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The European Employment Strategy, Multi-level Governance, and Policy Coordination: Past, Present and Future

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Formalized by the Amsterdam Treaty (1997), the idea of the European Employment Strategy (EES) had already been initiated by the Delors White Paper on *Growth, Competitiveness and Employment* (1993) and had been made operational on a pragmatic basis by the Essen procedure after the European Council in December 1994. Following Amsterdam, the EES was put into practice before the official implementation of the Treaty on the basis of the employment guidelines formulated at the special Luxembourg summit (November 1997).

Since then the EES has been reaching what can be called its 'cruising speed'. The Lisbon European Council (March 2000) gave the EES a new impetus by formulating a ten-year strategy to reach a 70 percent employment rate and to achieve better articulation between employment and other policy fields, including macroeconomics, structural economic reforms, social protection, education and training, and implementation of new technologies. Since Lisbon, the EES has also been referred to as 'the open method of coordination', as it represents a new regulatory method for constructing 'Social Europe', which is designed to complement the existing instruments at the EU level, such as legislation, European collective agreements and the social dialogue, structural funds, support programs, the integration processes of different policy fields, and analysis and research. In the first half of 2002, five years after its conception, a comprehensive evaluation of the EES's merits and shortcomings carried out was at both the EU and national levels.

This chapter will examine the antecedents of the EES, describe its functioning and achievements, analyze its current strengths and weaknesses, and reflect upon its future development by examining potential links with other EU regulatory tools (legislative and contractual), other policy fields, and national social pacts.

3.1. The Antecedents of the EES

The emergence in the 1990s of a European strategy for coordinating national employment policies needs to be understood within a dual context: (a) the history of EU social, economic, and monetary integration; and (b) national employment policy experiences over the preceding two decades.

3.1.1. *A Classical Imbalance: Shortcomings of Social Europe in the Context of Accelerated Economic Integration*

First, the EES should be analyzed within the history of European economic integration, which accelerated in the 1990s with the advent of Economic and Monetary Union (EMU). Supported by the Member States, this acceleration considerably altered the national employment policy context, making traditional job-creation policies obsolete in three ways:

1. It was no longer possible to foster employment by means of competitive devaluation and adjustment of national interest rates because EMU entailed an increasingly centralized monetary policy for the EU;
2. EMU and the adoption of the Stability Pact (1997) prohibited large public deficits and hence attempts to combat unemployment by means of public-sector job creation;
3. Community competition law began to weigh upon employment by increasingly limiting certain types of state aid to undertakings in specific sectors and by granting or withholding permission for mergers and takeovers by major industrial or financial groups.

The range of policy options, particularly in the macroeconomic field, available to the Member States in the fight against unemployment was thereby restricted. This development compounded the fact that the Member States had largely abandoned the pursuit of Keynesian demand-side policies since the 1980s. At the same time, the new arrangements for macroeconomic policy coordination put in place at the European level in the early 1990s, that is, the convergence criteria laid down in the Maastricht Treaty, proved insufficient.

While some of the traditional national macroeconomic policy instruments used to promote and safeguard employment were disappearing, the progress towards completion of the internal market and the pressure of globalization continued to accelerate the restructuring of companies and sectors and to exacerbate regional inequalities, leading at least temporarily to new imbalances in the labor market. Against this background in the 1990s all EU Member States emphasized structural policies as a way of dealing with unemployment and

underemployment—out of a sense of realism but also for more ideological reasons (Gold, Cressey, and Gill 2000).

In the mid-1990s, it therefore became clear that employment measures had to be taken if the EMU project, or at least the planned timetable, were not to be put at risk. One must recall here the public pessimism of the early and mid-1990s about the implications of EMU for employment, public services and company relocation. The Renault Vilvoorde affair in particular touched off a crisis that prompted various employment-related actions (Hyman 2001). Finally, in 1997 elections in France and the United Kingdom isolated Germany in its rejection of an employment title in the EU Treaty. These factors, combined with fairly poor progress in other areas of Treaty reform, made the Employment Title a unifying and popular project which was easy to 'sell' to European citizens. Curiously enough, the Employment Title in the Amsterdam treaty was adopted at a time when Member States were already experiencing very different levels of national employment performance.¹

Second, the EES should also be set within the history of Social Europe, which experienced setbacks during the 1990s in both the legislative and contractual routes to regulation. After the fairly active legislative period of the early 1990s, following the EU Social Charter (1989) and the Commission's Social Action Plan (1990), legislative progress was slowing down under the next EC Social Action Plan (1995). The latter's philosophy was, on the one hand, to rely increasingly on voluntarist practices rather than directives and, on the other, to improve implementation of existing EU legislative measures at the national level (Goetschy and Pochet 1997).

It became increasingly clear that despite the broadened scope of EU competences in the Maastricht Social Agreement, the newly opened possibilities were not actively taken advantage of either by Member States through legislation, or by the EU social partners through contractual routes. Fewer directives were adopted than in earlier periods and only four European collective agreements were reached, under the threat of legislation by the European Commission and the Council. These unsatisfactory results stemmed partly from the ambivalence of the Maastricht Treaty itself, which enlarged the EU's social competences on the one side while prescribing respect for the principle of subsidiarity on the other (Falkner 1998).

During the Intergovernmental Conference (IGC) prior to the Amsterdam Treaty, it appeared that the scope of EU competences could hardly be further extended in a classical manner and moving subjects from unanimity to qualified majority voting rule proved equally difficult. Paradoxically, despite those

¹ A more detailed presentation of the EES's origin and development can be found in Goetschy (1999) as well as in Chapter 2 by Trubek and Mosher in the present volume.

difficulties, Member States were pushed by national public opinion to develop some convergent solutions at the EU level in respect to their most urgent social priorities, such as the fight against unemployment, and later, social exclusion, pensions, and social security reform. Attention was thus focused on two alternative options for EU action: on the one hand, what Streeck (1996) called 'neo-voluntarism' (including, among other things, exchange of good practices) and on the other, on the coordination of national policies around commonly defined Community guidelines. In this context, procedures such as the EES could present advantages for both the Member States and the European Union itself by contributing to the construction of supranational coordination (Wessels 1997).

3.1.2. Member States' Experience of National Employment Policies before the Amsterdam Treaty

By the mid-1990s, Member States themselves had learned major lessons regarding the performance of their own national employment policies pursued since the early 1980s. After two decades of unemployment and the introduction of a wide array of employment measures, Member States had acquired vast experience and understanding of the likely factors contributing to improvement in the employment situation. Indeed, both the problems and the solutions adopted had varied a great deal throughout the EU countries. Between 1977 and 1997, certain countries such as Denmark, Ireland, the Netherlands, Portugal, and the United Kingdom had managed to reduce successfully their fairly high unemployment rates, whereas in other countries, such as France, Germany, Spain, Italy, Belgium, and Greece unemployment remained persistently high and reforms blocked by institutional 'stickiness'. Still others, like Austria and Luxembourg, managed to keep their unemployment levels low throughout the period. Several lessons were learned from the comparative assessment of Member States employment performances.

First, it appears clear that the most successful countries were those which combined in a coordinated strategy appropriate macroeconomic policies, structural labor-market reforms and employment measures, often implemented by means of a social pact (Fitoussi and Passet 2000; Pisani-Ferry 2001; Traxter, Blaschke, and Kittel 2000).

Second, concerning structural labor-market reforms, none of the traditional variables taken on their own (hiring and firing rules, duration of employment contracts, centralization/decentralization of collective bargaining, wage rigidity/flexibility, working time rigidity/flexibility, work sharing, proportion

of public employment, duration and levels of unemployment benefits, minimal social benefits, spending on active measures, and so on) explained by themselves the employment performance of a given country. The relationship of each of these variables with employment levels has been subject to bitter ideological and political debates over the last 20 years and been at the heart of the yearly OECD employment reports. The evidence shows that to bear fruit structural reforms have to be carried out in a coherent way and need to make use of a variety of devices. Moreover, no automatic and linear relationships between some of these variables and employment levels could be identified.

Third, a striking feature of the evolution of Member States' employment policies is their growing internal diversification over time, especially during the last decade. It has been observed that employment policies and measures taken in a single country have been borrowing more and more from very different ideological sources—thus neo-liberal employment measures (reduction of indirect labor costs, numerous employment flexibility measures, and so on) are employed alongside traditionally more social-democratic devices, such as work sharing, reduction of working hours, part-time work and targeted training measures. Given years of experience and probably also due to mimetic effects among Member States, employment policies appear now to be less closely connected to a strictly defined ideological stance. In France, for example, where the reduction of indirect labor costs was traditionally promoted by the Right, it has become a routinely employed tool that further gained in importance under the Left government throughout the 1990s.

Fourth, national employment policies have entered a 'reflexive' stage where they can benefit from national assessment and evaluation exercises. Indeed, understanding of the impact of each employment measure in terms of the number of jobs created, their quality and relative cost had seriously improved over the decade before the EES, making it possible to compare their effectiveness. The relevant statistical and methodological tools have been improving too, although there remains significant variation among Member States in this respect. In addition, countries with social pacts (Ireland, Denmark, the Netherlands, Portugal, Spain, and Italy) and those who attempted but failed to negotiate social pacts (Belgium and Germany), as well as others such as France have become increasingly aware of the benefits to be drawn from interrelating policy fields at both national and EU levels (macroeconomic, social protection, employment, fiscal policies, and so on). Understanding of the 'negative externalities' arising from insufficient coordination between policy fields has also been increasing. All this knowledge accumulated over the preceding two decades about the performance of national employment policies and the virtuous effects of policy coordination served in turn as a fertile source of substantive content and policy instruments for the EES.

3.2. The Employment Title of the Amsterdam Treaty: Major Characteristics and Achievements

3.2.1. *The Employment Title of the Amsterdam Treaty*

The EES process as designed by the Amsterdam Treaty is the following. Each year, following the Commission's proposal, the Council (Social Affairs and Ecofin) adopts common European employment guidelines by a qualified majority vote. Afterwards they have to be translated into national employment policies on which each Member State reports to the Commission and the Council in their yearly 'National Action Plans' (NAPs). An annual joint evaluation by the Commission and the Council then takes place, on the basis of which the Council can issue recommendations to the Member States. Such recommendations to individual states which are deemed not to have followed the guidelines have no binding effect but could nevertheless be politically powerful. The Employment Committee participates in the EES as an advisory body. Although the Employment Title was not very explicit on the point, subsequent EU summits insisted that national governments be expected to engage trade unions and employer associations at various levels in both developing and implementing their NAPs. Three elements characterize the Employment Title in the Treaty: it is based on the previous experience of the Essen procedure (1994) establishing a multilateral monitoring procedure for national employment policies; the procedural approach of the EES was inspired by the convergence process in the macroeconomic field set up in the Maastricht Treaty (1992); and it is the national level which remains primarily responsible for employment policies and achievements, though employment is considered an issue of common concern for both the national and the Community level. The fact that employment is a 'shared competence' between the Community and national levels is consistent with the principle of subsidiarity and clearly shows that the EES represents an effort to promote greater convergence of national employment policies while at the same time respecting national diversity.

Since the Luxembourg summit of 1997, the annual European employment guidelines have been organized under four pillars:

- (a) improving employability: aimed at improving the access of the unemployed to the labor market, it focuses on the development of a 'preventive approach' to avoiding long-term unemployment and on the implementation of 'activation policies';
- (b) developing entrepreneurship: making it easier to start and run a new business and to hire people in it by reducing administrative constraints and rendering taxation more employment-friendly;

- (c) encouraging adaptability both for employees and businesses: this entails modernization of work organization and other forms of adaptability in enterprises;
- (d) strengthening equal opportunity policies; this involves a gender mainstreaming approach for all four pillars, reducing the gender gap, reconciling work and family life, and facilitating re-integration into the labor market.

About 20 such EU guidelines are formulated each year with only a few of them corresponding to quantified targets.

3.2.2. *Assessment of the EES's Operation and Results*

What do the various assessments of the EES carried out by the four successive EU Joint Employment Reports teach us? Although all Member States have fulfilled their obligation to deliver a national plan each year, numerous shortcomings but also improvements were emphasized by the successive EU Joint Employment Reports (1998, 1999, 2000, 2001).

Their main conclusions about the overall operation of the EES were the following:

1. The main focus of most NAPs is on 'employability', followed by the 'entrepreneurship' pillar. The implementation of the four pillars' provisions is uneven, which is especially true for the 'adaptability' and 'gender equality' pillars.
2. Most plans often consist of a mere list of discrete initiatives that Member States already had in stock, lacking in overall integration and coherence among the four different pillars. The need for a more coherent approach has become a 'horizontal' objective of the 2001 guidelines.
3. Under many guidelines with no quantified objectives, or where target setting is left to individual Member States, policy progress is slow and less visible, which makes the assessment of the guidelines' impact difficult.
4. The lack of definition and precision about the resources allocated to various measures, the timetable for implementation and the statistical tools used render the evaluation even more difficult.
5. Most Member States lack a coordinated strategy or structure for creating synergy between the various ministries involved in the EES (many countries have separate ministries dealing with finance, the economy, small and medium-size enterprises (SMEs), employment, social protection, education and training, and so on).
6. As for the new employment rate targets fixed in Lisbon in March 2000 (70 percent on average and 60 percent for women by 2010) and the intermediate rates fixed at Stockholm in March 2001 (67 percent on average and 57 percent for women by 2005), it is mainly those countries that are already above or close to the planned objectives which have set their own national targets as required (Denmark, Sweden, the Netherlands, the United Kingdom, Finland, and Portugal).

7. As for regional employment policies, the key role of the European Social Fund (ESF) in the EES is recognized in the NAPs, but that of the other structural funds is not made sufficiently explicit by the Member States (at the EU level, 195 billion euros of structural funds over the coming six years are the financial tools to support the attainment of employment objectives. Of this amount some 70 billion euros are allocated to human resources through the ESF).
8. Regional employment disparities within certain EU countries remain wide, especially in Italy, Spain, Germany, and Belgium (in the latter two countries they have been increasing).

When looking at each pillar separately, the following lessons can be drawn:

1. *Employability.* Unlike in the past, there is clear progress in the implementation of active and preventive policies, which is largely accounted for by the common EU quantitative targets. Fourteen Member States are already meeting the 20 percent target for the unemployed in active measures (the United Kingdom is not ready in that respect). More worryingly, however, it is likely that five Member States will not manage to meet the 2002 deadline for reaching the two so-called quantitative targets of reducing youth and long-term unemployment (the objective was to offer a new start to each individual in such situations) due to insufficient measures taken (Germany, Italy, Greece, and Belgium) or missing statistical tools for evaluation (the Netherlands). The review of tax-benefit systems to encourage activation policies lacks follow-up and the link between tax systems and social/unemployment benefits systems is infrequently made (except for Belgium, France, the Netherlands, and the United Kingdom). Altogether, the relevant reforms rely more on tax-friendly policies than on changes in unemployment and disability benefits. Only half of the Member States have introduced global strategies for promoting education and lifelong learning as required (Denmark, the Netherlands, Finland, Sweden, the United Kingdom, France, and Germany), while very little has been achieved in terms of the recent objective to prolong working life among persons aged between 55 and 64.

2. *Entrepreneurship.* A wide array of measures has been taken over the five years to reduce red tape, legal and administrative burdens hampering the creation of SMEs and, more recently, to fight undeclared work (11 countries committed themselves in that respect) as well as to favor local development and the social economy. But progress in reducing the tax burden on labor (indirect labor costs) has remained too slow and concerns essentially low-wage and low-skill work (taxes on labor remain high within the European Union at 40.6 percent). The successive joint reports deplore the lack of more coherent strategies for the entrepreneurship pillar and stress the difficulty of launching a real entrepreneurship culture within the European Union.

3. *Adaptability.* If progress has been registered on the questions of more flexible working time arrangements and more flexible forms of employment contract (part-time, fixed-term, and temporary), there is much less evidence of improvement in the NAPs on issues related to the modernization of work organization within enterprises. New management techniques, revision of hierarchical structures, team work, participative decision-making processes, and other similar items are not adequately covered in the NAPs, which might partly be due to lack of ministerial insight on these organizational matters. In addition, too little attention is still paid in the NAPs to quality of work and employment, which is understandable, since the framing of guidelines and indicators on those issues has only begun recently.

4. *Equal opportunities for men and women.* Beside representing a separate pillar, the aim of these EU guidelines has been to develop gender mainstreaming across the three other pillars. Despite some significant progress in trying to reduce inequalities between men and women (as regards unemployment, employment rates, occupational segregation, wages, and reconciliation of work and family life), the measures taken vary greatly among Member States. Three areas are insufficiently addressed: continuing wage differentials between men and women which stagnate at around 14 percent (19 percent in the private sector and 10 percent in the public sector); lack of childcare facilities (especially in Italy, Spain, Austria, Germany, and the Netherlands) which hampers the growth of women's employment; while virtually no initiatives were mentioned to enhance women's role in decision-making.

3.2.2.1. *Role of the Social Partners*

Both in the elaboration and implementation phases, the social partners have been insufficiently involved in the process of producing NAPs, which often remained a purely governmental issue. But an improvement is recorded in social partners' involvement in the elaboration of the NAPs: eight countries have set up tripartite structures for that purpose (Germany, Sweden, Ireland, Belgium, Greece, Italy, Portugal, and Spain). Although consultations over the NAPs generally took place only at the central level, it was not always the top officials on each side who were involved. This contrasts with the experience in negotiating social pacts at the national level, where top representatives of the union and employers' organizations are invariably the protagonists (Foden 1999). On the whole, the consultation process over NAPs does not seem to have generated new initiatives from the social partners or new national strategies towards unemployment.

As to social partners' role in implementing the 'adaptability pillar', they took numerous initiatives over the years with respect to flexicurity agreements

(essentially in the form of collective agreements at various levels whereby flexible working time arrangements are traded off for employment retention and creation) and health and safety at work. As to flexible forms of work (part-time, fixed-term contracts, and interim), virtually all Member States have by now introduced legal or negotiated framework rules. However the overall visibility of social partners' joint activities remains blurred (especially concerning work organization reforms) and all the more difficult to assess due to its interconnection with national social pacts. National social partners could have improved the visibility of their activities by submitting a progress report on work organization reforms undertaken at plant level, as was required by the Commission in the 2001 Employment Guidelines (guideline 13), but they failed to do so (Lönnroth 2000).

When looking at the contribution of EU social partners to the EES, negotiations on employment issues at the EU level have led to fairly poor results: at the cross-sectoral level, four agreements were reached on parental leave (February 1995), part-time work (June 1997), on fixed-term contracts (January 1999) and on telework (July 2002), but negotiations on temporary work failed; in October 2001 inter-sectoral negotiations on teleworking began, but soon ran into difficulties. At the sectoral level several Euro-agreements related to employment issues (working time and teleworking) were more successfully settled (in telecommunications, commerce, civil aviation, agriculture, construction, and leather industries), but the prospects of their actual implementation remain uncertain.

The evaluation of how effectively the annual European guidelines have been implemented in Member States through a comparative analysis of the NAPs—as in the Joint Reports—essentially tells us about national employment policy changes that have occurred. Such assessments help us to reflect upon the extent of Europeanization of national employment policies and to assess how far the EES leads to greater convergence on the one hand and preserves the diversity of national policies on the other.² But the Europeanization of national employment policies proves to be a much more complex issue, as it is always difficult, especially in the case of non-binding EU-level decisions, to distinguish between the measures that Member States would have taken anyhow and those taken under the pressure of the EES. Besides the vast array of new national employment measures to which it gave rise, the impact of the EES could also be assessed on the basis of the improved performance of employment figures it induced (lower unemployment rates, and higher employment rates). Here we encounter another difficulty. It is not easy to

² For recent discussions of the Europeanization of national policies, see Schmidt (2001), Radaelli (2000), Börzel and Risse (2000), Knill and Lehmkuhl (1999).

evaluate what share of the increase in employment is due to structural labor-market reforms such as those associated with the EES and how much of it is due to economic growth (itself influenced by the world economic situation, national macroeconomic policies, the European Central Bank (ECBs)'s monetary policy, and so on). This uncertain issue has given rise to sharp debates and divergent views among both researchers and policy-makers within the European Union over the past 20 years. So, it is for the moment very difficult to determine the respective share of labor-market reforms and growth in explaining the improved employment situation within the European Union over the past three years (1998–2001).

But before studying the impact of the EES on national employment policies, it is necessary to develop a better understanding of the potential strengths and weaknesses of these policies.³

3.3. Strengths and Weaknesses of the EES: from Theory to Practice

3.3.1. *The Strengths of the EES*

The strengths of the EES derive from the iterative nature of the process which allows employment issues to be tackled in a medium-term perspective as well as from the use of a multi-step procedure involving targets, deadlines, and evaluations.

1. As an iterative process between EU and national levels that closely articulates intergovernmental and supranational logics while combining Community competence with subsidiarity, the EES presents a number of advantages.

(a) It enhances Member States' political commitment to EU decision-making on employment matters: the EES provides the Member States with a planned sequence of meetings, new statistical tools and procedures, as well as a longer term perspective, which puts them in a better position to define, accept and implement EU guidelines. Moreover, the iterative structure of the EES, with its jointly defined guidelines and incremental adjustments of national policies, encourages the commitment of Member States as they can gradually adjust to the process. In addition, as their commitment to the process grows, an interdependence of understanding and interests among Member States will also strengthen, justifying in turn further development of the EES.

(b) The EES should lead to decisions which are better adjusted to the national diversity of institutions and employment policies. Three factors

³ This discussion expands arguments previously presented in Goetschy (1999, 2000).

necessitate respect for national diversity in building Social Europe: the implementation of the subsidiarity principle prescribed by the Maastricht Treaty (1992), the growing divergence of employment situations within the EU over the past decade (Visser 2001; Ferrara, Hemerijck, and Rhodes 2000), and the increased heterogeneity of Members States' situation which will result from EU enlargement (Pollert 1999). The EES contains five elements favoring respect for national diversity. The annual guidelines generally define overall objectives to be met, whereas concrete means for implementation are left to individual Member States. Moreover, on several issues, Member States are encouraged to set up their own national targets. The EU assessment is carried out on the basis of the relative progress made by each country compared to its point of departure. The absence of legal sanctions in case of non-compliance creates significant room for maneuver in national implementation of the EU guidelines. Finally, Member States are aware that employment remains primarily a national issue, which legitimizes in their eyes the continuing diversity in institutional arrangements and outcomes. This respect for national diversity reflects the implicit acceptance of path-dependency and the fact that each country has its own national social protection, industrial relations, and employment policy systems, which are 'deeply embedded in the institutions, values and established practices of specific societies' (Scharpf 1999).

(c) As a result of this iterative process, decisions are expected to become more *realistic* and less prone to 'would-be-policy'. First, the 'back and forth' process increases the likelihood of decisions being actually taken, whereas earlier regulatory mechanisms (legislative and contractual) could not often be activated in a timely manner and thus remained elements of a 'would-be policy'. Indeed, one must recall that the enhancement of EU competences and expansion of qualified majority voting introduced by the Maastricht Social Agreement (1992) represented new opportunities which the Member States and social partners have not used as actively as could have been expected. Second, Member States' deeper and more frequent involvement in the rule-making process itself should yield decisions with a more realistic content, better fitted to diverse national situations and cognizant of potential implementation difficulties.

(d) The EES is now a subject of EU 'high politics' (Hoffmann 1966) involving a variety of economic, social and political actors at multiple levels from the supranational through the national to the regional, which should increase both the input legitimacy of EU decisions (more actors involved) and their output legitimacy (better employment performance) (Scharpf 1999; Marks *et al.* 1996; Teague 2001). The EES represents an interplay among different levels of governance, though the dominant actors remain the European Commission, the acting EU Presidency, the EU Social Affairs Council (with its Employment

Committee), and the Member States (essentially national governments and their employment and social affairs ministries, although several countries have set up inter-ministerial coordination structures). At the same time, multi-level governance implies an enabling of lower levels and opening of new fora, which also requires new coordination functions, currently performed by the European Commission and the acting EU Presidency. Following the Lisbon Summit (March 2000), multi-level governance in reference to the EES means not only actions at various levels involving a multiplicity of actors, but also better coordination of the EU employment guidelines with other policy fields. Apart from employment, the Open Method of Coordination (OMC) is also being applied to other policy fields, such as structural economic reforms, innovation and the knowledge society, combating social exclusion, education and lifelong learning, and modernization of social security systems (including pensions and health care). Moreover, a better articulation and coordination of economic and social policy fields at the European level was proposed to avoid 'negative externalities'. As of today, the EES multi-level governance process has yet not reached its full potential and retains a predominantly elitist character, with government officials playing a central role.

(e) The iterative EES process also leads to a change of content and priorities in the EU agenda and to an enlargement of its competences in a way which can be 'acceptable' to Member States. The open method of coordination at the heart of the EES finally gives a chance for the real national social priorities (employment, social exclusion, and social protection) to figure on the EU agenda. Previously, EU social policy initiatives were often linked (either directly or indirectly) to the creation of the internal market, to facilitate its functioning or correct some of its negative social consequences. The principal issues addressed by Social Europe tended to lie outside the core of national social policies so as not to upset Member States by encroaching upon their national sovereignty. By contrast, the EES deals with issues that are central to all Member States, their employment policies, labor markets and industrial relations systems. The severity of the unemployment problem in the 1990s encouraged acceptance of the idea that social measures taken at the Community level must include issues crucial for the Member States' national policies. The OMC served as the institutional and procedural solution for addressing national social priorities at the EU level while preserving national diversity. In the case of employment issues the Treaty envisaged a shared competence. The OMC was designed to deal with issues such as social protection which fall within the Union's competence but are subject to unanimous vote and often do not lead to EU legislation because of their contentious character. It can also be a useful procedure for dealing with issues that lie outside the legal competence conferred by the Treaty. Just as the

Maastricht social agreement sought to bring the regulation of social affairs at the EU level 'in line' with those operating in national industrial relations systems by promoting European collective bargaining and framework agreements, so can the EES introduced by the Amsterdam Treaty be viewed as an effort to ensure that unemployment, as the most urgent national issue, should also be the first addressed at the EU level. This development was later reinforced by the Lisbon summit, which advocated the use of OMC in other policy fields.

(f) The iterative process of the EES implies further convergence of national social and employment policies while at the same time respecting national diversity. But these two elements are subject to an implicit and permanent tension. Indeed, the EES contains important 'vectors' favoring convergence (externalization of constraints; common EU guidelines; comparative evaluations in the joint report; recommendations; peer review; recurrent annual procedure; and common long-term EU employment perspectives), as well as numerous 'vectors' mentioned earlier which ensure respect for national diversity. On the one hand, the EES contributes to enhancing the ongoing Europeanization and convergence of certain elements of national employment policies, as shown in the NAPs and the Joint Employment Report. However, on the other hand, through the EES process of evaluation and comparison, Member States become increasingly aware of the respective strengths and weaknesses of their national labor markets and employment policies, which in turn supports new institutional arrangements, such as national social pacts and the mobilization of national assets in the context of globalization.

(g) The iterative process and multi-level governance approach create a real opportunity for an encompassing learning process to take place. It appears that the EES contributes to the emergence of an 'epistemic community' (Haas 1992) at the EU level, where experts and social and political actors share similar cognitive and normative orientations towards the key objectives and issues for employment reforms. The development of such an epistemic community relies on and at the same time engenders confidence-building, learning processes and favors convergence processes among Member States. A longer time span for acting collectively, appropriate procedural tools and multi-level governance indeed help to link more tightly the preferences and outcomes of supranational organizations, social partners and the Member States. A mutual socialization process—subject to a multiplier effect due to multi-level governance (more actors, more fora, and more policy fields)—should thus develop, as a result of which actors adjust their respective value systems. While a gradual Europeanization of national views should occur, the supranational institutions for their part are expected to pay greater attention to national diversity. Such a process does not prevent Member States from maintaining a clear view of their national interests. On the contrary, through

comparison with the other countries, it helps them sharpen their own positions and views.⁴

2. The aim of the EES is to integrate Member States' policies with Community-level guidelines in a medium-term, multi-year perspective, whereby incremental results will transcend short-term political gains and help solve progressively the more fundamental problems of unemployment within the European Union. One can say that the EES is a way to 'depoliticize' the unemployment problem from its immediate national contingencies and to address it in a longer-term perspective. Implicit in this orientation (as with EMU and its convergence criteria) is the belief that politicians need to be detached from their immediate national constraints and political contingencies. The fact that the EES was designed to be an enduring process means also that the nature of transactions between Member States is different from that which applies in the case of the adoption of directives. In the latter instance, the diplomatic mode of interaction—where utilities are exchanged, involving trade-offs among a variety of issues, and where short-term political conjunctures are often decisive tends to prevail. This is less true of the EES, whose legal Treaty base reinforces its enduring character (unlike other OMC social policy fields such as social exclusion or pensions).

Beyond being an annually recurring process, now set into a 10-year perspective by the Lisbon summit, the EES has drawn stability from the fact that the annual European guidelines and recommendations remained fairly consistent over time. The content of the EES, as we have seen, was organized around four pillars, which were expected to remain in place at least for the first five years. Altogether about twenty guidelines were adopted under these four pillars. Though some changes occurred each year, on the whole the EU employment guidelines remained fairly stable. Member States and the Commission were keen to avoid a proliferation of new guidelines each year. The major change took place in the 2001 guidelines, where new themes were introduced relating to education and lifelong learning, to tackling discriminatory aspects of the labor-market and reinforcing their link with social exclusion, to combating emerging bottlenecks, to fighting undeclared work, enhancing active labor-market policies, promoting good jobs and

⁴ Interestingly enough, rather than 'rationalist institutionalist' explanations, it is 'sociological institutionalist' approaches whereby Europeanization and domestic change take place through socialization and learning processes (Börzel and Risse 2000) which are privileged for the moment by academics studying the national impact of the EES and other OMC processes operating in fields such as social exclusion and pensions (de la Porte and Pochet 2002; Trubek and Mosher 2002; Jacobsson and Schmid 2002; Keller 2000).

encouraging higher employment rates among older workers through support for active aging. Among the innovations in the proposed guidelines for 2002, new issues such as quality of work, labor mobility within the European Union, gender wage inequalities, and intermediate employment targets (settled at the Stockholm summit in spring 2001) are addressed. Beside the relative stability of the EU employment guidelines, one can observe a similar consistency as regards EU recommendations addressed to Member States which did not change much from year to year: the third set of recommendations proposed for 2002 looks very similar to those for 2000 and 2001 (see Goetschy 2001*a*, 2001*b*, 2002).

A final and crucial element for the stability of the EES lies in the fact that the Commission plays a major role in the process. Indeed, the Commission carries out an important initiative and coordination function: it proposes guidelines and future themes for debate through its COM papers, assesses the content of the NAPs against the guidelines, monitors their actual implementation, assesses how far they address the problems and needs of each country, verifies that national social partners have been involved, accelerates the adoption of common statistical instruments and policy-evaluation methods, proposes recommendations concerning Member States' inadequate implementation, identifies 'best practices', and monitors peer review meetings between a cluster of Member States in order to disseminate these practices. By defining problems, solutions, and interpretations, the Commission structures the behavior of the multiplicity of actors, channels conflicts, organizes alliance-building, and socializes the actors to share its definition of issues and objectives (Greenwood 1997). In its guidance role, it will be crucial for the Commission to maintain the momentum of the EES over the long-term and to introduce new incentives each year so as to prevent the process from becoming a mere bureaucratic and symbolic exercise. Further, the Commission needs to be diplomatic in its management of the process. It must exercise firm control, but must not irritate Member States by ongoing harassment or undermine their own voluntary political engagement. Here too a learning process takes place: whereas the monitoring of the 2000 Recommendations to the Member States had caused certain annoyance among some of them, the monitoring procedure for the 2001 Recommendations has changed and proved to be more diplomatic. Faced with a great diversity of national interests, the Commission directs the show, as it manages the agenda, has intimate knowledge of the institutional and procedural complexities of the European Union and is able to represent the history and memory of Community proposals against the background of circulating Union presidencies and the changing political identities of Member States.

3. The method of the EES itself is also intended to serve as a catalyst for improving the effectiveness of national employment policies and for promoting convergence on the basis of common EU targets. This is to be achieved in several ways:

(a) By establishing external constraints over national policy. This method of 'externalizing constraints' within a specified timetable succeeded in the case of EMU, where national finances and economic performance were subjected to the discipline of the convergence criteria. It facilitates the implementation of difficult or unpopular employment reforms, as national politicians can shift the political blame onto the EU shoulders. Unlike the EMU convergence criteria, however, the employment guidelines are less binding, but the multi-level governance aspects are also much more pronounced, with the EES inducing an interpenetration of actors' decisions at various levels and relying much more on mutual learning-processes.

(b) By making national policies more transparent, putting them to the test of comparison and submitting them to examination by a range of national and EU institutions and social actors. This mutual control of national employment policies creates pressure on Member States to improve the efficiency and performances of their national employment policies. This approach also legitimizes the search for greater effectiveness of the Community's own policies such as the structural funds.

(c) By contributing to the development of a monitoring and evaluation culture both at EU and national level through modern public management tools and procedures such as the establishment of targets, deadlines, common statistical tools, benchmarking, best practices, and peer review (Tronti 1999; Hoffmann 2001; Mosher 2000).⁵ But these tools and procedures are neither neutral nor innocent. They are intended to promote common frames of reference; shape national political and social actors' representations, discourse, strategies, and interests; and disseminate practices based on shared EU policy paradigms (such as activation, flexicurity, adaptability, and so on). These EU policy paradigms are aimed both at modernizing national labor markets in

⁵ A set of 28 indicators across four policy domains as well as 7 more general economic background indicators (based on an earlier communication by the Commission [COM (2000) 594 final, 27 September 2000] were annexed to the Stockholm synthesis report which concern: employment indicators (7), innovation and research indicators (7), economic reform indicators (7), social cohesion indicators (7). The employment indicators are: the employment rate; the female employment rate; employment growth rate; the employment rate of older workers; the unemployment rate; the tax rate on low wage earners; lifelong learning (adult participation in education and training). The social cohesion indicators include: the distribution rate; the poverty rate before and after social transfers; persistence of poverty rate; jobless households; regional cohesion; early school-leavers not in further education and training; and long-term unemployment.

the context of globalization and increased international competition, and at preserving certain features of the European Social Model, such as sustainability of social protection, by encouraging high employment rates, social inclusion through work, and more effective and less costly employment policies.

3.3.2. *Weaknesses of the EES*

But the EES also has some serious weaknesses.

1. The lack of real sanctions, which contrasts sharply with the stability pact monitoring process. Further, the EES provides only soft law measures to address employment issues. In the face of such criticisms, however, several lawyers have insisted on the fact that although some soft law measures have no binding force, they are not without legal significance (Kenner 1995; Biagi 2000). Indeed, the European Court of Justice can use soft law measures, such as EU recommendations and resolutions, for instance as aids for interpretation 'when national provisions are vague or uncertain, or indeed non-existent, in order to ensure conformity with other binding Community laws and the objectives of the EC Treaty', so that soft law can exert indirect legal effects (Kenner 1995, 1999). Further, certain political scientists who believe in the virtues of voluntarism reckon that it is precisely the lack of real sanctions which induces Member States to adopt employment guidelines which they would not otherwise accept. But if the lack of real sanctions can indeed facilitate the adoption of employment guidelines by providing Member States with a broader margin for maneuver, it renders their actual implementation more difficult. This is why a tough monitoring and follow-up system is then required on behalf of the Commission to compensate for the weak legal density of the guidelines. Others assert that with a soft law approach 'the use of legally binding measures which antagonize national governments or sectoral interests is avoided until the policy areas become "softened up"' (Cram 1997). This implies that the OMC would only represent a transitional phase facilitating the subsequent adoption of harder legal measures.

2. Another frequently evoked weakness of the EES has to do with the subordination of EU employment guidelines to monetary and economic guidelines (i.e. the Broad Economic Policy Guidelines and the Stability Pact). The Cologne process (June 1999) and especially the new commitments of the Lisbon summit (March 2000) have attempted to change this dependence by establishing a new balance between economic and social objectives for European integration and mainstreaming employment issues in all other EU

policies. To create mutually reinforcing objectives in both economic and social policies will require real political will on the part of the Member States and the European Council, which is far from easy as the preparation and rather mixed achievements of the Stockholm Barcelona summits (March 2001 and 2002) showed.

3. The scarcity of EU financial resources for facilitating the development of an active European employment policy is yet another weakness. The fact that Social Europe has traditionally been subject to regulatory rather than redistributive mechanisms was stressed by Majone (1996). If the EES falls short of a real redistributive function—although through the structural funds it relies more on EU financial means than the traditional legal measures did—its aim is nevertheless to guarantee more equity across the European Union, so that citizens could benefit from improved performance of national employment policies. As the structural funds themselves constitute an area of multi-level governance, they could serve as an example from which the EES could learn and benefit (Jacobsson and Elcengren 2000).

4. Another fundamental criticism of the content of the EES concerns *the quality of jobs created*. The urgency of finding solutions to unemployment and increasing employment levels does not justify overlooking the nature of the jobs created. Assigning priority to the quantitative reduction of unemployment may accelerate the development of forms of employment, such as involuntary part-time work, badly paid and insecure jobs, and workfare schemes, which lack adequate social protection and recognition. Such work lacks social dignity and fails to achieve its purpose of social integration of the individual. In addition, encouraging work of this kind tends to exacerbate inequality between the sexes. The Commission and Member States quickly appreciated the strength of such criticism and have hence proposed to emphasize not only quantitative job creation, but also job quality (general working conditions, health and safety, wage levels, equality between men and women, a balance between flexibility and security and between work and family life, and the nature of industrial relations). The employment guidelines for 2001, the EU Social Agenda adopted at Nice (December 2000) and the conclusions of the Stockholm summit (March 2001) underscore the priority to be given to 'better jobs and not only more jobs'. The Commission has issued a communication in June 2001 on job quality where it proposes an EU strategy for long-term investment in high-quality jobs and living standards. It proposes to introduce regular reviews of the quality of jobs created by Member States based on a set of common indicators and benchmarking exercises. The tension between employment performances to be achieved and a growing awareness of the necessity to create quality jobs has become more acute in 2000 and 2001. At the same time as the

Lisbon summit initiated the race for enhancing employment rates within the European Union (with intermediary objectives set in March 2001), an elaborate strategy is being designed to improve the quality of jobs.

5. The complexity of the multi-level governance process of the EES itself, coupled with the existence of several other coordination processes, constitutes a serious problem of governability. Beyond the various eponymous processes initiated at successive EU summits, Luxembourg (1997: convergence of labor market policies), Cardiff (1998: convergence of economic structural policies), Cologne (1999: coordination of macroeconomic policy, wages, and employment), Lisbon (2000: interlinkages of policies; new policy fields subject to the OMC), there exist three other arenas of economic coordination (the Broad Economic Policy Guidelines for macroeconomic coordination, the surveillance procedure for implementing the Stability Pact, and the Eurogroup for coordinating fiscal policies) and two other coordination processes in the social protection field (the one on social exclusion is ahead of the one on pensions). All these processes have indeed different constitutional and institutional status. They are marked to varying degrees by 'inter-governmentalism' and the 'Community method'. Some of them are only nascent and their functioning still remains fairly imprecise. The EES, and more broadly speaking the OMC, were introduced to improve the democratic legitimacy of EU's decisions by bringing the Member States, as well as the social partners, back in and by giving greater consideration to the diversity of national situations. But including a broader range of interests and actors means greater complexity in compromises to be struck and creates some difficulty for democratic transparency. Moreover, whereas the EU rests upon two types of legitimacy (the one emanating from Member States, the other exerted through the European Parliament), the former type has clearly been favored to the detriment of the latter. The European Parliament's role, which remains rather minor in various OMC processes, will have to be more clearly defined in the future, if greater democratic legitimacy is to be achieved. In turn, this may render those processes even more complex. It remains to be seen though, to what extent the European Parliament is really interested in having a greater say in policies with weak legal density, an issue which is far from clear for the moment. Such complexity might decrease over time with unfolding learning processes and a gradual establishment of an EU epistemic community. But it will be more difficult to alleviate the criticism of the elitist drift resulting from such complex processes.

6. A more ideological criticism of the EES has emanated from some macroeconomists, who claim that to improve employment performance one needs foremost to secure faster economic growth, to improve the coordination of national macroeconomic policies, and to relax the ECB's overly restrictive monetary policy, whereas structural labor-market reforms contribute

little to job creation. In the same way as it is difficult to evaluate what proportion of unemployment is due to structural rigidities and how much to insufficient demand and economic growth, it is indeed difficult to assess the EES's contribution to the improving employment situation in the European Union between 1998 and 2001 in comparison to that of stronger economic growth. Many specialists assert, though in a fairly sibylline way, that a combination of both stronger economic growth and further labor-market reforms is necessary to improve employment.

7. The last criticism, or rather question addresses future developments. What incentives will Member States have to maintain the momentum of the EES given the heterogeneity of national employment performance within the European Union, particularly since the most severe remaining problems in this field might in fact be country-specific? It is clear that the EES process is a costly and a cumbersome task for national administrations and as time goes by the Member States will want to see the real gains from such EU cooperation. The gloomy economic prospects and decreasing economic growth rates announced for 2001 and 2002 and their consequences for employment might on the contrary give a new boost to the *raison d'être* of the EES for those countries whose employment performance has until now been more adequate.

3.4. The Future of the EES: Conditions for its Satisfactory Operation

Three types of problems need to be overcome to improve the future operation of the EES.

3.4.1. *Better Articulation with Other Community Regulatory Instruments*

The OMC should not be regarded as an alternative which would allow the Member States to place social issues on the back burner and perhaps jeopardize established Community regulations. Instead, it should be seen as a means to develop Social Europe in areas where no Community powers yet exist or in contested areas where Community action has been blocked due to the unanimity rule, but where the Member States are concerned to achieve policy convergence in a more flexible mode. The OMC inspires many fears among those who wish to advance Social Europe because they see it as a threat to the instrument of legislation. And yet this fear relates not so much to employment—a field in which the OMC is not really contested—as to its possible application in other fields in the future. There are fears of an insidious slide from legislative regulation (hard law) to regulation by means of the OMC (soft law) even within the domains where Community powers do exist.

Some also fear that the very existence of the OMC will inhibit ambitious reforms of the Treaty in the social sphere: in other words, that the Community powers will not be extended to new areas and that those currently requiring unanimity will not be transferred to 'qualified majority voting'. The extremely slim social policy reforms included in the Nice Treaty lend themselves to such an interpretation and thereby reinforce the skeptics' fears about the OMC. It is essential that the OMC should not turn into a new mode of regulation intended to compete with and displace more binding forms.

The best way to alleviate these concerns is to link the OMC closely to other instruments of Community action. It would be helpful if the EES were to be associated with the other methods rather than operating in isolation. Some of its components could, for example, be addressed by means of directives and thus link up, where the legal foundations of the Treaty so permit, with the Community legislative method (Bercusson 2000). Further directives on employment matters could reinforce particular results of the Luxembourg process. Of course, the legislative channel is an option only insofar as the Commission manages to find a legal basis in the Treaty, although in the past it has demonstrated considerable imagination in this respect. As the Commission requires a legal basis for action, it is true that such an approach could come into play at present only in isolated areas covered by the EES. In the longer term, however, might it not be possible for a future IGC to introduce new institutional linkages between the OMC and the legislative method by reforming the relevant provisions of the Treaty?

Similarly, the OMC, or more specifically the EES, could be linked up more closely with the collective agreement approach to European social regulation. The European Council has called for greater involvement of the social partners at all levels in both the preparation of the guidelines and the drafting of the NAPs, as well as in their implementation. The 2001 guidelines conferred an important role on the social partners, especially in relation to the adaptability of businesses and employees (pillar 3), inviting them to negotiate and implement, agreements on the modernization and organization of work at all appropriate levels. It would also be desirable to link the content of the EES guidelines more closely to the existing Community-level social dialogue. Further, the European social partner organizations (inter-sectoral and sectoral dialogue) might themselves propose and produce one or more employment guidelines which could then be formally adopted by the Council. The recent sectoral agreement on telework in telecommunications (February 7, 2001), for instance, gives some hints about possible ways to link the EES and the social dialogue. Such a closer articulation between different regulatory tools would, as a consequence, strengthen the coordinating function of the Commission.

3.4.2. How Should the EES be Linked to National Social Pacts?

If there is a genuine will to achieve convergence of the goals and results of the national employment policies and to make the EES into a first rather than a second-order instrument, this strategy should not operate in isolation from the national social pacts. It is important to create a better nexus between the content of the EES and the 'employment' components of national social pacts. Obviously, the social partners, both European and national, have a strategic role in implementing this task. Though the employment guidelines do indeed refer to national bargaining in relation to questions of employability, adaptability, education and training, and equal opportunities, it has to be acknowledged that in practice the links between the internal dynamic of national social pacts and the sometimes quite formalistic preparation of the NAPs have proved rather weak. Moreover, it has frequently appeared to be the case that, whereas the national social pacts of the 1990s (Italy, Portugal, Spain, Ireland, the Netherlands, Finland, and Denmark) produced innovative and imaginative initiatives (Ebbinghaus and Hassel 2000), the implementation of the employment guidelines has led to no such strong impetus.

To establish links between the NAPs and national social pacts is no straightforward matter because the EES is based upon two rather contradictory rationales (Rhodes 2001). Whereas the EES aims to achieve better European convergence of national employment policies, national social pacts generally seek to exploit local advantages in order to improve the competitive position of the domestic economy in the overall European or global arena. Several authors have deplored the downward spiral characteristic of such pacts (Streeck 1999), whereas the aim of the EES is, precisely, to stem this potential race to the bottom by defining convergent goals among Member States on employability, entrepreneurship, adaptability of businesses and individuals, and equal opportunity between the sexes. The general idea of the EES is indeed to promote high employment rates and a reduction of unemployment, but not at any price. This means that unemployment has to be reduced and the employment rate raised while preserving quality jobs (as regards contractual terms, working conditions, skills, pay levels, social protection, and so on), not undercutting the financing of social protection systems, avoiding tax competition between countries and so forth. This tension between European coordination in the EES and the NAPs and cross-national competition in the social pacts is not necessarily harmful in itself, insofar as the latter refrain from exporting 'negative externalities' to the other Member States, whereas the former seeks to remedy some of their existing consequences. Indeed, let us recall that the Community employment guidelines are not confined to the labor market *stricto sensu* but also cover significant

aspects of social protection, education, taxation, pay, and regional exclusion, seeking to achieve some policy convergence in these areas. Beyond the EES which focuses above all on structural labor-market reforms, other forms of European macroeconomic convergence currently being developed (see Section 3.4.3, below) may also contribute to curbing this downward spiral which is suspiciously present in national social pacts of a competitive type.

3.4.3. More Effective EU Coordination Processes between Various Policy Fields

The decision was taken at the Lisbon Summit (March 2000) to reestablish full employment as the European Union's major social and employment policy objective. In this context, the European Council stressed the need to meet a double challenge: to continue reducing the rate of unemployment on the one hand, and to raise the employment rate on the other.⁶ The conditions for a return to full employment in Europe rest simultaneously upon structural reforms such as those envisaged by the EES, appropriate macroeconomic policies at both national and European levels, and upon better EU coordination among various policy fields as advocated by the Lisbon Summit. The introduction of an annual spring summit was intended to give political impetus to a coordinated policy mix (macroeconomic, innovation, education, employment, social exclusion, social protection, and taxation) aimed at achieving full employment, and to set precise goals and timetables for implementation of these policies.

Solutions to unemployment are to be sought in a dynamic approach to an economic and labor-market situation that is in a state of constant change. A new balance has to be found between stability in efforts to reduce unemployment and the need for flexible responses in the future. The combination of macroeconomic policy and structural reform which underlie the employment success recorded in the last few years in some European countries are not to be perceived as constituting 'the right answers once and for all'.⁷ Structural labor-market reforms are politically more difficult to implement than economic reforms insofar as they require adjustment of established institutional and legal frameworks and acquired social rights. It is for this reason that structural reforms, if they are to succeed, must be conceived over the long-term and on the basis of stable strategic guidelines understood by all those involved and must be subject to concerted action among a large range of different actors (European institutions, monetary authorities, member state governments, and national and European social partners) (Fitoussi and Passet 2000).

⁶ For a recent discussion in the French context of how a return to full employment could be defined, see Pisani-Ferry (2000).

⁷ For French debates about the relative weight to be placed on job-intensive vs. productivity-raising growth strategies in the pursuit of full employment, see Pisani-Ferry (2000).

To achieve full employment, two types of European policy coordination are required, which are still far from sufficiently developed: coordination between monetary policy and national budgetary policies on the one hand; and coordination between monetary policy, structural employment, and wage policies on the other. On the European institutional front, the coordination procedures and arrangements required to pursue such policies already exist, even if they appear to be too numerous. But it is necessary to redesign more clearly and coherently the overarching institutional framework for such coordination and the respective roles of the various institutions responsible for its implementation.

3.5. Perspectives and Conclusions

Seen as a process or mode of governance, the EES has been rather well received and has even inspired other EU policies in fields such as social exclusion, innovation policy, economic reform, education and lifelong learning, as well as to a lesser extent in social protection.⁸ It appears to be a useful tool in policy spheres which are not yet subject to classical EU competence. Moreover, the principles of modern public policy-making which the EES entails (targets, deadlines, benchmarking, peer pressure, and evaluation and recommendations) have also been adopted in policies and processes outside the direct ambit envisaged by the Lisbon summit.⁹ It remains clear, however, that the OMC will be applied very differently in each of these fields: their legal, institutional and procedural bases, the degree of ambitions of their respective objectives, and the importance of their results will vary a great deal.

But the OMC has also been subjected to harsh criticism. To meet the serious challenge of such criticism as discussed above, a three-fold strategy is essential.

1. It must be clearly specified that use of the OMC should be reserved to policy areas where Community competence is absent or where agreement is very difficult to reach under the Community method. It should be made clear as a general rule, that the OMC should not be used instead of the traditional Community method.
2. The political momentum for broadening the scope of the EU fields of competence during IGC preparing Treaty reforms should not be lost due to the existence of the OMC.

⁸ Cf. the conclusions of the Lisbon summit.

⁹ Two examples. First, the Commission has made a range of propositions in a recent communication on 'The reinforcement of the coordination of economic policies within the Euro zone' (7 February 2001) aiming to apply some sort of OMC to the functioning of the Eurogroup. A second case where the OMC has inspired new developments can be found in the EU sectoral social dialogue (e.g. see, the European agreement on telework adopted on 7 February 2001 by the sectoral social dialogue committee in telecommunications).

3. Whenever the OMC is used, it remains crucial to articulate the OMC closely with the two other major EU regulatory methods—legislative and contractual.

Apart from jeopardizing the Community method, it was also feared that the OMC might lead to a certain form of intergovernmentalism, by reducing the role of the Commission and the European Parliament, while increasing that of the Member States, the specialized EU ministerial councils (social, economic and financial affairs, and education), and the European Council. But the experience of the EES shows that this need not happen, since the Commission managed to preserve an important initiatory and coordinative role for itself in the process by closely articulating Community and intergovernmental logics. This was facilitated by the Treaty base of the EES on the one hand, and by the complexity of the multi-level governance process, on the other.

At this stage, assessments of the EES's quantitative and qualitative impacts on national employment policies and performances must remain cautious. The process is still recent and it is quite difficult to separate the effects of the EU guidelines from those induced by purely national policies and macroeconomic growth more generally.

It is clear, especially after the Lisbon summit, that the major objective of the EES is to regain full employment by reducing unemployment and in particular by raising the employment rate. To do so the employment guidelines are seeking—through the four pillars (employability, entrepreneurship, adaptability, and gender equality)—to promote new labor-market policy paradigms such as activation for the unemployed, taking more account of the diversity of individual situations with special attention to long-term unemployment and social exclusion. In particular, they advocate increasing the employment rate of women and elderly workers, enhanced 'flexicurity' for wage earners (e.g. guarantees of social security benefits and training opportunities for workers frequently changing their employment status, thereby encouraging the development of so-called 'transitional labor markets' (Schmid 1995), trying to avoid situations of 'mismatch', and developing appropriate education and lifelong learning policies. Heading toward full employment is both a social and an economic choice: social as it is the best way to fight social exclusion, to improve the quality of jobs, to finance social protection and pensions, and thus secure their sustainability; and economic insofar as it generates income and favors innovation and risk-taking. However, the debates remains open and controversial about what full employment really means and how to reach it, that is, which is the best policy mix between macroeconomic, structural, and labor-market reforms (Pisani-Ferry 2000).

The Lisbon summit (2000) has provided an integrated EU strategy calling for parallel action across a range of interconnected areas to develop virtuous circles over a 10-year period between various policy fields, that is, creating more and

better jobs, adopting appropriate broad economic guidelines, speeding up economic reforms, promoting innovation and the knowledge society, and strengthening social cohesion. Such an integrated approach is supposed to enhance the chances for full employment. This could represent a sort of meta-framework with a broader time perspective which might help to offset 'beggar-my-neighbor' competitive national social pacts and avoid negative externalities. However, vigilance and renewed political commitment seem essential to sustain the Lisbon momentum without betraying its original intentions.

Finally, more general questions will have to be asked: to what extent are the EU employment guidelines able to reshape the triangle of preferences of each nation state relative to its employment levels, its desired degree of social justice and its tax policy preferences? (Scharpf 1999). The increasing interconnection of policy fields and better understanding of their reciprocal links (between employment, macroeconomic policy, social protection, training and education, innovation, and so on), the multiplicity of actors involved in the various EU coordination policies (monetary authorities, EU institutions, governments, local authorities, and social partners) and the multiplicity of discussion/negotiation fora and coordination procedures (Broad Economic Policy Guidelines, the Luxembourg process, the Cologne process, the Cardiff process, the Lisbon approach, and so on) open up different sorts of perspectives. Which guidance levels will become more important and determinant than others? Will the traditional spearhead function assumed by the European Commission in the monitoring of Social Europe's policies remain important in such coordination processes? Will the OMC become the dominant regulatory method within the European Union or will an avant-garde of Member States instead be tempted to pursue 'closer cooperation' in the social field?

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