

The European Employment Strategy: Towards More and Better Jobs?*

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Abstract

The European Employment Strategy (EES) is the employment policy of the European Union. According to its 2000 orientations, the EES was to promote ‘more and better jobs’. In fact, the EES has not lived up to this promise. First, the EES has not been able to put the quality of jobs firmly on its agenda. On the contrary, the EES argues in favour of more flexible jobs. Second, the EES criticizes countries such as Sweden and Denmark for their high levels of taxes and unemployment benefits, despite the results these countries achieve in terms of employment. The orientations of the EES can be understood as deriving from mainstream economics; it is argued that they go against the European social model.

Introduction

The aim of the economic policies of the European Union (EU) was defined during the meeting of the head of states and government in Lisbon in June 2000. According to the conclusions of the European Council, the overarching aim of the EU, called the Lisbon strategy, is ‘to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion’ (European Council, 2000). The European Employment Strategy (EES) is the

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part of the Lisbon Strategy which deals with employment. Launched in 1997, the EES is not a policy in the strict sense of the term as it has no effective powers. The EES is best described as a procedure which defines aims and issues recommendations to Member States to achieve them.

The EES proceeds as follows. First, the Council of the European Union – the meeting of EU labour ministers – adopts ‘employment guidelines’. Second, Member States write ‘national action plans’ to indicate how they intend to implement the guidelines. Last, the European Commission reviews these plans and suggests recommendations which are finally adopted by the Council of the EU. The recommendations are not binding: they only express the EU’s views on national employment policies.

So far, the EES has been studied from three perspectives. First in importance, the EES has been studied as a procedure (see de la Porte and Pochet, 2004, for a review of the literature). Here, the EES is generally presented as an ‘open’ method, as it brings together a number of actors and allows a variety of opinions to be expressed (de la Porte *et al.*, 2001; Hodson and Maher, 2001; Jacobsson, 2004; Trubek and Mosher, 2003). Second, the EES has been studied as a source of influence for national employment policies. Here, the results indicate that the influence of the EES on national orientations is generally modest (Barbier, 2004; de la Porte and Pochet, 2002; Zeitlin *et al.*, 2005). Third, the EES has been studied as a discourse, most often from a critical perspective (Visser, 2002; Serrano Pascual, 2003).

Our work inscribes itself in the third perspective. We develop here a political economy approach. By this, we mean the three following postulates: first, discourse and ideas matter in the framing of economic policies (Schmidt, 2000); second, one has to look at the way institutions function to understand how discourse is produced (Hall, 1989); third, the discourse is to be evaluated in positive and normative terms.

The article proceeds as follows. In section I we start by recalling the main aim of the EES – achieving an EU employment rate of 70 per cent by 2010 – and give the reasons for this objective. In section II we then show that this target is compatible with the promotion of high quality jobs. In section III we argue that putting the quality of jobs high on the EES agenda proves not to be feasible, notably because of the lack of will of some Member States. Section IV shows that, in fact, over the years, the EES has given increasing priority to ‘more jobs’, including part-time and temporary jobs, over ‘better jobs’. Section V charts the achievements of Sweden and Denmark and shows that this road is not the only one possible. Section VI discusses the economic model these countries propose which conflicts with the theoretical framework of the European Commission. Section VII argues that today the EES appears to be a supply-side labour market policy.

I. Raising the Employment Rate: an Initiative from the European Commission Accepted by Member States

As defined by the EU heads of state and government during the Lisbon Council in June 2000, the primary objective of the EES is to raise the employment rate, which should reach 70 per cent by 2010 (65.2 per cent in 2005 for the EU-15). On top of this major target, the EU also wishes to raise the employment rate of those aged between 55 and 64 to 50 per cent (44.1 per cent in 2005) and that of women to 60 per cent (57.4 per cent in 2005). Stating a target in terms of employment rate is fairly unusual in Europe, where the usual reference is the *unemployment* rate. This is why it is worth considering why the EES has adopted the employment rate as its central reference.

The first reason is that the Member States could not agree on an unemployment rate target at the EU level. The European Commission had initially proposed a target of 7 per cent to be achieved in 'the medium run' (Commission, 1997a). But, as Maria Rodrigues, former Portuguese minister of employment and a major actor at the Lisbon summit puts it, 'it was impossible to adopt a common target for unemployment reduction, as a counterpart of the common targets for inflation, deficit and debt reduction' (Rodrigues, 2001, p. 99). Second, the European Commission had been arguing in favour of higher employment rates for a number of years, in order to close the gap between Europe and the United States and Japan (Commission, 1993). For the European Commission, achieving high employment rates would help the EU reach three aims at once: achieving a stronger growth, preserving the 'viability' of social protection systems (Commission, 1997b) and increasing 'social cohesiveness' (Commission, 1998).

There are thus important reasons for wanting to raise the employment rate. But reasons alone are not sufficient for a policy to be adopted. Decision-makers are needed. Here the key player was Allan Larsson, former minister of finance of Sweden and Director General of the Directorate General Employment and Social Affairs of the European Commission between 1995 and 2000. Larsson drew on the Swedish approach, which emphasizes a high employment rate.¹ This differs markedly from previous analyses, as a former member of the French ministry of labour recalls:

I remember the meeting with Allan Larsson in Paris, in March 1998, when he came to discuss the preparation of the first national action plan for employment. We thought we would have a formal exchange, but instead of

¹ Larsson also wanted to ensure the success of the Economic and Monetary Union, at a time when it was still in peril, in part because of the persistence of high unemployment. See Larsson (1995, 1998).

that, he presented a number of slides showing our low employment rate, particularly for the people aged 55 and above. It was really a 'shock' for us, because we were not used to referring to the employment rate at that time, but only to the unemployment rate. It was the first time we heard that pensions had a macro-economic impact. (Author interview, 11 December 2001). (Salais and Raveaud, 2002, p. 35)

After this initial surprise, it is likely that this initiative from the European Commission gained consensus because it was compatible with the aims and traditions of the different European welfare state regimes. Following Gøsta Esping-Andersen's classical typology (Esping-Andersen, 1990), one can distinguish three models of welfare state in Europe: the 'social democratic' model, which grants each citizen with extended social rights, best represented by Scandinavian countries; the 'corporatist conservative' model, where social rights are based on the professional and familial situation of the individual, represented by continental and, to a lesser extent, Southern Europe; the 'liberal' model, where markets mechanisms prevail and social protection is reduced to a 'safety net', the typical example being the United Kingdom.

In looking at employment rates, one is struck by the failure of the conservative-corporatist model, as Southern and continental Europe countries have the lowest employment rates. On the contrary, both social democratic countries (Denmark, the Netherlands, Sweden and Finland) and the United Kingdom have achieved high employment rates. In fact, in the EU-15, these countries are (with the exception of Finland) the only ones to reach the 70 per cent goal (Table 1).

Given these figures, it is hardly surprising that both the social democratic countries and the UK are comfortable with using 'employment rate' as a metric. Indeed, in both cases, a high employment rate is at the core of the model, for both functional and normative reasons. In the social democratic model, a high level of employment is necessary to ensure the financing of social protection and helps as a proof of the right to work. In the liberal model, a high level of employment is seen as the key to individual and collective prosperity and as well as a sign of a well-functioning labour market.

Why have the conservative-corporatist countries turned to the employment rate as a measure of the effectiveness of their employment policies? Several factors may explain this shift. First and most importantly, it is an understanding that increasing employment rates is necessary to pay for future pensions (European Council, 2000). Second, at the time of the Lisbon Council, Europe was in a period of high growth: unemployment was diminishing (from more than 10 per cent for the EU-15 in the 1990s to 7.8 per cent in 2000) and years

Table 1: Employment Rates in the EU-15 (2005)

<i>Country</i>	<i>Employment rate (% population aged 15–64)</i>
1. Denmark	75.9
2. Netherlands	73.2
3. Sweden	72.5
4. United Kingdom	71.7
Lisbon target	70
5. Austria	68.6
6. Finland	68.4
7. Ireland	67.6
8. Portugal	67.5
9. Germany	65.4
10. Luxembourg	63.6
11. Spain	63.3
12. France	63.1
13. Belgium	61.1
14. Greece	60.1
15. Italy	57.6
EU-15	65.2

Source: Commission (2006c).

of high growth seemed promised.² Finally, several countries, such as France, wanted a public engagement of Europe in the job arena (Goetschy, 1999). But adopting a common unemployment target was not an option, because of the heterogeneity of unemployment rates between countries and the limited confidence of policy-makers in their ability to reduce unemployment.

Taken together, these elements explain why the rate of employment has been adopted as a core European target. Today, two very different socio-economic models appear successful in the EU-15 in this regard: the social democratic model and the liberal model. Both are possible routes for the countries of continental and Southern Europe. In this crucial contemporary debate, the EES seems to be paving the way for the social democratic route, with its insistence on ‘better jobs’ and ‘social cohesion’. But are such objectives compatible with ‘more’ jobs?

II. More and Better Jobs: a Possible Scenario

The trade-off between the quantity and the quality of jobs amounts to the debate on labour market flexibility. Many measures of labour market

² In its conclusions, the Lisbon summit wrote that ‘an average economic growth rate of around 3 per cent should be a realistic prospect for the coming years’ (European Council, 2000).

flexibility can be proposed (see Nickell, 1997). There is no easy way to decide which is best. Since the influential 1994 OECD *Jobs Strategy*, much emphasis has been put on the duration and type of labour contracts (OECD, 1994, 2004).

In the EES, as will be discussed below, attention is focused on the share of non-standard forms of employment, i.e. part-time and/or fixed-term jobs. In the documents published by the EES, one can identify two views. The 'stepping stone' view argues that temporary jobs are to be promoted because they facilitate entry into the labour market and thus contribute to a high employment rate. On the contrary, the 'quality view' asserts that fixed-term jobs are associated with high risks of unemployment and premature exit from the labour market. According to this view, high quality (i.e. stable) jobs are desirable because they provide a long lasting insertion of individuals in the labour market, which in turn leads to a higher rate of employment.

What does the data say? Is there a relationship between the proportion of non-standard jobs and the employment rate? When looking at the situation of the EU-15 Member States, the case is not clear-cut (Table 2). In particular, the

Table 2: Employment Rates and Non-Standard Employment

Country	Employment rate (2005)	Employees in non-standard employment (% of total employees, 2005)		
		Part-time only	Fixed-term ^a	Total
1. Denmark	75.9	19.3	9.9	29.3
2. Netherlands	73.2	37.0	15.2	52.7
3. Sweden	72.5	19.6	13.5	36.5
4. United Kingdom	71.7	23.3	5.5	28.9
5. Austria	68.6	20.5	8.7	29.2
6. Finland	68.4	8.8	18.1	27.0
7. Ireland	67.6	12.6	2.4	15.3
8. Portugal	67.5	3.0	19.4	22.5
9. Germany	65.4	21.8	13.8	35.8
10. Luxembourg	63.6	17.0	4.9	21.9
11. Spain	63.3	6.1	33.2	39.3
12. France	63.1	14.4	12.4	26.8
13. Belgium	61.1	20.3	9.2	29.4
14. Greece	60.1	2.1	12.1	14.2
15. Italy	57.6	10.3	12.4	22.7
EU-15	65.2	17.2	14.0	31.3

Note: ^a Includes 'fixed-term only' and 'fixed-term and part-time'.

Source: Commission (2006a, 2006c).

stepping stone view does not receive wide support. According to this view, one would expect a positive correlation between the number of fixed-term jobs and the employment rate. In fact, there is no such relationship.

On the other hand, it seems to be the case that a high proportion of part-time jobs helps raise the employment rate: all the five top countries have a higher than average proportion of part-time jobs. But as those part-time jobs are permanent, this finding does not particularly support the stepping stone view, which argues in favour of flexible jobs.

What can we conclude from this? That the relationship between the quality and the quantity of jobs is ambiguous. In particular, there seems to be room for a high level of employment while maintaining a high level of job stability. This result may be somewhat surprising, at it is received wisdom nowadays that European labour markets must be made more flexible if European countries want to reduce unemployment (see among others Kok, 2003, 2004; Krugman, 1994; OECD, 1994; Sapir, 2003). To understand the reasons for this relatively weak link between the proportion of non-standard jobs and total employment, one has to study the dynamics of the labour market. This is what a 2002 study by the services of the European Commission did. The study gave two major results: first, mobility on the labour market is limited; second, at the aggregate, there is no obvious trade-off between the quality and the quantity of jobs (Commission, 2002).

To analyse the link between the type of employment contract and the level of employment, the authors of the study used the *European Community Households Panel*, which interviewed individuals each year between 1995 and 1998. The respondents could be in one of four positions: inactivity, unemployment, permanent employment or a temporary job. When comparing the situation of the persons in 1995 and 1998, one obtains Table 3.

Table 3: Labour Market Transitions by Contract Status (% , 1995–98)

1995/1998	Inactivity	Unemployment	Permanent job	Temporary job
Permanent job	8.1	3.7	85.3	2.9
<i>among which low skilled</i>	<i>10.8</i>	<i>4.8</i>	<i>81</i>	<i>3.4</i>
Temporary job	10.8	14.2	45.5	29.5
<i>among which low skilled</i>	<i>12.4</i>	<i>15.2</i>	<i>38.2</i>	<i>34.2</i>
Inactivity	88.6	3.3	5.2	2.9
<i>among which low skilled</i>	<i>94</i>	<i>1.9</i>	<i>2.6</i>	<i>1.5</i>
Unemployment	25.5	40.4	19.1	15
<i>among which low skilled</i>	<i>23.5</i>	<i>46.2</i>	<i>12.4</i>	<i>13.9</i>

Source: Commission (2002).

Note: ECHP waves 2 to 5.

As the data shows, despite a diminution of the unemployment rate in the EU-15 from 10 per cent in 1995 to 9.3 per cent in 1998, movements between positions on the labour market remained limited during this period. For instance, 85.3 per cent of those in a permanent job in 1995 were in the same position three years later. Similarly, only 36.1 per cent of the persons unemployed in 1995 had a job in 1998. Also, no more than 45.5 per cent of workers on temporary contracts in 1995 had moved to a permanent job in 1998. And the figure is lower (38.2 per cent) for low skilled workers under temporary contracts. The authors show that this 'strong persistence' of situations on the labour market holds not only for labour contracts but, more generally, for the quality of jobs people have.³ Studying the trajectories of workers under temporary contracts, the authors observed that 'low quality jobs may in many cases not perform the role of stepping stones' into better jobs (Commission, 2002, p. 89). Thus, temporary jobs 'may not necessarily represent an adequate means of re-integration into the labour market' (2002, p. 89).

This persistence of people's positions on the labour market means that 'accidents' have long-lasting effects. In particular, people who have experienced unemployment and/or fixed-term contracts are more likely than others to be unemployed or to drop out of the labour force. On the contrary, stable jobs, because they are associated with lower transitions into unemployment or inactivity will help reach higher employment levels in the long run. In terms of policy, these findings imply that 'the employment potential can be stimulated best by combining measures to improve access to and permanence in the labour market with measures to improve job quality in general and upward quality dynamics in particular' (Commission, 2002, p. 105).

In fact, the positive link between the quantity and the quality of jobs is not so surprising when one considers a fuller picture of work relationships. As the authors of the study point out, participation in the labour market is related to the 'attractiveness and availability' of jobs – i.e. jobs of higher quality stimulate labour supply. The authors also stress the importance of work relationships, when they mention that 'fairness and reciprocity' have a positive impact on productivity and are therefore beneficial to the long-run growth of the economy.

We do not argue here that there is no trade-off at all between the number of jobs available in an economy and the average quality of these jobs – understood here as the type of contracts employees have. Rather, we wish to point to empirical, theoretical and normative arguments which make the case

³ The quality of job includes the type of contract, the level of wage and productivity, the access to training and the prospects that the job offers (see Commission, 2001b, chapter 4).

for more *and* better jobs – the case made by the EES – to be taken seriously. One would have expected the EES to endorse and promote this case. But this is not what has happened so far.

III. The Limited EU Initiative in Favour of ‘Quality in Work’

The 2000 Lisbon summit had put ‘quality in work’ at the top of the EU agenda. Today, this issue has lost most of its importance on the European scene. This situation has a multiplicity of sources: had growth been higher in the EU these last few years, or had political orientations been different in Member States, it is likely that the issue of job quality would have kept a higher stance. But this relative failure of the EU can also be explained by the functioning of the EES as a procedure.

First, from the beginning, in the texts of the EES, quality in work was not promoted as intrinsically valuable, but as a means for other ends. According to the new employment guideline introduced in 2002, the promotion of quality is a way to ‘raise employment rates, promote social cohesion and social progress, enhance competitiveness, productivity and the functioning of the labour market’ (Council of the European Union, 2002). In particular, little reference was made to working conditions – the word was not used – despite the existence of a European agency specialized in these issues, the European Foundation of Living and Working Conditions. By 2000, studies by the Foundation had showed that, since 1990, there had been ‘no significant improvement in risk factors or overall conditions in the workplace’ (Merllié and Paoli, 2001) and that, on the contrary, a general ‘intensification’ of work had taken place (Green and McIntosh, 2001).

The instrumental approach developed by the EES has not proven the most effective way to push job quality forward. In particular, the EES could not adopt a meaningful indicator of job quality. When dealing with ‘quality in work’, several dimensions come to mind, such as working time, wages and types of contracts. Even if none of these aspects perfectly describes the quality of the job in question, most analysts would agree that a high-paid permanent job with normal hours can be classified as higher quality than a low-paid temporary job with abnormally long or short hours. At least, it is possible to use available indicators to know the proportion of the different types of employment contracts, the level of wages and the average working time.

But this approach could not be followed at EU level. In effect, in its first communication on quality in work, the European Commission did not propose to refer to types of employment contracts as a way to measure

‘intrinsic job quality’. Instead, the European Commission proposed to refer to ‘job satisfaction among workers’ (Commission, 2001a, p. 11). That is, a relatively objective measure of job characteristics was replaced by a more subjective one – when one may have wished that the two be used in combination. The reason invoked by the European Commission for this subjective approach was that ‘there is no standard or agreed definition of quality in work in the academic and expert literature’ (Commission, 2001a, p. 7). This is correct, but it does not follow that nothing can be said regarding the desirability of various job contracts. In fact, Europeans prefer permanent jobs.⁴

So why did the European Commission not propose to refer to employment contracts? It is likely that this occurred because of debates within the European Commission regarding the scope to give to the issue of job quality. But members of the European Commission also knew that such a proposal had no chance of being adopted by Member States.⁵ In fact, adopting an indicator of ‘intrinsic job quality’ would prove so complicated that it led to an unusual procedure. First, the EU labour ministers declared themselves unable to agree on an indicator. They transferred the problem to a body of senior civil servants, the Employment Committee, constituted of experts from the national labour ministries. But the Employment Committee found itself faced with the same difficulties. The issue was then passed down to the Employment Committee’s statistical sub-committee, the Working Group on Indicators.

As a French statistician and former member of this group told us, the members of the Indicators Working Group ‘are only technicians, low down the hierarchy, with very little room for manoeuvre’ (Salais and Raveaud, 2002, p. 39). According to him, countries such as France, Belgium and Sweden were in favour of including employment contracts as a measure of intrinsic job quality. But others countries, including the UK and the Netherlands, opposed this proposal on the grounds that poor quality jobs are ‘stepping stones’ towards better jobs. According to our interlocutor, the solution proposed by the French team was to incorporate this dynamic aspect in the indicator.

The agreement arrived at was quite innovative. In order to measure ‘intrinsic job quality’, the working group on Indicators proposed to refer to

⁴ When asked, Europeans consider (full-time) permanent jobs as the ‘more acceptable’ jobs before, respectively, part-time employment (of unlimited duration), self-employment, fixed-term employment and employment in a temporary job agency (Eurobarometer, 2002).

⁵ On this subject like on any, Member States have the final say. Even if in some cases the texts indicate the possibility of qualified majority voting, decisions are in practice made by consensus.

'transitions between non-employment and employment and within employment by pay level'. Their proposal was to be adopted later on by the Employment Committee and the EU labour ministers. Table 4 presents the 'key indicator' of 'intrinsic job quality' (Commission, 2003). The results are striking. First, the indicator proposed does not measure *intrinsic* job quality, as it refers to movements between job positions. Second, the table is incomplete, as downward transitions between deciles are not reported. Third, for a given country, the transitions indicated are difficult to interpret, as the category of 'non-employment' regroups situations of unemployment, inactivity and discouragement (Commission, 2006a). Fourth, the table does not allow comparisons between countries: with this table, one has no means of saying if the intrinsic quality of jobs in Greece is higher or lower than in, say, Germany.

Still, at this stage of the discussion, Member States had not entirely succeeded in watering down the issue of employment contracts. In effect, in the subsection on 'flexibility and security', it was decided to refer to the number of employees working 'voluntary and involuntary' part-time and under fixed-term contracts. Thus, the issue of 'dead end jobs' – to quote the *Employment in Europe 2001* report (Commission, 2001b) – has not entirely disappeared from the EES. But it is significant that part-time and fixed-term contracts appear in the 'flexibility and security' section. In effect, for the EES, the full-time permanent job is not a norm to be promoted. On the contrary, part-time and temporary jobs are to be encouraged as a way to promote 'flexibility' and hence employment.

IV. Improving Quality in Work Through More Temporary and Part-Time Jobs?

We contrasted above the 'quality view' to the 'stepping-stone view' regarding the relationship between the proportion of non-standard jobs and the employment rate. These two views are present in the latest communication from the European Commission on the quality of jobs (Commission, 2003). In this document, the European Commission starts by criticizing the stepping stone thesis, when it remarks that 'the evidence so far is that employees under [part-time and temporary jobs] risk discrimination in pay and pension and have less opportunities to participate in continuous training and to improve their career prospects' (Commission, 2003, p. 14). But when it comes to policy recommendations, the European Commission asks Member States to 'encourage part-time work where it is under-developed' and to 'enhance the contribution of fixed-term contracts' to the labour market (2003, pp. 14–15).

Table 4: Key Indicator for Intrinsic Job Quality – Transitions Between Non-Employment and Employment and within Employment by Pay Level (1999–2000)

<i>Transition</i>	<i>AT</i>	<i>BE</i>	<i>DE</i>	<i>DK</i>	<i>ES</i>	<i>FI</i>	<i>FR</i>	<i>GR</i>	<i>IE</i>	<i>IT</i>	<i>NL</i>	<i>PT</i>	<i>UK</i>	<i>EU-15</i>
From 1st decile into 2nd–10th decile	23	17	21	32	27	24	27	23	35	19	27	32	24	24
From 1st decile into non-employment	13	24	24	21	39	31	19	16	26	21	20	21	20	23
From 2nd decile into 3rd–10th decile	29	33	24	35	34	33	34	31	35	35	32	31	25	30
From 2nd decile into non-employment	6	5	9	17	15	20	12	13	24	11	10	4	11	11
From 3rd decile into 4th–10th decile	19	24	23	31	50	28	39	32	43	37	31	30	27	32
From 3rd decile into non-employment	8	8	9	10	14	6	6	6	12	8	5	3	7	8

Source: Commission (2003).

These orientations are justified by the fact that 'in the context of globalization, ongoing restructuring and the move towards a knowledge based economy, European labour markets need to be more responsive to change' (Commission, 2003). Such arguments are at the heart of the EU economic and employment guidelines (Commission, 2005). But it is surprising to see them developed in a communication devoted to jobs quality. Indeed, only a minority (6 per cent) of people working under a fixed-term contract indicate that they did not want a permanent job. And another 29 per cent are in this situation because they could not find a permanent job (Table 5).

The situation looks better for part-time job holders, where only 16 per cent of the persons declared that they are involuntarily working part-time. But 30 per cent of part-time workers indicate that they did not want a full-time job and another 31 per cent that they have chosen to work part-time because they need more time for their children and other dependents. Have these workers – 80 per cent of which are women – chosen to work part-time, or were they induced to do so? Declarations do not tell the whole story, as preferences can be 'adjusted' to the situation the person is in (Sen, 1987). Thus, as Jill Rubery indicates, it is a normative position to assert that a high part-time rate among women is an 'evidence of a successful combination of flexibility [and] family life', as the UK and the Netherlands' national action plans for employment put it (Rubery, 2002). Against this approach, Rubery proposes to 'transform the economic and social structures underpinning the labour market', that is, to address issues ranging from responsibilities in the family to role models and values. But this is not the way the EES has chosen.

Essentially, the EES develops an argument which favours market mechanisms as a way to promote employment in Europe. But market mechanisms go against the EES' goal of social cohesion. On the contrary, the situation in some Member States of the EU-15 shows that social cohesion can be compatible with high employment rates.

V. The Successes of the Social Democratic Countries

The EES is not limited to the promotion of high rates of employment. It has two other major aims: 'social inclusion' and the development of a 'knowledge-based economy' (European Council, 2000). In the EU-15, four countries stand out for their good results in all these respects: Denmark, Sweden and, to a lesser degree, Finland and the Netherlands. These countries have high employment rates, including for women and older workers. They also have a low degree of inequality and poverty, which fits the EES'

Table 5: Reasons for Fixed-Term or Part-Time Employment in the EU-15 (2005)

Type of contract	Education or training	Illness or disability	Could not find permanent (full-time) job	Did not want permanent (full-time) job	Probationary period	Care of children or other dependents	No reason/other reasons	Total
Fixed-term (and full-time)	2.0	—	3.0	0.6	0.6	—	4.0	10.2
(% total employees)								
(% fixed-term full-time workers)	19.6	—	29.4	6	6	—	39.2	100 ^a
Part-time (only)	1.5	0.6	2.8	5.1	—	5.4	1.5	17.2 ^a
(% total employees)								
(% part-time workers)	8.7	3.5	16.3	29.7	—	31.4	8.7	100 ^a

Note: ^a Numbers do not add up exactly because of rounding.

Source: European Commission (2006a).

objective of 'social cohesion'. Last, these countries respond to the knowledge-based economy imperative by having high levels of investment in education, research and development (RD) and information and communication technologies (ICT) (Table 6).

On the contrary, all the other countries with a high employment rate fare poorly on at least one of the main objectives of the EES: the UK and Ireland have high levels of inequality and poverty; Austria has low employment rates both for women and older workers; Portugal has a very low level of productivity and a high level of poverty.

Among this 'top 4', Denmark and Sweden stand out in particular for their low levels of inequality and poverty. That is, these countries demonstrate the possibility of a 'European social model'. In these countries, widespread state intervention ensures what Esping-Andersen (1990) calls a 'decommodification' of labour: high rates of unionization and collective agreements regulate wages and employment relationships. Also, progressive taxes introduce an important wedge between people's revenue after taxes and transfers and their achievement on the labour market. But, of course, such policies imply a high level of taxes and social contributions.

This model has proven quite sustainable financially, as the current surplus in public finances in Sweden and Denmark indicates. But it is not the model the EU wishes to promote. This is what the recommendations addressed to Sweden in 2003 by the Council of the EU, following the proposal of the European Commission, have shown.⁶ That year, the Council acknowledged that 'the Swedish labour market [was] characterized by very high employment rates, including among older workers and women and all the EU-wide targets [had] already been exceeded' (Council of the European Union, 2003). Still, according to the European Commission and the Council, Sweden suffered from two drawbacks: 'the tax burden on labour [was] still the highest in the EU' and 'benefit schemes [were] relatively generous from an international perspective'. Thus, 'further efforts [appeared] necessary to improve incentives to work' (Council of the European Union, 2003).⁷

Why give one of the best pupils a poor grade? Perhaps the answer has more to do with the teacher than with the student.

⁶ Each year, recommendations are proposed by the European Commission to the Council of the EU. These recommendations are usually adopted without change, as is the case here.

⁷ Similarly, in 2004, the Council of the EU asked for the 'elimination of unemployment and poverty traps'; in 2006, the Commission asked Sweden to 'increase labour supply, including by addressing incentives in tax and benefit systems' (Commission, 2006b). Similar demands were addressed to Denmark.

Table 6: Benchmarking the EU-15 Member States

Country	Employment rate (2004)	Labour productivity/hour ^a (2004)	Inequality of income distribution ^b (2004)	Unemployment rate (2005)	Poverty rate ^c (2004)	Public spending in education ^d (%GDP (2003))	RD Gross expenditure (%GDP (2004))	ICT expenditure (%GDP (2005))	Taxes and social contributions ^e (%GDP (2005))
EU objectives	70	50							
1. Denmark	75.9	59.5	3.4	4.8	11	8.3	2.4	6.5	50.9
2. Netherlands	73.2	46.1	4.0 ^f	4.7	12 ^g	5.1	1.8	7.6	38.7
3. Sweden	72.5	69.4	3.3	7.8	11	7.5	3.9	8.6	51.8
4. UK	71.7	56.9	5.3 ^f	4.7	18 ^g	5.4	1.8	8.0	38.2
5. Austria	68.6	31.8	3.8	5.2	13	5.5	2.2	6.3	43.3
6. Finland	68.4	52.7	3.5	8.4	11	6.5	3.5	7.0	43.8
7. Ireland	67.6	51.6	5.0	4.3	21	4.4	1.2	5.2	31.9
8. Portugal	67.5	50.5	7.2	7.6	21	5.6	0.8	7.4	36.3
9. Germany	65.4	45.4	4.4	9.5	16	4.7	2.5	6.2	39.9
10. Luxembourg	63.6	31.7	3.7	4.5	11	4.1	1.7	n.a.	38.9
11. Spain	63.3	43.1	5.1	9.2	20	4.3	1.1	5.5	36.1
12. France	63.1	37.9	4.2	9.5	14	5.9	2.1	6.0	45.6
13. Belgium	61.1	31.8	4.0	8.4	15	6.1	1.9	6.3	47.1
14. Greece	60.1	41.6	6.0	9.8	20	3.9	0.6 ^f	4.9	36.4
15. Italy	57.6	45.3	5.6	7.7	19	4.7	1.1	5.3	40.6
EU-15	65.2	44.1	4.8	7.9	17	5.2	1.9	6.4	40.9

Sources: Commission (2006c) and Eurostat.

Notes: ^a GDP in purchasing power standards per hour worked relative to EU-15 (EU-15 = 100); ^b income quintile share ratio; ^c the share of persons with an equivalized disposable income below 60 per cent of the national median equivalized disposable income (after social transfers); ^d includes, on top of direct spending, indirect costs, such as scholarships, loans and subsidies; ^e total receipts from taxes and social contributions (including imputed social contributions) after deduction of amounts assessed but unlikely to be collected; ^f 2003.

VI. Two Models: Competition or Solidarity

The analysis of the European Commission and the Council can be criticized on several grounds. First, one may wonder why the European institutions pay attention to the level of taxation *per se*. As mentioned above, the objectives of the EES are a high employment rate, quality jobs, social cohesion and the development of a knowledge-based economy. Formally, this framework leaves countries the choice of the means to achieve these ends.

The model which has guided Swedish economic policies since the Second World War is called the Rehn-Meidner model, after two Swedish trade union economists. According to this model, the suppression of old activities is accepted as part of a necessary process, but active labour market policies are called in to ensure that workers are provided with the abilities required by the new industries (Erixon, 2001). Specifically, these policies rely on high unemployment benefits. But these benefits are paid during a limited period of time and important demands addressed to the unemployed (Layard *et al.*, 1991). As a result, ‘incentives to work’ are not weak (OECD, 2005). Besides, the Rehn-Meidner model requires continuous innovation, as the high cost of labour makes specialization in high value added products an imperative (Amable, 2000). Also, the model relies on wage co-ordination in order to ensure wage solidarity and prevent inflation (Erixon, 2001).

All in all, the ‘Swedish model’ cannot be reduced to a generous welfare state. It is a complete economic model, which articulates efficiency and equity in a dynamic way. But the economic relationships it relies on do not fit into the theoretical model of the European Commission. The framework used by the European Commission attributes the sources of European unemployment to the rigidity of the labour market. This model, labelled ‘Eurosclerosis’ (Giersch, 1985), was at the core of the *White Paper on Growth, Competitiveness and Employment* written under the direction of Jacques Delors (Commission, 1993; Raveaud, 2005). More precisely, the European Commission follows the insights of the insider-outsider theory of unemployment (Lindbeck and Snower, 2001). According to this theory, if unemployment persists in Europe, it is because of a series of mechanisms – unions, employment protection legislation, labour law, high unemployment benefits, etc. – which allow employees to have an above-equilibrium wage, which is detrimental to the creation of jobs.

In this framework, reducing taxes and unemployment benefits are beneficial, because they lead to an increase in the supply of labour. This increased supply of labour amounts to an increase of pressure from the outsiders (the unemployed actively looking for a job) on the insiders (the

employees). Similarly, developing part-time and temporary jobs is beneficial because it reduces the bargaining power of insiders. Combined, these policies increase competition within the workforce. They lead to a lower equilibrium wage, which is thought to be favourable to employment.

The Rehn-Meidner model and the insider-outsider model differ in many ways. It can be argued that elements of both models were present in the initial version of the EES in 1997 (Goetschy, 2001). One could have hoped that the successes of the Scandinavian countries (Holmlund, 2003; Schettkat, 2003), would have led the European Union to advocate in favour of a Swedish-type model, one which combines economic efficiency and solidarity. But as three recent initiatives have shown, the EES went the opposite way.

VII. The EES Today: a Constraining Supply-Side Policy

To start with, two reports were published in 2003 and 2004 by an *ad hoc* commission, the High Level Group chaired by Wim Kok, former Prime Minister of the Netherlands (Kok, 2003, 2004). The message of these reports was clear: if the EES has not delivered its promises, it is not because his recipe is wrong but because the chefs – the Member States – have not cooked it, frightened as they were by the negative reactions of their clients – the citizens. In effect, for the Kok Commission, if the EU experiences high unemployment, ‘it is clear’ that this is ‘because it is not attracting enough people into work’ (Kok, 2003, p. 13). Thus, ‘everyone is needed’ . . . but at market conditions: workers are to work in ‘more flexible labour markets’, where contracts are ‘attractive for employers’ (Kok, 2003, p. 9). The possibility that there are not enough jobs in Europe is not discussed, despite the fact that it has long been advocated by a number of economists (see notably Modigliani *et al.*, 1998).

Second, since 2005, the EES has been integrated into the Broad Economic Policy Guidelines. The Broad Economic Policy Guidelines offer a comprehensive coverage of macro and microeconomic policies (Commission, 2005). These guidelines develop a strict monetarist agenda, with the stress on the reduction of public deficits and taxes and the development of competition on markets (Fitoussi and Schioppa, 2005). The Broad Economic Policy Guidelines also address labour market issues. Thus, current guideline five asks Member States to ‘ensure that wage developments contribute to macroeconomic stability and growth’. Concretely, this means that nominal wage increases and labour costs have to remain inferior or equal to productivity gains. This policy of ‘wage moderation’ has been followed with remarkable consistency by all governments in Europe for the last 20 years. For the

European Commission, it is 'employment friendly' (Commission, 2005). But Keynesian and Marxist economists have observed that wage moderation has resulted in an unprecedented rise in the profit share – and the corresponding drop in the wage share. For them, this drop explains the high European unemployment, because it locks Europe in a vicious circle of low consumption, low demand, low investments and stagnation of productivity (Huffs Schmid, 2005a, 2005b; Duménil and Lévy, 2003).⁸

Third, the Lisbon strategy – of which the EES is the employment chapter – was 'renewed' by the Barroso Commission in 2006. The Lisbon strategy includes, in addition to the EES, numerous policies related to innovation, infrastructure, industry, etc. Initially, the Lisbon strategy also included social priorities (such as gender equality, the fight against discrimination and poverty) and environmental goals. But these other goals have been dropped, as the newly created *Annual Report on Growth and Jobs* makes clear by its very title. This change is endorsed by the Commission, for whom it is time to 'prioritize growth and employment' over social and environmental concerns (Commission, 2006b, 6). Concretely, the 2006 *Annual Report* proposes two lines of action. First, in a classic top-down 'technocratic' process (Smismans, 2004), to make Member States deliver the reforms. Second, to 'explain better to [the] citizens' that 'the EU growth and jobs strategy is the route to prosperity and social justice in the long term' (Smismans, 2004, pp. 6–7).

To sum up, two moves took place: the Lisbon strategy has been reduced to an employment strategy and this employment strategy is itself limited to making labour markets more flexible and increasing labour supply. This fits in what can be described as the neoliberal orientation of EU social and employment policies (Liebfried and Pierson, 2000; Scharpf, 2002; Streeck, 1995). For the Commission and the EU, this agenda is the right one. If some citizens resist it, it is because of misunderstandings, of a lack of communication. This is a possible reading of the current dissatisfaction with the EU, especially given the fact that the EES has not managed yet to make its way through the press (Meyer, 2005). But it may also be the case that some citizens resist these policies because they think, along with Joseph Stiglitz that 'the mantra of increased labour market flexibility [is] only a thinly disguised attempt to roll back – under the guise of "economic efficiency" – gains that workers had achieved over years and years of bargaining and political activity' (Stiglitz, 2002, p. 13).

⁸ Some more mainstream economists also argue that the drop in the wage share explains in part the persistence of unemployment in Europe (Blanchard and Wolfers, 2000).

Conclusion: the European Employment Strategy Against the European Social Model

According to some, the European Employment Strategy is an effective way of promoting the European social model in the difficult times of globalization (Rodrigues, 2001; Trubek and Mosher, 2003). We have argued that it is not the case. Indeed, the EES has been unable to promote 'quality in jobs' and, instead, pleads for the development of part-time and temporary jobs. Also, while praising Denmark and Sweden for their high levels of employment, the EES criticizes them for their high level of taxes and unemployment benefits. The coherence of these social and economic systems, which articulate social cohesion with economic efficiency, is not understood by the Commission and the Council.

In this context, the insistence of the EES on the increase of the employment rate has a particular meaning. While there are many ways of increasing employment rates, the road followed by the EES is mostly about increasing monetary incentives and developing the flexibility of labour contracts. Such orientations jeopardize other goals of the EES, such as gender equality and 'social inclusion'. More generally, in our view, they amount to an attack on the European social model.

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