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SOCIAL CONTRACTS UNDER SIEGE:

NATIONAL RESPONSES TO GLOBALIZED AND EUROPEANIZED PRODUCTION IN EUROPE

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‘Offshoring,’ ‘delocalization,’ going south or east. Whatever the words, the issue of jobs moving not just out of firm or out of town but out of country and out of continent due to the forces of globalization is not new. What is new is that ‘offshore outsourcing’ has been affecting not just manufacturing but also, and increasingly, services. This has been a cause for concern because the rise in services has long been seen as compensating for the decline in manufacturing. In Europe, moreover, enlargement to Eastern Europe combined with the Single Market liberalization program, in particular with regard to the recent attempt to liberalize services, adds pressures of ‘Europeanization’ to globalization, as jobs move eastward in the EU as much as out of the EU. To worries about ‘nearshore’ outsourcing resulting from Europeanization, however, have also come those about nearshore ‘insourcing,’ as workers move in from Eastern Europe while jobs move out.

But although offshoring has become a matter of general concern in Europe, public responses vary greatly. These depend not just on the amount of offshoring to Asia and nearshoring to Eastern Europe but also on how countries’ work and welfare systems cushion the effects of such outsourcing and on how national publics have come to perceive globalization and Europeanization generally and offshoring more specifically. Winners and losers vary with the type of welfare state: social-democratic, liberal, and conservative welfare states. But national publics’ perceptions of who is winning or losing are also influenced by national leaders’ legitimizing ideas and discourses about globalization and Europeanization. This is illustrated using a range of West European countries, including Britain, Ireland, France, Germany, the Netherlands, Sweden, and Italy.

OFFSHORING IN PERSPECTIVE

The media blitz across Europe on the threats to jobs from offshore and nearshore outsourcing has been phenomenal, with headlines blaring in particular about major corporations from automotive manufacturing to financial services firing thousands of workers in Europe to hire others in East Asia or Eastern Europe. The news has also been replete with stories about West European workers losing jobs to East European immigrants or blackmailed into reducing wages and increasing working hours in order to keep firms from offshoring their jobs. And yet, if one looks behind the headlines to the statistics, offshoring has not—at least as yet—had much overall impact on jobs. Losses in industry have largely been counterbalanced by gains in services, and losses in certain

service sectors have been replaced by gains in others. Estimates vary greatly, but most suggest that overall job losses due to off-shore outsourcing are negligible by comparison with overall employment in the EU (Kirkegaard 2005) as well as in individual countries like Germany, France, and even the UK (Barysch 2006; Aubert and Sillard 2005; UK National Statistics 2005). Moreover, FDI outflows have been more than compensated by FDI inflows, with European companies investing in other West European countries even more than in Eastern Europe, Asia, or the United States (UNCTAD 2005).

These general statistics suggest that adapting to offshoring, the latest manifestation of globalization, has not been a disaster for employment in Europe. However, the statistics do not tell us anything about the losers from globalization. These are the people who have felt the impact of globalization on their wages, which have not progressed at nearly the same pace as in the past, and on the quality of jobs, as more secure, higher paid manufacturing jobs are exchanged for more temporary or part-time, lower paid service jobs. These are the people who sit at the lower end of the wage scale, as wage inequalities rise in terms of differentials in pay between highest and lowest paid jobs, and who find themselves less protected by the traditional welfare state, as benefits and services are ‘rationalized.’ Finally, these are also mostly the people who suffer from the ‘new social risks’ related to unemployment, incomplete work histories, and lack of skills, who are disproportionately young, female, and/or immigrants, as opposed to the traditional workforce, which continues to be mainly affected by the ‘old social risks’ linked to old age, ill health, or job loss, for which the welfare state was originally constructed.

In addition to the problems affecting certain segments of the labor force across Europe, offshoring also has differential effects on European member-states’ economies. Some European countries have experienced much more offshoring than others. But interestingly, public responses have been highly varied and are not closely correlated with a country’s higher (or lower) levels of offshoring. As we shall see below, the public in one of the countries hardest hit by global offshoring and European nearshoring of manufacturing and service jobs, Britain, has until recently been much less concerned about it than publics in countries so far less affected, such as France. Moreover, although European in-sourcing of workers has become an issue even in Britain, it has been a much bigger issue in France, despite the fact that such in-sourcing is much lower. Other big countries remain somewhere in between these extremes. The public in Germany has been gloomy on the topic of nearshoring of manufacturing and insourcing of East Europeans, but not nearly as much as the French. Until very recently, Italy has been much more enthusiastically pro-global and pro-European despite suffering from a greater economic slowdown. Furthermore, small states where one might have expected significant concern about offshoring, whether because of great vulnerability to changes in foreign direct investment, like Ireland, or because of the dominance of large internationalized firms, like the Netherlands or Sweden, are nevertheless highly pro-global. The puzzle, then, is: Why such varied public responses?

The answers lie not only in economics—with inhabitants of the country ‘winners,’ those experiencing comparatively higher levels of economic growth and lower levels of

unemployment, such as Britain, Ireland, and Sweden, generally less concerned than inhabitants of the country ‘losers,’ which have been in the economic doldrums with higher levels of unemployment, like France, Germany, and Italy, or underemployment, like the Netherlands. They also have to do with countries’ differing systems of welfare and work, in particular with whether their social policies have cushioned the effects of offshoring and nearshoring on the ‘losers’ through welfare benefits and services and whether their labor policies have helped create more ‘winners’ through job creation and labor market activation programs.

European countries divide into three basic ‘families’ of welfare states: the ‘liberal’ welfare states of Anglo-Saxon countries like Britain and Ireland, which offer the lowest levels of benefits and services and in which the major risk is poverty; the ‘social-democratic’ welfare states of Scandinavian countries like Sweden, which provide the highest level of benefits and services and for which the main issue is sustainability; and the conservative welfare states of Continental and Mediterranean Europe, including France, Germany, the Netherlands, and Italy, which provide reasonably high levels of benefits but low levels of services, and for which the primary problem is unemployment or underemployment. These systems have not only had very different ways of dealing with the ‘old social risks,’ they have also developed different policy responses to the ‘new social risks,’ sometimes differing even within the same families of welfare states.

But although economics combined with work and welfare systems may go a long way toward explaining public reactions toward offshoring, in particular in a country like Sweden, where a highly generous welfare state and extensive labor market activation policies together allay most public concern, they do not fully account for them. They do not explain why, for example, national publics in liberal welfare states like Britain or Ireland seem comparatively unworried about offshoring, given the lack of job security and the risk of poverty, or why national publics in some conservative welfare states appear very worried about it, as in France, and in others much less so, such as Italy.

The answer here lies in national legitimating discourses about globalization and Europeanization, that is, the way in which national leaders have spoken to the question of who wins and who loses with regard to these outside pressures. Public attitudes in Britain and Ireland toward offshoring owe much to the strong and unified pro-globalization discourses of the ‘third-way’ developed since the late 1990s, with Europeanization playing a supporting role. French public attitudes, in contrast, cannot be understood without taking note of the increasingly strong and unified anti-globalization discourse since the mid 1980s, with Europeanization originally cast as a shield against globalization rather than as the conduit some see it as today. German public attitudes have a lot to do with the long-standing residual but unified pro-global discourse which has only recently become contested. The Italians’ attitudes result from a default unquestioningly pro-global and pro-European discourse as the only answer to the incapacity of the state. The responses of Swedish and Dutch publics are also related to the long-standing unified pro-global discourses of small states with open economies in a global environment.

Economic effects alone, in short, do not serve as predictors of public attitudes toward offshoring. This is because such attitudes are additionally linked not only to the coping mechanisms of national work and welfare institutions but also to national ideas and discourse about globalization and Europeanization. In what follows, the chapter demonstrates this by first examining the ways in which systems of work and welfare have been reformed (or not) in response to the challenges of globalization and Europeanization generally and offshoring more specifically. It then explores the ‘social construction of reality,’ that is, the ways in which national leaders’ ideas and discourse have (or have not) served to legitimate reforms to systems of work and welfare in order to meet the challenges of globalization and Europeanization.

CHALLENGES TO WORK AND WELFARE SYSTEMS

The central problem with regard to offshoring is not the loss of jobs *per se* but how workers are affected by it and whether national systems of work and welfare manage to moderate its effects. And this in turn is related to the ways in which national governments have (or have not) adjusted their systems of work and welfare to meet the competitive challenges posed by globalization and Europeanization more generally.

Reforms responding to the ‘Old’ and ‘New’ Social Risks

Work and welfare reforms have been of two different kinds: those focused on the ‘old’ social risks and those targeting the ‘new’ social risks. The old social risks are mainly those for which the postwar welfare state was designed, including pension systems, disability schemes, and health care for those who found themselves too old or incapacitated to work, as well as unemployment schemes for those who found themselves out of work. Reforms have involved belt-tightening in benefit programs, whether by reducing the recourse to early retirement, the number of people on disability, or the generosity of unemployment compensation; by cutting costs in social services, often by increasing the marketization of public services; and by diminishing the size of pensions, increasing the years of contribution, or partially privatizing them. Work reforms have primarily involved attempts to increase flexibility in labor markets by easing rules for hiring and firing, promoting part-time and temporary jobs, and decentralizing bargaining on wages and work conditions to sectoral and firm levels.

The reforms targeted toward the old social risks disproportionately affect the older workers and the ‘insiders’ who have benefited from the *status quo ante* of the postwar welfare state. The reforms focused on the new social risks disproportionately affect those who benefit the least from the postwar welfare state: the ‘outsiders’ who tend to be younger, female, or immigrant, who may be without work, without skills, or on welfare, although it can also affect older workers who have lost their jobs. The new risk reforms are largely focused on work-related issues, and emphasize ‘equality of opportunity’ rather than the ‘equality of results,’ or redistribution, which was at the heart of the social policies related to the ‘old’ risks. These new risk reforms encompass primarily labor activation policies such as education, training, and job-seeker aid. But they are also linked to welfare, whether through welfare-to-work programs for the young

and the long-term unemployed or child-care services (and to a lesser extent elderly care) for women, to free them up for work (Taylor-Gooby 2004).

All of these new risk reforms tend to cushion the effects of offshoring for those at the lowest end of the job hierarchy, since they are focused on improving skills and finding jobs for those who are most vulnerable when lower-skilled manufacturing or service jobs are offshored or nearshored. The reforms related to the new social risks sometimes join with the labor market flexibility reforms for old social risks, by promoting *flexicurity* for part-time and temporary jobs through benefits and services at the same level as full-time jobs or close to it, with pension top-ups for those with incomplete work histories.

European Countries' Diverse Responses in Welfare and Work

European countries' reforms of their systems of welfare and work have been highly diverse, with some having adjusted more than others with regard to the old social risks, and some having done more than others to address the new social risks. These reforms are best examined by considering countries in terms of their trajectories of development within one of three postwar constellations of welfare states: traditionally liberal, Anglo-Saxon welfare states like Britain and Ireland; social-democratic, Scandinavian welfare states like Sweden; or conservative welfare states like Germany, France and the Netherlands or Italy (Esping-Andersen 1990; Scharpf and Schmidt 2000).

Welfare

Liberal welfare states in Anglo-Saxon countries such as Britain and Ireland—where the postwar welfare state was characterized by a comparatively low level of state-provided benefits and services and an emphasis on individual responsibility—have all moved toward an even more liberal, leaner welfare state. Benefit levels are still low, the emphasis on individual responsibility is even greater, and poverty is now the main challenge, largely because social transfers do not bring the poverty level down as much as in the two other, more generous welfare systems (Rhodes 2000).

By contrast, social-democratic welfare states in Scandinavian countries such as Sweden and Denmark—where the postwar welfare state was characterized by a very high level of state-provided benefits and services and a premium on equality and universality of service provision—have remained true to the social-democratic model. They continue to respect values of equality and universality of provision and to maintain a high level of generosity despite cuts in benefits and the introduction of user fees. Their main challenge has been how to sustain the welfare state at such a high level (Benner and Vad 2000).

Finally, conservative welfare states in Continental countries such as Germany, the Netherlands, and France, as well as in Mediterranean countries like Italy—where the postwar welfare state was characterized by reasonably generous, state-provided benefits differentiated by status and gender and a lower level of services provided by intermediary groups (if not left to the family)—have reformed their model to varying degrees in different ways. But all have retained their reasonably high level of generosity in benefits even as they have introduced some degree of individual recourse through pension reform.

Their main challenge has been how to reform social protection systems to reflect changing gender roles and patterns of work while overcoming the problems of unemployment that stem from much greater labor-market rigidities than in liberal or social-democratic welfare states (Manow and Seils 2000; Ferrera and Gualmini 2004; Hemerijck, Visser and Unger 2000).

Work

The changes in welfare systems have also been accompanied by changes in work regimes. In the labor markets, liberal Britain and Ireland as well as social-democratic Sweden have developed much higher levels of flexibility than conservative Germany, France, and Italy. But whereas in liberal Britain and Ireland, such flexibility stems mainly from much higher percentages of part-time and temporary employment and much easier hiring and firing rules than in conservative welfare states, in social-democratic Sweden it comes from more effective labor-market activation policies that emphasize state-sponsored retraining of laid-off workers and strong job-search support. Moreover, social-democratic Sweden also ensures much greater welfare security, or *flexicurity*, than the liberal welfare states, with regular benefits for those in part-time or temporary jobs, mostly in well-paid public sector services. With regard to *flexicurity*, however, social-democratic Denmark's system works even better than does that of Sweden. This is because it has even greater labor market flexibility than Britain in terms of its extremely easy hiring and firing at the same time that it also has as if not more generous unemployment insurance than Sweden, along with equally strong state-sponsored retraining and job-search support. By contrast, in liberal Britain, part-time and temporary employment is mainly in low-paid private sector jobs with no benefits, little if any unemployment insurance, and little if any state-sponsored retraining.

The lack of labor market flexibility in conservative welfare states is typically blamed for their higher levels of unemployment over the long term. The main problem for these countries is that rigid employment protection rules make employers less likely to hire for fear that they can't fire, which in turn makes the move into the services industry generally harder. The comparative paucity of part-time and temporary jobs has also made it harder for women to move into the workforce. This has only been compounded by the relative lack of affordable private or public day care services for women with children (with the exception of France's public services).

The one major exception with regard to overall labor market flexibility has been the Netherlands (which has therefore occasionally been classified with social-democratic welfare states, e.g. Sapir 2005). The Netherlands has the highest part-time employment as a proportion of total employment in the EU, 35% in 2004, in contrast to the UK's 24%, Germany and Ireland's 19 to 20%, and France, Italy, and Sweden's 13 to 15%. But although the Dutch as a result do not suffer from the unemployment that afflicts most conservative welfare states, it risks underemployment, as evidenced by the comparatively low number of annual hours worked per person, at 1357, by contrast with France and Germany's average of 1442, Sweden and Italy's 1585, and the UK and Ireland's average of 1656 (OECD 2005). Unlike the UK, however, the large proportion of part-time and

temporary work does not put workers at risk for poverty because the Netherlands, like Sweden, has *flexicurity*.

Labor market reforms in conservative welfare states other than the Netherlands have done little to solve the problems of unemployment. They have tended to leave core employment areas alone while making changes on the margins, by creating fixed term contracts for new jobs, special youth employment programs, and the like (Kirkegaard 2005). Although recent EU legislation has pushed for greater benefits tied to these jobs, to ensure some level of pension contribution and access to services, it does nothing for job security over the long term. Moreover, these kinds of temporary jobs—often called ‘defined term contracts’ as opposed to ‘undefined term contracts’—can be self-perpetuating. They can also lead to two-track employment systems, where core workers are protected while increasing numbers of younger and/or newly hired, less skilled, previously laid-off workers, and immigrants have more precarious employment, less likelihood for advancement, and fewer benefits. These are the people affected by the new ‘social risks’ (Taylor-Gooby 2004). And they are also most likely to become the real losers with regard to offshoring, in particular in the service industries.

The massive protests in response to the French government’s initiative on youth employment, the ‘CPE’, or first employment contract in late March 2006—which was to extend to two years the six-month contracts in which businesses could dismiss young employees without cause—are clear evidence of public concern with the increasing ‘*précarité*’ or precariousness of employment for the young. The bifurcation of the labor market into insiders with jobs and job security and outsiders with no jobs and no security is a problem not just for France but for most conservative welfare states as well. In Spain, there are unofficial estimates of over 30% of workers in temporary or part-time employment; the figure in Italy is not much lower.

Countries in which unemployment insurance rather than employment protection rules cover the bulk of the workforce do not suffer as much from the problems of labor market bifurcation or from high unemployment. These include liberal Anglo-Saxon welfare states and social-democratic Scandinavian welfare states, plus the Netherlands (Sapir 2005). But lower unemployment does not guard against other problems—in particular the constant need to improve skills and to ensure that workers find jobs. The social-democratic welfare states of Scandinavian countries score well in this area too, given high spending on training as well as strong labor market activation policies. Not so liberal welfare states. Whereas the UK spent 0.14% of GDP on training in 2002-2003 and Ireland 0.20% in 2003, Sweden spent close to four times the British amount, at 0.61% of GDP in 2002, as did the Netherlands, at 0.62% in 2003, while Germany spent close to three times the British, at 0.40% in 2003, and France twice, at 0.31% in 2003. Only Italy was on a par with Ireland, at 0.23% in 2003 (OECD 2005). In the UK, those most in need of retraining because they are in the lower paid service jobs which are currently being offshored in increasing numbers, and for which reemployment rates are also somewhat lower (UK Office for National Statistics 2005), are also least likely to get that retraining, given the generally low spending on retraining programs by employers. Public sectors programs such as the ‘New Deal’ for youth employment, which was

subsequently extended to single mothers and the long-term unemployed have helped some, but they are not extensive enough to make a great difference. And these low-skilled workers are therefore most at risk from poverty, given the UK's low levels of benefits.

IV THE SOCIAL CONSTRUCTION OF REALITY: WHY DISCOURSE MATTERS

Change is never easy, especially if it challenges long-established ideas and deep-seated values, let alone entrenched interests. The reform of systems of welfare and work undertaken by most European countries in the 1990s in response to the challenges of globalization and Europeanization has been especially difficult, since this was coming on top of reforms to macroeconomic policies beginning in the mid-1970s and to microeconomic policies in the mid-1980s (Scharpf 2000). The presence of legitimating public discourses have often facilitated such reform efforts. These require not only convincing cognitive arguments about the necessity of reform but also persuasive normative arguments about its appropriateness. And such arguments are most effective if they occur both in the 'coordinative' discourse among policy actors, to facilitate agreement on policies and in the 'communicative' discourse between political leaders and the general public, to legitimate reform (Schmidt 2000, 2002, Ch. 5). The absence of such discourses helps explain why reforms failed, if they got off the ground in the first place. The ways in which these discourses connected to ideas about globalization and Europeanization in turn help explain public responses to offshore and nearshore outsourcing.

Offshoring has been a matter of concern to publics in all European countries. Evidence of such concern can be seen not only in the responses of national governments but also in that of the EU, which recently established a €500m (\$650m) Globalisation Adjustment Fund to alleviate the impact of globalization. It kicks in, offering job counseling, training and other help, when one thousand or more workers in a given firm or industry lose their jobs as a result of "structural changes in world trade patterns" (*Economist* Jan. 24, 2007).

Public concern about globalization varies across EU member-states. When Europeans were asked in a recent poll (Eurobarometer 63, 2005, question QD6) what came to mind when they heard the word globalization, the 'delocalization' of some companies to countries where labor is cheaper came first, sometimes followed by new opportunities for national companies, other times by increased competition for national companies or increased foreign investment in the country. Significantly, the only countries in which majorities associated globalization with delocalization were publics in conservative welfare states like France (59%) and Germany (51%). In liberal Britain, by contrast, only slightly over a third (36%) of respondents associated globalization with delocalization while in Ireland it was just under a third (31%). Interestingly enough, in social democratic Sweden, respondents were far more worried about delocalization (49%) than in quasi-social democratic Netherlands (13%), who were the least worried of our sample. Conservative Italy is perhaps the most anomalous case, though, since only 26% worried about delocalization, despite significant economic problems and little reform. Europeanization is another matter, however, given growing concerns about

nearshoring of jobs and ‘insourcing’ of East European workers. In a 2005 Eurobarometer poll (eb 64.fr 2005), when West Europeans generally were asked what they feared most in a list of issues related to European integration, the transfer of jobs to other member-states where production is cheaper came out on top, with close to two in three Europeans worried about this (73%).

In Britain, the public’s positive take on globalization and its seemingly low concern with offshoring may seem surprising, especially since British workers are more exposed to offshoring than the other countries considered. Economic dynamism has a lot to do with the seeming lack of concern of the general public, as does the low unemployment rate. But Britain’s traditionally ungenerous welfare state and low level of support for training could nevertheless be expected to give some pause, especially for those most exposed to offshoring. Yet it took the ‘inshoring’ of some 300,000 workers instead of the expected 30,000 for the British government to decide that the doors would be closed to the Bulgarians and Romanians when they came into the EU in 2007. Even this large influx of workers did not produce the backlash that it did in Ireland, though, where concerns focused on Estonians taking Irish seamen’s jobs on ferryboats and on East Europeans more generally flooding the construction industry.

The British public’s general acceptance of globalization and offshoring has much to do with a public discourse which since Tony Blair came to power in 1997 has been focused on legitimizing globalization and in highlighting the policy responses to the new social risks associated with it. Globalization itself has consistently been portrayed as circumscribing the parameters of political and economic choice, for the domestic arena as well as for Europe (Hay and Smith 2005) because Europe, as Blair insisted in his speech on its future, “must be global or fail” (Oxford University, Feb 2, 2006). Globalization, moreover, has been central to New Labour’s justification of the necessity of work and welfare reform, both as the reason for government policies to keep wages and social benefits down and the rationale for promoting greater flexibility in the labour markets (Hay 1999; Hay and Smith 2005). The discourse of the ‘third way’ served to legitimate such reform by arguing that government policies would ‘promote opportunity instead of dependence’ through positive actions (i.e., workfare) rather than negative actions focused on limiting benefits and services (like the conservatives in previous governments), and by providing ‘not a hammock’ (like ‘Old’ Labor) ‘but a trampoline,’ not ‘a hand out but a hand up’ (Schmidt 2000, 2002 chapter 6). More recently, the explicitly ‘third way’ discourse has been replaced by similarly legitimating arguments centered around adopting Swedish labor market activation policies and creating an ‘Anglo-social’ model of welfare state.

The Irish public’s pro-globalization stance (leaving aside East European insourcing) is less surprising than that of the British, given that globalization through foreign direct investment—not to mention Europeanization through the structural funds—has helped fuel the country’s extraordinary growth in the past decades. Globalization has been presented as the reason for Ireland’s ‘tigerdom,’ and continues to be presented that way, even through the country’s recent economic slowdown (especially since the country still has the highest growth rate in Western Europe). Ireland has also

had the equivalent of a 'third way' discourse on the reform of work and welfare linked to globalization (Hay and Smith 2005). Much like the UK, moreover, globalization has been presented as a non-negotiable constraint, to ensure wage restraint and to reinforce the corporatist cooperation between labor, management, and government that began in the late 1980s. Europeanization, by contrast, has always been described in much more glowing terms than in the UK, as the reason why Ireland has gotten to where it is today, despite the growing constraints, in particular with regard to the European Monetary Union.

Sweden and the Netherlands have also been very positive about globalization, but with a different and much longer history of a pro-global discourse and policy. This is mainly because, unlike the long poor and economically dependent Ireland or the bigger and long-global UK, these small states prospered in the postwar period as open economies, in which cooperative, corporatist labor relations were underpinned either, in the Netherlands, by an egalitarian, reasonably generous, conservative welfare state or, in Sweden, by an egalitarian, highly generous social-democratic welfare state (Katzenstein 1985). As a result, globalization, represented by outside competitive forces, has been a *sine qua non* of economic life, and has so become part of the background assumptions that national leaders have not even felt it necessary to articulate in any specifically pro-global discourse, unlike Ireland and Britain. Moreover, as we have already seen, both countries have undertaken more reforms with regard to both the old and the new social risks.

In Sweden, public attitudes toward globalization have not even been affected at moments of major reform of welfare and work. This is because such reforms did little to jeopardize the basic postwar commitment to equality and universality of access, maintaining a very high level of benefits and services despite moderate cuts and the introduction of modest user fees (Benner and Vad 2000). Thus, in their discourse, Social-Democratic governments consistently presented themselves as defending basic welfare state values of equality, even as they cut benefits in order to 'save the welfare state' (Schmidt 2000). For the Swedish public, Europeanization, has been much more in question than globalization, mainly because of fears of the negative impact of the European Monetary Union on the welfare state, as evidenced by the fact that the referenda on EMU membership have repeatedly failed. Enlargement related to insourcing of workers, moreover, has not been much of an issue. But immigration more generally, in particular as it relates to third country nationals, has become an issue, with anti-immigrant feeling growing with regard to immigrants' potential demands on the welfare state if they are jobless and without skills. Sweden, however, has been much less xenophobic in this regard than Denmark, which recently instituted the most draconian immigration rules in all of Europe.

The Dutch experience of reform has been much more fraught. Significant reform of the labor markets came in the early 1980s, bringing not only a return to cooperative labor management relations and wage restraint after their breakdown in the 1970s but also a veritable revolution with regard to part-time and temporary work as well as gender relations through the entry of women into the workforce (Visser and Hemerijck 1997).

The transformation of the labor market was followed in the early 1990s by significant welfare reform (Hemerijck, Visser, and Unger 2000), promoted by a ‘crisis narrative’ that the Netherlands was a ‘sick country,’ given the number of workers out on disability—one in seven (Kuiper 2004; Schmidt 2000). But while cognitive arguments about the necessity of reform enabled the government to push through major changes in the disability and pensions systems, the lack of normative legitimization led to the government’s massive defeat in 1994. Only when a new government was able to argue credibly not only that it had ensured a better economy with ‘jobs, jobs, and more jobs’ but that it safe-guarded social equity even as it produced liberalizing efficiency, did reform gain public acceptance, as confirmed by the government’s landslide electoral victory in 1998 (Levy 1999; Schmidt 2000). Since then, governments have continued broad-scale liberalization programs, such that the public has seen economic success as linked to neo-liberal reform and, despite economic stagnation in recent years, continues to support it as well as to maintain a positive attitude toward globalization. Attitudes toward Europeanization have also been largely positive, at least until the negative vote in the referendum on the Constitutional Treaty, which reflected concerns about immigration as well as the inflationary impact of the euro.

As the lead economy in Europe and long a global competitor, given its strong export sector, global competitive pressure did not represent the kind of challenge for Germany that it did for the UK or even the Netherlands until quite late. Only in the early and mid-1990s, in conjunction with the country’s unification, did globalization surface as a problem rather than an opportunity. It was not until the Social Democrats took power in the late 1990s, however, that major reform was promised (Manow and Seils 2000). But it immediately hit roadblocks in the government itself, which was unable to speak in one voice, as the pro-global, pro-welfare reform discourse of Social-Democratic Chancellor, Gerhard Schröder, was contradicted by the neo-Keynesian discourse of Social-Democratic Party Leader and Minister of Finance, Oskar Lafontaine. Lafontaine’s resignation after four months did not help matters, however. Schröder’s discourse was unconvincing to the public, first, as he sought to borrow from the British discourse of the ‘third-way’ in summer 1999 and then the French socialist discourse in the fall. He was convincing only when he came out swinging against the Mannesmann takeover by Vodafone and tried to save Holzman from bankruptcy—none of which did much for the government’s reform efforts or for public attitudes toward globalization (Schmidt 2002, Ch. 6). Moreover, while economic policy reform proceeded apace, employment reforms went nowhere, the result of the split in the SPD between ‘traditionalists’ in charge of the Labor Ministry and ‘modernizers’ in the Economics Ministry (Zöhlhofer 2004). Only with the Hartz IV reforms on pensions and unemployment compensation did Schröder gain in credibility, the reforms in legitimacy, and his rather thin discourse in persuasiveness. But this was mainly because he held to the reform despite battering in Länder elections, weekly Sunday protests, and a massive slide in public opinion.

For all this, however, Germany still has a long way to go with respect to reform, in particular with regard to cushioning the effects of job loss on those most vulnerable to the new social risks. This, plus continued high unemployment, has made near-shore insourcing an increasingly contentious issue, as the public worried, for example, about the

replacement of 25,000 German butchers by Polish or Czech immigrants in fall 2004, or by automotive workers feeling the squeeze on wages and work conditions in exchange for industry promises to maintain employment in Germany rather than moving east (Barysch 2006). Given all of this, it may seem all the more surprising that the German public remains largely positive with regard to the effects globalization, although it helps explain their more negative view of globalization with regard to employment (see Figure 1).

France is the real outlier on attitudes toward globalization and Europeanization, however. With regard to Europeanization, in the 2005 Eurobarometer poll (eb 64.fr 2005), whereas two in three Europeans (73%) feared most the transfer of jobs to other member-states where production is cheaper, nine in ten of the French (89%) did so. But even more dramatic are attitudes toward globalization. Most telling is an in-depth, 2003 Eurobarometer poll on globalization, in which a clustering of questions related to negative attitudes about globalization—as bad for the economy, bad for employment, bad for jobs, and bad for you—show the French to be off the charts compared to all other countries (see Figure 1).

[Figure 1 about here]

The problem for France has been that ever since the early 1980s, French policy elites have been in search of a new discourse that would serve to legitimize the country's liberalizing economic transformation in a way that would resonate with national values of 'social solidarity.' In its absence, successive governments of the left and right have more often than not justified neo-liberal policy change by reference to the challenges of globalization, while claiming that further Europeanization served as a shield against globalization, and that neither liberalization nor Europeanization would do anything to jeopardize 'social solidarity.' Governments' attempts to reform in response to the crisis of the welfare state as well as the need to meet the Maastricht criteria for the EMU were repeatedly stymied as a result of the lack of a discourse that spoke to the appropriateness—rather than just the necessity—of reform (Schmidt 1996, 2002 Ch. 6). Even when the Socialists in the late 1990s finally did come up with a discourse that served to legitimate reform by balancing arguments about efficiency with normative arguments about equity—for example, by claiming 'neither to soak the rich nor let them shirk their obligations' with regard to tax reforms—they did not tackle the major pension problems for fear of protests (Levy 1999; Schmidt 2000). Their discourse did, however, help set the stage for public acceptance of a significant reform of public sector pensions by the right-wing government of Raffarin in 2004, despite Raffarin's minimal discourse (Natali and Rhodes 2004). But the attempted reform of work rules by the de Villepin government, as noted earlier, failed miserably, due not just to inadequate policies but also to inadequate discourse.

In the interim, moreover, because political elites consistently blamed the need for welfare reform on outside pressures from globalization and Europeanization rather than admitting that the problems were internal to France (Smith 2005), they encouraged the anti-globalization and anti-Europeanization feelings that came to the fore in the

referendum on the Constitutional Treaty, contributing to its failure. This came as much from the right as from the left—the Socialists’ refrain on globalization was ‘yes to the market economy but no to the market society’ while on Europe it was to defend the ‘European social model’ against the excesses of ‘Anglo-Saxon liberalism’ and United States-led globalization (Schmidt 1996; Gordon and Meunier 2001). Most notable is President Chirac, in his first televised appearance on the Constitutional Treaty, responding to concerns that the EU was ‘too liberal’ by claiming that he would protect France by fighting in the EU against “Anglo-Saxon ultra-neo-liberalism,” if only the French voted ‘yes’ on the referendum. No wonder that the French voted ‘no.’ It didn’t help that the services directive, which would have allowed workers from Eastern Europe to work in the West under home country rules, was floated a couple of months before the referendum, which conjured up the fear ‘Polish plumbers’ coming to take French jobs, and precipitating a ‘race to the bottom’ in social protections.

In Italy, state paralysis and incompetence throughout the postwar period until the 1990s ensured that Europeanization was seen as the ‘rescue of the nation-state’ (Ferrera and Gualmini 2004). Moreover, Italian industry thrived in the context of globalization, ensuring positive public attitudes toward it as well. In the 1990s, moreover, Italy was able to muster a highly successful discourse to promote major welfare reforms that had been all but impossible in the 1970s and 1980s. Center left governments’ discourse spoke to the necessity of reform in order to return to financial health and to join the European Monetary Union at the same time that they made normative appeals to national pride with regard to joining the euro and to social equity—to end unfairness and corruption as well as to give ‘*piu ai figli, meno ai padri,*’ more to the sons, less to the fathers, so as to ensure intergenerational solidarity (Ferrera and Gualmini 2004; Schmidt 2000). Since 2001 under Berlusconi, however, there has been little reform of either the work or the welfare arena, the result of the failure not just of legitimating discourse capable of ensuring union cooperation but of will, given a leader more interested in passing legislation focused on solving his own legal problems and ensuring his party’s political future. In the interim, the economy slowed tremendously, leading to a discourse inside and outside the country portraying Italy as the ‘sick man’ of Europe. This makes it all the more surprising that the Italians have remained so strongly pro-global. A reversal in attitudes may be occurring, however, ever since the quotas went off China with the end of the Multifibre Agreement, and as Chinese imports together with offshoring to Asia more generally have taken a great toll on the Italian textile and shoe sectors, the backbone of the ‘third Italy,’ and largely responsible for its continued economic health since the 1980s.

CONCLUSION

Public attitudes in European countries to the challenges of offshoring and nearshoring, in short, are related not only to levels of economic growth or unemployment but also to the ways in which systems of work and welfare serve to cushion its effects and national discourses to legitimate it. For the moment, public attitudes differ across European countries, with ‘liberal’ Anglo-Saxon and ‘social-democratic’ Scandinavian countries generally less concerned about offshoring and nearshoring than ‘conservative’ Continental and Mediterranean countries. However, if the number of losers of offshoring

and nearshoring continues to climb, affecting more and more segments of the labor force in more and more countries, then national work and welfare systems will find it harder and harder to cushion the effects, and national leaders will be increasingly hard put to come up with sufficiently legitimating discourses across Europe.

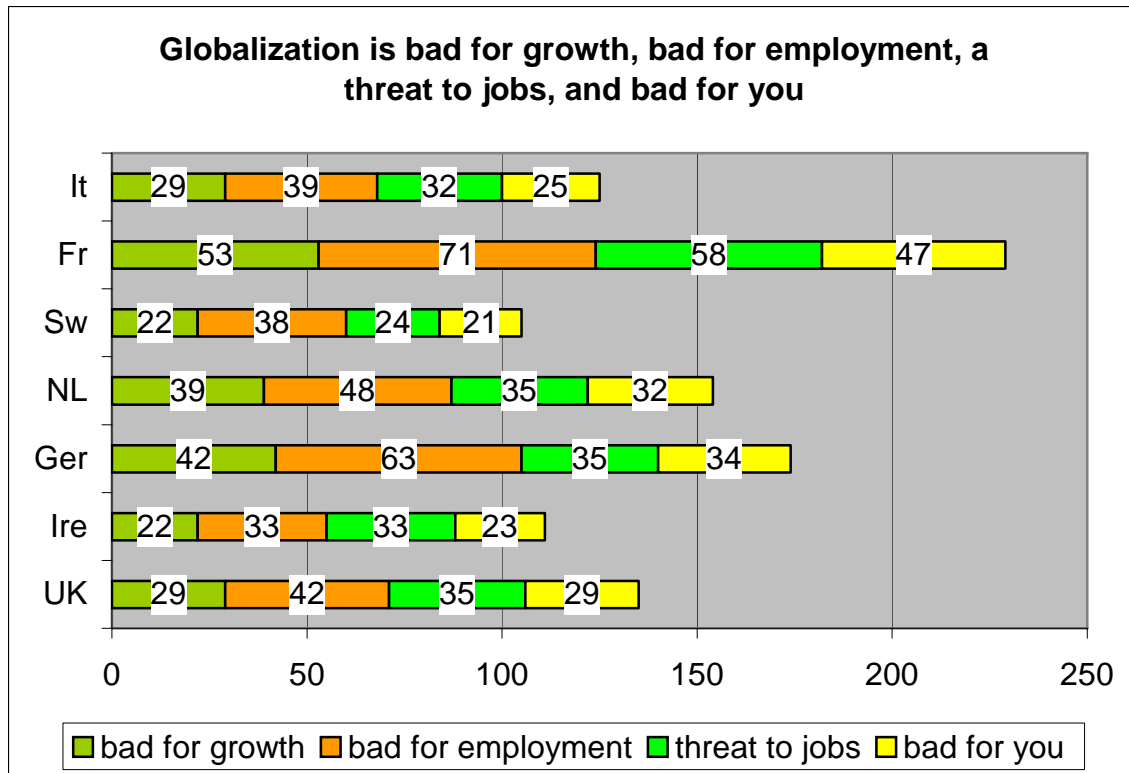


Figure 1: Negative effects of globalization

Source: Eurobarometer 2003 (Flash EB no. 151b)

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