc.). Again, this information was supplemented by interviews with actors on both sides.

Turning to the instruments of governance by conditionality, for the ESF the summaries of national-level OPs available on the ESF website were studied for the six countries in this study. In case there were only regional OPs (UK), those were used. In case national-level OPs were divided by theme (Italy, Spain, Sweden), only those OPs were studied which are funded for at least two thirds by the ESF[1]. In the case of Poland, the national-level OP was described in such general terms that the ESF elements of regional OPs were also looked at. Finally, for the Troika programmes, MoUs and related documents pertaining to Greece and Portugal were studied. More specifically, these include mainly the MoU on specific economic policy conditionality (3 May 2011) for Portugal and for Greece, the MoU on specific economic policy conditionality (May 3, 2010); the Economic Adjustment Programme for Greece, Fourth Review – Spring 2011; the Fourth Review of the Second Economic Adjustment Programme for Greece, April 2014; the MoU (August 2015); and the Supplemental MoU (16 June 2016).

Interview participants were chosen for their involvement in and knowledge of the Framework Agreement, CSRs and European social and employment policy in general. Four persons were interviewed representing the European social partners (one from BusinessEurope, two from the ETUC, one from ETUI), four persons who are or have been members of advisory committees to the

[1] Many OPs are jointly funded by e.g. the European Regional and Development Fund and the Youth Employment Initiative.

Commission (two in EMCO, two in SPC; for both committees we interviewed the Dutch and Belgian members), two experts on European social and employment policy (both researchers at the Observatoire Social Européen), and one Member of European Parliament (MEP). The interviews were conducted in Brussels from 28 to 30 October 2015, except for the interview with the MEP (Utrecht, 20 November 2015) and two members of the respective advisory committees (The Hague, 6 April 2016). We used semi-structured interviews which were all recorded for analysis of the evolution of concepts, policy processes, and actor strategies.

4. Instruments of governance by ideas

4.1 European policy discourse

The term *active inclusion* first appeared in European policy discourse in 2006 as a part of an EU discourse that aimed to address the complex set of economic and social challenges the EU was facing at that moment. These included a perceived need to be more competitive and increase the labour supply, an ageing population combined with low fertility, growing poverty and inequality, as well as the desire to contain public expenditure and welfare costs. This discourse formulates an answer that includes various aspects of social and labour market policy. Core ideas in this discourse are that work is the best social policy, the need to increase labour market participation, activation of the unemployed and inactive through the tightening of the conditionality of social benefits, the individual (rather than collective) responsibility for labour market success, increased labour market flexibility and a supply side approach towards employment creation (Keune and Serrano 2014). Active inclusion then refers to developing activation policies that will increase participation and employment through the inclusion of vulnerable groups in the labour market.

Tracing the development of active inclusion in European policy discourse reads as a history of attempts to reconcile European economic and social policy. It is also a history of experimenting with different forms of governance and types of policy tools. This history will be expounded in the following paragraphs, distinguishing between five phases in the rise and decline of the use of the term active inclusion in European policy discourse: 1) a social dimension to the internal market project, 2) from social *exclusion* to social *inclusion*, 3) employment first: *active* inclusion, 4) social policy as economic policy, and 5) a new Commission.

The first phase spans the late 1980s and most of the ’90s, a time during which the Single Market was created and the Economic and Monetary Union (EMU) was launched. The European Union was primarily an economic project, with guidelines on fiscal and budgetary convergence prevailing, especially for those countries working towards adoption of the euro. However, there were also calls for a 'social dimension' to this internal market project (Daly 2006). On the one hand these calls followed the high unemployment in this time period and the need for the EU to show that it cared for the unemployed and the needy. On the other hand, is was the result of the increased awareness among European economic policy actors of the importance of pensions, healthcare and employment policies for public finances (Zeitlin and Vanhercke 2015). European social policy, to the extent that it existed, was strongly employment-related at this time, but started to address poverty, which it came to understand as a multi-faceted concept for which it introduced the term "social exclusion" (Daly 2008). Employment policy rapidly grew in importance during the 1990s, evidenced by the establishment EMCO as an autonomous advisory committee to the Council and Commission with representatives from all Member States, and the launch of the European Employment Strategy (EES) in 1997. The EES was introduced as a system of non-binding objectives set at the European level, self-reporting by Member States on their achievement, and continued evaluation by the Commission and peer reviews. At this time the EES was a fairly autonomously functioning process, with involvement mainly of EMCO and EPSCO, and consequently the labour and social affairs ministries of the Member States.

In March 2000, the second phase (2000 - 2004) took off with the Lisbon Strategy. It centered around three goals for the EU: more jobs, higher competitiveness, and greater social cohesion. Social exclusion featured prominently in the text of the agreement, under headings such as "Modernising social protection" and "Promoting social inclusion". Increasing employment and combating social exclusion were presented as more or less independent and equal goals, although the two were also linked to each other, illustrated by the statement "the best safeguard against social exclusion is a job."[2] In terms of policy tools, the Open Method of Coordination (OMC) on social protection and social inclusion was established, functioning in many ways like the EES. In subsequent years, "social exclusion" increasingly made place for "social *inclusion*", often mentioned in tandem with employment and labour market participation. "More and better jobs are the key to social inclusion," it is stated in the Conclusions of the Presidency at the end of the Nice Council meeting in December 2000, and social policy is described in another paragraph as a "productive factor". Also during these years, two more OMCs were created (one on pensions and one on access to healthcare and long-term care) and the Social Protection Committee (SPC) was established, another advisory body similar to EMCO but without a

[2] Presidency conclusions, Lisbon European Council 23-24 March 2000, par. 32, http://www.europarl.europa.eu/summits/lis1_en.htm

basis in the Treaty. In the employment arena, the European Commission established the European Employment Taskforce headed by Wim Kok in 2003. Around the same time, the employment guidelines, which still existed as part of the EES, began to become more integrated with the economic guidelines, following the idea that economic and employment policy ought to work together towards a common goal (interview Tom Bevers, EMCO).

By the end of 2004, a new Commission under José Manuel Barroso was instated, initiating the third phase during which the term "active inclusion" was actually coined . The new Commission observed that the Lisbon goals were not being sufficiently met, and decided for greater integration of the guidelines, a process that had already been started behind the scenes. An important guiding document for the renewed Lisbon Strategy of March 2005 was the Kok Report "Jobs, jobs, jobs", published in November 2004 by the European Employment Taskforce. It propagated a more exclusive focus on economic growth and job creation; through trickle-down mechanisms social cohesion, poverty reduction etc. would automatically follow, was the idea. As Copeland and Daly (2012) put it, "[t]he blueprint shifted from one in which social cohesion sat alongside economic growth and job creation to one where economic growth and job creation lead automatically to social cohesion." By July 2005, the employment guidelines and economic guidelines were officially integrated into 24 "Integrated Guidelines for Growth and Jobs", which effectively meant the end of the EES as an automonous process (interview Tom Bevers, EMCO). Although this meant that employment policy actors, most notably EMCO, had to coordinate more with their colleagues in the economic policy area, it did increase EMCO's influence in the monitoring and evaluation of the implementation of the integrated guidelines. It was also in 2005 that the three social OMCs were integrated into one, and the Commission Communication on the streamlining of the OMCs first introduced the phrase "active social inclusion," later appearing as "active inclusion" in Commission documents from 2006 and 2008.

This culminated in the Active Inclusion Recommendation of 2008, just before the crisis started to manifest itself clearly.[3] The recommendation recommends to "Design and implement an integrated comprehensive strategy for active inclusion of people excluded from the labour market combining adequate income support, inclusive labour markets and access to quality services." It targets the most vulnerable groups in society: "the most marginalised people and groups," "people furthest from the labour market," "people excluded from the labour market". Their social exclusion is sought to be remedied through their

[3] Commission Recommendation of 3 October 2008 on the active inclusion of people excluded from the labour market (notified under document number C(2008) 5737) (2008/867/EC), http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32008H0867&from=EN

activation and inclusion, meaning social inclusion through participation in the labour market. In a typical EU fashion, the recommendation calls for adequate support for those who need it, while at the same time underlining the importance of conditionality-type incentives to seek employment as well as of taking into account economic and budgetary constraints to strike a balance between work incentives, poverty alleviation and sustainable budgetary costs. It also asks for the active involvement in the development, implementation and evaluation of strategies of all relevant actors, including those affected by social exclusion and poverty, and the social partners.

In the fourth phase of the development of active inclusion starting with the Europe 2020 Strategy launched in 2010, its peak seems to have passed. By this time the crisis is starting to be felt, and the focus on vulnerable groups starts to diminish: with rapidly rising unemployment it is difficult enough to maintain existing jobs. This is also reflected in the Annual Growth Survey (AGS) of 2011, which formed the kick-off of the European Semester process. This first AGS contained a strong emphasis on budgetary tightening while the social dimension, though supposedly integrated, was limited to calls to increase labour market participation and cut benefits which may work as disincentives for work. There were strong critical reactions to this report: the economic policy actors had gone too far and the social dimension was close to absent (interviews Bart Vanhercke, Peter Lelie). Although subsequent AGSs toned down somewhat the emphasis on fiscal austerity, both social and employment issues were required to be even more coordinated with (and subordinated to) the economic objectives and policies. Although again EMCO and employment policy gained somewhat in status and visibility as a result of the more politically visible European Semester and EMCO's role in the adoption of the CSRs, it again meant that they lost some of their autonomy. As for the SPC, one interviewee described how the SPC strategically 'piggy-backed' on this increased influence of EMCO by working together more closely (Tom Bevers EMCO), while another mentioned the development of the Social Protection Performance Monitor by the SPC as a way to try to quantify their issues, in other words, adopting a more economic language. As for active inclusion, a follow-up on the implementation of the 2008 recommendation was published, which contained again a strong emphasis on getting people into work without consideration for those who may not be able to. It also mentioned social investment, the new catchphrase of European employment policy, evidenced by the Social Investment Package in 2013. This too, as was pointed out in some interviews, may be seen as a way in which social policy is legitimized in economic terms of investment and return.

In the most recent phase, under the Juncker Commission, initially the concept of active inclusion seemed hardly to be used anymore and its use was actively discouraged by the Commission (interview SPC) as part of the move towards new concepts like social investment. At the same time, the idea that employment is the most effective way to achieve social inclusion remains at the core of EU policy. This position was even intensified by the crisis because the most vulnerable groups lost prominence with the general rise in unemployment and budgetary problems. Conditioning unemployment and other benefits as a way to incentivize people to search more intensively for employment and accepting any type of employment became an even more prominent approach.

Also, Junker’s main social initiative, the development of the European Pillar of Social Rights (EPSR) announced in 2015, may lead to a reappraisal of some of the social and labour market concepts and approaches that were high on the EU agenda before the crisis, like active inclusion and flexicurity. The EPSR, far from creating new social rights, rather presents an inventory of the totality of EU level social rights and policy initiatives of the past decades. The EPSR process includes a series of events where these rights and policies are discussed. At the Commission’s EPSR proposal includes a strong active inclusion dimension (without mentioning the concept as such). Also, at the Annual Convention for Inclusive Growth 2016, where the EPSR was one of the main themes, including a specific workshop on active inclusion and inclusive labour market policies. Hence, active inclusion is still a core policy concept at the EU level, even if it is not always identified as such.

4.2 The European Semester and country-specific recommendations

Since the introduction of the European Semester process in 2011, it has become the most visible European instrument for coordinating economic and employment policy at the national level, annually producing a set of recommendations to member states in the form of CSRs. The formulation and adoption of CSRs itself is a negotiated process with potentially strong multi-level governance effects, as the advisory committees involved (EMCO, SPC, EFC, EPC) consist of national-level policymakers involved in both national policymaking and year-round discussion with each other, analyzing and monitoring progress on the European social, economic and employment goals. As mentioned earlier, the European Semester may be seen as the successor to the EES and the Social OMC, as it follows the methodology of the OMC while explicitly integrating economic, employment and social policy fields in an attempt at better coordinating policy fields while aiming to realize the European goals set out currently in the Europe 2020 Strategy and the Stability and Growth Pact (SGP). Although it now includes the social and labour market policy fields, it is primarily an instrument of EU economic governance.

All CSRs are preceded by introductory paragraphs reiterating the Europe 2020 commitment to jobs and growth, referring to any other commitments made by the pertinent member state (e.g. SGP targets, Euro Plus Pact) providing the Commission's[4] analysis of, in more or less the following order, the most important budgetary, fiscal, economic, employment and social problems and developments of the country in question. The CSRs then roughly address these problems, but not always in an exhaustive manner. Each CSR usually consists of a number of separable recommendations. The wording tends to be rather general and suggestive ("Ensure effective action," "Step up efforts to," "Improve," "Take further steps" etc.) and requires reading the introductory paragraphs to understand what specific "action" or "steps" are envisaged. The summary of active inclusion-related recommendations among the examined CSRs presented in table 1 take into account the introductory remarks where the recommendations themselves are not sufficiently specific about the desired course of action.

Table 1: Authors' summary of active inclusion-related CSRs for France, Italy, Poland, Spain, Sweden, and the UK; 2011 and 2015.

Country	2011	2015
France	• Reduce labour market segmentation[a]; improve accumulation of human capital for temporary workers; improve transitions from temporary to more permanent work; limit minimum wage increase • Improve employment rate of older workers through lifelong learning and increasing retirement age; improve public employment service; improve individualized support for those at risk of long-term unemployment • Decrease labour tax	• Sustain earlier implemented reduction of labour costs and evaluate its effectiveness; align wages to productivity; limit minimum wage increase • Reform labour law to incentivize hiring on open-ended contracts rather than short-term contracts; facilitate derogation from general legal provisions at decentralized levels; reform unemployment benefit system to decrease expenditure
Italy	• Reduce labour market segmentation[a]; review unemployment benefit system to also benefit non-permanent workers; improve female labour participation by offering care and fiscal incentives for second earners • Align wages with productivity; allow for decentralization of collective bargaining	• Adopt legislative decrees on wage supplementation schemes, reduction of employment protection, improving work-life balance and strengthening ALMPs; implement school reform; expand vocational tertiary education

4 The CSRs are formally issued by the Council, but the texts are drafted by the Commission.

Poland	• Promote lifelong learning; improve VET for older and low-skilled workers; better align education with labour market needs • Improve pre-school child-care to increase female labour market participation	• Reduce the use of temporary and civil law contracts
Spain	• Increase statutory retirement age; improve lifelong learning • Decrease labour tax • Align wages to productivity • Reduce labour market segmentation[a]; improve employment opportunities for young people; reduce early school leaving; facilitate vocational education and training	• Align wages to productivity; improve job search assistance; streamline minimum income and family support schemes[b]; foster regional mobility
Sweden	• Improve labour market participation of young people and other vulnerable groups, notably non-EU nationals	None
UK	• Improve young persons' skills, especially intermediate skills in line with labour market needs • Reduce number of workless households, particularly those with care responsibilities	• Increase employers' engagement in apprenticeships; reduce number of young people with low basic skills; improve availability of childcare

a. In other words, increase labour market flexibility, e.g. by reducing employment protection legislation.
b. This refers to better targeting and possibly tightening conditionality.

Although table 1 shows that for both years and all countries there is a substantial number of active inclusion-related recommendations, it is important to place them within the overall problem analysis that is evident from studying the overall CSRs and introductory paragraphs. First of all, budgetary discipline has precedence over any other considerations. This is especially evident from the CSRs for the countries subject to the SGP's Excessive Deficit Procedure (EDP). In our sample this is the case for France, Spain and the UK in both years, and Italy and Poland only in 2011, Italy having been released from it shortly before the 2015 CSRs were finalized[5]. In all eight instances, the countries under the EDP received as the first CSR the exhortation to reduce public deficit and debt. In more than half of these instances it was further stated that any windfalls (e.g. from spending less than expected or through privatization of assets) must be directed to

[5] Sweden, rather exceptionally for an EU member state, was never subject to the EDP.

this end. Measures to limit pension expenditures and measures to tighten spending at various levels of government were recommended in half or more instances. Even when a country is not subject to the EDP, the first CSR addresses fiscal policy necessary to achieve the medium-term budgetary objectives part of the SGP in all cases except Sweden in 2015. Moreover, all of the CSR documents begin their analysis in the introductory paragraphs with an assessment of the country's budgetary and macroeconomic situation.

Secondly, the CSRs reflect the primacy of competitiveness in the Commission's thinking about employment and labour markets. A range of recommendations address barriers to competitiveness including high labour costs, high wages relative to productivity, slow and cumbersome administrative and legal procedures, regulated sectors and professions, and in some cases poor physical infrastructure. When keeping to the more strictly labour-related elements, we find recommendations to lower labour taxation, align wages to productivity, and decentralize collective bargaining or allowing for derogations from general legal provisions. By adopting this analysis the Commission subscribes to the idea that jobs are created by allowing businesses to grow. In such a line of reasoning, recommendations for policies giving business more latitude in order to grow may also be seen as part of active inclusion; by generating more jobs, there are more job opportunities for those in need of 'inclusion'.

In line with the active inclusion idea of achieving the social inclusion of vulnerable groups through their employment, a number of such groups is identified in the CSRs. Employment of vulnerable groups is mentioned in all but one of the examined documents (Sweden 2015). In all other documents, employment of women, youth, persons on temporary contracts or "other vulnerable groups" are mentioned. Interestingly, some groups are deemed vulnerable because of their position outside of the labour market (or the higher likelihood that they are outside of the labour market), whereas other groups are defined on the basis of their position *inside* the labour market, i.e., those on temporary or civil law contracts[6]. The latter definition of vulnerability adds the dimension of employment quality and is based on a diagnosis of labour market dualization or segmentation, to which we will return later.

As far as getting the vulnerable groups outside of the labour market into employment, a number of remedies is suggested. The first kind of remedies are those aimed at limiting labour costs: decentralizing collective bargaining, aligning wages to productivity, and limiting minimum wage growth. These are directed mainly at France, Italy and Spain. A second group of recommendations is about increasing individuals' value on the labour market by improving skills in general

[6] The civil law contracts refer to those in Poland, which are characterized by lower social security contributions and entitlements.

or aligning skills with business needs: stimulating lifelong learning, facilitating vocational education and training and apprenticeships, reducing early school-leaving, and otherwise aligning people's skills (mostly young persons') to demands on the labour market. All countries have received such recommendations at one point or another, except Sweden, which is described as already implementing such measures. The third group of measures addresses incentives and disincentives for work. Although limiting social transfers, somewhat surprisingly, does not feature prominently as a means to encourage labour market participation[7], other incentives (or disincentives) are mentioned: fiscal incentives for double earners, provision of better and affordable childcare, and increasing the retirement age. Finally, there are the recommendations calling for better public employment services.

As mentioned earlier, an additional diagnosis of vulnerability is found which does not feature in the active inclusion discourse. It is the problematization of labour market dualization or segmentation, going against the idea that inclusion into the labour market automatically leads to social inclusion. It features in CSRs for France, Italy, Poland and Spain. In them it is acknowledged that non-permanent workers, 'falsely' self-employed persons and, for Poland, civil contract workers have less access to continuing education and training (France), employment protection, and income protection. Moreover, some groups such as young and low-skilled persons are found to be overrepresented in the vulnerable groups inside the labour market. Two kinds of solutions are proposed: improve access to these goods for non-permanent workers, or, more commonly, reduce social and employment protection for permanent workers. The latter strategy also fits with the aim of providing business with more latitude, as it allows them to more easily hire and fire personnel.

Drawing up the balance, the CSRs are in line with the idea of active inclusion to the extent that they propagate the maximization of labour market participation by vulnerable groups and the ways in which labour market participation is to be increased (limiting labour costs, increasing individuals' value on the labour market, etc.). The dominant perspective on social policy is that of social policy as a productive factor, as the underlying goal is not social inclusion, but rather reduction of public spending and improving business – and thereby economic – performance. Telling examples include the problematization of early school leaving "as it undermines the size of the skilled work force, affects the job prospects of the concerned individuals and reduces potential growth"

[7] Limiting social expenditure is recommended generally in the context of reducing budget deficits. "Poor financial incentives" are mentioned once in the introductory paragraphs for the UK's 2011 CSRs, but only fleetingly. For Spain, "streamline minimum income and family support schemes" may be referring to this kind of incentives, but if so, it is only implicit.

(Spain 2011, par. 16), the characterization of high unemployment as "the insufficient utilization of labour" (France 2011, par. 7), and the reasoning behind improving young people and non-EU nationals' position on the labour market "to improve the labour supply in the long term so as to meet the demographic challenge of an ageing population" (Sweden 2011, par.9), again with an eye on the public budget. Moreover, this perspective is illustrated by the fact that, as pointed out by one of our interviewees, there is no consideration for the social inclusion of those persons who may not be able to meet certain minimum labour productivity standards (reference interview). Finally, the approach to improving labour market outcomes is patently supply-side: labour market dualization and segmentation are diagnosed without consideration for the role of business in creating these situation, and solutions are rather sought in improving individuals' value on the labour market.

The social perspective, though to a much lesser extent, is also present in the CSRs. This is illustrated by the mentioning of poverty and social exclusion in conjunction with high unemployment (Italy 2015, par. 19) and the problematization of people and especially children living in jobless households (UK 2011, par. 9 and 2015, par. 10), implicitly addressing poverty and assuming employment to be the solution. It is further indirectly found in the labour market dualization and segmentation diagnosis, as it problematizes instances in which labour market participation apparently is not leading to social inclusion, or at least less so for non-permanent workers.

4.3 The European social partners

Another way governance by ideas plays out is in the process of European social dialogue. European-level social partners have very little hierarchical power over their members, but multi-level governance can be observed in European industrial relations, based largely on soft governance methods (Keune and Marginson 2013). One way European social partners try to mobilize their members around key policy issues is through so-called autonomous framework agreements, foreseen in the TFEU articles 154 and 155, in which European unions and employer organizations at inter-sectoral or sectoral level conclude an agreement concerning certain policy issues and rely on their national members, rather than a Commission Directive, for the implementation of the agreement. The effectiveness of the Autonomous Framework Agreement as a policy instrument is thus largely dependent on national social partners' willingness and ability.

The fourth Autonomous Framework Agreement (henceforth FA or the Agreement) was that on Inclusive Labour Markets, the pillar of active inclusion most fitting in their policy field. It was signed in March 2010 by the ETUC, BusinessEurope, UEAPME and CEEP after ten months of intense negotiations (Clauwaert & Schömann 2011). In developing this FA, the European social partners follow the lead of the EU discourse and its recommendation to develop positions and common activities in this field. It draws on a similar diagnosis of Europe's labour market problems as European policy documents at the time reflects the dominant ideas at EU level: a shrinking working-age population endangering the sustainability of social protection systems, the need to be competitive, and growing poverty and inequality. In the Agreement the social partners outline their commitment and joint approach to an inclusive labour market, which is essentially defined as "the full integration of individuals in the labour market" and identified as "fundamental in terms of fostering economic development and social cohesion", thus reflecting both the social and productive factor perspectives on social policy. The Agreement targets all those "encounter[ing] difficulties" to gain or remain in employment. Obstacles to inclusive labour markets are categorized under contextual factors, work-related factors, and individual factors. Proposed solutions include better recruitment strategies, better labour market information, a better match between education and training and labour market needs, and cooperation with the "third sector". As for actions expected of national members, the Agreement does not contain specific commitments but rather aims to raise awareness and provide the national social partners with a framework within which they can develop their own actions.

The vagueness of the agreement results on the one hand from the fact that it wants to respect national differences, both in problems faced and national traditions of industrial relations. However, the greater reason appears to be that the two sides simply disagree on many questions related to active inclusion, which will be described further below. From interviews with persons involved in drafting the FA, it further emerged that for both European employer organizations and unions, one of the motives to conclude the agreement was merely to demonstrate to the European institutions their ability to conclude such agreements and reach consensus. In other words, the Agreement serves to legitimize their existence and position within the EU political scenery as active and effective European social partners. From this perspective, the content and outcomes of the framework agreement can be considered secondary.

In 2014 the European social partners published a joint evaluation report on the implementation of the FA based on national members' self-reporting. The overall evaluation was positively framed, although national members had reported mostly on policies related to active inclusion implemented by their governments. The extent to which governments' actions had been the result of the FA is, however, not demonstrated and therefore questionable. What is more, from the national and regional studies conducted in the context of this study, it can be concluded that most national and regional industrial relations actors have no or very little knowledge of the Agreement, and that it is not or hardly used as basis for the development of national and regional policies.

As pointed out earlier and unsurprisingly, significant disagreements exist between the European social partners' standpoints. First of all, the categorization of obstacles to an inclusive labour market in three categories, going beyond individual traits such as lack of motivation and skills alone to include work-related and contextual factors, was included expressly at the wish of the ETUC. Through the inclusion of these three categories of obstacles, the onus is placed on collective responsibilities, rather than on the individual only. It underlines that vulnerable individuals who are not in employment can be confronted with a lack of jobs, with discriminatory practices or with a lack of support and guidance, and, as a result, often do not manage to enter employment or stay in employment. For BusinessEurope, the problems on European labour markets stem mainly from three things: the 'rigidity' of European labour markets because of stringent hiring and firing laws, the mismatch between the skills available on the labour market and those sought on the labour market, and disincentives to work provided by social security benefits.

Following the different problem diagnoses, both parties propose different solutions. The ETUC advocates improving information for the unemployed on vacancies and support programmes and providing personalized employment services, particularly to more vulnerable groups, while also stressing the importance of job creation and a change in the dominant approach towards economic policy making in Europe: less austerity, more internal demand and more public and private investment. BusinessEurope, on the other hand, advocates measures very similar to the measures found in the Troika programmes and CSRs: more flexibility in contractual arrangements, wages and working hours, as well as less stringent employment protection (particularly for permanent contracts) and a better match between education and training and labour market demands. Whereas the ETUC sees a role for public investment in creating jobs, BusinessEurope believes the capacity to create jobs lies solely in the business community, and businesses must accordingly be facilitated as much as possible.

These solutions depict rather different ideas of the ideal labour market. For the ETUC, promoting inclusive labour markets is not just a matter of ensuring access to employment, but also of making a commitment to continuity of and progress in employment. Furthermore, the ETUC makes a strong distinction between quality jobs, allowing for a decent standard of living and 'proper' working conditions, and precarious jobs, which do not lead to social inclusion but rather to exclusion within employment. BusinessEurope rather sees unemployment as the only form of real precariousness, which it argues in its call for facilitating flexible forms of employment including temporary agency work and zero-hour contracts. BusinessEurope's ideal of a well-functioning labour market is one in which "transitions between jobs occur smoothly and frequently" (BusinessEurope 2011); a labour market characterized by high labour market participation and flexibility in all aspects.

5. Instruments of governance by conditionality

5.1 The European Social Fund

Another instrument of the European Commission to promote its social and labour market policies is, plainly put, money. Funding in these areas is provided mainly through the European Social Fund (ESF), one of the European Structural and Investment Funds (ESIF). The ESF has a pronounced multi-level character as overarching goals are set at the European level, country programmes are negotiated between the Commission and national authorities, and individual projects are co-funded and carried out by local partners of both public and third sectors applying for funding. For the programme period of 2014 – 2020, the Commission identified four main overarching objectives for the ESF: 1) promoting sustainable and quality employment, 2) promoting social inclusion, 3) investing in education, training and lifelong learning, and 4) enhancing the efficiency of public administration (EC 2015). In negotiating the national programme priorities set out in Operational Programmes (OPs) with member states, the Commission took as starting points the Europe 2020 Strategy, CSRs, and the Commission's socio-economic analyses of member states (EC 2015). Although this is a negotiated process, the OPs may be said to reflect Commission priorities somewhat more than country priorities, as OPs must be in line with the overarching goals and the European policies as articulated in the Europe 2020 Strategy and CSRs. As described earlier, the summaries of national-level OPs available on the ESF website were studied for the six countries in this study, on which the remainder of this section is based. The OP summaries provide information about priorities, geographical applicability, funding and managing authority. The focus will be on the priorities in terms of target groups, objectives and measures identified for each country.

The identification of a range of prioritized 'vulnerable' target groups is very much in line with the idea of active inclusion as set out in the 2008 Commission Recommendation. Despite the loss of focused attention on vulnerable groups in European policy discourse after the crisis (described in section four), the ESF is very much oriented towards supporting vulnerable groups or preventing people from becoming vulnerable (e.g. by reducing early school-leaving). Table 2 presents an overview of both umbrella terms and specific groups mentioned in the OP summaries and shows that nearly half of them are based on their relationship to or value on the labour market. This is also very much in line with the Recommendation's diagnosis of vulnerability in terms of distance to or exclusion from the labour market. However, it remains largely unquestioned whether inclusion into the labour market is a viable option and sustainable solution for everybody. Identifying vulnerability in terms of the labour market immediately implies that the solution is in the labour market, but sometimes the labour market is the problem. Although some measures point in this direction by addressing for example discrimination and equal pay and opportunities, most of the proposed measures tend to be predominantly supply-side, 'making people fit for the market,' as shown in the next paragraph.

Table 2: ESF OP target groups for France, Italy, Poland, Spain, Sweden and the UK

	Umbrella terms	Specific groups
In social terms	Vulnerable groups* Deprived groups Marginalized people/ groups Groups at risk of discrimination Disadvantaged groups (as used in IT)	Women Young people Migrants Ethnic minorities Roma Single parents/ single-parent households Persons with disabilities Prisoners/ ex-offenders Homeless persons Persons on low income
In labour market terms	Vulnerable groups* Persons far from the labour market Inactive persons Disadvantaged groups (as used in UK)	NEETs (young people not in employment, education or training) Older workers Low-skilled workers Workers made redundant Long-term unemployed persons Jobseekers Disabled persons with reduced work capacity Persons on sick leave in need of support back to work Persons at risk of skills obsolescence

* This term features in both categories, as it is used in different OPs in both ways.

The priority measures and objectives found in the OP summaries can be categorized into the first three overarching European objectives, with the fourth (efficient public administration) found in support of the other three. The measures related to improving education and training are all aimed at improving people's chances on the labour market, e.g. by improving the skills of vulnerable groups on the labour market, stimulating lifelong learning, reducing early school-leaving, and better matching the skills being taught to employers' needs. It is here where the supply-side strategy is most visible. Under the employment objective, typical examples are such measures as investing in entrepreneurship and SMEs (both to generate more paid employment and to stimulate self-employment), improving the administrative capacity of labour market systems and providing job placement and job orientation services. Of these, equipping people for entrepreneurship and providing job services also have a supply-side orientation. As for measures promoting social inclusion, these are primarily directed at improving the quality and accessibility of public services for excluded groups, 'access to quality services' being one of the three pillars in the active inclusion Recommendation. Very little mention is made, however, of realizing that other pillar, that of adequate income, through social transfers, except for one mentioning of an experimental minimum income scheme coupled with activation services. This then is in line with the idea that disincentives to work must be avoided. Indeed, the summary descriptions of the OPs for the countries in our study strongly reverberate with the discourse emphasizing employment, employability, and inclusion through employment.

From this discussion, we may conclude that the ESF may be considered a tool for both governance by conditionality as governance by ideas. As described earlier, fund allocation is conditional on designing programmes that subscribe to predefined European-level objectives. By requiring co-financing by local actors (not infrequently public bodies), the ESF is used to steer national and local-level policy spending and actions in certain directions. What is more, since the 2014 – 2020 programming period, the legislative rules governing fund management and implementation allow for the Commission to suspend payments of ESIFs (including the ESF) in case of member states' non-compliance with European economic governance rules, known as 'macroeconomic conditionality' (EPRS 2015: 4-5). In this way, the ESF (and ESIF more generally) is not only a tool for governance by conditionality in the realm of social and labour market policy, but also for economic policy.

By adopting concepts, analyses, solutions and approaches developed by the Commission, the ESF and associated OPs can be seen as tools for the governance by ideas. 'Active inclusion' is identified in the Commission's *Guidance for beneficiaries of ESIF and related EU instruments* (2014) document as a prime strategy for achieving the overarching objectives of employment and social inclusion under the ESF, which is then reflected in the national-level OPs either explicitly (which is the case for Spain) or implicitly, as demonstrated above. The studied OPs also follow the Commission's labour market-centered analysis of vulnerability as well as the employment-first, supply-side solutions. Finally, by requiring the involvement of local-level actors including the third sector, the ESF is used to draw more actors into the circle of actors potentially ‘learning’, or changing their policy orientations in line with those of the Commission (Verschraegen et al. 2011).

5.2 The Troika and bail-out programmes

One of the more direct and directive forms of multi-level governance concerns the bail-out or economic adjustment programmes that have been negotiated between several member states and the so-called Troika, consisting of the EU, ECB and IMF. The Troika has negotiated such plans in exchange for financial support packages. These reform programmes have been detailed in Memoranda of Understanding (MoU), including extensive review schemes. The bargaining position of the member states is very weak in these negotiations and the relationship between the Troika and the member states has to a large extent been a hierarchical one, with the Troika imposing reforms on governments. The main objectives and policies included in these programmes can therefore to a large extent be read as the views of the Troika, including the EU. In what follows, observations and conclusions are drawn mainly from the Memoranda of Understanding and related documents pertaining to Greece and Portugal.

The main philosophy of the adjustment programmes has been that the bail-out countries require a mix of fiscal sustainability and strengthened international competitiveness, regardless of the question whether these issues were at the root of the economic (and social) problems the countries were experiencing. The main approaches outlined in the Memoranda to achieve these objectives have been fiscal austerity aimed at reduced public expenditure, increased public revenues through higher and more effective tax collection, structural reforms aimed at deregulation and marketization, flexibilization of labour markets, and internal devaluations aimed at freezing or reducing wages. In both countries’ cases, mention is made of vulnerable groups, and commitments are made to limit the negative impact of reforms on those groups. Although it is difficult to isolate the effects of the Troika reforms on any group, the following paragraphs will present an analysis of some likely consequences for those groups, bearing in mind the three pillars of active inclusion: adequate income support, inclusive labour markets, and access to quality services.

Under the objective of fiscal sustainability, the public sector wage bill is a common major target for public expenditure reductions, leading to important reductions of public sector employment. In Greece, the 2010 Memorandum stipulated a reduction of 20% of public employment by means of a rule allowing for 1 recruitment for each 5 retirements in the public sector. The 2011 MoU furthermore prescribed a reduction of public healthcare staff. In Portugal, public employment at the central government level was to be reduced by 1% annually for the duration of the restructuring programme, and 2% annually at local and regional levels. In terms of employment outcomes, declining employment in the public sector can be expected to lead to a greater labour supply and fewer vacancies on the labour market, and hence to reduced employment opportunities (illustrated by Greek unemployment figures rising from 12.2% in May 2010 to a peak of 27.7% in the summer of 2013 according to Eurostat figures), particularly for inclusion of weaker groups. Furthermore, because of the predominantly female character of public sector employment, declining employment levels in the public sector tend to result in fewer job opportunities for women. In a different vein, fewer public servants may have adverse effects on the provision of public services, including but not limited to employment services.

Another way of reducing public expenditure was cutting and freezing public sector wages and pensions, with exception of the very lowest salaried, as well as reducing social benefit entitlements (including unemployment and social security benefits) by reducing amounts and duration of benefits, introducing a decline in unemployment benefits, enhancing means-testing and targeting of benefits, and reducing the funds available for unemployment benefits. The reduction of unemployment benefits in particular is also aimed at reducing the risk of long-term unemployment by incentivizing unemployed persons to find work. Such policies are in line with the active inclusion idea that employment is the best way to achieve social inclusion, but cannot be expected to work if employment opportunities are not available. As for the reductions in public sector wages, pensions and social benefits in general, they do not directly oppose active inclusion goals as long as they do not endanger adequate incomes. The danger exists, however, that they will, and particularly so for groups such as the long-term unemployed, older persons, and any vulnerable groups that are overrepresented among social security recipients, as well as any unemployed persons dependent on benefits recipients for sustenance, a complaint often heard during the public protests against austerity that lasted throughout the bailout programmes.

Not only were public sector wage freezes intended to reduce public expenditure, but also to produce a knock-on effect on private wages, as lower wages were seen as a way to improve employment and competitiveness. Further wage reforms included allowing sub-minima wages for vulnerable groups, downplaying the role of collective bargaining at the sectoral level by allowing for enterprise-level wages below wages bargained at sectoral level, freezing minimum wages or increasing them only with agreement of the Troika, and linking wages to productivity. Furthermore, structural reforms aimed at making the labour market more flexible include reduced dismissal protection and severance pay, more flexible working time regulations, longer probationary periods, narrowing the scope for collective dismissal regulation, and facilitating temporary and part-time work. The Troika expects inclusive effects from these structural reforms as they increase employers' willingness to hire and hence lead to more jobs, particularly for women, the young and the long-term unemployed. In the 2010 EU analysis of Greece it was stated that: "Labour market reforms will spur job creation and increase wage flexibility. … Other than efficiency aspects, reforms are also needed to improve equity, therefore increasing job opportunities for young and long term unemployed and improving access to services."

Another deregulation of the labour market consists of the deregulation of a range of professions (e.g. legal and notary professions, pharmacy professions, engineers), deregulating tariffs and establishment rules and making it easier for foreign entrants to practice their profession in the pertinent countries. These measures are to enhance competition and labour mobility, while reducing the administrative burden for firms. Such deregulation may serve to increase employment opportunities in these professions. Similarly, a number of sectors were mandated to become liberalized, including the energy markets, telecommunications, postal services and transport to foster competition and shield the government from non-profitability. The same can be said for the mandated privatization of state assets such as transport infrastructure (ports, airports, roads), real estate, mines, banks and lotteries, in addition to yielding profit for the state by their sale. Privatization could potentially shield employees from the mandatory wage freezes in the public sector, although the extent to which their wages would improve (or not) would be dependent on the new owners. The strong likelihood that trade union influence would decline after privatization (in addition to the decline of union influence as a result of the decentralization of collective bargaining described earlier), however, does not make wage improvements very likely. Whether or not the quality of offered services might improve as a result of liberalization is up for debate.

The deregulation of regulated professions, liberalization of sectors and privatization of state assets may have as a further positive consequence that the prices for affected goods and services will drop, improving citizens' purchasing power. Efforts to reduce the price of pharmaceuticals, for example by regularly publishing price bulletins and encouraging the use of generic pharmaceuticals through a reform of the profit structure of pharmaceutical companies, is also intended to improve citizens' purchasing power, in addition to decreasing public health expenditure. The extent to which these effects on purchasing power will be felt by citizens, however, depends on the extent that mandatory increases in income and excise taxes (e.g. on energy, alcoholic beverages, tobacco, coffee) will be felt. It may be that price decreases of certain goods and services will merely serve to compensate for the tax increases, if they manage to do that much.

By the fourth review of the Second Economic Adjustment Programme for Greece in April 2014, the severity of the social situation and unemployment levels begin to receive more recognition[8]. Temporary public work programmes were introduced for long-term unemployed and restructuring the welfare system became listed as a priority. The 2015 MoU and 2016 Supplemental MoU for Greece specifically recognize the severe negative impacts on people's welfare of the crisis and in more implicit terms the carried out reforms. The statement "The economic crisis has had an unprecedented impact on social welfare" is found in both documents (p. 16 and 19, respectively), and "Fiscal constraints have imposed hard choices" is found in the opening paragraphs of the 2016 document (p. 1). The major responses have been plans to create a new Primary Health Care system providing universal health care coverage, a nationwide Guaranteed Minimum Income scheme, and activation measures ranging from short-term public work opportunities to personalized employment services such as job placement support, skilling and re-skilling, wage subsidies, and vouchers. Many of these schemes target specific groups such as the long-term unemployed, social security recipients and "persons, who are furthest away from the labour market" (2016: 19), in line with active inclusion principles. More in general, the texts of these later documents tend to reflect the idea of active inclusion more than documents of earlier years, referring to "the need to pursue sustainable and inclusive growth" (2015: 21, 2016: 25) and singling out vulnerable groups such as the long-term unemployed, young people and "disadvantaged groups" in general (2015:16-17, 2016: 19-20). The term "sustainable growth" further reflects the Europe 2020 Strategy aiming for "smart, sustainable and inclusive growth".

On the whole, Troika measures clearly represent the economic perspective on the goals of social policy. Explicitly pursuing the goals of fiscal and budgetary sustainability and economic growth, imposing social and labour market policy reforms to reduce social expenditure (both by reducing benefits expenditure and incentivizing work) are justified as necessary to reach these goals. Bearing in mind however past and present criticisms of Europe not being 'social' enough, mention is made of vulnerable groups from the start. This is illustrated by numerous statements emphasizing that the brunt of the reforms should not be borne by those least able, but most able. Some reforms were further mandated that would strengthen the position of vulnerable groups: for example, the shortening of the contribution period for entitlement to unemployment benefits in Greece and

8 It is perhaps noteworthy that within a year, the left-wing party Syriza took over political power during national elections on a campaign programme promising to roll back austerity.

the liberalization of certain sectors to hopefully lower prices for consumers. Nonetheless, many of the reforms posed threats to adequate income support, access to quality services, and employment opportunities particularly for the most vulnerable, leading to massive popular protest throughout the implementation of the reform programmes. In the case of Greece, however, recent years have seen something of a shift towards the social perspective, identifying problems of low standards of social welfare and unemployment as problems in and of themselves. The measures proposed to address these problems strongly resonate with active inclusion strategies: providing a minimum income (the planned Guaranteed Minimum Income scheme) alongside activation efforts, many of which specifically target vulnerable groups[9].

6. Conclusions

In the present study we have studied European social and labour market policy as it is articulated in a range of European policy instruments. We focused on the orientation of European policy in this field rather than its actual effects in national contexts. Although the EU has limited means for hard regulation of social and labour market policies at the national level, it has a range of alternative governance tools to exert influence. We have identified and discussed two types of such governance: governance by ideas and governance by conditionality.

Governance by ideas concerns the production and promotion of ideas and concepts, with the aim of framing and structuring the debate on employment and social policy. It is a form of soft governance which is based on the Commission's power of persuasion and its agenda-setting capacity. From the policy instruments discussed in this paper, it is a key characteristic of the promotion of policy discourses, the European Semester and its CSR's, and the European Social Dialogue and the further involvement of the European social partners. Governance by conditionality concerns access to financial support from the EU under certain conditions and is found in the Troika MoUs and the ESF.

In all five of these instruments clear elements of the active inclusion discourse are present. Active inclusion has, explicitly or implicitly, been part of each of these instruments and, more generally, a core element of the EU's broader philosophy on economic and social development since the 1990s. Active inclusion expresses core ideas of this philosophy such as the basic objective of increasing labour market participation (through activation, conditionality of benefits and active labour market policies) and the central role of employment in social policy.

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[9] One of the most often mentioned vulnerable groups is the long-term unemployed. With unemployment and long-term unemployment reaching such high levels, however, this is actually a very large group, nearing 20% of the active population (Eurostat).

Increased labour market participation, in line with the general primacy of economic over social objectives in EU policy, first of all serves economic goals and is considered to be a way to increase labour supply, improve economic growth, limit public expenditure and reduce welfare state ‘dependency’. At the same time, there is a basic contradiction between the overall austerity objectives of EU economic policy and active inclusion. Sustainable inclusion of the unemployed, and especially of the long-term unemployed and other vulnerable groups requires substantial public investments in skills, job creation and matching. Such investment are however discouraged by the pressure on public budgets.

From a (secondary) social policy perspective, active inclusion is seen as a means for social inclusion in general and the inclusion of vulnerable groups in particular. Sustainable inclusion requires that the jobs these groups get are of decent quality and offer a longer-term perspective. If they are low paid jobs they will not allow for sustainable inclusion because they do not offer a decent income and therefore full participation in society. The same counts for the longer-term perspectives jobs offer. If they are temporary jobs offering limited chances for continued employment the inclusion objectives are unlikely to be reached as the respective individuals will easily fall back into unemployment or inactivity. However, as shown in this paper, the general approach seems to be that any job is a good alternative to unemployment, also low quality, temporary jobs. This combined with the contradictions between austerity and active inclusion point to sharp contradictions between active inclusion goals and both general economic policy and specific inclusion policies.

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