

# Breaking Down the Compliance Issue

WHAT MAKES SOME MEMBER STATES COMPLY BETTER THAN OTHERS

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## **Abstract**

It is no secret that the in the aftermath of the 2008 financial crisis the European Union surfaced more divided than ever, with an even steeper difference between the new and the old Member States. This political and economic schism is spreading its effects throughout the whole “body” of the European Union and, of course, these effects can also be highlighted in the way Member States comply with EU policy. There are theoretical perspectives aimed at predicting the way Member States relate to the compliance issue. One such theory was put forward by Gerda Falkner and Oliver Treib who define four distinct worlds of compliance to EU policy, characteristic to different parts of Europe.

Following in their footsteps, this paper will investigate the factors that affect the implementation of EU policy. This will reveal a different perspective regarding the way Member States comply with EU policy, paving the way for a more detailed picture of the process. To do this it is necessary to analyze a complete policy cycle in order to reveal relevant information regarding different levels of compliance across the EU. The policy area that is investigated is in regard to employment, this being a crucial issue in the current economic and political environment in the EU.

## **1. Introduction**

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In this chapter of the thesis I will present the topic, area of research and statement of purpose. Also, for this chapter the hypotheses will be presented together with the social and scientific significance of the paper. The paper is structured into four chapters: Introduction, Methodology, Analysis and, finally Conclusions. Every chapter consists of a number of sub-chapters in order to give the paper a firm structure and a clear direction. The aims of the paper are to: a) highlight the most important factors that play a role in the way Member States comply with EU policy and b) to investigate what drives Member States to comply with European policy and c) what makes them do so in either a high or low amount. The research will point at the recommendations made by the European Commission in 2008 regarding the active inclusion of people who are excluded from the labour market and the results that these recommendations have had at national policy level (EC 2008). These recommendations were issued by the European Commission (EC) in 2008 and have been through the process of becoming national law. Therefore, with the release of an official assessment by the European Commission regarding the implementation of these recommendations by Member States (EC, 2013), this implementation cycle can be regarded as complete and will be used as an instrument for measuring compliance.

The analysis will zoom in on the 2008-2013 period, in which the Member States have implemented the recommendations made by the Commission in regards to the inclusion of people who are excluded from the labour market. In this relationship of downloading policy vertically, from the supranational to the domestic level, there are some factors which should further be explored in order to obtain a clearer picture. In other words, the process of implementing EU rules should be assessed differently in order to cover the rising number of differences between the Member States. As stated above, the paper will analyze the factors which affect the compliance rating of Member States in the EU. These factors have been identified, based on the related literature, as administrative capacity, salience, length of membership and political will ( (Dimitrova, 2010); (Dimitrova, Toshkov, 2009))

The paper will follow the policy cycle throughout its process of implementation. Therefore, the paper will analyze the three stages of implementation, namely the transposition, application and enforcement stage (Falkner, Treib, 2008), in four sample countries. The research will add on the existing literature on the subject by linking these three distinct stages of implementation to the factors which play a role when implementing EU policy. Even more, while transposition is very

important, a greater focus on application and enforcement will reveal not only the compliance rating of the Member States, but also the reasons that are behind said ratings. The paper will add on the theory put forward by Gerda Falkner and Oliver Treib in which Member States have a different way in which they comply with EU policy, the EU being split in four distinct areas or “worlds” (Falkner, Treib, 2008). Each of the Member States to be analyzed represent one of the above mentioned worlds.

## 1.2 *Research Questions*

The main research question of the paper is: *How do the factors influencing implementation affect the way Member States comply with EU policy?*

In order to answer this question a complete implementation cycle had to be selected. Therefore, the paper will look at the 2008 Commission recommendations regarding the active inclusion of people who are excluded from the labour market (EC 2008). To be able to analyze how these recommendations have been translated into national policy, the research will follow these specific Commission recommendations in the four selected sample countries throughout the implementation process<sup>1</sup>:

- 1) **Transposition stage** (characteristics: how were the recommendations received by the policy makers; was there more opposition or more support? Is the resulting national policy in tone with everything covered in the suggestions? Has anything been left out?)
- 2) **Application stage** (characteristics: is the new policy properly communicated to all the parties concerned? What are the measures taken for a smooth implementation process?)
- 3) **Enforcement stage** (characteristics: is the new policy properly enforced by the authorities and is it respected by the people who are being targeted by it?)

To properly analyze the implementation process, the research will take note of Country Specific Reports (CSR) on the respective policy matter, interviews, newspaper articles and official assessments by the Commission on the subject at hand. The research will assess the different levels of transposition, enforcement and application of the Commission recommendations on the

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<sup>1</sup> As seen in the analysis made by Gerda Falkner and Oliver Treib in “Three Worlds of Compliance or Four: The Eu-15 Compared to New Member States”

inclusion of people who are excluded from the labour market and determine whether or not Member States do, in fact, belong to the worlds of compliance they are assigned to and how do the factors described above affect this relationship of compliance.

The Member States selected for the research, present some differences at the administrative and political levels and the different lengths of their membership make them adequate for the research. Thus, the cases selected for research include a founding member (Germany, member since 1952), Greece (member since 1981), Sweden (member since 1995) and Romania (member since 2007). Even more, *taking note of the factors which influence how Member States comply with EU policy, what are the differences between states when it comes to the implementation process?* To answer this, the research will look at Member States' administrative capacity, salience of the policy in question, length of membership and political will.

### *1.3 Hypotheses*

Following the rationale behind the research question, countries need to be better made aware of their strengths and weaknesses when it comes to implementing EU policy. To do this the research will pinpoint the effects of the several factors which affect compliance and how this whole situation changes from one geographic area to the other. Therefore, the main research question "*How do the factors influencing implementation affect the way Member States comply with EU policy?*" gives way to the following hypothesis:

**AH1:** *High administrative capacity will translate to high compliance*

**AH2:** *High level of salience of the policy will translate to high compliance*

**AH3:** *The longer a state has been a member of the European Union the more likely it will be to have high compliance.*

**AH4:** *High political will translates to high compliance.*

These hypotheses are linked by their dependency on the factors which influence the policy implementation process. For example, weak states that have a rapid transposition of EU policy, as a result of high political will, can become stuck when it comes to the other two implementation stages, namely application and enforcement. Even more, when looking at strong

states, we might find a slower transposition process, dictated by a lack of political will, but a proficient way of applying and enforcing that given policy. By taking a closer look at how administrative capacity affects compliance, policy implementation might become a more efficient process and will add to the purpose of meeting the goals of Europe 2020 (Commssion, 2014)

#### *1.4 Social and Scientific Purpose*

The paper is aimed at reevaluating the compliance relationship between Member States and the European Union by taking into account the factors which influence policy implementation. This is important in order to get a clearer understanding of why some Member States have a higher rate of compliance than others. Furthermore, the Member States that are being researched provide interesting insight regarding the strengths and weaknesses of all four worlds of compliance. The three stages of policy implementation will provide crucial data regarding the way different Member States apply this process. This research will provide a better understanding of how Member States comply to EU rules and will expand the understanding of policy downloading. The research is crucial as it is a means of adapting the way we understand European politics in order to fit with the growing of the European Union. It is important to expand beyond the idea of Western stability in order to understand compliance in the EU as a whole. By analyzing the factors which affect the process of compliance it will be easier to point out faults and, also, a way to resolve these said faults.

#### *1.5 Structure*

The structure of the current research consists of an Introduction chapter in which the research questions are presented followed by a section in which the social and scientific significance is discussed. Following that is the chapter containing the Literature Review. The next chapter, Methodology, involves a section explaining the design and data collection methods used. The next chapter, Analysis, consists of four main parts attributed to the four case studies:

- The first part, Germany, consists itself of four parts, namely: the measurement of administrative capacity, salience, length of membership and political will; the compliance elicited from the Commission Report; the compliance elicited from the Independent Report and, the last part, the final compliance rating attributed to the case study.



- The second part, Sweden, consists of four parts: the measurement of administrative capacity, salience, length of membership and political will; the compliance elicited from the Commission Report; the compliance elicited from the Independent Report and, the last part, the final compliance rating attributed to the case study.
- The third part, Romania, also consists of four parts: the measurement of administrative capacity, salience, length of membership and political will; the compliance elicited from the Commission Report; the compliance elicited from the Independent Report and, the last part, the final compliance rating attributed to the case study.
- Finally, the last part of the Analysis chapter, Greece, consists of: the measurement of administrative capacity, salience, length of membership and political will; the compliance elicited from the Commission Report; the compliance elicited from the Independent Report and, the last part, the final compliance rating attributed to the case study.

The next chapter of the paper is Conclusions in which the results of the research are interpreted in accordance with the hypotheses presented. The last part of the paper consists of Annexes.

## 2. Literature Review

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In the “Three Worlds of Compliance or Four? The EU-15 compared to the New Member States” by Gerda Falkner and Oliver Treib, the theory that there are similarities between how different parts of Europe comply with Community law is put forward. The research was done in order to investigate if there is a fourth “world of revenge” (Falkner, Treib, 2008) specific to new Member States who have ascended and therefore lost the incentive to comply. The research compares compliance in different Member States in regard to six EU labour law Directives, including the Working Time Directive. In the study, the different worlds of compliance are characterized as follows. Firstly, the **World of Law Observance** (Falkner, Treib, 2008), specific to Nordic countries, Denmark, Finland and Sweden, is summed up by a high level of compliance. This “world” acts in a manner in which the compliance goal overrides domestic concerns and in the instances of non-compliance the situation is remedied quickly.

Furthermore, the **World of Domestic Politics**, specific to Austria, Belgium, Germany, the Netherlands, Spain and the UK, is characterized by an increased level of political resistance. Here the domestic concerns prevail in the case of a conflict of interest. On the other hand, if such a conflict of interest is present, the transposition and implementation stages go on swimmingly. The third world, the **World of Transposition Neglect**, specific to France, Greece, Luxembourg and Portugal, is characterized by inactivity as compliance with EU law is not a goal in itself. This division is marked by “*national arrogance*” (Falkner, Treib, 2008, p.297) as indigenous standards are regarded as being superior. Usually there is need for Commission intervention in order for the transposition stage to be initiated. The results, though, are characterized in the study as being mostly superficial as shortcomings in application and enforcement is a common phenomenon.

Lastly, the fourth world, presumed to be one of “revenge” compliance, specific to new Central and Eastern European Member States, turns out to be more an environment of “dead letters.” Thus, the fourth world, dubbed the **World of Dead Letters** is characterized by fast transposition but a very faulty process in the enforcement and application stage. This is mostly due to inefficient institutions, corruption, political resistance and a generally weak rule of law. The implementation cycle to be analyzed in the present research consists of a series of

recommendations made by the Commission in 2008 regarding the active inclusion of people who are excluded from the labour market (EC 2008). The Commission urges Member States to integrate active inclusion policies in such a way that the economic and social impact on disadvantaged people should be taken into account. Member States are also recommended to enhance the coordination between public agencies and services and between local, regional, national and EU authorities. These inclusion policies should support the implementation of fundamental rights, promote gender and opportunity equality, take into account the specific issues of various vulnerable groups, improve territorial cohesion and support intergenerational solidarity in order to break transmission of poverty throughout generations. (EC 2008)

The relationship between administrative capacity of Member States and the way said states comply with EU policy has been also covered by a number of researchers. States that are affected by corruption show significant effects. These effects range from an impoverished society, by reducing economic growth and undermining entrepreneurship, a faulty liberal democracy, as elites violate the legal limits of power, and a general distrust of state institutions. (Vachudova, 2009, p.44). The rather recent transformation of post-communist Member States has left behind a legacy of administrative inefficiency that plays an important role in the way these states cope with implementing EU policy. Regarding one of the case studies to be elaborated in the present research, the author notes *“in Romania a highly corrupt and unreformed former communist party captured the state and governed virtually unopposed until 1996”* (Vachudova, 2009, p.56). Romania is facing the ongoing consequences of an extended period of state capture. While there are signs that political power is less concentrated, the power of elite networks working in organized crime has been too strong to completely shake off. Romanian economy is known to be penetrated with organized crime which, in turn, is directly linked to political parties and state institutions. Even more, there is a general disinterest from government officials and civil servants to prosecute corruption and the crimes of these powerful criminal gangs (Vachudova, 2009, p.56).

Furthermore, when looking at studies of post-accession adoption of EU rules we find that only the transposition stage is clearly analyzed and that there is no further explanation of institutionalization beyond this point (Dimitrova, 2009). Numerous Europeanization studies identify domestic administrations and administrative traditions as key factors in the process of

transmitting EU rules to the Member States (Knill, 2001). One reason for which institutionalization is not explained beyond the transposition stage lies in the fact that administrative traditions as explanations are rooted in the West European context of stability, while Central and Eastern European countries have been in the process of a profound transformation following the fall of communism (Dimitrova, 2009). In other words, linking administrative capacity to the way Member States comply with EU policy is, indeed, needed as it will reveal way of improving this already intricate process.

Furthermore, even though the political environment is very different from the Western counterpart, CEE Member States did not slow down when adopting EU directives post-accession (Dimitrova, 2009). The related literature also points towards the inability of a weak state to actually apply EU policy, regardless of the way the transposition stage manifests itself. *“When the state is too weak to support institutional rules with sanctions or administrative resources, the newly adopted EU rules are likely to remain ‘dead letters’”* (Dimitrova, 2009). The focus on transposition, imposed by the Western view of the process, does not explain why these new Member States have such lower rates of compliance. New Member States are *“the champions of reducing transposition deficit”* (Dimitrova, Toshkov, 2009). Thus, the reason for the low compliance rating of these new Member States must be sought elsewhere. The early years of the 2007 enlargement fail to pinpoint the problem in the administrative capacity of these new countries, as the term was most likely to be used by political advisors and not in the context of academic research. The accession to the Union of the CEE states marks also the beginning of academic research catching up with the political situation, studies having an increased focus on the importance of administrative capacity (Dimitrova, Toshkov, 2009).

The body of literature clearly reflects the fact that the way Member States comply with new EU rules is an intricate process that extends beyond the transposition stage. The last enlargements of the European Union give way to an extended view of the way compliance is understood as more politically diverse countries join. The Western approach of analyzing this process should be extended in order to include the different political realities of the EEC Member States. Compliance should be understood beyond the transposition stage or the formal adoption of said rule. Given the literature reviewed here we can pinpoint the factors that influence compliance as

administrative capacity, salience, length of membership and political will. The related literature clearly indicates that the process through which compliance ratings are given to Member States needs to be adapted in order to include the differences in political culture that come with the latest enlargements of the European Union. By adapting the process to these differences not only the results will become more precise but also there will be better compliance as all Member States can be aware of their strengths while focusing on improving their weak points.

# 3. Methodology

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The current chapter of the paper consists of a part explaining the design, sampling and data collection used in the paper and a part dedicated to defining all the relevant terms which will be used in the current research. This chapter will also explain the various relations between variables and theoretical concepts and will provide information regarding the way the actual analysis will be undertaken. In order to have a good, easy to follow structure, this chapter will also present some visual aid in the form of tables and flowcharts.

## *3.1 Design, Sampling and Data Collection*

The design which will be used for the current research revolves around a qualitative type research. This means that one strategy to be used involves multiple case studies that set up a series of comparisons. The reasoning behind the selection of these four study cases lies in the differences between these four member states. The sample countries, which identify with a specific world of compliance, have all agreed to the recommendations in question, and the amount in which these have transformed into domestic policy is an issue of compliance. The basis of the sample of analysis will consist of Member States belonging to four worlds of compliance (Falkner, Treib, 2008, p.294), namely:

- 1)     **The world of law observance** (Sweden)
- 2)     **The world of domestic politics** (Germany)
- 3)     **The world of transposition neglect** (Greece)
- 4)     **The world of dead letters** (Romania)

These Member States belong to four different “worlds” of complying with EU policy. From an administrative capacity point of view, the selected case studies are strong states (Sweden, Germany) but also weak states (Greece, Romania). Therefore, analyzing the complete implementation process (transposition, application and enforcement) will reveal how this factor, as a stand-alone variable, affects their compliance rating. Even more, the differences are not the only ones that matter. The selected Member States are all pursuing the same goals, namely the objectives of Europe 2020 (EC, 2010). Also, given their differences the recommendations that

need implementing are the same, they are not tailored to a specific country profile. The purpose of the research, therefore, is to dissect the compliance issue and reveal not only the amount of compliance but also why some countries score higher.

### *3.2 Operationalization of Terms*

In order to have a reliable model, a brief description of the variables must be presented. Even more, these variables must be quantifiable in order to present measurements for the purpose of comparison. Therefore, the first variable, **administrative capacity** is defined as “a broader dimension of state capacity that includes the ability to develop policy, the ability to produce and deliver public goods and services and the ability to regulate commercial activity” (Hanson, Sigman, 2013). One method to measure **administrative capacity** is to look at outcomes of public goods and service delivery such as “percentage of children enrolled in primary schools, infant mortality rates and literacy rates” (Hanson, Sigman, 2013). Indicators for administrative capacity can be found at the Government Effectiveness rating from the Worldwide Governance Indicators (WGI) and the Sustainable Governance Indicators (SGI), Executive Capacity Indicator.

Therefore, by looking at the indicators of administrative capacity from the WGI, the following data presents itself. The “Estimate of Governance” indicator is modeled on a scale ranging from -2.5 (weak) to 2.5 (strong).

<b>Estimate of Governance</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Sweden	1.94	2.05	2.01	1.97	1.94
Germany	1.52	1.59	1.57	1.55	1.57
Romania	-0.32	-0.36	-0.25	-0.31	-0.31
Greece	0.59	0.61	0.55	0.55	0.31

Furthermore, the second variable, **salience**, can be defined as “the importance an actor attaches to an issue” (Warntjen, 2012). In this particular case, salience refers to the importance relevant actors attach to the 2008 Commission recommendations on active inclusion. Even though the

term seems quite abstract, this variable is measurable. The importance of an issue can be measured through the following sources of information: “expert interviews, secondary sources, text analysis, public opinion surveys, media coverage and procedural information” (Warntjen, 2012).

The third variable, **length of membership**, refers to the number of years a state has been part of the European Union. The number of years a country has been a member of the European Union affects the way that said state complies with EU policy. Therefore, for the case studies, the following information is made available:

- Sweden→ date of entry: 1995
- Germany→ date of entry: 1952
- Romania→ date of entry: 2007
- Greece→ date of entry: 1981

Finally, the fourth and last variable, **political will**, refers to the willingness of relevant actors to incorporate a certain issue. This variable is closely related with the theory of “worlds of compliance” (Falkner, Treib, 2008). In order to measure political will public statements and media coverage need to be taken into account. These data sources will show either increased or decreased willingness from actors to implement an active inclusion strategy.

Furthermore, it is important to pinpoint exactly the meanings of both compliance and implementation. Compliance is defined as “a state of conformity or identity between an actor’s behavior and a specified rule” (Fisher, 1981; Mitchell, 1994). It should also be noted that compliance is not necessarily a coercive process, the EU being a clear example of this statement. The current research examines compliance by analyzing policy which is not legally binding, the commitment of states to the policy being fueled by the necessity of states to participate in international regimes (Carlsnaes, Risse, Simmons, 2002). It should also be noted that compliance does not only involve conformity but also a state of identity with a specified rule. This means that if an international commitment matches current practices in a state compliance is automatic (Carlsnaes, Risse, Simmons, 2002).

Moving on, implementation is defined as the process putting international commitments into practice (Carlsnaes, Risse, Simmons, 2002). These commitments range from passage of



legislation, creation of an institution or the enforcement of certain rules. In the context of the current research, the process of implementation has been broken down to three stages, namely: transposition, application and enforcement. This model of envisioning implementation has also been used by Gerda Falkner and Oliver Treib in their paper on the European worlds of compliance (Falkner, Treib, 2008). Even more, a definition for the policy cycle must also be included. The policy cycle represents the development of a certain policy by following the process through a number of successive stages. The following operationalization tables have the purpose of defining all the important terms that come under research in the current paper.

### *3.3 Case Selection*

In this section the problem of case selection and selection bias will be addressed and the way this issue affects the contents of the current research. The research aims at reevaluating the way Member States comply with European Union policies by following four variables (administrative capacity, policy salience, length of membership and political will) throughout the process of policy implementation (transposition stage, application stage and the enforcement stage). The idea is to give a more in-depth understanding of why some Member States have higher compliance ratings than others. The whole paper is based on previous research done on the subject in which European geographical areas are assigned a type of behavioral pattern concerning compliance with EU policy (Falkner, Treib, 2008).

The design of the thesis revolves around the selection of four study cases, each one pertaining to a single “geographic area of compliance” or “worlds” (Falkner, Treib, 2008). The term “worlds” was pinned down in “Three Worlds of Compliance or Four? The EU15 Compared to New Member States” by Gerda Falkner and Oliver Treib and is crucial for the infrastructure of this current research. The problem with this is that there is a grave danger of selection bias as the case studies are seemingly already belonging to a compliance typology. Another issue with the design of the paper consists in the ambiguity of the chosen variables (administrative capacity, policy salience and political will). This chapter, therefore, has the goal of addressing these issues and providing a solution for avoiding this kind of bias.

Firstly, the issue of case selection bias will be addressed. The research done on the “worlds of compliance” (Falkner, Treib, 2008) stands on its own in the context of an European Union

which, in many aspects, is a lot different from today's EU. Since 2008 the European Union has expanded once more and, furthermore, the data pertaining to the compliance typology of Central and Eastern European Countries (CEEC) has undoubtedly changed. The 2008 study had insufficient information on the, then fresh, Member States like Romania and Bulgaria, the initial assumption of the study being that CEEC belonged to a "world" of revenge, as the carrot-and-stick type of motivation was not a factor anymore. This was disproven and the compliance typology was replaced with the "world of dead letters" where the countries in question lacked the political and administrative infrastructure to actually apply new downloaded policy. The 2008 study does not account for the financial crisis and the changes in policy which were adopted by the EU in order to combat this said crisis.

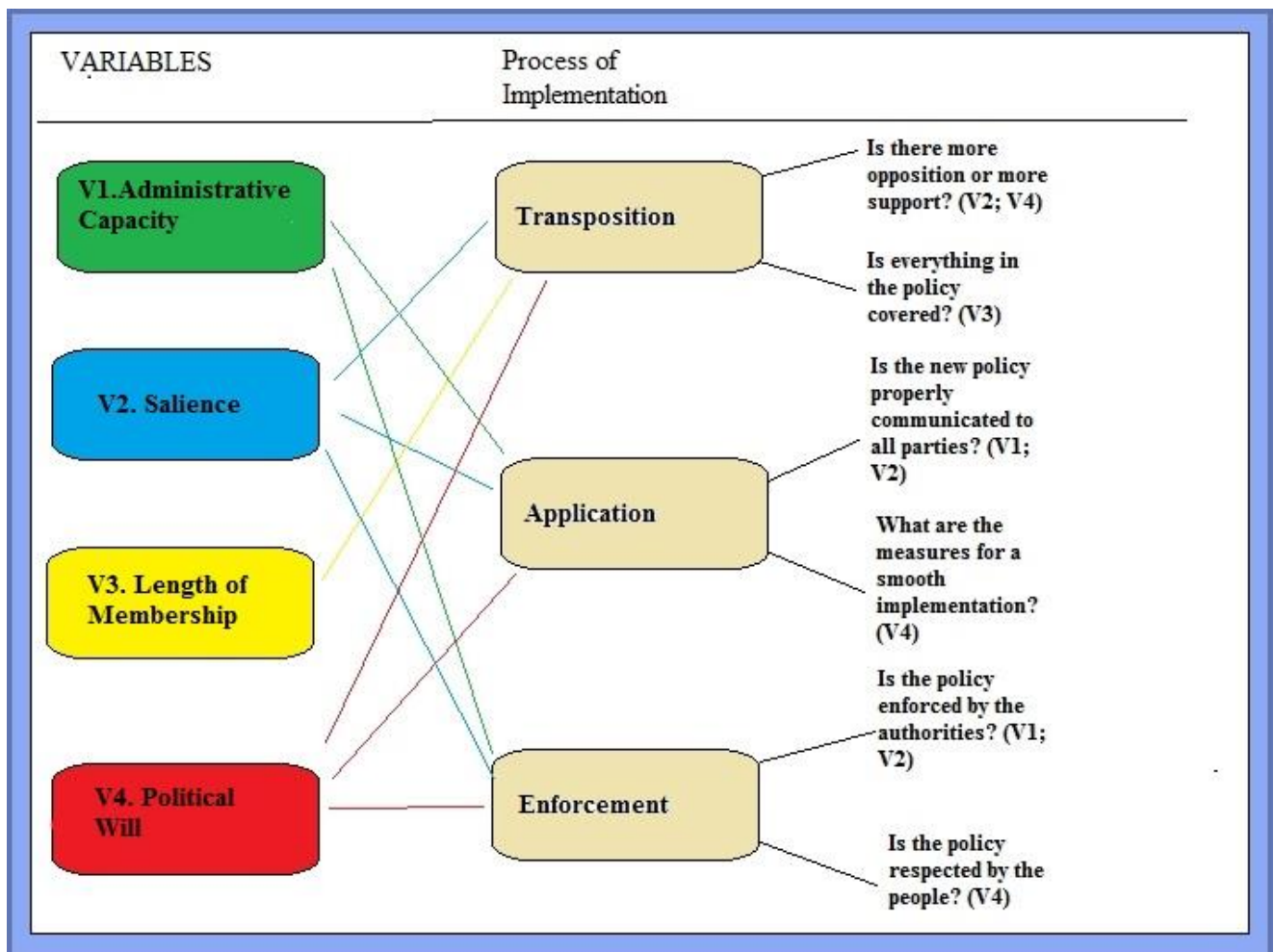
Even more, the 2008 study does not account for the wave of euro-skepticism that has spread recently amongst a large number of Member States. Therefore, the research uses the compliance typology put forward by Falkner and Treib in such a way as to be tested for accuracy as late as 2013, when the European Commission released a report on the implementation of the 2008 recommendations on the active inclusion of people excluded from the labour market. This specific set of recommendations from 2008 represents the implementation process that is being analyzed in the context of this thesis. One of the selected case studies, Romania, is a fine example for how the research does not take for granted the findings of Oliver Treib and Gerda Falkner, but instead continues on the same research path, adding new elements to the theory. Concerning the other three case studies, the research will show if the passing of time and the development of the 2008 crisis has affected in any way the European "worlds" of compliance.

Theoretical Concept	Variable	Definition	Measurement	Data Collection
COMPLIANCE	Administrative Capacity	A broader dimension of state capacity that includes the ability to develop policy, the ability to produce and deliver public goods and services and the ability to regulate commercial activity	The measurement refers to a scale ranging from -2.5 (weak) to +2.5 (strong)	Worldwide Governance Indicators (WGI); OECD indicators
	Salience	The importance an actor attaches to an issue	Salience can be measured by attributing a “high” or “low” quantifier	Expert Interviews; Secondary Sources; Text Analysis; Public Opinion Surveys; Media Coverage; Procedural Information
	Length of Membership	The period of time one given state has been a member of the European Union	Measurement in number of years one Member State has been part of the European Union	European union enlargement statistics
	Political Will	The willingness of relevant actors to incorporate a certain issue	Political Will can be measured by attributing a “high” or “low” quantifier	Public statements; Media coverage

*Table 1: Operationalization Table for Compliance*

Theoretical Concept	Variable	Definition	Measurement	Data Collection
The Process of Implementation	Transposition	Is the first stage of the implementation process and is characterized through strong opposition or support in a country's legislative body. Another characteristic of transposition refers to the fidelity of the new law;	Transposition is measured in the context of the current research by using a “+” or “-” quantifier	Official Commission Report; Independent Report; National Reform Programme
	Application	Is the second stage of the implementation process which is characterized by factors in relation to promoting the law and, also, the measures taken for the smooth enactment of this said law	Application is measured in the context of the current research by using a “+” or “-” quantifier	Official Commission Report; Independent Report; National Reform Programme
	Enforcement	Is the third stage of the implementation process which is characterized by the ability of responsible authorities to enforce the new law and, also, by the ability of the people to respect the new law	Enforcement is measured in the context of the current research by using a “+” or “-” quantifier	Official Commission Report; Independent Report; National Reform Programme

Table 2: Operationalization Table for the Process of Implementation



*Flowchart 1: The Relation between Variables and the Policy Implementation Stages*

In order to show the relation between the variables and the process of implementation the above flowchart was designed in order to provide some visual guidelines. The implementation process is defined through three separate stages. These stages are: 1) Transposition; 2) Application and 3) Enforcement. These three stages are defined by two characteristics each. More specifically:

- **Transposition** → is there more opposition or more support? + is everything in the policy covered?
- **Application** → is the new policy properly communicated to the parties concerned? + what are the measures taken for a smooth implementation?
- **Enforcement** → is the policy enforced by the authorities? + is the policy respected by the people?

Therefore, the process of implementation is being defined as the sum of the three stages, together with their defining characteristics. The next step is to highlight what variable is relevant for what characteristic. By taking into account the definitions of the variables we can assess what stage characteristics are relevant for every variable. Therefore:

**V1 Administrative Capacity** → Application → Is the new policy properly communicated to all the parties?

→ Enforcement → Is the new policy enforced by authorities?

**V2 Salience** → Transposition → Is there more opposition or more support?

→ Application → Is the new policy properly communicated to all the parties?

→ Enforcement → Is the new policy enforced by authorities?

**V3 Length of Membership** → Transposition → Is everything in the policy covered?

**V4 Political Will** → Transposition → Is there more opposition or more support?

→ Application → What are the measures taken for a smooth implementation?

→ Enforcement → Is the new policy respected by the people?

Compliance Table					
Official Commission Report		Independent Report		Final Rating	
Member State	Rating	Member State	Rating	Member State	Rating
Germany		Germany		Germany	
Sweden		Sweden		Sweden	
Greece		Greece		Greece	
Romania		Romania		Romania	

*Table 3: Sample of the Final Compliance Table which will rate the overall Compliance of the Selected Case Studies*

The last part of the research is going to conclude a final rating for the four case studies by averaging the marks from each of the data sources. In order to exemplify this using some visual aid, the above table had to be designed. These data sources are: the official report from the European Commission on the 2008 set of recommendations on active inclusion, the independent report on the 2008 set of recommendations and Member States' NRPs and NSRs. Because each data source rates Member States' activities using different values, one common scale had to be introduced. Therefore, compliance will be rated in this paper on a scale ranging from 6+ (the highest) to 1+ (the lowest), with intermediary levels like 5+/4+ and 3+/2+. The reasoning behind this way of rating consists in the fact that the highest possible compliance for a given Member

State would consist of 2+ for each implementation stage or 1+ for each characteristic of an implementation stage. By comparing the results for each of the data sources a final compliance rating will arise showing the relationship between the variables and compliance:

**AH1** *High administrative capacity will translate in high compliance*

**AH2:** *High level of salience of the policy will translate into high compliance*

**AH3:** *The longer a state has been a member of the European Union the more likely it will be to have high compliance.*

**AH4:** *High political will translates into high compliance.*

Besides case studies, the research will also deal with ethnography and discourse analysis, as this data is very important to the subject at hand. This data will be used in order to quantify political will and salience of the recommendations to be implemented. On the other hand, administrative capacity will be quantified using specialized indicators which can be found on specialized websites. Furthermore, the sampling to be used for the paper is theory based; more precisely, the theoretical construct to be followed will add on the one presented in Falkner and Treib's study on the "Worlds of Compliance" (Falkner, Treib, 2008). The case studies were selected for maximum variation as the emerging common patterns strengthens this paper's objectives. Data collection will revolve around observing patterns and reading documents; the case studies will act as means of making comparisons and, lastly, drawing the necessary conclusions.



## 4. Analysis

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This chapter consists of the analytical part of the paper and has the purpose of quantifying all the variables. This chapter is segmented into several parts. The first part concerns the first case study of the paper, Germany, in which administrative capacity, salience, political will and length of membership are quantified and compared directly to the compliance ratings received from the distinct data sources, namely: the official report by the Commission and the independent report. The second part consists of the second case study, Sweden, in which the four variables are quantified and compared directly to the compliance ratings resulted from the data sources, namely: the official report by the Commission and the independent report. The third part of the chapter consists of the third case study of the paper, Romania, in which the four variables are quantified and compared directly to the compliance ratings retrieved from the data sources. The fourth and last part of this chapter consists of the analysis of the fourth case study, Greece, in which the four variables are quantified and compared to the compliance ratings retrieved from the data sources.

The policy cycle to be analyzed in the paper consists of a series of recommendations made by the Commission in 2008 regarding the active inclusion of people who are excluded from the labour market (EC 2008). The Commission urges Member States to integrate active inclusion policies in such a way that the economic and social impact on disadvantaged people should be taken into account. Member States are also recommended to enhance the coordination between public agencies and services and between local, regional, national and EU authorities. These inclusion policies should support the implementation of fundamental rights, promote gender and opportunity equality, take into account the specific issues of various vulnerable groups, improve territorial cohesion and support intergenerational solidarity in order to break transmission of poverty throughout generations. (EC 2008)

Even more, Member States are urged to recognize the individual's basic right to resources and social assistance and provide an adequate income support without prejudice to community law. Within this framework, Member States should design the social protection systems in such a way as the incentive for work should not be lost upon those who are fit to do so. The Commission also recommends that the labour market should have an inclusive character, meaning that the

persons who are fit for work should be provided assistance in re-entering the job market. This should be done by following common principles like: addressing directly the people who are excluded, access to employment should be an open opportunity for all, promote quality jobs with adequate pay and improved working conditions and tackle market segmentation by promoting job retention and advancement.

The above principles should be implemented by following a list of practical guidelines including investing in human capital through inclusive education and training policies, support involving early identification of those in need, a continuous reviewing of incentives and disincentives to work, an increased attention to well-being, non-discrimination and the application of labour law. Member States should use the provisions and resources of Structural Funds, in particular the European Social Fund, to support these active inclusion measures and make sure that the availability of information regarding these rights and support measures are known by all. Therefore, every part of this chapter is broken down into four distinct sections:

1. A look at administrative capacity, salience, political will and length of membership
2. Compliance rating for the Official Commission Report
3. Compliance rating for the Independent Report
4. Final compliance rating

#### *4.1 Germany*

This subchapter consists of the analysis of the first case study of the paper, Germany. The analysis starts with the measurement for Germany's administrative capacity, the salience it assigned to the policy to be analyzed, length of membership in the European Union and political will. Next it is crucial to rate its compliance with the policy of active inclusion by analyzing the data sources and understand how the compliance can fluctuate from one source to the other. Finally, by adding up all the scores, the last part will present a final compliance score. The hypotheses of the paper claim that high administrative capacity, political will, salience and long term membership will translate into high compliance with the issue of active inclusion.

#### *4.1.1 Administrative capacity, salience, length of membership and political will*

In this part of the paper, it is necessary to measure the variables which are in direct connection with the process of implementation, namely:

- a) Administrative capacity
- b) Salience
- c) Length of Membership in the European Union
- d) Political Will

These variables are measured in the case of the first case study of the paper, Germany, in order to be compared with the compliance ratings in the field of active inclusion. By comparing the two measurements it is possible to determine the relation between the variables and throw the proper conclusions in regard with this research's hypotheses.

##### *a) Administrative Capacity*

As indicated in the Methodology chapter, administrative capacity is being defined as a broader dimension of state capacity that includes the ability to develop policy, the ability to produce and deliver public goods and services and the ability to regulate commercial activity” (Hanson, Sigman, 2013). One method to measure administrative capacity is to look at outcomes of public goods and service delivery such as “percentage of children enrolled in primary schools, infant mortality rates and literacy rates” (Hanson, Sigman, 2013). Indicators for administrative capacity can be found at the Government Effectiveness rating from the Worldwide Governance Indicators (WGI) and the Sustainable Governance Indicators (SGI), Executive Capacity Indicator.

Therefore, by looking at the indicators of administrative capacity from the WGI, the following data presents itself. The “Estimate of Governance” indicator is modeled on a scale ranging from - 2.5 (weak) to 2.5 (strong).

Germany	2008	2009	2010	2011	2012
Estimate of Governance	1.52	1.59	1.57	1.55	1.57

*Table 4: Germany: Estimate of Governance*

By averaging the values for the estimate of governance we obtain the value of administrative capacity in Germany between 2008 and 2012. The period of time represents the year when the Commission drafted the set of recommendations and the agreement of the Member States with this set of recommendations (2008) and the year when the Commission Report and the Independent Report have been released (2012). Therefore, by averaging the values we get a value of 1.56 (strong) in administrative capacity in the case of Germany.

Furthermore, another set of indicators referring to administrative capacity can be found at Sustainable Governance Indicators, the Executive Capacity indicator<sup>2</sup>. SGI defines Executive Capacity as Strategic Capacity, Interministerial Coordination, Evidence based Instruments, Societal Consultation, Policy Communication, Implementation and Adaptability. This definition is in line with the way administrative capacity is defined in this paper. The Executive Capacity indicator indicates a value of 6.9 in the case of Germany. Therefore, by averaging the resulting two values, Germany receives for administrative capacity a mark of  $(1.56 + 6.9) / 2 = 4.23$ .

#### b) Salience

Salience is defined in the context of the current research as “the importance an actor attaches to an issue.” In the case of Germany, the issue of implementing an active inclusion strategy in order to fight poverty is a top priority. The Federal Government has taken upon itself the task to remain innovative and create a social market economy with sound financial policies and good economic policies. Furthermore, another key issue regarded as a top priority, for both Germany and the EU Member States, is to adhere to the Stability and Growth Pact. The four broad strategic goals of the Stability and Growth pact are: fostering competitiveness; fostering employment; the sustainability of public finances; the reinforcement of financial stability and tax policy coordination. Even more, the G7 German presidency will “greatly influence the Federal

<sup>2</sup> More information about these indicators can be found at <http://www.sgi-network.org>

Government in 2015” and one of the key issues that will be spearheaded is “the eradication of absolute poverty by 2030.”

Even more, on the website of the Federal Ministry of Labour and Social Affairs, employment promotion, unemployment benefit, social security, the participation of disabled persons and initial and continual training are key issues. The Federal Government also acknowledges the need for the further implementation of active inclusion policies, this being a priority. “The active labour market policy makes an important contribution to integrating and improving the job opportunities of jobseekers. The CDU, CSU and SPD will continue and further develop the active labour market policy in the future. It is almost impossible for people to gain an overview of the large number of different support measures in place. There is considerable evidence that individual measures and the, in some cases, substantial sums paid out in unemployment insurance could be better targeted and used more economically and efficiently. The CDU, CSU and SPD will therefore scrutinise all labour market measures. Those measures which prove effective and help to enhance employability or lead to employment will be continued. Those measures which prove ineffective and inefficient will be scrapped. The review is to be completed by the end of the coming year.” (The Federal Government Statement of Governance, 2013).<sup>3</sup>

Based on the public statements and official documents from the German government and relevant actors it can be stated that the salience attributed to active inclusion is “high.”

### c) Length of Membership in the European Union

The Length of Membership of a Member State in the European Union is important in the context of this research because it is relevant to the time a country had in order to get in line with the standards pushed forward by the European Union. Germany is one of the founding countries and has been a member since 1952.

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<sup>3</sup> For more information go to <http://www.bundesregierung.de/Content/EN/StatischeSeiten/breg/koalitionsvertrag-1.html?nn=709674#doc23250bodyText2>

#### d) Political Will

Political Will has been defined in the context of the current paper as the willingness of relevant actors to incorporate a certain issue; it is measured by using either a “low” or “high” quantifier and can be measured by taking into account media coverage and public statements. The National Reform Programme Reports<sup>4</sup> can be used as a tool for measuring political will, as countries normally note down what they have accomplished but also their future intentions of reform. By looking at Germany’s National Reform Programme (2013) it is noticeable that further “fostering employment” and promoting “social inclusion, in particular by reducing poverty” are headlines of the agenda. The 2013 National Reform Program (NRP) in Germany acknowledges the issue of labour market participation and aims at taking action by reducing the high tax wedge in a budgetary neutral way, especially for low wage earners, while maintaining appropriate activation and integration measures for the long-term unemployed. The German Federal Government acknowledges that fostering employment has become a keystone in the process of German policy making. The NRP shows clearly that Germany has achieved most of the goals of Europe 2020. Thus, employment rate for people aged between 20 and 64 stands at 76.3% in 2011 and at 77.1% in the third quarter of 2012. Even more, employment rate for older citizens, aged between 55 and 64, stands at 59.9% in 2011 and 62.1% in the third quarter of 2012. The employment rate for women stands at 71.1% in 2011 and 71.7% in the third quarter of 2012. Therefore, Germany has already achieved the European targets for employment and is working towards achieving its own national target, higher than the European one. This paper defines compliance not only as conformity but also as a state of identity, meaning that in this case, compliance is automatic (Carlsnaes, Risse, Simmons, 2002). The Federal State is promoting social inclusion by reducing poverty. Long term unemployment has been highlighted as a key risk factor in experiencing poverty and social exclusion. With the introduction of resolute reforms and an added flexibility to the labour market, long term unemployment has contracted significantly.

Therefore, by taking into account Germany’s National Reform Programme it is evident that there is high political will aimed at the complete development of an active inclusion policy.

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<sup>4</sup> More information about Germany’s National Reform Programme can be found in Annex 3

#### *4.1.2 Commission Report on the 2008 Recommendations of Active Inclusion*

The Commission report on the 2008 recommendations on active inclusion places Germany in Group B<sup>5</sup> which is characterized by a relatively high share of jobless households, low level long term unemployment, high impact of social transfers, a relatively high level of activity rate and a low level of in-work poverty. This general characterization is accompanied by a low risk of poverty as indicated as a possible outcome. The Commission report rates Member States according to the three pillars of active inclusion which are: a) adequate income support; b) inclusive labour market measures and c) access to quality services.

The first pillar, “adequate income support,” refers to the capacity of the state to aid those who do not have sufficient resources in order to live in a manner compatible with human dignity. Furthermore, this support should be accompanied by an availability to work as the system should avoid inactivity traps. Even more, the report notes that one of the biggest challenges is reaching those people who are eligible for the support. This means that this indicator, “adequate income support,” refers to transposition, application and enforcement. The legislators need to design policies that cover the points of the 2008 set of recommendations in order to produce a policy that aids those who are in need and at the same time does not offer them a disincentive to work. Furthermore, the policy needs to be properly communicated to all the parties involved in order to get the best coverage. Finally, the policy needs to be enforced as the people need to take up the support they are eligible for.

The adequate income support pillar is described as a collection of two safety nets, more precisely the unemployment benefit system and the minimum income scheme. Germany, belonging to Group B, is described as doing well in terms of coverage, has high generosity and duration. On the other hand, high generosity means that the system offers great disincentives for people to return to the labour market and, thus, creating unemployment traps. The second level, the minimum income scheme, is also rated according to coverage, adequacy and labour market friendliness. In the case of Germany, the second level of adequate income support is regarded as comprehensive as it is characterized by high coverage and high generosity. On the other hand, like in the first level, the risk of creating unemployment traps is high. Germany is also mentioned

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<sup>5</sup> For more information on the structure and content of the Official Commission Report see Annex 1

as having extended its scope of coverage as it is offering in-work income support as more people are at risk of in-work poverty.

Therefore, the rating for Germany, according to the present research design, can be summed up in the following way. In terms of application and enforcement, more precisely coverage and communicating the policy to all the involved parties, Germany receives a “+” on both accounts. The high take up of these benefits shows not only that the policy is properly communicated to all the parties but also that it is enforced by the relevant authorities. On the other hand, in terms of transposition, Germany did not manage to avoid unemployment traps, the current system creating disincentives for people to return to the labour market. Therefore:

Germany	Transposition (Is everything in the policy covered?)	Application (Is the policy properly communicated to all the parties?)	Enforcement (Is the new policy enforced by authorities?)
Adequate Income Support	-	+	+

*Table 5: Germany Compliance, Adequate Income Support*

The second pillar used in the Commission report refers to “inclusive labour market measures” and consists of Member States supporting access to employment through active labor market policies (ALMPs). These policies should include lifelong learning, personalized support and guidance while, at the same time, they should ensure quality jobs, promote job retention and should enable advancement. The assessment of this indicator is based on labour market friendliness of tax and benefits systems, the level of labour market segmentation, the level of participation in activation measures and the design and level of expenditures on ALMPs. Therefore, this second indicator covers transposition and application. The design and expenditures on ALMPs are connected to covering all the points in the set of the 2008 recommendation. Labour market friendliness of tax and benefit systems and the level of labour market segmentation refer to measures taken for a smooth implementation while the level of participation in activation measures refers to the degree the new policy is properly communicated to all the parties involved.



Germany, belonging in Group B in the Commission report, is described as offering a strong support for activation as countries with a performant social protection system are more likely to have more comprehensive ALMPs. In-work poverty is a phenomenon closely tied with this second pillar of activation. Low work intensity combined with low wages can lead to in-work poverty. People most affected by this are lone parents with dependent children, people working on temporary contracts or who are engaged in a part-time job. This means that households with high work intensity can easily overcome the risk of in-work poverty. Germany's households are described as high to medium work intensity combined with high wages while the use of non-standard contracts has increased flexibility in the labour market.

In terms of active labour market measures, Germany is targeting different vulnerable groups through separate programmes. In terms of expenditure, Germany has allocated 2% of GDP for ALMPs in 2010 when the data was recorded. The German government is focusing on fighting long-term unemployment, job seekers being obliged to accept any job after entering one of these benefits programmes. Even more, if job seekers still fail in obtaining employment, the German government is offering, besides vocational training and occupational training, psychological and addiction support, therefore covering another vulnerable group at risk of poverty. Furthermore, in terms of labour market friendliness of benefits and tax systems, Germany is offering back-to-work benefits and earnings disregards, making participation in the labour market more viable. The wide covering activation measures in Germany and the variety of programmes designed to target vulnerable groups can be translated in a “+” mark for both transposition and application. Therefore

Germany	Transposition (Is everything in the policy covered?)	Application (Is the new policy properly communicated to all the parties?)	Application (What are the measures taken for a smooth implementation?)
Inclusive Labour Market Measures	+	+	+

*Table 6: Germany Compliance, Inclusive Labour Markets*

The final pillar of active inclusion, access to quality services, refers to the state's capacity of supporting people's inclusion in the labour market by providing physically accessible and affordable services across territories. These services need to be designed and delivered in a

comprehensive and coordinated manner and should be aimed at aiding all of those who are in need of such assistance. Therefore, in the context of the current paper, “access to quality services” refers to enforcement, more specifically to the enforcement of the policy by the designated authorities and also the people’s commitment to respecting this policy.

The Commission report rates access to quality services by taking note of access to childcare, housing costs, adult participation in education and training and social gradient in unmet need for healthcare. Germany, which belongs in Group B, is described as having high childcare use and high participation in education and training. The Commission reports that Germany has improved access to services for the disadvantaged in employment and training. Nevertheless, Germany offers a wide range of services on all areas and the high amount of take-ups of these services shows that the policy is enforced by authorities and also respected by the people. Therefore:

Germany	Enforcement (Is the new policy enforced by authorities?)	Enforcement (Is the new policy respected by the people?)
Access to Quality Services	+	+

*Table 7: Germany Compliance, Access to Quality Services*

#### *4.1.3 Independent report on the 2008 recommendations on active inclusion*

The second data source used in this paper in order to measure compliance is the Independent Report on the matter of active inclusion conducted by the European Network of Independent Experts on Social Inclusion<sup>6</sup>. In this report, the experts have focused on three issues, namely:

- a) the extent to which Member States have developed integrated comprehensive active inclusion strategies in line with the 2008 set of recommendations;
- b) the extent to which new or expanded measures have been introduced under each of the three strands since 2008;
- c) the impact and cost effectiveness of the overall strategy.

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<sup>6</sup> For more information on the structure and content of the Independent Report see Annex 2

In the context of the current paper, the three focusing points are appointed to different stages of the implementation process. Therefore, the first focus point, the extent to which Member States have developed comprehensive active inclusion strategies in line with the 2008 recommendations, refers to transposition, more precisely, if everything in the policy is covered. The second focus point, the extent to which new or expanded measures have been introduced under each of the three strands of active inclusion since 2008, refers to application, more precisely the extent to which the new policy has been communicated to all the parties and the measures taken for a smooth implementation. The last focusing point in the independent report, the impact and cost effectiveness of the overall strategy refers to enforcement, more precisely, to what extent the new policy is enforced by authorities and respected by the people.

In the first part of the report, the European Network of Independent Experts on Active Inclusion points out that a comprehensive strategy for active inclusion which combines, in a balanced way, adequate income support, inclusive labour markets and access to quality services, has been quite limited. The experts suggest that there has been some progress in some of the member states but there is a long way to go for the effective implementation of the 2008 recommendations. In this part of the paper, we will assess compliance to the first case study, Germany, based on the reports of the European Network of Independent experts on Active Inclusion.

Germany, is described in the report as bearing the same legislative burdens as the majority of EU member states, namely focusing too much on inclusive labour markets, particularly on activation measures and too little on adequate income support and access to quality services. Germany is characterized as having no comprehensive policy designed aimed at those who cannot work. Germany has not developed an integrated implementation in relation to those who cannot work. The main cause of this lack of strategy is the fragmentation of responsibilities across different ministries and agencies. Another problem is that these strategies are not implemented consistently at regional level. The report presents Germany as having no vertical coordination policy aimed at those who cannot work. The 2008 set of recommendations envisioned that all relevant actors will actively participate in the development of active inclusion strategies. These actors are people affected by poverty, social partners, non-

governmental organizations and social providers. Germany is lacking such active participation from its relevant actors in the case of those who cannot work. In the case of those who can work, the report places Germany in a position in which measures have not weakened nor strengthened, but remained the same with no improvement in the case of those who cannot work.

The area in which measures have been strengthened involves the inclusiveness of labour markets in relation to ensuring that the individuals who can work receive effective help to re-enter the labour market. Germany is placed by the experts in the category of member states who have strengthened measures in this area. Nevertheless, the improved measures refer to those who can work, with no developments in the case of those who cannot. In terms of access to quality services like social assistance services, employment and training services, housing support and social housing, childcare, long-term care services and health services, Germany has strengthened its measures in relation to those individuals deemed fit for work. With regard to a **comprehensive active inclusion strategy** a German expert is quoted: “In Germany, the European active inclusion strategy has never played an important role in the labour market and social policy debate. One reason is that the activation paradigm had already entered the German policy discourse in the second half of the nineties. While the Hartz reforms have been the major policy reform in the context of active inclusion in Germany, the activation approach was introduced step by step over the following years in other labour market and social policy areas. Since then, the concept of the ‘activating welfare state’ has become the leading paradigm of the German welfare state” (Frazer, Marlier, 2013).

On the other hand, the report recognizes some signs of progress stating that even though German federal governments have failed to design a comprehensive strategy aimed at fighting poverty, there is more interaction between social protection, labour market integration and quality service measures in areas such as active inclusion policies for long-term unemployed people. The assessment of individual experts in regard to the development of an integrated implementation of active inclusion in the case of those who can work is “somewhat” and “no” in relation to those who cannot work. In regards to the vertical policy coordination, the German expert states that “the vertical policy coordination system in federalist Germany is rather

heterogeneous and varies in the different social policy areas. No single coordination system has been developed for active inclusion strategies.”

To sum up, the first focusing point in the independent report, the extent to which Member States have developed integrated comprehensive active inclusion strategies in line with the 2008 set of recommendations, is eliciting compliance in terms of transposition. Has everything been covered in the new policy? Looking at the assessments of experts in this area it is safe to say that the answer is “no.” Failing to develop a strategy for active inclusion aimed at those who cannot work and failing to engage the relevant actors to actively participate in the development of such a strategy can be translated into a “-“ mark on transposition.

Germany	Transposition (Is everything in the new policy covered?)
Compliance	-

*Table 9: Germany Compliance, Transposition*

The second focusing point in the independent report refers to the extent to which new or expanded measures have been introduced under each of the three strands since 2008. This is in relation to application, more precisely involving the measures taken for a smooth implementation and the communication of the new policy to the relevant actors. Therefore, in the first strand of active inclusion, adequate income support, the experts’ assessment is that for both those who can work and those who cannot measures have stayed the same. It is, therefore, little evidence suggesting that Germany has made progress ensuring that resources are adequate for developing such a strategy. Furthermore, a 2011 report shows that recipients of minimum social income benefits have to live on an income which is below the poverty line.

The second strand of active inclusion, inclusive labour markets, has been strengthened in Germany in the case of those who can work and remained the same in the case of those who cannot work. Therefore, in Germany, in contrast to the Hartz IV reforms, long-term unemployed persons had low priority in the German labour market integration policies. The report states that the integration rate of long-term unemployed individuals in Germany has remained unchanged since 2005. Integrating target groups in the labour market is a measure that

can lead to an effective active inclusion strategy and in Germany the National Action Plan Integration has the inclusion of migrants as an integral part of its strategy. The programme “Perspektive 50plus” has initiated the establishment of 78 employment pacts with 421 job centres participating in the programme with the freedom of developing their own re-integration strategies based on regional needs.

In the context of the current research, this second focusing point refers to application. In terms of measures taken for a smooth implementation of the policy, Germany scores a “-“ mark as it fails to strengthen measures in relation to both those who can and cannot work. On the other hand, in terms of communicating the policy to all the parties, Germany scores a “+” mark as the programme “Perspektive 50plus” ranges over 421 job centres, representing 95% of all job centres.

Germany	Application (What are the measures taken for a smooth implementation?)	Application (Is the new policy communicated to all the involved parties?)
Compliance	-	+

*Table 10: Germany Compliance, Application*

The third focusing point of the independent report, the impact and cost effectiveness of the overall strategy, refers to enforcement, more precisely whether or not the new policy is enforced by authorities and respected by the people. The German monitoring of the strategy for active inclusion has become, in the context of the Social code Books III and II, the most intensely evaluated field of social policy in Germany. On the other hand, the German expert quoted in the independent report states that the creation of a national board for social inclusion would be a very helpful suggestion. Nevertheless, as this policy area is intensely monitored, the enforcement mark, on both counts, in the case of Germany is a “+” mark.

Germany	Enforcement (Is the new policy enforced by the authorities?)	Enforcement (Is the new policy respected by the people?)
	+	+

*Table 11: Germany Compliance, Enforcement*

#### *4.1.4 Final compliance rating*

Compliance Table					
Official Commission Report		Independent Report		Final Rating	
Member State	Rating	Member State	Rating	Member State	Rating
Germany	7+ and 1-	Germany	3+ and 2-	Germany	5+ and 1.5-

*Table 12: Germany, Final Compliance*

#### *4.2 Sweden*

This subchapter consists of the analysis of the second study case of the paper, Sweden. The analysis starts with the measurement for Sweden's administrative capacity, the salience it assigned to the policy to be analyzed, length of membership in the European Union and political will. Next it is crucial to rate its compliance with the policy of active inclusion by analyzing the data sources and understand how the compliance can fluctuate from one source to the other. Finally, by adding up all the scores, the last part will present a final compliance score. The

hypotheses of the paper claim that high administrative capacity, political will, salience and long term membership will translate into high compliance with the issue of active inclusion.

#### *4.2.1 Administrative capacity, salience, length of membership and political will*

In this part of the paper, it is necessary to measure the variables which are in direct connection with the process of implementation, namely:

- a) Administrative capacity
- b) Salience
- c) Length of Membership in the European Union
- d) Political Will

These variables are measured in the case of the second case study of the paper, Sweden, in order to be compared with the compliance ratings in the field of active inclusion. By comparing the two measurements it is possible to determine the relation between the variables and throw the proper conclusions in regard with this research's hypotheses.

##### *a) Administrative Capacity*

As indicated in the Methodology chapter, administrative capacity is being defined as a broader dimension of state capacity that includes the ability to develop policy, the ability to produce and deliver public goods and services and the ability to regulate commercial activity” (Hanson, Sigman, 2013). One method to measure administrative capacity is to look at outcomes of public goods and service delivery such as “percentage of children enrolled in primary schools, infant mortality rates and literacy rates” (Hanson, Sigman, 2013). Indicators for administrative capacity can be found at the Government Effectiveness rating from the Worldwide Governance Indicators (WGI) and the Sustainable Governance Indicators (SGI), Executive Capacity Indicator.

Therefore, by looking at the indicators of administrative capacity from the WGI, the following data presents itself. The “Estimate of Governance” indicator is modeled on a scale ranging from - 2.5 (weak) to 2.5 (strong).



Sweden	2008	2009	2010	2011	2012
Estimate of Governance	1.94	2.05	2.01	1.97	1.94

*Table 13: Sweden, Estimate of Governance*

By averaging the values for the estimate of governance we obtain the value of administrative capacity in Sweden between 2008 and 2012. The period of time represents the year when the Commission drafted the set of recommendations and the agreement of the Member States with this set of recommendations (2008) and the year when the Commission Report and the Independent Report have been released (2012). Therefore, by averaging the values we get a value of 1.98 (strong) in administrative capacity in the case of Sweden.

Furthermore, another set of indicators referring to administrative capacity can be found at Sustainable Governance Indicators, the Executive Capacity indicator<sup>7</sup>. SGI defines Executive Capacity as Strategic Capacity, Interministerial Coordination, Evidence based Instruments, Societal Consultation, Policy Communication, Implementation and Adaptability. This definition is in line with the way administrative capacity is defined in this paper. The Executive Capacity indicator indicates a value of 8.4 in the case of Sweden. Therefore, by averaging the resulting two values, Sweden receives for administrative capacity a mark of  $(1.98 + 8.4) / 2 = 5.19$

#### b) Salience

Salience is defined in the context of the current research as “the importance an actor attaches to an issue.” In the Swedish “Strategy Report for Social Protection and Social Inclusion”<sup>8</sup> the term “active inclusion” is not used. On the other hand, the strategy put forward by the Swedish government is in tight connection with the European strategy for active inclusion. The strategy touches on all strands of active inclusion (adequate income support, inclusive labour markets and access to quality services) and it acknowledges the necessity of strengthening policy meant to protect vulnerable groups like young people, the elderly and migrants. This acknowledgement of

<sup>7</sup> More information about these indicators can be found at <http://www.sgi-network.org>

<sup>8</sup> The entire document can be found at <http://www.government.se/content/1/c6/11/42/69/1009c964.pdf>

the necessity of measures linked to active inclusion paired with actual successful results in this policy areas shows that salience is ranked as “high.”

#### c) Length of Membership in the European Union

The Length of Membership of a Member State in the European Union is important in the context of this research because it is relevant to the time a country had in order to get in line with the standards pushed forward by the European Union. Sweden has been a member since 1995.

#### d) Political Will

Political Will has been defined in the context of the current paper as the willingness of relevant actors to incorporate a certain issue; it is measured by using either a “low” or “high” quantifier and can be measured by taking into account media coverage and public statements. The National Reform Programme Reports<sup>9</sup> can be used as a tool for measuring political will, as countries normally note down what they have accomplished but also their future intentions of reform. The 2013 National Reform Program in Sweden addresses the issues concerning employment policy and notes that the fight against unemployment should go hand in hand with reducing exclusion. The declared goal of the Swedish government is to reach full employment through fighting exclusion and activating disadvantaged groups like youth and older citizens. In order to counteract unemployment the labour market must become more flexible and inclusive. The Swedish Government approach to the issue is to continuously focus on improving the labour market situation for disadvantaged groups.

The NRP takes note of the main difficulties associated with the transition from education to the labour market. This transition needs to be simplified as many young people lack the competence and experience, discouraging companies to employ them. The Government’s solution to this issue was the launch of **work introduction agreements**. These agreements meant that youth would benefit from coaching and training within the working hours, the period spent in training being excluded from the calculation of the salary. The initiative was regarded as unsuccessful as few people have been employed under the conditions of such agreements. In order to improve this initiative, the Swedish Government is preparing proposals that aim at stimulating employment for young people through such agreements. These proposals will consist of wage

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<sup>9</sup> More information about Sweden’s National Reform Programme can be found in Annex 4

support and economic support for coaching, giving companies the necessary incentive to participate.

Therefore, by taking into account Sweden's National Reform Programme it is evident that there is high political will aimed at the complete development of an active inclusion policy.

#### *4.2.2 Commission Report on the 2008 Recommendations of Active Inclusion*

The Commission report on the 2008 recommendations on active inclusion places Sweden in group A<sup>10</sup> which is characterized by low share of jobless households, low level of long term unemployment, high impact of social transfers, relatively high level of activity rate and a low level of in-work poverty. The Commission report rates Member States according to the three pillars of active inclusion which are: a) adequate income support; b) inclusive labour market measures and c) access to quality services.

The first pillar, "adequate income support," refers to the capacity of the state to aid those who do not have sufficient resources in order to live in a manner compatible with human dignity. Furthermore, this support should be accompanied by an availability to work as the system should avoid inactivity traps. Even more, the report notes that one of the biggest challenges is reaching those people who are eligible for the support. This means that this indicator, "adequate income support," refers to transposition, application and enforcement. The legislators need to design policies that cover the points of the 2008 set of recommendations in order to produce a policy that aids those who are in need and at the same time does not offer them a disincentive to work. Furthermore, the policy needs to be properly communicated to all the parties involved in order to get the best coverage. Finally, the policy needs to be enforced as the people need to take up the support they are eligible for.

Sweden, belonging to group A, is characterized by extended coverage, generosity and duration in the first level of safety nets. On the other hand, high generosity can create disincentives for people to return to the labour market. It should also be noted that Sweden has extended the scope of its minimum income scheme to include in-work income support. Sweden's minimum income scheme is characterized by simplicity and comprehensiveness. It should be noted that take-up

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<sup>10</sup> For more information about the structure and content of the Commission Report see Annex 1

rates and coverage do not necessarily match as the take-up of benefits refers to the share of people who actually receive these said benefits. Reasons for the widening gap between take-up and coverage can range from a lack of information to very harsh eligibility conditions.

Therefore, the rating for Sweden, according to the present research design, can be summed up in the following way. In terms of application and enforcement, more precisely coverage and communicating the policy to all the involved parties, Sweden receives a “+” on both accounts. The high take up of these benefits shows not only that the policy is properly communicated to all the parties but also that is enforced by the relevant authorities. On the other hand, in terms of transposition, Sweden did not manage to avoid unemployment traps, the current system creating disincentives for people to return to the labour market. Therefore:

Sweden	Transposition (Is everything in the policy covered?)	Application (Is the policy properly communicated to all the parties?)	Enforcement (Is the new policy enforced by the authorities?)
Adequate Income Support	-	+	+

*Table 14: Sweden Compliance, Adequate Income Support*

The second pillar used in the Commission report refers to “inclusive labour market measures” and consists of Member States supporting access to employment through active labor market policies (ALMPs). These policies should include lifelong learning, personalized support and guidance while, at the same time, they should ensure quality jobs, promote job retention and should enable advancement. The assessment of this indicator is based on labour market friendliness of tax and benefits systems, the level of labour market segmentation, the level of participation in activation measures and the design and level of expenditures on ALMPs. Therefore, this second indicator covers transposition and application. The design and expenditures on ALMPs are connected to covering all the points in the set of the 2008 recommendation. Labour market friendliness of tax and benefit systems and the level of labour market segmentation refer to measures taken for a smooth implementation while the level of

participation in activation measures refers to the degree the new policy is properly communicated to all the parties involved.

Sweden, belonging to group A, is characterized by showing strong support for activation as countries with better performing social protection systems show more comprehensive ALMPs. Also, countries belonging to group A have higher rates for transitioning people out of poverty. Furthermore, ALMPs represent 0.85% of GDP on average as these policies are usually financed through unemployment insurance funds. Sweden is one of the countries in the EU with the largest spending on ALMPs in 2010. The most vulnerable groups of people are young and older workers, low skilled and long term unemployed, migrants and people with disabilities. Sweden has tackled this problem by developing different schemes for youth and older workers. This means that if a job seeker is unable to find work, the state will offer vocational or occupational training, thus reintroducing the individual into the labour market. It should also be noted that schemes are being designed in order to avoid inactivity and unemployment traps. The Swedish back-to-work benefits and earnings disregards make participation in the labour market more viable as benefits are phased out and not stopped immediately when the individual finds employment. The wide covering activation measures in Sweden and the variety of programmes designed to target vulnerable groups can be translated in a “+” mark for both transposition and application. Therefore:

Sweden	Transposition (Is everything in the policy covered?)	Application (Is the new policy properly communicated to all the parties?)	Application (What are the measures taken for a smooth implementation?)
Inclusive Labour Market Measures	+	+	+

*Table 15: Sweden Compliance, Inclusive labour Markets*

The final pillar of active inclusion, access to quality services, refers to the state’s capacity of supporting people’s inclusion in the labour market by providing physically accessible and affordable services across territories. These services need to be designed and delivered in a comprehensive and coordinated manner and should be aimed at aiding all of those who are in need of such assistance. Therefore, in the context of the current paper, “access to quality

services” refers to enforcement, more specifically to the enforcement of the policy by the designated authorities and also the people’s commitment to respecting this policy.

The Commission report rates access to quality services by taking note of access to childcare, housing costs, adult participation in education and training and social gradient in unmet need for healthcare. Sweden, belonging to group A, is characterized by high childcare use and high participation in education and training. A study developed by the OECD has confirmed that better access to healthcare, childcare, housing and care for the elderly can contribute to fighting inequality and poverty across various groups. The official Commission report shows that Sweden has improved in the area of employment and training. Nevertheless, Sweden offers a wide range of services on all areas and the high amount of take-ups of these services shows that the policy is enforced by authorities and also respected by the people.

This means that:

Sweden	Enforcement (Is the new policy enforced by the authorities?)	Enforcement (Is the new policy respected by the people?)
Access to quality Services	+	+

*Table 16: Sweden Compliance, Access to Quality Services*

#### *4.2.3 Independent report on the 2008 recommendations on active inclusion*

The second data source used in this paper in order to measure compliance is the Independent Report on the matter of active inclusion conducted by the European Network of Independent Experts on Social Inclusion<sup>11</sup>. In this report, the experts have focused on three issues, namely:

- a) the extent to which Member States have developed integrated comprehensive active inclusion strategies in line with the 2008 set of recommendations;
- b) the extent to which new or expanded measures have been introduced under each of the three strands since 2008;
- c) the impact and cost effectiveness of the overall strategy.

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<sup>11</sup> For more information about the structure and contents of the Independent Report see Annex 2

In the context of the current paper, the three focusing points are appointed to different stages of the implementation process. Therefore, the first focus point, the extent to which Member States have developed comprehensive active inclusion strategies in line with the 2008 recommendations, refers to transposition, more precisely, if everything in the policy is covered. The second focus point, the extent to which new or expanded measures have been introduced under each of the three strands of active inclusion since 2008, refers to application, more precisely the extent to which the new policy has been communicated to all the parties and the measures taken for a smooth implementation. The last focusing point in the independent report, the impact and cost effectiveness of the overall strategy refers to enforcement, more precisely, to what extent the new policy is enforced by authorities and respected by the people.

In the first part of the report, the European Network of Independent Experts on Active Inclusion points out that a comprehensive strategy for active inclusion which combines, in a balanced way, adequate income support, inclusive labour markets and access to quality services, has been quite limited. The experts suggest that there has been some progress in some of the member states but there is a long way to go for the effective implementation of the 2008 recommendations. In this part of the paper, we will assess compliance to the second case study, Sweden, based on the reports of the European Network of Independent experts on Active Inclusion.

The first focusing point of the report, the extent to which Member States have developed integrated comprehensive active inclusion strategies in line with the 2008 set of recommendations, refers to transposition, more precisely whether or not everything in the policy has been covered. On the comprehensiveness of the active inclusion strategy, the Swedish expert states that “the policy implemented by the centre-right government that came into power in 2006 was largely formulated before the elections. Thus, Sweden is not implementing EU policies; it is first and foremost a national policy agenda that is implemented” (Frazer, Marlier, 2013). This paper defines compliance not only as conformity but also as a state of identity, meaning that in this case, compliance is automatic (Carlsnaes, Risse, Simmons, 2002).

The report shows that Sweden is among the few member states which have developed a comprehensive policy design which defines the right mix of the three strands of active inclusion. This is true, however, only in the case of those who can work. The report shows that in the case of those who cannot work, Sweden did not develop an integrated comprehensive policy design. The Swedish expert states that “there is no plan B about how to avoid poverty and social exclusion among those who lack a realistic opportunity to find employment. The lack of a plan B is in a way a consequence of the government’s more or less explicit definition of social exclusion: ‘social exclusion = not working’.” (Frazer, Marlier, 2013)

Furthermore, an integrated implementation is required in the context of the 2008 set of recommendations and, according to the report, in the case of those who can work, Sweden has managed to develop such an integrated strategy. On the other hand, in the case of those who cannot work, Sweden did not plan for such a strategy. The report notes that the lack of an integrated plan in the case of those who cannot work is mostly due to the fragmentation of responsibilities spread out throughout different ministries. Nevertheless, the report shows that Sweden is very much interested in achieving an integrated approach. Proof of that is the fact that early retirement is seen as a health issue.

On the issue of vertical policy coordination, Swedish experts state that for both those who can and cannot work, the state has “somewhat” developed such coordination. Therefore, even though Sweden has managed to develop an integrated approach in the case of those who can work its limited definition of social exclusion translates into not being able to cover everything in the new policy.

Sweden	Transposition (Is everything in the policy covered?)
Compliance	-

*Table 17: Sweden Compliance, Transposition*

The second focusing point in the independent report refers to the extent to which new or expanded measures have been introduced under each of the three strands since 2008. This is in relation to application, more precisely involving the measures taken for a smooth implementation and the communication of the new policy to the relevant actors. The report shows that Sweden



has achieved full participation from its relevant actors. Furthermore, in the first strand of active inclusion, adequate income support, the report shows that in the case of both those who can and cannot work, Sweden has weakened measures. The reason for this is mainly due to the fact that eligibility criteria applied to social insurance has become stricter. Strict deadlines and time limits have been introduced for both sickness benefit and unemployment benefits. A consequence of this is that people experience income loss in case of illness and unemployment and this effect is increasing over time. On the other hand, Sweden has increased the incentive to work by introducing a job tax deduction, meaning that income from work is taxed significantly lower than other types of income. The second strand of active inclusion, inclusive labour markets, has not been weakened nor strengthened for both those who can and cannot work. Furthermore, in the case of the third strand of active inclusion, access to quality services, the report shows that measures in Sweden for both those who can and cannot work have remained the same.

The second focusing point of the independent report, the extent to which new or expanded measures have been introduced under each of the three strands since 2008, relates to application, more precisely to the extent the new policy has been communicated to all the involved parties and the measures introduced aiming at a smooth implementation. The report shows that Sweden has achieved full participation from its relevant actors meaning that the compliance rating is a “+” mark. On the other hand, the fact that measures have remained the same throughout the three strands of active inclusion shows can be translated into a “-“ mark. Therefore:

Sweden	Application (Is the new policy properly communicated to all the involved parties?)	Application (What are the measures taken for a smooth implementation?)
Compliance	+	-

*Table 18: Sweden Compliance, Application*

The third focusing point of the independent report, the impact and cost effectiveness of the overall strategy, refers, in the context of the current paper, to enforcement. The report shows that evaluation is an on-going and fairly efficient process. This is mainly because of the personal-number identification system of the population and monitoring has sustained its high standard. Enforcement is enacted also through different surveys such as the Labour Force Survey, EU-

SILC, Income Distribution Survey and the Survey for Living Conditions. This means that for the compliance mark regarding enforcement, Sweden scores a “+” mark on both counts.

Sweden	Enforcement (Is the new policy enforced by the relevant authorities?)	Enforcement (Is the new policy respected by the people?)
Compliance	+	+

*Table 19: Sweden Compliance, Enforcement*

#### 4.2.4 Final compliance rating

Compliance Table					
Official Commission Report		Independent Report		Final Rating	
Member State	Rating	Member State	Rating	Member State	Rating
Sweden	7+ and 1-	Sweden	3+ and 2-	Sweden	5+ and 1.5-

*Table 20: Sweden Final Compliance*

### *4.3 Romania*

This subchapter consists of the analysis of the third case study of the paper, Romania. The analysis starts with the measurement for Romania's administrative capacity, the salience it assigned to the policy to be analyzed, length of membership in the European Union and political will. Next it is crucial to rate its compliance with the policy of active inclusion by analyzing the data sources and understand how the compliance can fluctuate from one source to the other. Finally, by adding up all the scores, the last part will present a final compliance score. The hypotheses of the paper claim that high administrative capacity, political will, salience and long term membership will translate into high compliance with the issue of active inclusion.

#### *4.3.1 Administrative capacity, salience, length of membership and political will*

In this part of the paper, it is necessary to measure the variables which are in direct connection with the process of implementation, namely:

- a) Administrative capacity
- b) Salience
- c) Length of Membership in the European Union
- d) Political Will

These variables are measured in the case of the third case study of the paper, Romania, in order to be compared with the compliance ratings in the field of active inclusion. By comparing the two measurements it is possible to determine the relation between the variables and throw the proper conclusions in regard with this research's hypotheses.

##### *a) Administrative Capacity*

As indicated in the Methodology chapter, administrative capacity is being defined as a broader dimension of state capacity that includes the ability to develop policy, the ability to produce and deliver public goods and services and the ability to regulate commercial activity" (Hanson, Sigman, 2013). One method to measure administrative capacity is to look at outcomes of public goods and service delivery such as "percentage of children enrolled in primary schools, infant mortality rates and literacy rates" (Hanson, Sigman, 2013). Indicators for administrative capacity

can be found at the Government Effectiveness rating from the Worldwide Governance Indicators (WGI) and the Sustainable Governance Indicators (SGI), Executive Capacity Indicator.

Therefore, by looking at the indicators of administrative capacity from the WGI, the following data presents itself. The “Estimate of Governance” indicator is modeled on a scale ranging from -2.5 (weak) to 2.5 (strong).

Romania	2008	2009	2010	2011	2012
Estimate of Governance	-0.32	-0.36	-0.25	-0.31	-0.31

*Table 21: Romania Estimate of Governance*

By averaging the values for the estimate of governance we obtain the value of administrative capacity in Romania between 2008 and 2012. The period of time represents the year when the Commission drafted the set of recommendations and the agreement of the Member States with this set of recommendations (2008) and the year when the Commission Report and the Independent Report have been released (2012). Therefore, by averaging the values we get a value of -0.31 (weak) in administrative capacity in the case of Romania.

Furthermore, another set of indicators referring to administrative capacity can be found at Sustainable Governance Indicators, the Executive Capacity indicator<sup>12</sup>. SGI defines Executive Capacity as Strategic Capacity, Interministerial Coordination, Evidence based Instruments, Societal Consultation, Policy Communication, Implementation and Adaptability. This definition is in line with the way administrative capacity is defined in this paper. The Executive Capacity indicator indicates a value of 4.4 in the case of Romania. Therefore, by averaging the resulting two values, Romania receives for administrative capacity a mark of  $(-0.31 + 4.4) / 2 = 2.04$

#### b) Salience

Salience is defined in the context of the current research as “the importance an actor attaches to an issue.” In the case of Romania, the issue of active inclusion of people excluded from the labour market is present in the statements of relevant actors. For example, a Government sponsored programme aimed at the active inclusion of people living in rural areas is present on

<sup>12</sup> More information about these indicators can be found at <http://www.sgi-network.org>

the website. Even more, the Department for Gender Equality in Romania (Departamentul Pentru Egalitate de Sanse intre Femei si Barbati) highlights in a press statement one of the main priorities which is “Promotion of Active Inclusion.” The promotion of active inclusion is a government structural project under which several programmes<sup>13</sup> have been developed starting with 2010. By acknowledging the political discourse in connection with active inclusion it can be stated that the salience attributed by the actors to the issue at hand is “high.”

#### c) Length of Membership in the European Union

The Length of Membership of a Member State in the European Union is important in the context of this research because it is relevant to the time a country had in order to get in line with the standards pushed forward by the European Union. Romania has been a member since 2007.

#### d) Political Will

Political Will has been defined in the context of the current paper as the willingness of relevant actors to incorporate a certain issue; it is measured by using either a “low” or “high” quantifier and can be measured by taking into account media coverage and public statements. The National Reform Programme Reports<sup>14</sup> can be used as a tool for measuring political will, as countries normally note down what they have accomplished but also their future intentions of reform. In the Romanian 2012 National Reform Programme (NRP), it is stated that the 2020 national target for employment of people aged 20 to 64 is 70%. The report takes note of the need for more flexible employment procedures in case of day laborers, the reform of the social dialogue legislation, the increase in the labour market participation, the importance of the transition from unemployment or inactivity to employment and the integration of young people into the labour market. The report does not mention the development of an active inclusion strategy which describes political will as low.

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<sup>13</sup> Programmes that target active inclusion can be found at <http://www.eu-rural.ro/http://www.mmuncii.ro/j33/index.php/ro/comunicare/comunicate-de-presa/3618-2014-11-27-cp-desfbhttp://www.proiecte-structurale.ro/AXA-6-Incluziune-sociala/Incluziune-sociala-si-pe-piata-muncii-prin-intreprinderi-sociale--pID13324.html>

<sup>14</sup> More information about Romania’s National Reform Programme can be found in Annex 5

#### *4.3.2 Commission Report on the 2008 Recommendations of Active Inclusion*

In order to give an appropriate rating based on the system presented in the paper's research design, the first thing to do is to highlight the portions in the report which are relevant for the three stages of policy implementation. Secondly, each Member State to be analyzed needs to be tracked down in the report in order to assess a rating. In the overall, general rating of the Commission's report, Romania belongs to group D<sup>15</sup> which is characterized by "relatively high share of jobless households, low level of long term unemployment, impact of social transfers is very low, very low level of activity rate, relatively high level of in-work poverty" (Commission, 2013). This general characterization points towards an inefficient implementation process in Romania as shown by the high share of jobless households, the low impact of social transfers, the low level of activity rate and the relatively high level of in-work poverty. On the other hand, the low level of long-term unemployment points towards advances in implementing active inclusion. The Commission report rates the Member States' compliance with the 2008 recommendations according to the following indicators: a) adequate income support; b) inclusive labour market measures; c) access to quality services.

The first indicator, adequate income support, refers to the capacity of the state to aid those who do not have sufficient resources in order to live in a manner compatible with human dignity. Furthermore, this support should be accompanied by an availability to work as the system should avoid inactivity traps. Even more, the report notes that one of the biggest challenges is reaching those people who are eligible for the support. This means that this indicator, adequate income support, refers to transposition, application and enforcement. The legislators need to design policies that cover the points of the 2008 set of recommendations in order to produce a policy that aids those who are in need and at the same time does not offer them a disincentive to work. Furthermore, the policy needs to be properly communicated to all the parties involved in order to get the best coverage. Finally, the policy needs to be enforced as the people need to take up the support they are eligible for.

Romania, belonging to Group D, is characterized by "low coverage, low generosity, low duration and benefit systems with low disincentives" (Commission, 2013). This characterization points

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<sup>15</sup> For more information about the content and structure of the Commission Report see Annex 1

towards a rating of “-“ for the application and enforcement stages of implementation as the system fails to cover all of those who are in need and, consequently, the people eligible for support do not have the means to take up this assistance. In terms of transposition, low generosity and low duration point towards a flawed design. The only positive remark, “low disincentives,” would represent a “+” but this is more a consequence of a poorly designed policy as the individuals in need have no other choice but to look for employment. Therefore, for the “adequate income support” indicator, Romania scores a “-“ on all three implementation stages.

Romania	Transposition (Is everything in the policy covered?)	Application (Is the new policy properly communicated to all the parties?)	Enforcement (Is the new policy respected by the people?)
Adequate Income Support	-	-	-

*Table 22: Romania Compliance, Adequate Income Support*

The second indicator used in the Commission report refers to “inclusive labour market measures” and consists of Member States supporting access to employment through active labor market policies (ALMPs). These policies should include lifelong learning, personalized support and guidance while, at the same time, they should ensure quality jobs, promote job retention and should enable advancement. The assessment of this indicator is based on labour market friendliness of tax and benefits systems, the level of labour market segmentation, the level of participation in activation measures and the design and level of expenditures on ALMPs. Therefore, this second indicator covers transposition and application. The design and expenditures on ALMPs is connected to covering all the points in the set of the 2008 recommendation. Labour market friendliness of tax and benefit systems and the level of labour market segmentation refer to measures taken for a smooth implementation while the level of participation in activation measures refers to the degree the new policy is properly communicated to all the parties involved.

Romania, belonging to Group D, is shown to have low support for activation, as countries with deficient social protection systems seem to have less comprehensive ALMPs. This is grouped with a low transition out of poverty, a characteristic of eastern and southern Member States. Regarding expenditures on ALMPs, Romania has spent very little on these kind of policies,

either active or passive. The report shows that Romania has spent a little over 0.5% of GDP on ALMPs. For example, in the case of unsuccessful occupational or vocational training, Romania provides a mandatory measure for activation by providing compulsory involvement in public works like social services or cleaning. This, however, should be complemented by improving the prospects of those who seek employment to actually find a job. This is crucial as to avoid locking the targeted people in such a scheme. Furthermore, Romania is providing back-to-work and tax allowances in order to make participation in the labour market more viable. Furthermore, in terms of education and training, Romania shows a low level of participation. Regarding the design of ALMPs, Romania is noted to have improved **access to quality services** for the disadvantaged in the following areas: employment and training, social assistance, health and housing.

Romania	Enforcement (Is the new policy enforced by the authorities?)	Enforcement (Is the new policy respected by the people?)
Access to quality services	-	-

Furthermore, the report takes note of the integrated active inclusion strategy, Romania showing a fully integrated approach, meaning that minimum income schemes are linked to labour activation measures and access to services. In terms of the participation of relevant actors, the level of meaningful stakeholder participation in Romania was scored as “very low” (Commission, 2013). Even more, the Commission report makes available the following data on Romania’s inclusiveness of the labour market:

**Involuntary part-time employment as percentage of the total part-time employment: 53** (based on Eurostat LFS Survey) (Commission, 2013, p.53)

**Transitions from temporary to permanent employment: 61** (Eurostat EU SILC Survey DG EMPL calculation) (Commission, 2013, p.53)

**Low wage trap for single earners: 0.35** (Commission, 2013, p.53)

**Low wage trap for secondary earners: 0.11** (Commission, 2013, p.53)



**Activation-Support (LMP participants per 100 persons wanting to work) 2010: 3.2** (LMP Database) (Commission, 2013, p.53)

In terms of transposition, covering all the points in the 2008 recommendations, Romania has developed measures that foster activation and has developed a fully integrated inclusion strategy while improving access to disadvantaged groups. On the other hand, in terms of application, measures taken for a smooth implementation, Romania is trapping those who are in need in low wage schemes and is showing a highly fragmented labour market. In terms of participation of the relevant actors, Romania scores a “-“ with a low level of participation in life-long education and a low level of participation of relevant stakeholders. Therefore:

Romania	Transposition (Is everything in the policy covered?)	Application (Is the new policy properly communicated to all the parties?)	Application (Measures taken for a smooth implementation)
Inclusive Labour Market Measures	+	-	-

*Table 23: Romania Compliance, Inclusive Labour Markets*

#### *4.3.3 Independent report on the 2008 recommendations on active inclusion*

The second data source used in this paper in order to measure compliance is the Independent Report on the matter of active inclusion conducted by the European Network of Independent Experts on Social Inclusion<sup>16</sup>. In this report, the experts have focused on three issues, namely:

- a) the extent to which Member States have developed integrated comprehensive active inclusion strategies in line with the 2008 set of recommendations;
- b) the extent to which new or expanded measures have been introduced under each of the three strands since 2008;
- c) the impact and cost effectiveness of the overall strategy.

In the context of the current paper, the three focusing points are appointed to different stages of the implementation process. Therefore, the first focus point, the extent to which Member States

<sup>16</sup> For more information about the structure and content of the Independent Report see Annex 2

have developed comprehensive active inclusion strategies in line with the 2008 recommendations, refers to transposition, more precisely, if everything in the policy is covered. The second focus point, the extent to which new or expanded measures have been introduced under each of the three strands of active inclusion since 2008, refers to application, more precisely the extent to which the new policy has been communicated to all the parties and the measures taken for a smooth implementation. The last focusing point in the independent report, the impact and cost effectiveness of the overall strategy refers to enforcement, more precisely, to what extent the new policy is enforced by authorities and respected by the people.

In the first part of the report, the European Network of Independent Experts on Active Inclusion points out that a comprehensive strategy for active inclusion which combines, in a balanced way, adequate income support, inclusive labour markets and access to quality services, has been quite limited. The experts suggest that there has been some progress in some of the member states but there is a long way to go for the effective implementation of the 2008 recommendations. In this part of the paper, we will assess compliance to the third case study, Romania, based on the reports of the European Network of Independent experts on Active Inclusion.

The first focusing point of the report, the extent to which Member States have developed integrated comprehensive active inclusion strategies in line with the 2008 set of recommendations, refers to transposition, more precisely whether or not everything in the policy has been covered. In the case of Romania, the expert states that “on the background of the austerity measures, the initial progress in the direction of active inclusion and poverty reduction has been cut off by decreasing job opportunities, cuts in social benefits and restricted access and cuts in services both in terms of ease of use and coverage” (Frazer, Marlier, 2013). Therefore, the Romanian expert assessment of the extent to which a comprehensive integrated policy design has been developed is “somewhat” for both those who can and cannot work.

On the other hand, there are some signs of progress as “in Romania, social policy making is more and more taking into consideration the principles of active inclusion translated into the development of wide-ranging policy measures addressing the disadvantaged groups. The policy design for active inclusion places emphasis on the balance between the flexibility of the labour

market and security of employment and social position of people. The recently adopted Labour Code (law 40/2011, updated version of law 53/2003) covers some main aspects including: flexible and reliable contractual arrangements comprehensive lifelong learning strategies to ensure the adaptability and employability of workers, particularly the most vulnerable; social security system that provides income support encourages employment and facilitates labour market mobility. This includes coverage of social protection provisions (unemployment benefits, pensions and healthcare) that help people combine work with private and family responsibilities such as childcare” (Frazer, Marlier, 2013). Furthermore, one of the biggest problems of developing a comprehensive integrated policy is an unbalanced approach. This is true for the case of Romania as the Romanian expert states that “the focus goes on increasing employment opportunities among vulnerable groups while quality of employment, ensuring adequacy of income and access to social services are not sustained by specific targets or actions” (Frazer, Marlier, 2013).

This first part of the independent report refers to transposition, more exactly whether or not everything has been covered in the policy. Even though there has been some progress it is clear that the focus of the Romanian government is not on this present issue. This means that, in terms of compliance, Romania scores a “-“mark on transposition.

Romania	Transposition (Has everything in the policy been covered?)
Compliance	-

*Table 24: Romania Compliance, Transposition*

The second focusing point in the independent report refers to the extent to which new or expanded measures have been introduced under each of the three strands since 2008. This is in relation to application, more precisely involving the measures taken for a smooth implementation and the communication of the new policy to the relevant actors. The report shows that Romania has “somewhat” achieved participation of the relevant actors on both counts, those who can and cannot work. In the first strand of active inclusion, adequate income support, the report shows that for both those who can and cannot work measures have been weakened. The reason for this is mainly because in Romania, most of the social assistance

benefits have low adequacy and spending on poverty targeted programmes has decreased relative to GDP in recent years. Well targeted programmes such as the Guaranteed Minimum Income or Income-tested family allowances are underfunded, leaving out 60% of the rural poor and 77% of the urban poor.

Furthermore, in the second strand of active inclusion, inclusive labour markets, the report shows that measures in Romania have remained the same for both those who can and cannot work. In the third strand of active inclusion, access to quality services, the report shows that measures have been weakened for both those who can and cannot work. The data from the independent report shows that for application, more precisely if the policy has been communicated to all the parties and the measures taken for a smooth implementation, Romania scores a mark of “-“

Romania	Application (Is the new policy communicated to all the parties?)	Application (What are the measures taken for a smooth implementation?)
Compliance	-	-

*Table 25: Romania Compliance, Application*

The third focusing point of the independent report, the impact and cost effectiveness of the overall strategy, refers to enforcement, more precisely whether or not the new policy is enforced by authorities and respected by the people. The report shows that only a few member states have placed arrangements in order to monitor the development of the active inclusion strategy and Romania is not part of those member states. This means that in terms of enforcement, Romania gets a “-“mark on both counts.

Romania	Enforcement (Is the new policy enforced by the authorities?)	Enforcement (Is the new policy respected by the people?)
Compliance	-	-

*Table 26: Romania Compliance, Enforcement*

#### 4.3.4 Final compliance rating

Compliance Table					
Official Commission Report		Independent Report		Final Rating	
Member State	Rating	Member State	Rating	Member State	Rating
Romania	5- and 1+	Romania	5-	Romania	5- and 0.5+

Table 27: Romania Final Compliance

#### 4.4 Greece

This subchapter consists of the analysis of the fourth case study of the paper, Greece. The analysis starts with the measurement for Greece's administrative capacity, the salience it assigned to the policy to be analyzed, length of membership in the European Union and political will. Next it is crucial to rate its compliance with the policy of active inclusion by analyzing the data sources and understand how the compliance can fluctuate from one source to the other. Finally, by adding up all the scores, the last part will present a final compliance score. The hypotheses of the paper claim that high administrative capacity, political will, salience and long term membership will translate into high compliance with the issue of active inclusion.

##### 4.4.1 Administrative capacity, salience, length of membership and political will

In this part of the paper, it is necessary to measure the variables which are in direct connection with the process of implementation, namely:

- a) Administrative capacity
- b) Salience
- c) Length of Membership in the European Union

#### d) Political Will

These variables are measured in the case of the fourth case study of the paper, Greece, in order to be compared with the compliance ratings in the field of active inclusion. By comparing the two measurements it is possible to determine the relation between the variables and throw the proper conclusions in regard with this research's hypotheses.

#### a) Administrative Capacity

As indicated in the Methodology chapter, administrative capacity is being defined as a broader dimension of state capacity that includes the ability to develop policy, the ability to produce and deliver public goods and services and the ability to regulate commercial activity" (Hanson, Sigman, 2013). One method to measure administrative capacity is to look at outcomes of public goods and service delivery such as "percentage of children enrolled in primary schools, infant mortality rates and literacy rates" (Hanson, Sigman, 2013). Indicators for administrative capacity can be found at the Government Effectiveness rating from the Worldwide Governance Indicators (WGI) and the Sustainable Governance Indicators (SGI), Executive Capacity Indicator.

Therefore, by looking at the indicators of administrative capacity from the WGI, the following data presents itself. The "Estimate of Governance" indicator is modeled on a scale ranging from - 2.5 (weak) to 2.5 (strong).

Greece	2008	2009	2010	2011	2012
Estimate of Governance	0.59	0.61	0.55	0.55	0.31

*Table 28: Greece Estimate of Governance*

By averaging the values for the estimate of governance we obtain the value of administrative capacity in Greece between 2008 and 2012. The period of time represents the year when the Commission drafted the set of recommendations and the agreement of the Member States with this set of recommendations (2008) and the year when the Commission Report and the Independent Report have been released (2012). Therefore, by averaging the values we get a value of 0.52 (medium) in administrative capacity in the case of Greece.

Furthermore, another set of indicators referring to administrative capacity can be found at Sustainable Governance Indicators, the Executive Capacity indicator<sup>17</sup>. SGI defines Executive Capacity as Strategic Capacity, Interministerial Coordination, Evidence based Instruments, Societal Consultation, Policy Communication, Implementation and Adaptability. This definition is in line with the way administrative capacity is defined in this paper. The Executive Capacity indicator indicates a value of 4.3 in the case of Greece. Therefore, by averaging the resulting two values, Greece receives for administrative capacity a mark of  $(0.52 + 4.3) / 2 = 2.41$

#### b) Salience

In a letter from President Barosso to the Greek Prime Minister Papademos, the efforts allocated for job creation are mentioned. The letter takes note of Greece's use of EU structural funds and their measures for stimulating the growth of the job market. On the other hand, official statements pertaining to the active inclusion of people excluded from the labour market are scarce. This indicates the low salience Greece has allocated to this issue.

#### c) Length of Membership in the European Union

The Length of Membership of a Member State in the European Union is important in the context of this research because it is relevant to the time a country had in order to get in line with the standards pushed forward by the European Union. Greece has been a member since 1981.

#### d) Political Will

Political Will has been defined in the context of the current paper as the willingness of relevant actors to incorporate a certain issue; it is measured by using either a "low" or "high" quantifier and can be measured by taking into account media coverage and public statements. The National Reform Programme Reports<sup>18</sup> can be used as a tool for measuring political will, as countries normally note down what they have accomplished but also their future intentions of reform. The Greek National Reform Programme (2013) takes notice of the need of flexibility in the labour market, the need for supporting the former self-employed, the need for enhancing mechanisms for the labour market and the existence of vulnerable social groups amongst which there are

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<sup>17</sup> More information about these indicators can be found at <http://www.sgi-network.org>

<sup>18</sup> More information about Greece's National reform Programme can be found in Annex 6

youth. On the other hand, the report does not mention the necessity of developing an active inclusion strategy meaning that political will can be characterized as low.

#### *4.4.2 Commission Report on the 2008 Recommendations of Active Inclusion*

The Commission report on the 2008 set of recommendations on active inclusion places Greece, in its general, overall rating, in Group E which is characterized by a relatively high share of jobless households, very high level of long term unemployment, impact of social transfers is low, relatively high rate of activity rate and a high level of in-work poverty. This placement points towards an inefficient implementation of the 2008 recommendations on active inclusion. The report rates Member States in accordance to the three pillars of active inclusion which are: a) adequate income support; b) inclusive labour market measures and c) access to quality services.

The first pillar, “adequate income support,” refers to the capacity of the state to aid those who do not have sufficient resources in order to live in a manner compatible with human dignity. Furthermore, this support should be accompanied by an availability to work as the system should avoid inactivity traps. Even more, the report notes that one of the biggest challenges is reaching those people who are eligible for the support. This means that this indicator, “adequate income support,” refers to transposition, application and enforcement. The legislators need to design policies that cover the points of the 2008 set of recommendations in order to produce a policy that aids those who are in need and at the same time does not offer them a disincentive to work. Furthermore, the policy needs to be properly communicated to all the parties involved in order to get the best coverage. Finally, the policy needs to be enforced as the people need to take up the support they are eligible for.

Greece, belonging to group E, is characterized by low coverage, low generosity, low duration and benefit systems with low disincentives. These attributes point towards a faulty implementation system on all three stages. Therefore, based on the design of the current paper, Greece scores a “-“ on application and enforcement, as the system fails at covering all of those who are in need and, consequently, without the proper application the people eligible for such support do not take up the aid. Even though “low disincentives” can be interpreted as a “+” when it comes to the transposition stage, this is not the result of policy design, but a consequence of



people having no other choice but to actively look for employment. Therefore, on “adequate income support,” Greece can be characterized as follows:

Greece	Transposition (Is everything in the policy covered?)	Application (Is the new policy properly communicated to all the parties?)	Enforcement (Is the new policy respected by the people?)
Adequate Income Support	-	-	-

*Table 29: Greece Compliance, Adequate Income Support*

The second indicator used in the Commission report refers to “inclusive labour market measures” and consists of Member States supporting access to employment through active labor market policies (ALMPs). These policies should include lifelong learning, personalized support and guidance while, at the same time, they should ensure quality jobs, promote job retention and should enable advancement. The assessment of this indicator is based on labour market friendliness of tax and benefits systems, the level of labour market segmentation, the level of participation in activation measures and the design and level of expenditures on ALMPs. Therefore, this second indicator covers transposition and application. The design and expenditures on ALMPs are connected to covering all the points in the set of the 2008 recommendation. Labour market friendliness of tax and benefit systems and the level of labour market segmentation refer to measures taken for a smooth implementation while the level of participation in activation measures refers to the degree the new policy is properly communicated to all the parties involved.

The Greek minimum wage, as shown in the Commission report, is well below the poverty threshold, bearing the risk of creating inactivity traps. Furthermore, in terms of support for activation, Greece, belonging to Group E, is characterized by low support. In relation to ALMPs, Greece, with an underperforming social protection system, is characterized by less comprehensive active labour market policies. In terms of expenditure of ALMPs in percentage of GDP, in 2009 Greece has spent 1% of GDP on total labor market policies out of which LMP measures represent approximately 0.5%. Even more, a job seeker in Greece is not obliged to accept any job, but suitable employment only, a criterion which is left to the relevant authority’s

assessment. Even more, in Greece “reluctant behaviors or attitudes” are penalized through the withdrawal of all grants and benefits, a criterion which is also left to the relevant authority’s assessment. In terms of developing an integrated active inclusion strategy, Greece is among the Member States which reported to have a non-integrated approach, together with Italy.

To sum up the rating for Greece’s labour market inclusiveness, in transposition, more specifically covering all the points in the 2008 recommendations, Greece is rated with a “-“ as the design of its ALMPs has the attribute of creating inactivity traps, locking those who are in need in a financial headlock. On application, measures taken for a smooth implementation, Greece also scores a “-“ as it is characterized by low support for activation measures leading to an unfriendly tax and benefit system. Therefore:

Greece	Transposition (Is everything in the policy covered?)	Application (What are the measures taken for a smooth implementation?)	Application (Is the new policy properly communicated to all the parties?)
Inclusiveness of Labour Markets	-	-	-

*Table 30: Greece Compliance, Inclusiveness of Labour Markets*

The third pillar of active inclusion is “access to quality services” and it refers to the state’s capacity of supporting people’s inclusion in the labour market by providing physically accessible and affordable services across territories. These services need to be designed and delivered in a comprehensive and coordinated manner and should be aimed at aiding all of those who are in need of such assistance. Therefore, in the context of the current paper, “access to quality services” refers to enforcement, more specifically to the enforcement of the policy by the designated authorities and also the people’s commitment to respecting this policy.

The Commission report rates access to quality services by taking note of access to childcare, housing costs, adult participation in education and training and social gradient in unmet need for healthcare. Greece, belonging to Group E, is characterized by low childcare use and low participation in education and training. By improving access to these services the level of poverty among disadvantaged groups can be diminished. The areas in which Greece has improved access to services are only education and training and in-kind benefits, which vary by municipality. Additional to this, people with low incomes in Greece are eligible for social cards which offer food aid.

Greece, therefore, has done very little in order to improve the access to services and, in the context of the current paper, it is rated with a “-“ on both characteristics belonging to the enforcement stage implementation.

Greece	Enforcement (Is the new policy enforced by the authorities?)	Enforcement (Is the new policy respected by the people?)
Access to quality services	-	-

*Table 31: Greece Compliance, Access to Quality Services*

#### *4.4.3 Independent report on the 2008 recommendations on active inclusion*

The second data source used in this paper in order to measure compliance is the Independent Report on the matter of active inclusion conducted by the European Network of Independent Experts on Social Inclusion. In this report, the experts have focused on three issues, namely:

- a) the extent to which Member States have developed integrated comprehensive active inclusion strategies in line with the 2008 set of recommendations;
- b) the extent to which new or expanded measures have been introduced under each of the three strands since 2008;
- c) the impact and cost effectiveness of the overall strategy.

In the context of the current paper, the three focusing points are appointed to different stages of the implementation process. Therefore, the first focus point, the extent to which Member States have developed comprehensive active inclusion strategies in line with the 2008 recommendations, refers to transposition, more precisely, if everything in the policy is covered. The second focus point, the extent to which new or expanded measures have been introduced under each of the three strands of active inclusion since 2008, refers to application, more precisely the extent to which the new policy has been communicated to all the parties and the measures taken for a smooth implementation. The last focusing point in the independent report, the impact and cost effectiveness of the overall strategy refers to enforcement, more precisely, to what extent the new policy is enforced by authorities and respected by the people.

In the first part of the report, the European Network of Independent Experts on Active Inclusion points out that a comprehensive strategy for active inclusion which combines, in a balanced way, adequate income support, inclusive labour markets and access to quality services, has been quite limited. The experts suggest that there has been some progress in some of the member states but there is a long way to go for the effective implementation of the 2008 recommendations. In this part of the paper, we will assess compliance to the fourth study case, Greece, based on the reports of the European Network of Independent experts on Active Inclusion.

In the first part of the report, the European Network of Independent Experts on Active Inclusion points out that a comprehensive strategy for active inclusion which combines, in a balanced way, adequate income support, inclusive labour markets and access to quality services, has been quite limited. In the case of Greece, the report shows that there is no comprehensive integrated strategy for both those who can and those who cannot work. The Greek experts point out that this is mainly because “during the last three years, apart from an increase in the number and the strengthening of employment support and activation measures, no other measures have been taken by consecutive governments in relation to the three strands of active inclusion so as to ensure an adequate income for those in need, while access to services (let alone to quality services) has been rather weakened; neither any new universal measures/initiatives have been implemented in order to protect the most vulnerable population groups from the crisis/recession impacts” (Frazer, Marlier, 2013). The Greek expert also points out that policy makers do not understand what the term active inclusion means, leading to an unbalanced approach in designing a comprehensive integrated strategy. The Greek expert states that “the lack of understanding of what the term actually stands for, is being observed even among public officials in social policy related government departemensts- let alone in regional and local administrative bodies and services. It would not be an exaggeration to say that, on several occasions, the terms ‘Active Inclusion’ and ‘Inclusive Labour Markets’ have been used to reflect merely ‘Active Labour Market Measures’.” (Frazer, Marlier, 2013)

The Greek expert also points out to the fact that responsibility is segregated into different parts of government and “there are no institutional arrangements that would ensure, among other things, the necessary synergies and trade-offs” (Frazer, Marlier, 2013). The report shows that an

integrated strategy of active inclusion has not been implemented in Greece for neither those who can work nor for those who cannot. In the context of the current research, the first focusing point of the report, the extent to which Member States have developed integrated comprehensive active inclusion strategies in line with the 2008 set of recommendations, refers to transposition. The lack of a comprehensive integrated strategy for active inclusion in Greece means that in terms of compliance the mark is a “-“.

Greece	Transposition (Has everything in the new policy been covered?)
Compliance	-

*Table 32: Greece Compliance, Transposition*

The second focusing point in the independent report refers to the extent to which new or expanded measures have been introduced under each of the three strands since 2008. This is in relation to application, more precisely involving the measures taken for a smooth implementation and the communication of the new policy to the relevant actors. The report shows that, in the case of Greece, there has been no active participation of relevant actors for both those who can work and those who cannot. The Greek expert notes that “consultation and cooperation with stakeholders, in general, remain at low levels and it is mainly reflected in their ‘formal’ participation in a few Committees, which usually concern the implementation process and not the decision making process. As to the involvement of those experiencing poverty and social exclusion, no provisions or arrangements whatsoever are there to facilitate their active participation” (Frazer, Marlier, 2013).

Furthermore, in the first strand of active inclusion, adequate income support, measures have been weakened in the case of those who can work and have remained the same in the case of those who cannot work. In Greece, “under the pressure exercised by the fiscal coordination effort that Greece undergoes, apart from the reduction in the amount of unemployment benefit, a number of other negative changes have also taken place as regards the system of benefits. Some of the benefits provided have become means-tested, while other benefits have become stricter as to their eligibility conditions and some others have been reduced” (Frazer, Marlier,

2013). Even more, in the second strand of active inclusion, inclusive labour markets, measures in Greece have been strengthened for those who can work and have remained the same for those who cannot. The report shows that Greek experts, while not considering the various initiatives sufficient to address the scale of the unemployment, take notice of some positive developments. These developments refer to “an increase in the number of active labour market programmes, the vast majority being run by the Greek Manpower Organization. Some of these programmes are rather ‘old-fashioned’ in the sense that most of these are a continuation of previous programmes which have been expanded to cover more people, though they are still of a rather limited coverage, especially for the vulnerable groups. Nevertheless, a number of new programmes have been introduced aiming at the creation and preservation of jobs” (Frazer, Marlier, 2013). The report shows that the Greek Manpower Organization has created 121 employment promotion centres.

On the third strand of active inclusion, access to quality services, the report shows that in Greece measures have been weakened for both those who can and cannot work. The Greek expert notes that “public health and social care provision in Greece continues to be deficient and inadequate to meet existing and emerging needs in these areas. And no measures have been taken towards this direction so as to facilitate access to quality services in these areas, especially for the most vulnerable groups of the population who are at a greater risk under the conditions imposed by the economic crisis” (Frazer, Marlier, 2013).

Therefore, in terms of application, the involvement of all parties and measures taken to facilitate a smooth implementation, the second focusing point of the report indicates to a “-“mark.

Greece	Application (Is the new policy communicated to all the parties?)	Application (What are the measures taken for a smooth implementation?)
Compliance	-	-

*Table 33: Greece Compliance, Application*

The third focusing point of the independent report, the impact and cost effectiveness of the overall strategy, refers to enforcement, more precisely whether or not the new policy is enforced

by authorities and respected by the people. The report shows that no mechanisms or any other arrangements have been put in place to monitor and evaluate neither social policy nor social inclusion measures. This means that in terms of enforcement, Greece scores a “-“ mark.

Greece	Enforcement (Is the new policy enforced by authorities?)	Enforcement (Is the new policy respected by the people?)
Compliance	-	-

*Table 34: Greece Compliance, Enforcement*

#### *4.4.4 Final compliance rating*

Compliance Table					
Official Commission Report		Independent Report		Final Rating	
Member State	Rating	Member State	Rating	Member State	Rating
Greece	8-	Greece	5-	Greece	7.5-

*Table 35: Greece Final Compliance*

# 5. Conclusions

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## 5.1 Data Results

In this chapter the data will be interpreted in relation to the main research question and the four hypotheses. The research question of the thesis is “How do the factors influencing implementation affect the way Member States comply with EU policy?” This has led to the development of the four hypotheses, namely:

**AH1:** *High administrative capacity will translate to high compliance*

**AH2:** *High level of salience of the policy will translate to high compliance*

**AH3:** *The longer a state has been a member of the European Union the more likely it will be to have high compliance.*

**AH4:** *High political will translates to high compliance.*

The first measured variable, administrative capacity, is defined as “a broader dimension of state capacity that includes the ability to develop policy, the ability to produce and deliver public goods and services and the ability to regulate commercial activity” (Hanson, Sigman, 2013). Among the case studies, Germany and Sweden present themselves with high marks in administrative capacity, 4.23 and 5.19, while Romania and Greece show low scores of 2.04 and 2.41. In terms of compliance, Germany and Sweden both score a total of 5+ and 1.5- while Romania scores 5- and 0.5+ and Greece 7.5-. The data shows, therefore, that the countries with a high degree of administrative capacity have high compliance, while the countries with a low degree of administrative compliance show poor compliance. The data validates the first hypothesis of the thesis:

**AH1:** *High administrative capacity will translate to high compliance*



Furthermore, the second measured variable, salience, refers to “the importance an actor attaches to an issue” (Warntjen, 2012). In this particular case, salience refers to the importance relevant actors attach to the 2008 Commission recommendations on active inclusion. The data shows that Germany, Sweden and Romania attach a high importance to the issue of active inclusion, while Greece presents a salience degree of “low.” While Germany and Sweden have high compliance with the 2008 set of recommendations, Romania and Greece present a low score in terms of complying. It is therefore obvious that, in the case of Romania, a high level of salience does not necessarily translate into high compliance. The data, therefore, disproves the second hypothesis:

**AH2:** *High level of salience of the policy will translate to high compliance*

The third measured variable, length of membership, refers to the period of time a country has been a member of the European Union. It was assumed that states that have been members for longer periods of time have had more time to perfect the implementation process and better adapt its policies with the ones promoted by the European Union. The data shows that this is not necessarily true. While Germany, with a membership of 62 years, does indeed show high compliance, Greece, 32 years of membership, presents the lowest score in compliance 7.5-. The data shows, therefore, that length of membership does not affect the way a member state complies with EU policy. The third hypothesis is, therefore, false:

**AH3:** *The longer a state has been a member of the European Union the more likely it will be to have high compliance.*

The fourth measured variable, political will, refers to the willingness of relevant actors to incorporate a certain issue. From the four case studies, Germany and Sweden present themselves with “high” political will and “high” compliance, while Romania and Greece show “low” political will and “low” compliance. The data, therefore, validates the fourth hypothesis:

**AH4:** *High political will translate to high compliance.*

The results of the research can be compiled in relation to the variables in the following way:

<b>Case Study</b>	<b>Administrative Capacity</b>	<b>Salience</b>	<b>Length of membership</b>	<b>Political Will</b>
Germany	4.23	High	Since 1952	High
Sweden	5.19	High	Since 1995	High
Romania	2.04	High	Since 2007	Low
Greece	2.41	Low	Since 1981	Low

*Table 36: Resulting values for variables*

Furthermore, the results of the research can also be compiled in relation to the compliance scores, as follows:

<b>Compliance Table</b>					
<b>Official Commission Report</b>		<b>Independent Report</b>		<b>Final Rating</b>	
<b>Member State</b>	<b>Rating</b>	<b>Member State</b>	<b>Rating</b>	<b>Member State</b>	<b>Rating</b>
Germany	7+ and 1-	Germany	3+ and 2-	Germany	5+ and 1.5-
Sweden	7+ and 1-	Sweden	3+ and 2-	Sweden	5+ and 1.5-
Greece	8-	Greece	5-	Greece	7.5-

Romania	1+ and 7-	Romania	5-	Romania	0.5+ and 6-
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*Table 37: Final Compliance Table*

## 5.2 *Research Question*

The central question of this research “How do the factors influencing implementation affect the way Member States comply with EU policy?” can be answered by looking at the validated hypotheses. The research shows that out of four factors influencing policy implementation, only two affect compliance in a measurable manner. Based on the results of the research, administrative capacity and political will have surfaced as factors which affect compliance, while length of membership and salience have no visible effect on the way Member States comply with European Union policy. This means that, even if, salience and length of membership can, at least theoretically, drive compliance, these two factors cannot do it alone. A member state with a lengthy membership adding on EU policy implemented over the years needs, first of all, the administrative capacity and the political will to do so, regardless of the salience of the issue at hand. This means that administrative capacity and political will are two factors which should be taken into consideration more carefully when assessing the compliance rating of a given Member State.

## 5.3 *Limits of the Research*

It should be noted that the research on compliance is not a method for anticipating the way Member States will act on different policy issues. Determining compliance can help understand the compatibility between a certain policy and a Member State. This, in turn, can point towards the probability of a certain policy being implemented successfully or not. In terms of limits to this particular research, it should be noted that direct contact with political agents and lawmakers would have made for a more comprehensive analysis, especially when measuring political will and salience.

## 5.4 *Consequences of the Research*

Administrative capacity and political will have proven essential to high compliance. In conclusion, compliance is driven by administrative capacity and political will. Furthermore, while salience and length of membership can contribute positively, these two factors alone

cannot guarantee it. Therefore, it should be expected that countries which are governed by euro skeptic political actors to have problems complying with EU policy as they lack the political will, one of the main driving forces of compliance. On a similar note, countries that are affected by corruption and where the rule of law is frequently questioned exhibit low scores for administrative capacity, the other main factor which drives compliance. On a bigger note, the European Union is pushing the Social Investment ideology. Its success depends in a great amount on the way Member States comply with EU policy.

# Annexes

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## *Annex 1: Commission Report on the 2008 Recommendations on Active Inclusion*

The Commission Report on the recommendations regarding the active inclusion of the people excluded from the labour market assesses the improvements Member States have accomplished since 2008. The report is accompanied by a paper on social investment as the flag ideology for the European Union's 2020 goals. The report rates the improvements of Member States by grouping the states in five groups according to the following drivers:

1. Jobless Households
2. Long Term Unemployment Rate (LTU)
3. Impact of Social Transfers on Poverty Reduction
4. Activity Rate
5. In-work Poverty

Therefore, the groups are:

**Group A:** Czech Republic (CZ), France (FR), the Netherlands (NL), Austria (AT), Slovenia (SI) and Sweden (SE).

**Characteristics:** Low share of jobless households, low level of long term unemployment, impact of social transfers is high, relatively high level of activity rate, low level of in-work poverty

**Group B:** Belgium (BE), Denmark (DK), Germany (DE), Finland (FI), United Kingdom (UK)

**Characteristics:** Relatively high share of jobless households, low level of long term unemployment, impact of social transfers is high, relatively high level of activity rate, low level of in-work poverty

**Group C:** Ireland (IE)

**Characteristics:** Very high share of jobless households, very high level of long term unemployment, impact of social transfers is high, low level of activity rate, relatively low level of in-work poverty

**Group D:** Bulgaria (BG), Romania (RO), Hungary (HU), Poland (PL), Italy (IT), Republic of Malta (MT)

**Characteristics:** Relatively high share of jobless households, low level of long term unemployment, impact of social transfers is very low, very low level of activity rate, relatively high level of in-work poverty

**Group E:** Spain (ES), Greece (EL), Portugal (PT), Republic of Latvia (LV), Republic of Lithuania (LT), Republic of Estonia (EE), Slovak Republic (SK)

**Characteristics:** Relatively high share of jobless households, very high level of long term unemployment, impact of social transfers is low, relatively high level of activity rate, high level of in-work poverty

This clustering is used throughout the Commission document in order to rate the performance of Member States based on indicators relevant for the three pillars of active inclusion. These pillars refer to: a) adequate income support b) inclusive labour market measures c) access to quality services. Taking note of this official assessment is important for the framework of the current paper.

#### **a) Adequate Income Support**

The first pillar of active inclusion, adequate income support, aims to ensure that those who do not have sufficient resources to live in a manner compatible with human dignity are being aided, regardless if they are fit for work or not. Therefore, the paper distinguishes between two levels of safety net for the working age population. The first level refers to the **unemployment benefit system**. A well designed unemployment benefit system should be able to limit the need for last-resort schemes. Groups A and B are regarded as countries which do well in terms of coverage, generosity and duration in the first level of safety nets. High generosity, however, can also have a negative effect as it offers disincentives for the unemployed to return to the labour market.

On the other hand, Groups D and E are characterized by low coverage, low generosity and low duration, but at the same time offer high incentives to the unemployed to reenter the job market. The second level of safety nets refers to the minimum income schemes. This second level of safety nets comes in play in the cases of those who are not entitled to unemployment benefits. The trend here is very similar to the first level with Scandinavian and Benelux countries, as well as AT, CZ, FR and DE, having comprehensive safety nets combined with a high disincentive for returning to the labour market. Groups D and E, on the other hand, do not present adequate safety nets on either levels, being on the risk of not being able to address the social consequences of a serious economic downturn.

In terms of minimum income schemes across the European Union, the following characterization is being presented:

**Group 1 (AT, BE, CY, CZ, DE, DK, FI, NL, PT, RO, SI, SE):** relatively simple and comprehensive minimum income schemes, open to those without sufficient resources to live in dignity

**Group 2 (EE, HU, LT, LV, PL, SK):** simple and non-categorical minimum income schemes accompanied by stricter eligibility conditions.

**Group 3 (ES, FR, IE, MT, UK):** complex set of different and often categorical minimum income schemes that overlap but, generally, cover all of those with insufficient means.

**Group 4 (BG, IT, EL):** limited or partial minimum income schemes covering only a narrow category of people.

Another important issue regarding minimum income schemes refers to the take up of such benefits. The take-up refers to the share of people who are eligible for such benefits and who actually receive them. This means that coverage and take-up rate do not necessarily match; even more, the gap between the two is significant, if not very large. Reasons for this widening gap can vary from information costs, administrative costs, disincentives, social and psychological costs, errors in evaluation procedures and discretionary assessment. The Commission report highlights the fact that a considerable number of people do not take up these benefits. The negative implications of this phenomenon consist of: a) failure of social benefits programmes to achieve

their purpose b) not claiming a benefit because of a lack of information means that a welfare programme meant to treat everybody equally fails to do so.

### **b) Inclusive Labour Market Measures**

The Commission assessment of the second pillar of active inclusion is based on indicators which reflect labour market friendliness, the level of labour market segmentation, the level of participation in activation measures and the design and expenditures on active labour market policies (ALMPs). Minimum wages usually act as a threshold that indicates the need for minimum income support, but this is not necessarily true throughout the European Union. For example in the UK, NL and IE the minimum wage is set well above the poverty threshold, while in countries like EE, SI, HU and SK minimum wages are set significantly below the poverty line. The official rating in terms of support for activation suggests that Member States in Groups A and B show more support than Member States belonging to Groups D and E. This means that countries which have a more comprehensive social protection system are also more inclined to have strong ALMPs.

Another indicator used in the Commission report refers to the in-work poverty. This refers to a situation in which a working individual still does not have the means to escape poverty. The main factors behind in-work poverty consist of:

- 1) Family/household composition, low work intensity and low wage
- 2) Individual/personal characteristics
- 3) Institutional factors
- 4) Structure of economy/labour market

The groups most at risk of in-work poverty are women, young people, older workers, migrants and the low skilled. Even though there is no strong correlation between age and in-work poverty, young people who live alone are believed to be more vulnerable to this particular risk.

### **c) Access to Quality Services**



The third pillar of active inclusion refers to access to quality services and is based on indicators such as access to childcare, housing costs, adult participation in education and training, social gradient in unmet need for healthcare. Member States belonging to Groups A and B tend to have high childcare use and high participation in adult education and training, while Member States belonging to Groups C, D and E tend to have low childcare use and a low rate of adults participation in education and training. Furthermore, independent EU experts on social exclusion have reported that only a small number of Member States have improved essential services that support active social and economic inclusion since 2008 (Frazer, H. and Marlier, E. 2012. Assessment of the implementation of the European Commission recommendation on active inclusion). Therefore the areas in which Member States have improved the services for the disadvantaged consist of:

- 1) Employment and Training: AT, BE, BG, CY, CZ, DK, EE, FI, FR, DE, EL, IE, IT, LV, LU, MT, NL, PL, PT, RO, SK, SI, ES, SE and UK
- 2) Social Assistance: DK, FI, LT, LU, RO
- 3) Health: LV, LT, RO, SI
- 4) Transportation: BE, AT
- 5) Housing: AT, BE, BG, DK, FR, LT, LU, RO, SI, ES
- 6) Childcare: AT, CY, HU, LU, MT, PL
- 7) Banking: CZ, DK

Even more, focusing on the 2008 set of recommendations regarding the active inclusion of people excluded from the labour market, the Commission report establishes that the recommendations are advocating an integrated approach to active inclusion. This approach has the ability of reducing the burden bared by both the provider and the customer. A fully integrated, comprehensive approach should be based on:

- Comprehensive policy design
- Integrated implementation
- Vertical coordination
- Participation of relevant stakeholders

The Commission Report shows that Member States have not yet developed such an integrated approach. This is mainly due to the great fiscal and administrative burden of implementing such a strategy. The report notes though that some Member States are taking encouraging steps in this direction. A fully comprehensive policy defines the three pillars of active inclusion while taking note of the impact on the social and economic integration of disadvantaged people and their possible interrelationships. According to an independent study conducted in 2012 (Frazer, Marlier, 2012) only a small number of Member States have developed such strategies. Therefore, DK, FI, FR, MT, NL, PL, SE, have managed to take an integrated approach regarding those who can work, while NL and SI have integrated approaches for those who cannot work.

On the other hand, assessing the country surveys on integration measures shows that most Member States report a fully integrated strategy. Thus:

- Fully integrated approach (minimum income scheme is linked to labour activation measures and services): AT, BE, CY, DK, FI, DE, HU, LV, LU, MT, NL, PL, PT, SK, SI, SE, UK, CZ, RO
- Partially integrated approach (minimum income scheme is linked to activation measures): BG, FR, IE, LT, ES, EE
- Non-integrated approach: EL, IT

## *Annex 2: Independent Report on the 2008 recommendations on active inclusion*

Another report, “Assessment of the implementation of the European Commission recommendation on active inclusion: a study of national policies,” has been published in January 2013 (Frazer, Marlier, 2013). The independent report has been conducted by taking note of reports on active inclusion by members of the European Network of Independent Experts on Social Inclusion. The experts had to base their reports on three underlining issues:

- 1) The extent to which Member States have developed integrated comprehensive active inclusion strategies in line with the 2008 recommendation
- 2) The extent to which new measures have been introduced under the here pillars of active inclusion since 2008
- 3) The impact and cost effectiveness of the overall strategy

According to the analysis carried out by the Independent Network of Independent Experts on Social Inclusion the development and implementation of integrated and comprehensive strategies for the active inclusion of people excluded from the labour market has been “quite limited” (Frazer, Marlier, 2012). The report notes that is obvious that the position towards active inclusion has changed a lot between 2008 and 2012, as the financial crisis has deepened and more focus was put on financial consolidation and austerity measures. One common weakness observed in the independent report consists in the fact that many **Member States’ strategies tend to be imbalanced**. Therefore, while the term “active inclusion” appears more and more in official documents, the term seems to be misinterpreted. It seems that while referring to “active inclusion” policy makers are actually meaning labour market activation measures.

According to the independent study conducted in 2012 (Frazer, Marlier, 2013) only a small number of Member States have developed such strategies. Therefore, DK, FI, FR, MT, NL, PL, SE, have managed to take an integrated approach regarding those who can work, while NL and SI have integrated approaches for those who cannot work. The main impediment to the integrated implementation of active inclusion is the “fragmentation of responsibilities across different ministries and agencies and the lack of an effective coordination mechanism” (Frazer, Marlier, 2012). With regard to a **comprehensive active inclusion strategy** a German expert is

quoted: “In Germany, the European active inclusion strategy has never played an important role in the labour market and social policy debate. One reason is that the activation paradigm had already entered the German policy discourse in the second half of the nineties. While the Hartz reforms have been the major policy reform in the context of active inclusion in Germany, the activation approach was introduced step by step over the following years in other labour market and social policy areas. Since then, the concept of the ‘activating welfare state’ has become the leading paradigm of the German welfare state” (Frazer, Marlier, 2013). In a similar fashion, a Swedish expert states that “the policy implemented by the centre-right government that came into power in the autumn of 2006 was largely formulated before the election. Thus, Sweden is not implementing EU policies; it is first and foremost a national policy agenda that is implemented. It is also important to understand that this agenda is driven by ideological beliefs; it is not a consequence of the economic crisis” (Frazer, Marlier, 2013).

Even more, on the topic of **austerity measures affecting the implementation of a comprehensive active inclusion strategy**, the Romanian expert states that “on the background of the austerity measures, the initial progress in the direction of active inclusion and poverty reduction is put off by decreasing job opportunities, cuts in the social benefits and restricted access and cuts in services both in terms of ease and coverage” (Frazer, Marlier, 2013). To sum up, according to experts’ analysis, the Member States which have developed an integrated comprehensive policy design can be grouped as follows:

**For those who can work**

**Yes:** DK, FI, FR, MT, NL, PL, SE

**Somewhat:** AT, BE, BG, CY, CZ, DE, ES, HU, IE, LU, PT, RO, SI, SK, UK

**No:** EE, EL, IT, LT, LV

**For those who cannot work**

**Yes:** DK, NL, SI

**Somewhat:** AT, BG, CY, CZ, ES, FI, FR, HU, LU, MT, PT, RO, SK, UK

**No:** BE, DE, EE, EL, IE, IT, LT, LV, PL, SE

Nevertheless, the independent report, mentions the Member States which have been making progress in the direction of **a comprehensive active inclusion strategy**. Germany is one such example. The report states that even though federal governments have been unwilling to design a comprehensive strategy in order to fight poverty or, even, an active inclusion strategy, there is “close interaction between social protection, labour market integration and quality service measures in areas such as active inclusion policies for long-term unemployed people, the active inclusion of migrants in the context of a national integration strategy, the active inclusion of elderly workers in the context of an age-appropriate working environment, the reconciliation of family and professional life in the context of the ‘new family policy’” (Frazer, Marlier, 2013).

Another example of a Member State making progress consists of Romania. “In Romania, social policy making is more and more taking into consideration the principles of active inclusion translated into the development of wide-ranging policy measures addressing the disadvantaged groups. The policy design for active inclusion places emphasis on the balance between flexibility of the labour market and security of employment and social position of people. The recently adopted Labour Code (Law 40/2011, updated version of Law 53/2003) covers some main aspects including: flexible and reliable contractual arrangements comprehensive lifelong learning strategies to ensure the adaptability and employability of workers, particularly the most vulnerable; social security system that provides income support encourages employment and facilitates labour market mobility. This includes coverage of social protection provisions (unemployment benefits, pensions and healthcare) that help people combine work with private and family responsibilities such as childcare” (Frazer, Marlier, 2013).

Regarding the “**unbalanced approach**” (Frazer, Marlier, 2013) most Member States have taken, the Greek expert comments: “during the last three years, apart from an increase in the number and the strengthening of employment support and activation measures, no other measures have been taken by consecutive governments in relation to the three strands of active inclusion so as to ensure an adequate income support for those in need, while access to services (let alone to quality services) has been rather weakened. Neither any new universal measures/initiatives have been implemented in order to protect the most vulnerable population groups from the crisis/recession impacts” (Frazer, Marlier, 2013). The unbalanced approach seems to be

recognized by the Romanian expert as well: “the focus goes on increasing employment opportunities among vulnerable groups while quality of employment, ensuring adequacy of income and access to social services are not sustained by specific actions or groups” (Frazer, Marlier, 2012).

Another common weakness highlighted by the independent report refers to **the lack of an integrated approach to the design and implementation of such strategies**. On this topic, the Greek expert adds that “responsibility for the different policy strands lies with various government departments and there are no institutional arrangements that would ensure, among other things, the necessary synergies and trade-offs” (Frazer, Marlier, 2013). Nevertheless, the report points out some interesting individual initiatives; in Sweden, for example, sickness benefits and early retirement have been integrated. This means that early retirement is seen more of a health issue as opposed to a retirement one. Even more, another issue highlighted by the independent report, points to a lack of vertical policy coordination. On this matter the German expert comments: “the vertical policy coordination system in federalist Germany is rather heterogeneous and varies in the different social policy areas. Up to now, no single coordination system has been developed for active inclusion strategies. The coordination system varies according to the different policy areas and strands, as well as to the specific target groups” (Frazer, Marlier, 2013).

The 2008 Commission recommendations envisioned **that relevant actors would participate actively in the process of active inclusion**. However, the independent report shows that active participation of relevant actors was only achieved in nine Member States for those who can work and in only six Member States for those who cannot work. More precisely:

**For those who can work**

**Yes:** BE, BG, DK, ES, FI, LU, NL, SI, SE

**Somewhat:** AT, CY, CZ, DE, FR, IT, LV, MT, PL, PT, RO, SK, UK

**No:** EE, EL, HU, IE, IT

**For those who cannot work**

**Yes:** BE, CY, DK, FI, NL, SI

**Somewhat:** AT, BG, CZ, ES, FR, IT, LU, LV, MT, PL, PT, RO, SE, SK, UK

**No:** DE, EE, EL, HU, IE, LT

Greek experts comment that: “consultation and cooperation with stakeholders, in general, remains at low levels and is mainly reflected in their ‘formal’ participation in a few Committees, which usually concern the implementation process and not the decision making process. Social partners’ involvement continues to remain rather limited. As to the involvement of those experiencing poverty and social exclusion, no provisions or arrangements whatsoever are there to facilitate their active participation” (Frazer, Marlier, 2013). Moving on, in terms of **adequate income support**, the report shows that only seven Member States have strengthened measures that recognize the individual’s basic right to resources and social assistance. Therefore:

**For those who can work**

**Strengthened:** AT, CY, DK, FI, FR, LU, SI

**The Same:** BG, DE, EE, ES, IT, MT, NL, PL

**Weakened:** BE, CZ, EL, HU, IE, LT, LV, PT, RO, SE, SK, UK

**For those who cannot work**

**Strengthened:** AT, DK, FI, FR, LU, SI

**The Same:** BE, CY, DE, EE, EL, MT, NL, SK

**Weakened:** BG, CZ, ES, HU, IE, IT, LT, LV, PL, PT, RO, SE, UK

Furthermore, in terms of **providing an incentive to work**, the report points towards Sweden. The Swedish government has introduced a job tax deduction, meaning that income from work is taxed significantly lower than other types of income. Furthermore, in terms of inclusive labour markets policies and measures, the independent report shows that:

**For those who can work**

**Strengthened:** AT, DE, DK, EE, EL, ES, HI, HU, IE, MT, NL, SI

**The Same:** BE, CY, IT, LT, LU, RO, SE

**Weakened:** BG, CZ, FR, LU, PL, PT, SK, UK

**For those who cannot work**

**Strengthened:** CY, DK, EE, ES, FI, MT, NL

**The Same:** AT, BE, FR, DE, EL, HU, IE, LT, LU, PL, RO, SE, SI, SK

**Weakened:** BG, CZ, IT, LV, PT, UK

The Greek expert points out towards some positive developments stating that there has been “an increase in the number of active labour market programmes (ALMP), the vast majority of which are run by the Greek Manpower Employment Organization. Some of these programmes are rather ‘old-fashioned’ in the sense that most of these are a continuation of previous programmes which have been expanded to cover more people, though they still are of a rather limited coverage, especially for the vulnerable groups” (Frazer, Marlier, 2013). Furthermore, in terms of personalized and tailored services at local level, the report pick out some interesting examples. One such example is Germany where the main element of the Hartz reforms was the expansion and improvement of labour market integration services. Job seekers are entitled to specifically tailored support and are supposed to be integrated by job centres as well and as fast as possible. Even more, in Greece, the Manpower Employment Organization (OAED) has shown a considerable improvement in the provision of its services. The OAED has created 121 Employment Promotion Centres which aim to provide guidance, job search support based on an individualized approach. In terms of access to quality services, the report shows that:

**For those who can work**

**Strengthened:** AT, BE, DE, EE, LU, MT

**The Same:** BG, CY, DK, ES, FI, FR, HU, LT, NL, PL, SE, SI

**Weakened:** CZ, EL, IE, IT, LV, PT, RO, SK, UK

**For those who cannot work**

**Strengthened:** BE, EE, LU, MT



**The Same:** AT, BG, CY, DE, DK, ES, FI, FR, HU, LT, NL, PL, SE, SI

**Weakened:** CZ, EL, IE, IT, LV, PT, RO, SK, UK\

The 2013 National Reform Program (NRP) in Germany acknowledges the issue of labour market participation and aims at taking action by reducing the high tax wedge in a budgetary neutral way, especially for low wage earners, while maintaining appropriate activation and integration measures for the long-term unemployed. Thus, through pro-growth fiscal consolidation and positive wage developments and employments trends the tax and contribution burden has been reduced. The Federal Government is providing 8 million euros of relief to private businesses and individuals. This has been done by reducing the contribution rate for statutory pension insurance from 19.6% to 18.9%. Even more, the Federal Government also abolished the quarterly medical consultation fee at the start of 2013. This is believed to save the public a total of two billion euros per year and also reduce the administrative workload of doctors and health insurance funds.

Furthermore, the monthly pay threshold for mini-jobs was increased by an additional 50 euros starting with the beginning of 2013. The pay threshold for midi-jobs was similarly increased starting with January 2013. In regards to tackling the long term unemployment issue, the NRP takes note of the 27% reduction in long term unemployment which was achieved between 2008 and 2011. This was mainly due to a series of reforms implemented in Germany over the past ten years, Germany being the single Member State to actually increase employment since 2007. In 2012 there were 28.9 million individuals in job requiring social security contributions, this being the highest rate recorded in the past 20 years.

The German Federal Government acknowledges that fostering employment has become a keystone in the process of German policy making. The NRP shows clearly that Germany has achieved most of the goals of Europe 2020. Thus, employment rate for people aged between 20 and 64 stands at 76.3% in 2011 and at 77.1% in the third quarter of 2012. Even more, employment rate for older citizens, aged between 55 and 64, stands at 59.9% in 2011 and 62.1% in the third quarter of 2012. The employment rate for women stands at 71.1% in 2011 and 71.7% in the third quarter of 2012. Therefore, Germany has already achieved the European targets for employment and is working towards achieving its own national target, higher than the European one.

The Federal State is promoting social inclusion by reducing poverty. Long term unemployment has been highlighted as a key risk factor in experiencing poverty and social exclusion. With the

introduction of resolute reforms and an added flexibility to the labour market, long term unemployment has contracted significantly. The further improvement of activating the long term unemployed remains a challenge. In order to fight this issue, efforts were made in order to improve the flexibility of the labour market. This was done by granting more decision making powers to local job placement agents making these instruments to be tailored specifically on the individual requirements of the unemployed. Even more, employers are entitled to receive a grant aimed at wage costs in order to support the integration of employees. This Wage Grant has the purpose of offering incentives to employers and to create equal opportunities in the job application process. This means that certain unemployed persons are considered for filling a job vacancy even though they do not completely meet the job requirements. This measure greatly supports low-skilled workers and long term unemployed.

The instruments used for mobilization, vocational integration and skills development, include integration grants, back-to-work bonuses, subsidized community work, employment grants. Instruments that promote employment, as opposed to just income supports, are favored. This is believed to reduce the long term dependency on state benefits. Among the groups most at risk of long term unemployment the NRP takes note of young people, lone parents, older people, individuals with a migration background and people with health issues. Programs at the Federal Level which will tackle this issue consist of: Perspektive 50plus, the ESF-funded competition for ideas Gute Arbeit für Alleinerziehende (aimed at lone parents), the ESF-funded pilot scheme for community employment Bürgerarbeit. Furthermore, the contribution rate for unemployment insurance has been reduced from 6.5% of gross pay in 2006 to the current rate of 3%. This made it possible to reduce the load on contributors and also maintain gross wage costs at a moderate level.

In order to fight long term unemployment, the Federal Government has targeted the groups which have the highest risk. Lone parents are being aided with the promotion of 102 networks nationwide aimed at effective assistance and integration. Agencies promoting employment and which provide basic income support to jobseekers are legally obliged to support women in particular, this being another group at risk of long term unemployment. The **Act to Improve the Chances of Integration in the Labour Market** has made additional support measures available

which aim at balancing work with family commitments. These measures refer mostly to expanding childcare facilities.

In the 2012 German National Social Report the measures taken in order to improve social inclusion and the activation of the unemployed are described in more detail. Therefore, in 2011 the Federal Government has adopted a scheme for securing the supply of skilled labour which explicitly included disadvantaged groups such as youth, long-term unemployed, single parents, low qualified workers and people with an immigrant background. Through the **Labour-market Integration Opportunities Act** long term unemployed persons are integrated directly into the labour market. Even more, periods spent in bringing up children and time out for care are being treated the same way as time in semi-skilled or unskilled employment.

Another special programme, **Weiterbildung geringqualifizierter und beschäftigter älterer Arbeitnehmer**, is aimed at training employees with no vocational qualifications and low qualified personnel. The “**Strengthening Youth**” initiative promotes the school, occupational and social integration of underprivileged young people and young immigrants. The Equal Pay Day (EPD) initiative was put forward by the Business and Professional Women group and has been promoted by the Federal Government since 2008. This initiative aims at promoting equal pay in Germany and to balance the gender gap. Furthermore, in order to help female start-up entrepreneurs, the Federal Ministry for Family Affairs, Senior Citizens, Women and Youth along with the federal Ministry of Science and Research and the Federal Ministry of Economics and Technology have set up the nationwide Agency for Women Entrepreneurs.

The 2013 National Reform Program in Sweden addresses the issues concerning employment policy and notes that the fight against unemployment should go hand in hand with reducing exclusion. The declared goal of the Swedish government is to reach full employment through fighting exclusion and activating disadvantaged groups like youth and older citizens. In order to counteract unemployment the labour market must become more flexible and inclusive. The Swedish Government approach to the issue is to continuously focus on improving the labour market situation for disadvantaged groups.

The groups with a weak foothold in the labour market consist of young people, older people, people born outside of Sweden, people who lack a superior education and people with disabilities. The government's approach to the issue consists in stimulating the supply and demand for labour and to stimulate matching job vacancies with job-seekers. During the tripartite discussions, between the Government and the social partners, the goal has been set to increase lasting employment, particularly by improving job opportunities directed at disadvantaged social groups. Therefore, three areas of interest have been highlighted. These consist of:

- Creating a path into the labour market for young people through work introduction agreements
- Creating improved opportunities for realignment in the labour market
- Creating a system of government support for short-term employment in periods of deep economic crisis

In regards to young people, the NRP takes note of the main difficulties associated with the transition from education to the labour market. This transition needs to be simplified as many young people lack the competence and experience, discouraging companies to employ them. The Government's solution to this issue was the launch of **work introduction agreements**. These agreements meant that youth would benefit from coaching and training within the working hours, the period spent in training being excluded from the calculation of the salary. The initiative was regarded as unsuccessful as few people have been employed under the conditions of such agreements. In order to improve this initiative, the Swedish Government is preparing proposals that aim at stimulating employment for young people through such agreements. These proposals will consist of wage support and economic support for coaching, giving companies the necessary incentive to participate.

Furthermore, a system which will prevent company lay-offs by offering government subsidies to part-time jobs, will be activated during periods of deep economic recession. Short-term employment allows wage-earners to share the burden more evenly and it can allow companies to increase production volumes faster. In order for this system to be activated two criteria must be met. Firstly, the economic recession must be deep or imminent and secondly, the subsidy must not bring about significant socio-economic disadvantages. This emergency system can be activated for a period of 12 months with the possibility of another 12 months extension. Other measures which target the aid of young people better penetrating the labour market consist of:

- A special job guarantee for young people
- A simplified process for employers when hiring people on a temporary basis
- Lowered employers' contribution for young people
- Reform in the secondary upper education and apprenticeships

Other measures consist of temporary increases in adult vocational training, apprentice training, higher vocational training, folk high-schools and tertiary programmes. The 2013 Fiscal Policy Bill proposes 14.000 places in adult vocational training, 8.000 places in practical work experience and labour market training and an additional 2.800 tertiary education places on master and graduate engineer programmes. Furthermore, vocational training was also allocated increased funds with the purpose of an increase in quality. Even more, young people who have been unemployed for at least 12 months will receive a subsidy which amounts to twice the social security contributions and the age limit for qualifying has been lowered to 20 from 25. The Government believes that the Swedish model forms a solid foundation for a well-functioning labour market and that supplementary legislation is not needed.

Regarding the risk of long-term unemployment faced by old people, the Government has also taken measures in order to strengthen the labour market situation. An important measure taken by the Swedish government aimed at discouraging early retirement consists of a higher in-work tax credit for people over 65. Even more, people aged between 55 and 64 are eligible for new-start jobs for up to ten years. This has the goal to improve the possibilities for older unemployed persons to remain in the labour market. The programme known as the Job and Development Guarantee (JDG) targets people in long-term unemployment giving them the opportunity to participate in a three month measure for scholastic motivation at a folk high-school.

Another group threatened by long-term unemployment refers to people with disabilities. A measure introduced in 2013 allows people with disabilities entailing reduced work capacity to acquire practical work experience within central government authorities and agencies. In order for a continuous development of policies aimed at people with disabilities, the Government has appointed several commissions that will keep track of the situation concerning this disadvantaged group. Regarding people born outside Sweden, the Government has introduced a plan “the introduction benefit” which is aimed at strengthening the incentive for both men and women to participate in activities and to work while also taking part in introduction activities. The Public Employment Service is involved from the very start in order to streamline the process of involving immigrants into the labour market. The measures aimed at new arrivals should be appropriate and adapted to the target group at hand. Therefore people aged over 30 will benefit from work training that can be combined with vocationally oriented language studies.

The 2014 Swedish National Social Report (NSR) takes note of the advances made in fighting long term unemployment, noting that between 2010 and 2013 the number of socially excluded people has diminished from 14.4% to 12.7%.

#### *Annex 5: National Reform Programme Romania*

In the 2012 National Reform Programme (NRP), it is stated that the 2020 national target for employment of people aged 20 to 64 is 70%. The data in regard to reforming employment policy is framed around several concepts including:

- fight against illegal work,
- more flexible employment procedures in case of day laborers,
- reform of the social dialogue legislation,
- the increase of the labour market participation,
- the transition from unemployment or inactivity to employment,
- the increase of employment quality for persons living in the rural area and, also, long-term sustainability of the rural areas,
- the improvement of the vocational skills of the labour force,
- integration of young people in the labour market,
- the reform of the legal framework on employment stimulation and adult training.

### **Fight against illegal work**

The fight against illegal work, as part of the ongoing reform of employment policy, is centered around the Labour Inspectorate (IM) implementation of the Framework Action Programme. According to the data in the NRP, 5.561.673 labour agreements were recorded in the General Electronic Register of the Employees by March 12<sup>th</sup> 2013. Out of the total number of labour agreements, 7.97% (443,476), were fixed term contracts.

### **Flexible employment procedures for day laborers**

In order to regulate the market for day laborers, the IM references law no. 52/2011, adopted by the Romanian Parliament in April 2011. The law sets the threshold for day laborers to a minimum of 8 hours per day and not exceeding 12 hours. The minimum age for this type of employment is set at 16. The employees are responsible for reporting their activity to the IM on a monthly basis while, in turn, the IM is responsible for centralizing the data. The law establishes that day laborers are not included in the public pension system, the social insurance system for unemployment or the healthcare system. On the other hand, the law does set a threshold for the minimum wage persons in this category can bargain for, the minimum being 0.5 euros per hour



while the maximum being approximately 2.5 euros per hour. The law also stipulates that the employers should make payment available on a daily basis. Furthermore, day laborers are entitled to any protection equipment suited for the job to be performed. Failing to register with the IM is depicted as a contravention and can attract fines ranging from 1.300 to 2.200 euros.

### **Reform of the Social Dialogue Legislation**

The Romanian Government adopted the Law on Organizing the Economic and Social Council, thus eliminating misinterpretations in regard to the appointment procedure of the representatives of the trade unions and employer's organizations (Progress Report on the Implementation of the National Reform Programme 2011-2013).

### **Increase in the Labour Market Participation**

In order to target low earners in the Labour Market Participation, the NRP mentions the Government Decision of 2013, GD No. 23/2013, referring to the minimum gross wage. Thus, the minimum wage ceiling was raised in two steps. The first step was implemented in February 2013, up to 750 lei (166 euros) and in July, up to 800 lei (177 euros). Estimates show that 436.361 people benefited from the first increase while 677.267 persons benefited from the second one.

### **The transition from unemployment or inactivity to employment**

The NRP report mentions Law No. 116/2002 on preventing and mitigating social exclusion. In accordance to this law, the Unemployment Insurance Budget (UIB) has financed active employment measures for 1.761.784 persons, out of which 689.623 were employed by the end of 2012. The report also mentions that another 49.126 disadvantaged persons were employed due to the government subsidies received by employers. Even more, 405 projects, regarding active employment, received financing, attracting a number of 64.702 persons, out of which 31.480 were women and 17.791 young people.

### **Increase in the employment quality for people living in the rural area**

In order to increase employment quality in the rural area, the NRP report mentions measures financed by the EARDF (European Agricultural Fund for Rural Development). Thus, through the EARDF, 23.782 farmers attended training courses while 9.524 young persons benefited from financial support granted to set up young farmers. By March 2013, 7.360 jobs were created due to the completion of 1.231 projects aiming at setting up micro-enterprises in non-agricultural activities. Furthermore, vocational training, entrepreneurship programmes, professional counseling and job placement services were attended by 60.731 persons.

### **Improving the vocational skills of the labour force**

The Programmes of continuous vocational training funded by the Unemployment Insurance Budget (UIB) received 91.670 persons in training courses, out of which 33.933 persons were employed. Furthermore, by using ESF funding, workers adaptability was improved (Progress Report on the Implementation of the National Reform Programme 2011-2013).

### **The integration of young people into the labour market**

Due to consolidated State Budget financed programmes dedicated to improve young entrepreneurial skills and set-up of micro-enterprises by young entrepreneurs, 8.000 new jobs were created. Furthermore, the Ministry of Labour in association with the European Social Fund (ESF), the Unemployment Insurance Budget (UIB) and the State Budget provided funding in order to facilitate the transition of young people from school to the labour market. This was done by offering mobility bonuses, job subsidies, professional guidance, entrepreneurship counselling, business simulations, apprenticeship at work, higher graduates' traineeships, partnerships between schools, universities and companies.

Also mentioned is the draft law on traineeships for the higher education graduates which aims at ensuring both the social security and on-the-job training for the youth.

### **Reform on the legal framework on employment stimulation and adult training**

In regards to employment stimulation and adult training, the report mentions the newly amended law No. 76/2012 on unemployment insurance and employment stimulation. The law includes new measures regarding the assessment of non-formal acquired skills, mobility bonuses for the long-term unemployed, reduced conditionality for companies hiring unemployed persons or

persons belonging to disadvantaged groups. The law also stipulates job subsidies for the unemployed who are five years up to the anticipated or standard retirement age and for young people at risk of social exclusion.

The report on the National Reform Programme (NRP) specifies some key segments in regards to reforms attributed to the labour market. These key segments include:

- Reforming the minimum wage system
- Flexibility into the labour market
- Supporting former self-employed
- Enhancing control mechanisms of the labour market
- Youth Employment
- Vulnerable Social Groups
- Enhancing local employment

### **Reforming the Minimum Wage System**

The report specifies that the Minimum Wage System is currently exposed to thorough revision. The process implies extensive consultation with social partners, other stakeholders and independent experts, taking into account the economic and labour market situation and prospects. The process is, therefore, in motion and no references to legislation are being made.

### **Flexibility into the Labour Market**

In regards to a more flexible labour market, the report references two segments of the ongoing reform. Firstly, collective bargaining is becoming more flexible as firm level agreements take precedence over any other more favorable collective (sectoral or professional) agreement, as long as the firm level agreement is at least as favorable to the employee as the statutory minimum wage (Greek National Reforms Programme 2013). Therefore, collective agreements can last to a maximum of three years. The agreed terms remain valid for a period of up to three months after the completion of the initial duration (Law 4046/2012). Furthermore, the Labour Collective Agreements has been reduced to only cover four benefits. These include maturity benefit, educational allowance, children allowance and occupational hazard allowance. The increase in wages has been put to a stop until the unemployment rate falls below 10%.

Secondly, the report mentions some other measures which were conducted in order to favor a more flexible labour market. For example, Law 4093/2012 stipulated new measures concerning the termination of an open-ended employment contract in the private sector. Therefore, the

notification period has been reduced to 4 months. For employees with a service period of 15 years or more the severance pay has been reduced to 12 monthly salaries. Also, transitional provisions are put in place in order to safeguard the rights that have been acquired by workers with long period of service under the same employer. Other measures include more flexibility in the working time arrangements, in segmentation of annual leave, in obligatory rest hours and in working time in the retail sector.

### **Supporting former self-employed**

Due to the economic crisis being responsible for a lot of self-employment enterprises being shut down, the Greek Manpower Organization (OAED) is providing a special allowance for former self-employed or freelancers who have suspended their activities. Other measures that have been adopted concern the simplification of implementing labour legislation. These measures consist of the announcement of overtime work, the submission of modified personnel tables, the electronic submission of forms regarding recruitment or working hours. This has been accomplished by implementing the informations systems of IKA-SEPE-OAED which allows for all this to be submitted online.

Further strengthening this infrastructure, a fully structured plan has been developed in order to unify the procedures of collecting taxes and social contributions.

### **Enhancing control mechanisms for the labour market**

In order to enhance the control mechanisms of the labour market, the Greek government has designed an Action Plan based on a series of specific recommendations by the International Labour Organization (ILO). Furthermore, the NRP mentions the launch of the operational plan “ARTEMIS” which will guard over the implementation of the labour law as well as the social security coverage and undeclared work. The Greek National Insurance Fund (IKA) has also reinforced the struggle against undeclared work with on-the-spot inspections and a software application designed for fighting social security evasion.

In regard to implemented policies, the core focus of the Greek government, according to the NRP, concerns job maintenance, the rehabilitation of the unemployed, the integration of vulnerable groups and young people into the labour market, the implementation of vocational

training, the support of older people and of the sectors which were most affected by the crisis. Furthermore, a series of measures have been implemented through the Greek Manpower Organization (OAED). These measures consist of:

- a vocational training program for the unemployed in information technologies (ICTs)
- a “reintegration voucher” as a means of subsidizing employers who hire registered unemployed persons
- several community service programs

### **Youth Employment**

The Ministry of Labour Social Security and Welfare acknowledges the fact that the most affected social group affected by the economic crisis is the youth population. Therefore, together with the Public Employment Services (OAED), a plan was constituted to provide consultancy services, vocational guidance, apprenticeship and specialized active labour market measures to meet the needs of the specific target group as a priority goal. The package of measures meant to facilitate the reentry on the labour market of this affected group consists of:

- a traineeship aimed at youth aged between 16 and 24 in the private sector with trainees entitled to 80% of the NMW (National Minimum Wage) and full social security coverage
- employers are given incentives to keep on the trainees after the period of training is over

Among the measures which are scheduled to be implemented we can take note of:

- a pilot action to support youth to create social cooperative enterprises
- a program aimed at the promotion of innovative entrepreneurship and mentoring for new businesses
- a special voucher for entering the labour market through training and work experience in the private sector according to qualifications

Even more, vulnerable social groups have been aided to reenter the labour market through Specialized Training Centers and Local Actions for Vulnerable Groups (TOPEKO) which are targeting the inclusion of vulnerable groups into the labour market. In the case of older people,

the Social Partners Fund (LAEK- Account for Employment and Vocational Training) is providing a scheme under which enterprises of the private and public sector are subsidized in order to employ people who are close to the age of retirement. The subsidies can last from 1 to 60 months while covering approximately 40% of the wage bill.

### **The Impact of Recent Legislation**

The conversion of full time contracts to part time employment or rotation work has contributed to job retention and has also prevented job losses. Since 2010 more than 1.291.567 persons have benefited from 74 Greek Manpower Organizations in the form of programs for job retention, promotion of employment training, the total budget reaching 3, 87 billion euros. Specifically the programs under the Active Labour Market Policies (ALMPs) have the following outcome:

- retention of 339.260 jobs, including 11.669 jobs from the tourism sector
- 194.177 unemployed persons have benefited from 33 programs aimed at finding a job or promoting small scale entrepreneurship
- Seasonal employment has expanded by 79.473 jobs in the tourism sector
- 625.209 persons have received vocational training through LAEK and structural adjustment programs
- 41.779 young people have benefited from initial vocational training

These actions are believed to have halted the growth of unemployment by approximately 5% to 7%. The modernization of the OAED through structural reform can be summed up by taking note of: a) consultation workshops b) employment and human resources management forums c) an improved portal that raises the success of effective matching in the labour market.

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