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## 13 The European Employment Strategy, social economy and employment policy: coordination failure and neglect in the face of fragmentation and complexity

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### 13.1 Introduction

In the previous chapter we examined how the early experiences of applying the Open Method of Coordination (OMC) to the problem of social exclusion unfolded, primarily from the perspective of national-level third sector policy actors. We can plausibly claim to have witnessed a limited and uneven, but non-trivial, impact in terms of level of awareness of the salience of non-governmental organizations' (NGO's) contributions, even if this has tended not to result in dramatic policy change. Against this backdrop, the current chapter tries to develop a more consciously comparative perspective by looking at a further area where the third sector and the OMC potentially connected: the 'opportunities' supposedly made available to the third sector *qua* 'social economy' and 'civil society' in the case of the European Employment Strategy (EES): the area where the OMC was first developed.

As an analytic concept, the third sector as 'social economy' contributing to economic development has considerable interest and value (Moulaert and Ailenei, 2005). It is now widely recognized that the third sector (using a range of definitions) in Europe mobilizes a significant paid workforce (cf. Salamon et al., 2003; Leete, 2006; CIRIEC International, 2008). In the OMC context, in which the emphasis has been on 'all hands on deck', including experimentation with whatever options seem potentially to assist in tackling Europe's persistently high overall levels of unemployment (Rhodes, 2003), there was therefore a *prima facie* case for taking the sector seriously in employment policy. But there have been other reasons too for expecting policy recognition and support in relation to this role at the start of the millennium. Indicators of third sector employment had not only been analysed and debated by researchers, but recognized institutionally in the EU's policy processes. In the 1990s, the European Commission's Social Economy Unit at DGXXIII was including references to the sector's role as job creator. When this unit was replaced, its agenda was kept in the policy bloodstream, even while its successor unit, the social enterprise unit, was relatively under-resourced.

At the same time, the 1997 Amsterdam Treaty's recognition of employment policy's centrality to Europe seemed set to keep policy momentum going. And while the initial Delorsean framing of the European third sector before Amsterdam as essentially an economic development actor had been contested and controversial (as Chapter 16 outlines in more detail), other positive pressures were coming to the surface as time progressed. From the late 1990s onwards, with very different and more collegiate presidential styles in evidence, there seemed to be a chance to present the sector in a broader way. With the shared European language of organized civil society and civil dialogue gaining a foot-

hold, the possibility that economic recognition could enhance rather than undermine valued social and political roles seemed stronger, at least on paper. Also, within some countries – most noticeably the Mediterranean group and to a lesser extent in Sweden – the sector's employment and economic development potential was increasingly being emphasized in national third sector policy discourses too.

There was evidence of other potentially supportive political ingredients for EU third sector employment-oriented policy in the first years of the millennium. The European Council was linking 'civil society' to the OMC in a way that implied an openness to its multiple roles, both for technocratic learning in relation to policy implementation, and to 'foster transparency and democratic participation' (de la Porte and Nanz, 2004, p. 267). But more importantly, at an increasingly confident European Parliament, a group of MEPs with an interest in social affairs under socialist Italian and British leadership were interacting with the Commission as well as the European Economic and Social Committee (EESC) on the topic of third sector employment as a 'third system'. References to 'pacts' for jobs inclusive of the third sector – extending beyond the traditional 'social partners' of business and the trade unions – were apparently in fashion (Rhodes, 2005, pp. 288–90). This debate, moreover, was at least potentially informed by evidence and argument from research, which was conceptually linking the third sector to 'intermediate' and 'active labour market' policy. Scholars were developing plausible claims that employment in the third sector was becoming more important, as social demands for public services have escalated (Spear et al., 2001; Borzaga and Defourny, 2001; Borzaga and Sanctuari, 2003; Nyssens, 2006).

This chapter will examine whether these apparently supportive factors – which we might broadly summarize as discursive, political and epistemic – were sufficient to generate OMC-related employment policy impacts comparable to those observed in the case of OMC-related social exclusion policy. As the chapter title suggests, the answer we will give will ultimately be negative. To show how and why this has been the case, we proceed as follows. The next section (Section 13.2) provides more detail on the institutional policy process as expressed in the OMC for employment and points to the range of entry points at which the third sector's role might potentially have been important. Section 13.3 then examines the situation that unfolded in each country during the timeframe of the national-level research, using primary evidence gathered by the Third Sector European Policy (TSEP) network in the early 2000s. This section ends by acknowledging the existence of some pockets of enhanced recognition and engagement, but suggests that these pockets should be considered as exceptions, and of comparatively little significance. The final parts of the chapter then reflect on the extent to which this pattern of very weak development at the country level can be generalized and updated to the multiple-level context, by noting how the Brussels-based institutions also failed to facilitate a coherent or consistent approach, which might have offset or reversed the lack of progress so evident at national level. This situation is contrasted with the social exclusion case, where EU-organized policy momentum, exemplified by significant investment in NGO networks, seems to be building on and extending relevant pro-third-sector developments at country level.

### **13.2 The EES process and the third sector situation**

For the last decade, the political and social imperatives of meeting Europe's chronic unemployment problem has meant that the OMC in relation to employment – while

only one strand of the complex ensemble of multi-level policy measures that operate in Europe (Rhodes, 2003, 2005) – has had particular prominence in EU debates. Employment ‘performance’ has been uneven, with several Northern European countries doing comparatively well, while others have found the problem deeper and more intractable in general (as with Italy) or in relation to youth and older people (as with France). But the debilitating effect of unemployment on people wherever they live had been clearly recognized as a shared ‘European problem’. The priority flowed initially directly from the Delors agenda of ‘growth, competitiveness and employment’. This was taken to mean the EU should create employment, thus fostering growth, while enhancing the ‘social space’ by strengthening its capacity to fund national welfare systems with the aid of both relatively well-institutionalized ‘social’ partnerships involving business and the trade unions but also potentially the ‘civil’ partners in the third sector.

Since 2000, at the centre of the Lisbon process, the OMC was supposed to act as an exciting new instrument for lesson-drawing and innovation, fostering structured experimentation, while being politically realistic in the context of countries’ wishes to keep primary control of social policy-related spheres of action. The post-Delors settlement in fact involved ‘partial delegation of power’ to the EU, which was to act as a ‘soft’ guide for policy, rather than a ‘hard’ enforcer of new laws – a process theoretically designed to involve not only ‘technocratic’ lesson-drawing, but even ‘democratic deliberation’ in the context of awareness of the Community’s legitimacy problems (Borras and Jacobsson, 2004; de la Porte and Nanz, 2004).

Accordingly, a paraphernalia of ‘benchmarking’ and ‘surveillance’ was developed over several years, with key initial reference points being 21 ‘Guidelines’ under the rubric of four ‘pillars’ – employability, adaptability, entrepreneurship development and equal opportunities – as specified in 1997. An array of targets and guidelines was put in place, and timetables for agreed action and institutional arrangements for peer review developed, with the EU Commission and an Employment Committee at the centre, and country-level actors interacting (de la Porte and Pochet, 2003, ch. 1; Trubek and Mosher, 2003). Significantly, this complex process was to be revised and simplified in the light of internal reviews and high-profile external critique (see Box 13.1), but its broad contours were to be retained (see also Mailand, 2006).

How could the third sector relate to this evolving system in policy terms? Against the backdrop of existing theory and research, a wide range of contributions could be construed in terms of agenda-setting, decision-making, implementation and evaluation roles, individually or jointly in relation to each of the ‘pillars’. However, if we examine empirically the *actual* references to the sector as contained within the Guidelines themselves, two basic roles seem to be singled out (see Box 13.2). First, explicitly from 1997–2003 participating countries’ third sectors, *qua* the ‘social economy’, were represented as ‘offering opportunities for job creation’ to subnational public authorities under the banner of fostering entrepreneurship. In other words, there was an expectation that the sector be demonstrably called upon to implement policies in this area, in collaboration with local and regional government. Second, references appear to ‘civil society’ as ‘partners’ in ‘governance’ in two years only, 2001 and 2002. Apparently, particularly in these years – buoyed no doubt by the packaging of the extant multi-level process as now an ‘Open Method’ – member states were urged to interact with the third sector in relation to policy design and agenda content, as well as in implementation terms.

### BOX 13.1 THE 'MODERNIZATION' OF THE EES

In response to widespread concerns about the EU's employment underperformance (see Giddens, 2007), in 2004 a committee led by former Dutch Prime Minister Wim Kok was convened to present a review of the Lisbon Strategy. It concluded that too little had been achieved, especially in comparison with the United States. The review led to revisions of the EES from 2005 onwards.

The principal recommendations of the Kok report were focused on extending the reach of the labour market towards under-represented groups (rather than just straightforward job creation) and opening room for flexible labour. Rather than merely deregulating, employment policy should be focused on equipping workers for a changing labour market. It was also suggested that peer pressure should be increased within the OMC. The EES was revised in 2005, following Kok's recommendations and other advice, to be simpler and more effective. Broad economic policy guidelines and employment guidelines (associated with the OMC as being applied in economic policy and EES) were now merged in a single integrated guideline package, which set out common priorities for member states' employment policies. These would then be translated into three-year National Reform Programmes, which now implement the guidelines and have replaced the annual National Action Plans (NAPs). However, the pre-Kok NAPs remain the focus for research reported in Section 13.3, reflecting the timing of the TSEP evidence-gathering before 2005.

Despite this, a review of relevant official policy documents on this area at the time of our research revealed a remarkable paucity of evidence on the implementation of these policies and practices. The Kok report (cf. Box 13.1) and other external reviews chose not to mention or engage with the sector at all. Before that, apparently the only officially undertaken attempts to summarize 'progress' in this area were background papers, the 'territorial dimension of the EES and social economy', and 'entrepreneurship' prepared for the Commission's 'Impact evaluation of the EES' in 2002 (European Commission, 2002a, 2002b). These papers have little to say, being descriptive and ad hoc in character. For example, in the second report, a paragraph refers to 'the non-profit sector' somewhat bizarrely as 'a rather strongly promoted segment in the context of the EES' – but then merely lists in an unstructured way random policy examples in four countries, with no context or interpretation (European Commission, 2002b, pp. 8–9). In the first report, no text at all or only a few cursory lines relate to the third sector or social economy in most member states: the exceptions are that Spain and Portugal are named as 'leading' in this area, while Italy is also claimed to 'have significant initiatives' in this sphere (mainly referring to data on social cooperatives; European Commission, 2002a, pp. 8–10). The first Commission paper goes on to suggest that 'it is difficult to assess the degree of involvement . . . particularly of NGOs, which tend not to be systematically taken into account. In general the roles of the different actors need to be defined more clearly' (European Commission, 2002a, p. 12). And although no suggestions are made concerning how to enhance clarity in spite of this vacuum of evidence and argument, the report's

## BOX 13.2 THE THIRD SECTOR AND EU EMPLOYMENT GUIDELINES 1997–2007

### *1997–2002*

Under Pillar II ‘Developing Entrepreneurship’, ‘exploiting the opportunities for job creation’ should mean that member states ‘investigate measures to exploit fully the possibilities offered by job creation at local level in the *social economy* and in new activities linked to needs not yet satisfied by the market, and examine, with the aim of reducing, any obstacles in the way of such measures’.

### *2001–02*

In addition to the above, references to civil society appear. It is suggested that member states ‘encourage local or regional authorities to promote partners to exploit possibilities offered by job creation at local level with all actors concerned, including the *representatives of civil society*’ (2001) and a knowledge-based society could be strengthened by having ‘strategies which articulate the shared responsibilities of public authorities, the social partners and individuals, with relevant contributions from *civil society*’.

### *2003*

With the ‘Pillars’ structure replaced, there is still a reference to the job creation role of social economy, under the heading ‘Addressing regional employment disparities’. But no reference to ‘civil society’ as a ‘partner’ or even as ‘relevant’ appears.

### *2004*

Absence of references to the third sector in the Guidelines themselves during this year (and no proposal to include them from the Commission).

### *2005–07*

With the move to the three-year ‘integrated’ approach (bringing together the economic aspects of policy), we have ‘integrated guidelines for jobs and growth’. The Guidelines themselves do not refer to the sector, but the covering text retain two mentions: first, ‘every opportunity should be taken to involve ... civil society in implementation’; second, as context for Guideline 18, ‘Special attention should be paid to promoting the inclusion of disadvantaged people, including low-skilled workers, in the labour market, including through the expansion of social services and *the social economy*, as well as the development of new sources of jobs in response to collective needs’. But the Guideline itself drops the explicit reference to social economy.

*Note:* Emphasis added.

*Source:* Constructed by the authors using materials available at <http://ec.europa.eu/social/main.jsp?catId=101&langId=en> (accessed 11 June 2009).

authors still feel able to assert ‘the development of the social economy depends mainly on the legal and procedural context generally provided by legislation at national level’ (p. 12). This is followed by the somewhat obscure claim that ‘the appropriateness of the link between the local level and the social economy, which is mainly the result of the historical development of the guidelines, can be questioned’ (op cit., p. 12). The Commission’s Communication that these background papers informed subsequently rather vaguely suggested that ‘a more effective involvement of civil society organizations has been identified as an essential tool by several Member States and should be reinforced’ (European Commission, 2002c, p. 20).

Some exploratory work was evidently also undertaken by consultants for the Commission, putatively motivated with these Guidelines in mind, to examine the relevance of the social economy and the feasibility of developing comparative indicators. These reports briefly elaborated on the descriptions already available on obstacles to comparison related to definition and data availability; but they did not suggest any actionable solutions to these well-rehearsed problems, let alone any guide as to what policy options might follow (Engender, 2002; Dahan et al., 2003<sup>1</sup>). Given developments in the years that followed (cf. Box 13.1), we can surmise that the level of official interest in third sector OMC employment contributions went through three steps:

1. recognition of implementation potential (1997–2000);
2. joint recognition of policy-shaping and implementation roles (2001–02), yet simultaneously questioning the relevance and character of these roles;
3. an absence of explicit recognition of third sector roles within the Guidelines, with diluted contextual references only (2003–07).

The purpose of the next section is to move beyond this incomplete ‘official’ picture, drawing on TSEP primary data gathered at the national level, which relate mainly to the second period: prior to the Kok report, and when NAPs were still in place as the primary focal point for the EES. While this evidence itself therefore only relates to one part of the process as it unfolded in recent years, it potentially allows us to cover more systematically a wider range of national situations than the ‘official’ reviews have done, and offer a greater level of institutional depth. The section that follows (Section 13.4) will then supplement that with evidence on policy functioning at the EU level over a longer period, bringing into the analysis problematic aspects of the process that official statements and assertions have left unremarked, but that seem important if our goal is to understand the third sector’s policy trajectory in this sphere.

### **13.3 National-level employment policy processes and the third sector**

The obvious place to begin in relation to country-level situations is France. There are three reasons why we might anticipate greater commitment and policy activism here than in other parts of Europe. First, in early reports by the Commission, France seemed to emerge as the ‘star pupil’ in relation to the employment OMC as measured, for example, in terms of inter-institutional cooperation and willingness to take the process seriously as a whole (Trubek and Mosher, 2003; Coron and Palier, 2003). Second and more obviously, the language of ‘social economy’ used in the Guidelines should obviously have been less problematic than most other countries: because the term is French in origin (see

Chapter 3), no conceptual 'learning curve' for domestic actors should have been needed. Indeed, unsurprisingly, the French officials we interviewed were markedly more knowledgeable about the rationale for the reference to social economy in the specific context of the NAP Guidelines than their counterparts elsewhere. And it seems likely that this reflects the historical origins of the Guideline idea in France, which we were told had been included as a response to political initiative supported by the then State Secretary to social economy under socialist Prime Minister Lionel Jospin.

However, the evidence we gathered shows how theoretically supportive cultural and cognitive conditions could be frustrated by a combination of deeply political obstacles, internal bureaucratic machinations and contestation over both institutional and semantic boundaries. While the French NAPs for employment did include some descriptive reportage of social economy initiative, this was not sustained in a coherent narrative as between plans: instead – and in contrast to the treatment of social dialogue, for example (Rhodes, 2003, p. 149) – references were sporadic and failed to 'join up' institutionally or conceptually.

Building on the analysis presented in Chapter 3 of the French situation, we can suggest a number of reasons for this disjointed trajectory and clear lack of institutional momentum. The general problems of building a coherent third sector policy in France 'spilt up' from the domestic to the joint domestic-European level. The bridge created by 'categorical fusion' between levels in French minds (see Chapter 10), therefore, actually acted as a hindrance rather than a help in this instance. For example, the 'solidarity-based economy' versus 'social economy' dispute was in the early years of the millennium proving to be an unsettling ideational contest. This was limiting policy actors' ability to develop clear and purposeful courses of policy action since basic agreed definitions were elusive. The process was made yet more difficult by the broader party political context, because there was a sense of partisanship rather than consensus at stake.<sup>2</sup>

It was evidently hard, in these turbulent political circumstances, for the officials seeking to promote the third sector from within the state – the Interministerial Delegation to the Social Economy (DIES) – to keep the basic idea firmly on the agenda, let alone to project a coherent and consistent argument in its support. Whatever this country's official, positive reputation for inter-ministerial coordination, the DIES also expressed considerable frustration in the case of social economy at the corrosive effects of inter-departmental wrangles. Moreover, there was a limited extent to which the relatively established social partnership process could provide a constructive platform, because, as in other countries (see below), employment policies were seen as 'their domain', so that a certain amount of 'self-censorship' in promoting the social economy seems, at this time, to have characterized the approach taken. Higher-level political actors who might have provided support – including the national Council Economique et Social, CES – seem to have put little effort into supporting this agenda beyond general support for the traditional social partner role. This was in part perhaps out of deference to this group (with business and trade union interests dominating that Committee's membership), but also possibly because the issue of specific Guideline implementation may have been seen as too prosaic or detailed to be of interest.

The net result in terms of policy commitment from the state and traditional political actors was, timid, limited and unconvincing. But this picture of lukewarm and limited engagement appears not to have been helped by the sector itself. The Europe-oriented

components of the relevant national third sector infrastructure bodies seem to have been unwilling or unable to ‘run with’ the issue either politically or more operationally. Because the Guidelines were ‘soft’ and without legal mandate, French policy actors in the third sector seem to have lost interest in them, a way of thinking underpinned by the French focus on hard law as the basic expression of the public good.<sup>3</sup> They were seen as a boring, bureaucratic implementation routine with relatively little reward anticipated. And as other chapters in this part of the book show, other ‘hotter’ European topics were perceived to be those where European legal structures were potentially at stake, deflecting attention from the employment Guidelines, which might otherwise have justified attention.

It is when we turn to Spain that we find the most space for reporting on the contribution of the third sector *qua* social economy in an employment context, a fact that may have influenced the Commission’s portrayal of this country as a ‘leader’ in this sphere (European Commission, 2002a; also Mailand, 2006, ch. 12). This seems to tie in with three key characteristics of the national policy scene. First is the exceptional seriousness with which European guidelines are taken in that country in the social policy domain for historical-cognitive reasons. This has involved not only commitment to principles of design, but also marked attempts to follow through in terms of the specifics of implementation (cf. Guillen and Alvarez, 2004). Second is the exceptional prominence found for employment in the third sector’s own self-defined agenda in that country. It is relevant to note that the problem of unemployment and the third sector’s responses feature as a key element on the overlapping agendas of third sector organizations under both prominent collective nouns: those that style themselves as both ‘social NGOs’ *and* are comfortable with being seen as part of the ‘social economy’. Third – and also unlike France – the agenda has *not* been destabilized by actual or anticipated political shifts, but evolved fairly smoothly – albeit slower than most third sector stakeholders would like. Indeed, it was under Aznar’s right-wing administration that a good deal of pro-third-sector institution-building took shape.

Yet despite the Commission’s description of Spain as a ‘leader’ in this domain, the third sector itself evidently did *not* see the process as an overall success even here. Most of the reasons are the same as discussed in the previous chapter in relation to social exclusion, because the main procedure used for securing third sector input into employment policy – the index card process – was conducted in exactly the same way. This was viewed as overly cumbersome, and ineffective in generating ‘significant change’ from the third sector perspective.

The basic problem here was that state actors on one hand and the third sector on the other were tending to interpret the meaning and promise of the Guidelines very differently: a situation that was not surprising given their vagueness, and the financial context in that country. Inside the state, Mailand’s analysis (2006) suggested that the public authorities in Spain might potentially have countenanced an approach more sensitive to social concerns, but would have felt hamstrung by resource constraints: because they received no financial support from the EU specifically to support a more inclusive approach (having been used to quite generous financial support in other contexts), they felt unable to see this process as anything more than a fairly marginal input to allow them better to showcase existing policy. In contrast, outside the state, the third sector actors *had* approached the OMC believing it might induce additional policy and financial



commitments. As with the social inclusion case, they expected much more to follow from it – including new funding opportunities, actual modification of policies and recognition of their analysis of employment problems. Yet the fact was that, while references to the sector were quite extensive, they did little to change the status quo. This was, once again, a source of frustration and dashed expectations.

Turning to Germany, there was again domination by the traditional social partners. It was the Federal Ministry of Labour and Economics that was in charge of the process. Social partners (umbrella organizations of trade unions, employers, professional handicraft organizations, professional trade organizations, umbrella organizations of the municipalities) played a major role in the process of drawing up the plan for each year, before a final draft was sent to the Cabinet and finally to the *Bundesrat*. The Free Welfare Associations that Chapter 12 showed to be pivotal to the social exclusion process figured here, but with only a peripheral role. They were being more or less perceived as an ‘alien element’ among the other actors, and therefore neither secured – nor, indeed, sought to secure – a significant role. While *de facto* very significant employers themselves, and active in some programmes of employment support for socially excluded constituencies, this did not convert to interest here. Rather, the social exclusion process where their role was already deeply embedded was believed to be the appropriate venue in which they could contribute.

The case of Italy also involved relatively unreflective assumptions that this was the ‘territory’ of the traditional social partners, rather than a legitimate policy terrain on which the third sector might major – despite the more general, inclusive language of ‘pacts’ favoured by some Italian actors, and mentioned earlier. Moreover, although we know that Italian actors were key in promoting the ‘third system’ via the Parliament (see Section 13.1 above) the potential for links with the EES seem to have been left unrealized. Post-2001, with the arrival of the Berlusconi government, only a few administrators were involved, limiting the capacity to reach out beyond the traditional social partners. At the same time, for the leading third sector infrastructure bodies, the third sector forum and the CILAP (Italian Anti-Poverty Network), this exclusive process was seen as unproblematic, and legitimately focused so as to preclude their involvement. This was clearly in marked contrast with the Italian social exclusion process, where we saw that the failure to take this sector meaningfully into account was greeted with indignation. The apparent contrast between the practice of narrow traditional social partnership on home soil and the more inclusive theory of the ‘third system’ and the promotion of ‘pacts’ being promoted by Italian actors at EU level may also have reflected the fact that Europe-oriented ‘third system’ promoters were drawn primarily from the political left. A lack of coherent communication or information flow between the European and Italian domestic policy levels, between Italians in the Parliament and in the other EU institutions, and problems of timing were probably therefore all relevant factors.<sup>4</sup>

The Netherlands, like Germany and Italy, involved relatively extensive involvement by the traditional social partners, without any significant and sustained contributions by or referring to (other) third sector participants. References to the third sector as a collective actor were fleeting, and usually altogether absent in crucial passages of the plans.<sup>5</sup> Indeed, even traditional social partners were in practice only involved to a limited extent. For the 2003 version, for example, they were only consulted afterwards, after dissemination of the draft plan through the government, and only on a low-key basis.

Comments were incorporated with respect to details, but no significant changes were made. This did not reflect so much on the position of social partners as on the position of the NAP in the formation of employment policy. Negotiations on issues of employment are generally conducted in other platforms, such as the *Stichting voor de Arbeid* (Labour Foundation). The NAPs were simply not considered an appropriate opportunity for re-opening or starting such discussions.

This leaves two countries who were part of the EU at the time of our research where a process evolved that did engage with the third sector to a greater extent. This was the case in Sweden and the UK in terms of paper ‘representation’, but also in terms of consultative involvement.<sup>6</sup> In the Swedish case, the imprint of its distinctive pro-cooperative tradition (see Chapter 8) was clear. Specific room was found for showcasing the development of cooperatives, with an emphasis on local cooperative development centres. Otherwise, the traditional social partners are relatively prominent as they are in all other countries (apart from the UK). But in Sweden this does not seem to have led to a belief that others should be excluded. In addition, the sheer number of organizations actively involved certainly surpassed that of any other country, mostly reporting that they felt they had been involved in a ‘good dialogue’.

At the same time – and crucially for comparative purposes – the depth of involvement in Sweden was clearly regarded as significantly less consequential by those involved than had been the case with this country’s social inclusion OMC for two reasons. First, this was because the dialogic process had generated some new ideas concerning how the third sector might contribute to employment policy: for example, in relation to the beneficiaries or ‘users’ of services. But while the relevant third sector actors tended to believe it would be appropriate for the state to show commitment to pursuing this agenda by funding and actively supporting it, public officials were not forthcoming with new financial resources. Third sector actors were therefore disappointed by this lack of policy follow-through, as in the Spanish case. Second, there was a significant minority who dissented from the ‘good dialogue’ analysis. These organizations tend to see the process primarily as an insubstantial ‘cut-and-paste’ procedure, and were not convinced that the discussions had made any real impact on policy.

Finally, in the UK case, the sheer volume of references to the third sector outdistance those evident in any other country. A number of features are revealing here, and very clearly follow from the embedded national tradition of this country. First, there was an implicit resistance to use of the ‘social economy’ construct, with a preference for ‘voluntary and community sector’ and, in line with the picture we painted in Part I of this volume, the UK national government presented itself as very active in this respect. Second, the attention to volunteering – rather than referring only to paid employment (as the framers of the Guidelines seem to have had in mind) was a distinctive emphasis in yearly plans. The UK was the only country in which this contribution was evoked in the NAP context. Third, while there were allusions to traditional ‘social partnership’, these appear to have been essentially ritualistic. Indeed, they were not given weight by the relevant public officials, and acknowledged to be basically devoid of substance by the British trade unionists we interviewed. The increasing saturation of the UK documents over time with references to the third sector seems actually to crowd out discussion of traditional EU-style social partnership. This British emphasis on the third sector as a

*substitute* for references to social partnership was unique, and was part of a strategy to deflate or deflect routine Commission criticisms of the government's lack of engagement with 'social partnership'.

The process of showcasing the employment policy roles of the third sector, and its European contextualization, were facilitated by an active process of engagement with a specialist group of regional representatives for European Structural Fund-financed training providers, the Third Sector European Network (TSEN). We already encountered TSEN briefly in Chapters 4 and 11, where we pointed to its difficulties in securing influence on mainstream domestic social policy, and channelling voice from the third sector to the state on European issues. From its position of relative political weakness, supporting the UK NAP was seen by its leadership as an opportunity to exploit its accumulated experiential expertise (see Phillips, 2005) and thus bolster its status and reputation – and public officials were happy to benefit from its insights and suggestions.<sup>7</sup>

Yet, in spite of these connections and the evidence of policy proactivity, as with Sweden, the levels of commitment on both sides in the UK were overall significantly less in the employment process than in the social inclusion. First, on the third sector side, the opportunities noted were presented narrowly and in ad hoc fashion. While in the UK social inclusion case, structures were carefully established and steadily nurtured, with employment the arrangements were described as 'chaotic' and 'last minute' by those involved. Second and relatedly, the third sector itself was only able to respond with very limited preparation. The contrast with the durability and extensivity of the Social Policy Task Force in the social inclusion arena – where regular and predictable meetings, with carefully thought-through content and argument were the rule – is striking. Third, only in the social inclusion case did the third sector manage to secure financial support directly from British central government in support of the Participation Working Group, which was associated closely with the NAP process. While in the employment case, both public sector and third sector interviewees suggested the 'technical assistance' funding for the latter was an important form of support, this originated from the EU, not directly from the British government. It was not directly linked to the process of developing the NAP in this field.

#### **13.4 The systemic weakness of the third sector policy in the EES**

The previous section has revealed that, at national level in the early years of the millennium, and despite the existence of the apparently encouraging broad discursive, political and epistemic conditions identified in Section 13.1, the actual levels of engagement with, and representation of, the third sector in the EES were extremely low. The country where policy actors might have been seen as most likely to 'champion' this initiative, France, has evidently not done so for the combination of reasons we have identified. And even in that minority of countries where some limited pockets of attempted policy activism were in evidence the levels of activity were very modest in comparison with the more animated processes that were simultaneously proceeding in most of those countries in the social exclusion sphere.<sup>8</sup>

We have reached the point where we are able to stand back from the institutional minutiae of country cases, to reflect more generally on the reasons that policy in this sphere has not evolved. This can be done in two steps. First, we are now better equipped to make some inductive generalizations based on the country-level materials than the

patchy official sources we identified in Section 13.2 allowed. Second, we can draw on further evidence – this time based on empirical materials relating to the Brussels level – which we will use to show that, at best, EU institutional arrangements (including both sectors) have failed to compensate for national limitations, or have actually served to undermine the potential for progress, rendering the systemic, multi-level, whole either no stronger, or even weaker, than the sum of its individual parts. Both will help us see why, since our national-level fieldwork was completed, the position has weakened further over the past few years.

A first overarching reason for policy weakness we can extract from our findings is the lack of conviction among many of those *potentially* involved that this process was, in principle and in practice, actually relevant for them. While many third sector organizations *are* significant paid employers this has evidently not systematically converted into a belief that this should necessarily render them active contributors in employment *policy*. In most cases, but not all, there is also often a simple lack of resources, or capacity problem in the third sector (Germany is the most obvious exception). Even if the sector's policy actors might consider this a potentially interesting area for development, scarce resources seem to have tended to be absorbed in other aspects of policy work, especially in relation to Europe.

A second reason for weakness that bears generalization flows from socioeconomic policy and organizational territoriality (Wilson, 1973). The established practice of privileging the traditional social partners in this sphere seems often to have been interpreted so as to exclude (other) 'civic' partners (often with their apparent, 'self-censoring' agreement).

Third, we must surely emphasize the enduring problem of inadequate information and associated issues of data robustness – and the inability to develop a comparative, over-time perspective to represent the phenomenon with quantitative or qualitative indicators that would follow from this. There has been slow and significant progress on mapping third sector employment trends made by the various studies mentioned earlier in this chapter using at least three definitions: 'social economy', 'non-profit sector' and more recently 'social enterprise'. These have to varying degrees captured the sector's workforce roles statistically, to an extent unimaginable even a couple of decades ago. This work has generated interest not just in the EU, but as we have seen also in the OECD, and at the International Labour Organization too (see also Anheier et al., 2003). Yet attempts to interpret and use these data by policy-makers have been especially stymied by concerns over the quality of time series data. Data indicative of temporal change are what tend to be seen as most useful and salient for policy purposes (Kingdon, 1995). So the fact that this very aspect is one of the key areas where data are weakest or absent helps us understand the lack of policy activism, especially in the context of a process that is meant to function, to a large degree, on the basis of learning from regular comparisons.

However, national-level data problems of themselves are not a necessary or sufficient reason for policy inertia, as the process of successfully developing European over-time indicators in relation in the even more contested field of social exclusion amply demonstrates. We have seen that consultants reminded the Commission of these issues at the EU level in the early years of the millennium. If this policy had been given sufficient weight, the European Commission could have invested in research to capitalize on the expertise of the European third sector scholarly community to try to manage or even solve such

problems; and a serious and sustained process of developing robust indicators could have unfolded, presumably linked to the work of the more general expert indicators group that services the Employment Committee (the main venue for interaction between the Council and the Commission). There seem to be two key reasons why the political will to invest significantly in this area has been absent. First, as far as the public authorities were concerned, a lack of 'joining up' on the part of the European Commission with primary responsibility for policy here; and second, a lack of engagement from the third sector itself, in part as a reproduction of the national-level policy 'softness' problem on the European stage. We will consider each in turn.

In the part of the Commission most significant for the EES, DG Equal Opportunities, Employment & Social Affairs, our research unearthed an air of quizzical indifference to the lack of evidence and analysis on the sector's employment role. It may not have helped that two of the countries from which actors had initially pressed for attending to the third sector in employment policy terms – Italy (especially in the parliamentary arena) and France (in relation to the Commission) were among the weaker countries in terms of their track records on employment, so a less obvious source for lesson-drawing. But there was clearly also a paucity of communication channels and associated information flow within the Commission on employment and the third sector in the EES context. Not only was there apparently little exchange of ideas and insights by this DG with colleagues in DG Enterprise (with the policy brief for 'social enterprise'), but within the former directorate, any opportunities for policy-oriented dialogue across internal administrative boundaries presenting themselves seem not to have been seriously developed. Indeed EES responsibility was housed in a separate subunit ('Directorate') from those responsible for the European Social Fund,<sup>9</sup> where the third sector has been funded, and in an ad hoc way, represented in governance arrangements.

For example, EU-level feedback from 'Commission Initiatives'<sup>10</sup> such as EQUAL could have been relevant, but although sometimes individual countries spontaneously chose to refer to individual EQUAL projects in their NAPs there were no obvious channels for systematically linking any knowledge gleaned from EQUAL directly into the EES. Elsewhere, the 'third system' initiative promoted by the European Parliament, and the local social capital pilot (analysed in Chapter 11) were also administered from within Directorates within this DG, as was general steering responsibility for ESF programmes. Yet, even though the question of how to handle the policy interface between the OMC and the Structural Funds has begun to gain recognition (de la Porte and Pochet, 2005; Mailand, 2006), it seems no serious discussion emerged on the positioning of the third sector as simultaneously both OMC and Structural Fund 'partner'.

The situation may not have been helped by the status hierarchy that many have argued exists within DG EMPL, with 'programme administrative' components, dealing with ESF implementation issues, tending to be seen as less prestigious than those dealing with policy formation and design questions, and suffering from reputations for being complex and excessively bureaucratic in style. This may have put them in a difficult position in terms of packaging any lessons and insights that might have been played into the EES. Significantly, these problems were recognized by several of the reflective third sector evaluation consultants we spoke to – all with long track records of reviewing third-sector-relevant community initiatives and pilot programmes for the Commission. They acknowledged that the nature and complexity of the available data made it hard to

make the sort of simple, convincing and demonstrably evidence-based claims that were needed to persuade powerful political and bureaucratic figures alike of the ‘value-added’ of the sector in this sphere, and sustain its policy profile.<sup>11</sup> Indeed, this was felt to have become *increasingly* problematic over time as pressures to simplify and ‘streamline’ the EU’s processes and portfolio of initiative came into force. This was especially the case in the light of Kok and other recent reviews, which Mailand (2006) has shown were seeking to refocus the EES by making it more ‘output centred’. The third sector’s apparently weaker policy positioning since 2005 suggests it was caught in the ‘simplifying’ crossfire, being downgraded as an aspect of policy not obviously conducive to the EES’s quantitative employment goals, narrowly conceived.

Second, looking to the third sector itself in Brussels, no sustained support (which might have shaped political will) seems to have emerged from this direction either. The European Anti-Poverty Network (EAPN) has critiqued the EES in general, latterly expressing concerns about the implication of Kok-style simplifications for the quality of employment, and the compounding of social exclusion; but it has clearly not seen it as its role to promote the third sector as an employment policy actor per se. When we turn to perhaps the more obvious candidate from within the sector, the European Standing Conference on Cooperatives, Mutuals, Associations and Foundations (CEP-CMAF), we find an organization that was apparently choosing to focus on European issues in a way that simply reproduced the agenda prevailing in France (see Chapter 3). This, as we saw earlier, latterly disfavoured engagement with the EES partly on the grounds of the ‘softness’ or lack of legal force of its policy instruments. Finally, CIRIEC (International Centre of Research and Information on the Public, Social and Cooperative Economy), an academic leader in collating and interpreting data on ‘social economy’, has preferred to pursue a relatively abstract, thematic style, leading it away from examining empirically the EES implementation process in relation to this sector.<sup>12</sup> In toto, beyond the official institutions, at the EU level there was evidently no policy actor willing and able to invest time and energy in protecting, let alone bolstering or enhancing, the positioning of the third sector in an EES context.

### **13.5 Conclusion**

The materials reviewed in this chapter suggests that the sector completely failed to make headway in the OMC component of the EES, and identifies some of the factors that seem to explain this situation, both nationally and at EU level. Although broad discursive, political and epistemic conditions may have initially seemed encouraging in the warm glow of the 2000 Lisbon Agenda, a closer look at national policies and practices, in combination with evidence of comparative weaknesses and failures in EU-level infrastructure (inside and outside the state) reveals a fragile, fragmented and unevenly institutionalized reality.

There are clear contrasts here with the social exclusion policy nexus, which become especially obvious if the longer view is taken. Here, not only have Commission officials developed a sustained and mutually supportive relationship with relevant Brussels-based third sector groups, but strong and sustained connections have been made with the relevant specialist research community, which has also served to systematically protect and consolidate this sector’s positioning in the policy process. The process has certainly not unfolded as supporters of social exclusion NGOs had originally hoped (see Duffy and

Kiernan, 2007), but EU and national-level policy efforts in this sphere are clearly of a different order from those we have discussed here.

We will find it useful to return again to the contrast between the two OMC cases in the final chapter, but the two chapters that follow in completing this part of the book will shift our focus onto two relatively high-profile areas: the third sector's trajectory in efforts to develop a more coherent EU architecture by promoting a constitution or constitution-style treaty; and the unfolding of third sector policy in the context of another international organization, the United Nations.

## Notes

1. The Dahan et al. report (2003, p. 66) suggested the indicator 'specific projects to promote the social economy', and measuring the extent to which EU funding was involved in such projects. But it did not offer definitions, indicate how gaps in data availability could be resolved, or suggest any process for gathering or comparing any such data, making the recommendation essentially unusable. The Commission's website on 'local employment development' also refers to the local social capital programme evaluation reports as relevant although, as Chapter 11 showed, it is difficult to claim that such a deeply-flawed process significantly advanced knowledge relevant to the evaluation of employment measures.
2. This was evidenced most obviously after 2002 when the political right assumed power, with Jean-Pierre Raffarin as Prime Minister curtailing support for 'solidarity-based economy' at national level and cutting spending on 'social economy' institution-building initiatives (see Chapter 3).
3. In fact, the French public authorities had originally wanted legal enforceability in the original negotiations concerning the policy instruments to be made available under the EES (see Mailand, 2006, p. 153). Our interviews would imply French third sector actors would have supported this official position too.
4. A lack of European Parliamentary influence on the OMC at this time had been noted as a general problem, extending well beyond Italy, by de la Porte and Nanz (2004, p. 278): they describe this institution's level of interest in the OMC as 'low key', not least because of the lack of time to make a substantive input. While later revisions in the process may theoretically have provided more space for parliamentary influence, for our purposes we need to recognize that this was probably too late to capitalize on the high point of interest in the 'third system' identified in section 13.1, which had occurred some time before. In addition, in the case of Italy, a key potential bridge between European and domestic policy was also subsequently lost when one of the initiative's leading parliamentary promoters, socialist MEP Fiorella Ghilardotti, left Parliament in 2004, and died in 2005 (see also Chapter 16).
5. For instance, the 2003 NAP has a special chapter on governance, but this focused almost entirely on social partners and on municipal authorities: NGOs were mentioned only in passing when reference is made to an EQUAL project (that is, a project funded as a European Commission Community initiative to tackle discrimination in the labour market).
6. We can make only a descriptive remark on the situation in the other TSEP country, the Czech Republic. Although the country only formally joined the EU in 2004, as part of the process of gearing up for accession, the government approved the first employment NAP as early as 2001. Since then it has been renewed annually, under the guidance of the Ministry of Labour, but with other departments' collaboration. Here the process was seen essentially as a concern for the traditional social partners, in similar fashion to most of the existing member states. Linked to Tripartita, it involved key trade unions (*Ceskomoravská konfederace odborových svazů* and *Asociace samostatných odborů*) and employer unions (*Svaz průmyslu a dopravy Czech Republic*, *Konfederace zaměstnavatelských a podnikatelských svazů Czech Republic*). The main exception is that since 2002, the Czech Union of Women (*Ceský svaz žen*) had also been involved in preparing the fourth pillar: 'Enhancing equal opportunities of men and women' and was assigned to develop a project focused on harmonizing work and family life.
7. In 2004, a TSEN representative was actually invited to accompany officials and the social partners to the annual bilateral review meeting in Brussels with the Commission – the only national case where such a third sector invitation to Brussels was preferred.
8. Our conclusions are based on an examination of patterns of cross-cutting initiative, but it should be noted that in the case of client group-specific collective action, considered insufficiently horizontal to be in scope of our analysis in this chapter, greater levels of engagement could be apparent. In particular, organizations of and for people with disabilities, such as the Royal National Institute for the Blind in the UK, systematically took this process quite seriously, while women's groups were another constituency who saw it as presenting a significant opportunity (see Hvinden and Halvorsen, 2003; Roulstone and Barnes, 2005; Rubery, 2005). Particularly in Spain, Sweden and the UK, the leaderships and policy personnel of

groups of and for people with disabilities were motivated by a keen awareness that EU employment laws and policies could be an important lever for promoting equality and affecting the working lives – and hence life chances – of their constituents. At the EU level, the European Disability Forum, and funding opportunities provided by the EU via community programmes, including EQUAL (see main text below), also helped to encourage trans-European initiatives.

9. Responsibility for the implementation of the structural funds programme, including the ESF, was shared between the directorate within DG EMPL and the DG for Regional Affairs, further complicating the administrative apparatus at EU level.
10. Most financial contributions from the EU to the third sector have been administered by domestic public authorities, but ‘community initiatives’ have had a ‘transnational’ European character, and have involved the European Commission more directly in administration (rather than indirectly in governance at national level through representation on relevant monitoring committees). EQUAL was the most financially significant community initiative for the third sector during the Structural Funds regime in place at the time of our research (2000–07), especially via ‘Development Partnerships’ thematizing the sector as a route for social innovation in the context of anti-discrimination and equality policy
11. EU-sponsored conferences and seminars on programmes such as EQUAL have included components or sessions focusing on the third sector, the ‘third system’ stream of work prompted several events, and national presidencies, including France and Belgium, have sometimes organized fora focusing on social economy. But it is hard to see how such events have shaped the EES debate, directly or even indirectly (ECOTEC, 2001; European Commission 2002d; SQUARES Transnational Partnership, 2004; Bernard Brunhes International, 2006, pp. 97–8).
12. One exception was the attention paid to the EES in a study published in 2000, where a chapter by leading Spanish scholars took note of the new Guidelines and claimed they might be significant: see Chaves and Monzon (2000, pp. 95–6). However, this seems to have been exceptional. For example, the most recent stock-taking study under CIRIEC auspices, while nominally including a review of the history of EU social economy policy, finds no room at all for discussion of the OMC or the EES Guidelines (CIRIEC International, 2008).

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