

# A transition year for employment in Europe: EU governance and national diversity under scrutiny

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## Introduction

After five years of functioning, the European Employment Strategy (EES) formally introduced by the Amsterdam Treaty seems to have reached its cruising speed with its annual European guidelines, National Action Plans (NAPS) in Member States, and a process of annual recommendations addressed by the Council to Member States after evaluation (for details see Goetschy, 2001: 402–3). However in 2002 it appears that the EES faces five types of challenge.

First of all, it will be subjected to an extensive evaluation process monitored by the EC and made public by mid-2002. Two questions will have to be answered: to what extent have national employment policies been changing under the influence of the EU employment guidelines (EGs) in terms both of their content and of the decision-making process through which they are reached? What has been the concrete impact of EGs on Member State employment performances and results, for example, on unemployment levels and employment rate changes? The answers to those questions will determine the EES's future, its content and procedures, which are very likely to be subject to further reform.

Second, the present economic slowdown implies new problems facing the development of the EES. The oil price hike, the bursting of the dotcom bubble, the collapse in world trade and the 11 September events have been important factors behind the reduction of growth rates for 2001 and 2002. Despite fundamentally sound EU economies—for example monetary stability and the fact that 90% of its wealth is internally generated—the economic slow down, whose depth and duration remain uncertain, has already stopped the fall in unemployment after four years of steady decrease and has led to a slowdown in investment. Although some optimistic forecasts suggest that the current downturn is likely to be short-lived, EU ministers of

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economy and finance reckon that the situation requires the further acceleration of structural economic reforms (liberalisation policies), EU macro-economic coordination, and labour market reform (more flexibility and efficiency). At the same time, social affairs ministers stress the need for effective employment policies in a period of growing unemployment. All European institutions and the Barcelona council stress the fact that despite the present slowdown, the Lisbon strategy and targets, the Stability Pact and the EES strategy should be firmly maintained. Given the turbulent economic context and following the introduction of the Euro, it is also reckoned that stringent macro-economic coordination of fiscal and tax policies becomes more necessary than ever within the EU. At the same time, a worsened economic climate might also make steps towards such macro-economic convergence more difficult. All this raises the following questions as concern for the EES: will the recession give it a new boost and indeed make it all the more urgent given that unemployment among young people, women, and long-term unemployment might increase? Conversely, might the recession promote a national retreat into familiar and traditional national employment policy tools and practices (such as the prolongation of educational periods and early retirement) which are contrary to the recent EG's models, and thus lead to a 'renationalisation' of employment policies? Finally, the climate of recession raises questions concerning the type of growth we need: should it be 'employment-friendly' growth or growth based on investment and innovation policies so as to accelerate wages and productivity? The answers given will have different implications for employment performance.

Third, how will the EES stand up to a situation of great diversity between Member States in employment performance, to the extent that on some labour market indicators diversity is actually increasing? What will be the incentives for the countries which have reached good and stable employment performance (such as the Netherlands, Denmark, Ireland) to continue participating in such a strategy? Of course, the EES was established in the mid-1990s, in a context of existing great EU diversity as to labour market performances. But this occurred at a specific moment in the history of the EU's integration: one of the motives for establishing an EES at that time was the fact that the monetary union was put at risk by euroscepticism, and at the same time, several countries outside the monetary union (Denmark, Sweden) could only 'sell' the Amsterdam Treaty to their citizens if it entailed some progress on employment issues. We are now in a very different political context.

Fourth, one of the weaknesses both of the Lisbon strategy and the EES has been the fact that the enlargement perspective has (at least initially) been insufficiently taken into account. Of course it is regularly repeated that the Central and Eastern European Countries (CEECs) need to sign up to the EU's open methods of approaching coordination processes<sup>1</sup> (employment, social exclusion, pensions, education) and in fact this is well under way in the case of the EES, but it appears also that if the Lisbon dynamic succeeds in making the EU the most advanced territorial zone in economic and social terms, it might widen the gaps between the present EU countries and the CEECs. Indeed, for the latter, the open method of coordination presents advantages compared to the more legalistic *aquis communautaire* approach, but it might well be that the speed of existing EU countries' progress within the Lisbon strategy is faster than the speed of the CEECs' catching up.

A fifth challenge to the EES lies in the fact that it not clear yet if the search for a new balance between economic (structural reforms, innovation policies) and social policies (employment, social inclusion, education/training, pensions) which was one

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<sup>1</sup> The Lisbon strategy took diversity seriously and even built on it so as to make diversity a new principle of European integration. This led to the setting-up and dissemination of a new method of governance, i.e. the open method of coordination (OMC). It is based on three principles: multi-level governance and mutual learning (between Member States, between supranational institutions and Member States, between economic and social ministries, political institutions and social actors etc.); an evaluation culture around the results achieved; and encouraging rather than obliging individuals, enterprises, social actors and public institutions to change their behaviour through an array of procedures, benchmarking and measurements.

of the major objectives of the Lisbon strategy is going to be a successful exercise. Tensions are at work between policy fields which open the risk of the prioritisation of the BEPGs (broad economic policy guidelines) over the EES and other social policies with an open-method of coordination (social inclusion, pensions, education/training). Indeed, the virtues of coordinating policies are linked to the benefits drawn from increased coherence and to the likely reduction of contradictions between policy measures in the different fields. This also renders the whole EU project as designed by the Lisbon strategy more visible and more powerful. But at the same time, coordination with other policy fields can imply losing autonomy and even losing sight of some of the initial objectives of a given policy. When the BEPGs drawn up by the Commission and the Economic and Finance Ministers became the basic strategic document for orientating the EU's future economic and social development it appeared to risk seeing employment, social inclusion, pension, education/training policies redesigned in such a way that stressed their relevance particularly to the economic needs of society. An alternative possibility is that some of their other specific objectives may disappear from the agenda. Three examples can illustrate the argument: education policies have to educate citizens in a broad sense and not only to enhance their employability; policies against social exclusion have to provide financial support for the poor even if better employability and obtaining a job are also essential ways of fighting exclusion; if it is legitimate that employment policies have to reach better employment and activity rates so as to secure more growth, and extra tax revenue (and thus to render our EU social protection systems sustainable in the long run), one of the primary aims must remain the fight against unemployment.

It is within the framework of those challenges that the EES has had to evolve in 2001 and 2002. This paper will first present the content of the employment package for 2002 and assess the implementation of the 2001 guidelines. It will then try to understand the reasons behind the emergence of the various priority areas for 2001–2002 (increased participation in the labour market; improving the quality of jobs; promoting labour mobility; developing education/training) and the interlinkages between them. Finally it will discuss in detail two of the above-mentioned challenges for the EES—the five year evaluation exercise and the enlargement perspective. The conclusions will reflect upon the changes induced until now by the EES and Lisbon strategy both for the functioning of Social Europe and its achievements.

### **The EU employment package 2001: five years after Amsterdam, two years after Lisbon, one year before change**

In accordance with now established practice, the new employment package for 2002 was adopted by the Council on 3 December 2001 after being proposed by the EC on 12/9/2001 and after consultation with the European Parliament, the Committee of Regions, and the Economic and Social Committee, and endorsement by the Laeken Council in mid-December 2001.

The employment guidelines for 2002 reflect a great degree of continuity with those for 2001. In the latter some changes and new priorities (full employment as an objective and employment rate targets for all, for women, for the elderly to be reached by 2010; education/training; and an increased role for social partners) as well as the objective of establishing new linkages between the EES and other policy fields had been introduced following the Lisbon council (Spring 2000) which will remain a milestone in the history of European economic and social integration (see Goetschy, 2001). Continuity in guidelines 2002 is not only because 2001 had already witnessed some novelties, but also because an in-depth review and assessment of the whole EES after 5 years' functioning is taking place in 2002 and will probably lead to more basic reforms in 2003. The few new elements for 2002 resulted from the previous European councils (Nice, 1999; Stockholm, 2001, Göteborg, 2001; Laeken, 2001), the assessment of the joint employment report 2001 and developments which occurred in other policy fields such as in education/training or in the BEPGs. The Stockholm council's conclusions (spring 2001) complemented the Lisbon employment targets (70% on

average, 60% for women) with intermediate quantitative employment rate goals to be reached by 2005 (67% on average, 57% for women) as well as a specific employment rate target for older workers (50% by 2010 for the age group 55–64—a joint report (Council/EC) on how to increase labour force participation and promote active ageing was also demanded); and on quality of work, Member States were asked to develop a common approach and indicators. Initiatives in the field of skills and mobility and education/training were also called for.

In the employment guidelines for 2002, the horizontal objectives (higher employment rates, quality of work, education/training, social partnership, integrated employment policies, better indicators) can be seen as the major priorities which often concern several guidelines. A total of 18 employment guidelines organised along the four pillars (employability, entrepreneurship, adaptability, and equal opportunities between men and women) were adopted:

- 1 tackling youth unemployment and preventing long term unemployment;
- 2 a more employment friendly approach (benefits, taxes, training systems);
- 3 developing a policy for active ageing;
- 4 and 5 developing skills for the new labour market;
- 6 job matching and avoiding bottlenecks;
- 7 combating discrimination and promoting social inclusion;
- 8 and 9 making it easier to start up and run businesses;
- 10 new employment opportunities in the knowledge-based society and in services;
- 11 local action for employment;
- 12 tax reform to support employment and training;
- 13 and 14 modernising work organisation;
- 15 adaptability through life-long learning;
- 16 gender mainstreaming;
- 17 tackling gender gaps;
- 18 reconciling work and family life.

Only a few of those guidelines entailed EU targets either as a quantified target or a deadline (1, 2, 4, 5; 15); on a few others, Member States were asked to define their own national target (2, 4, 7, 12, 17, 18, and objectives: on employment rates and on investment in education/training); but most remained of a qualitative, normative nature without a deadline attached. Quality in work—the new 2002 priority—is referred to in five of the 18 guidelines (guidelines 3, 7, 10, 11 and 13).

### **The functioning of the EES over five years and the detailed comments of the Joint Employment Report 2001**

What do the various assessments of the EES carried out in the four successive EU Joint Employment Reports tell us? Though all Member States have fulfilled the obligation to deliver a national plan each year, both numerous shortcomings and improvements in the NAPs have been pointed out by the successive annual EU Joint Employment Reports of 1998–2001.

The conclusions delivered on the overall functioning of the EES are the following: the main foci of most NAPs is 'employability' followed by 'entrepreneurship'; there is uneven implementation of the four pillars, especially in respect of 'adaptability' and 'gender equality'; and most plans often consist of a mere list of discrete initiatives (which Member States had already in stock) without overall integration and coherence between the four different pillars. As a consequence the need for a more coherent approach has become a cross-cutting objective of the 2001 guidelines. Furthermore, under many guidelines where there are no quantified objectives or, where target setting is left to individual Member States, policy progress is slow and less visible which makes assessment of their impact difficult. Further, the lack of definition and precision as to the resources allocated to the measures, the timetable for

implementation and the statistical tools used, all render evaluation more difficult. It was also pointed out that in most Member States there is no coordinated strategy or structure for creating a synergy between the various ministries concerned with the EES. With regard to the new employment rate targets fixed in Lisbon and the intermediary rates fixed at Stockholm (March 2001), it was mainly countries already above (or very near) the planned objectives which have been fulfilling the requirement of setting their own national employment rate targets (Denmark, Sweden, Netherlands, United Kingdom, Finland, Portugal). Finally with regard to regional policy, the key role of the European Social Fund (ESF) in the EES is recognised in the NAPs, but the role of the other structural funds is not made sufficiently explicit by the Member States. Regional employment disparities within certain EU countries remain high, especially in Italy, Spain, Germany and Belgium, and have been increasing.

### **Employability**

There is, contrary to the past, clear progress in the implementation of preventive and active policies which is largely on account of the common EU quantitative targets. 14 Member States are complying with the 20% target for unemployed people in active measures (the UK is not ready in that respect) but, more worryingly, it is likely that five Member States will not manage to conform to the 2002 deadline for meeting the two so-called quantitative targets on tackling youth and long term unemployment (they were supposed to offer a new start to each individual in such a situation). This due to insufficient measures taken (Germany, Italy, Greece, Belgium) or missing statistical tools for evaluation (Netherlands). The review of tax-benefit systems so as to encourage the activation of policies lacks follow up and the link between tax systems and social/unemployment benefits systems has only been made in Belgium, France, Netherlands, and the UK. Such reforms generally dwell more on tax friendly policies than on changes in unemployment and invalidity benefits. Only half of Member States have, as required, introduced global strategies for promoting education and lifelong learning (Denmark, Netherlands, Finland, Sweden, UK, France, Germany) and few have set targets for increases in human resource investment or participation in further training; and very little has been achieved on the recent objective to extending working life among persons aged between 55 and 64.

### **Entrepreneurship**

A vast array of measures have been taken over the four years to reduce red tape, the legal and administrative burdens hampering SME creation and, more recently, to fight undeclared work (11 countries committed themselves in that respect) and to encourage local development and the social economy. Progress in reducing the tax burden on labour (indirect labour costs) has been too slow and has focused on low wages and low qualified work. The successive joint reports deplore the lack of more coherent strategies for entrepreneurship and stress the difficulty of launching a real entrepreneurship culture within the EU.

### **Adaptability**

While there is progress on more flexible working time arrangements and more flexible forms of employment contracts (part-time, fixed-term contracts, etc.), there is much less evidence of progress on issues related to the modernisation of work organisation, such as new management techniques, revised hierarchical structures, team work, and participative decision-making processes. This gap might partly be due to a lack of ministerial understanding of such matters. Finally, too little attention is still paid in the NAPs to the quality of work and quality of employment (the framing of guidelines and indicators on those issues has just started).

## Equal opportunities for men and women

In addition to being a freestanding 'pillar', gender mainstreaming across the other three pillars forms part of the EU guidelines. However, despite some significant progress in trying to reduce inequalities between men and women (as regards unemployment, employment rates, segregation, wages, better adjustments between work and family life), there is no comprehensive approach on mainstreaming in most Member States, and measures taken vary greatly between them. Three areas in particular have not been tackled: wage differentials between men and women which have stagnated at around 14% (19% in the private sector, 10% in the public sector); facilities for looking after small children (especially criticised in Italy, Spain, Austria, Germany, Netherlands); hampering the growth of the female employment rate; and virtually no initiatives taken to enhance women's role in decision-making.

### How have the social partners at national level been involved in producing the NAPs?

In both the elaboration and implementation phases the social partners remain insufficiently involved in a process dominated by government, although some improvements have taken place. Eight countries (Germany, Sweden, Ireland, Belgium, Greece, Italy, Portugal, Spain) have set up tripartite structures to involve the social partners in the elaboration of NAPs. Though consultations generally took place at central level only, it was not always the top officials on each side who were involved. This contrasts with experience in negotiating social pacts at national level.

As to the social partners' role in implementing the EES, the overall visibility of their joint activities remains unclear (especially concerning work organisation reforms) and all the more difficult to assess since it is closely entangled with the implementation of national social pacts. Hence it is very difficult to separate what is due to the EES dynamic and what is come from social pacts. National social partners could have improved the visibility of their activities by producing a progress report on work organisation reforms undertaken by them at plant level, as was required by the Commission in the employment guidelines 2001 (guideline 13), but they failed to do so.

When looking at the contribution of the EU's social partners to the EES, it must be recalled that the European Trade Union Confederation (ETUC) was one of the major initiators of the process. Negotiations on employment issues at EU level have led to agreements on parental leave (February 1995), part-time work (June 1997) and fixed-term contracts (January 1999). Negotiations on telework, deemed to be very difficult, have started. At sectoral level several euro-agreements related to employment issues (working time, telework) were more successfully settled (in telecommunications, commerce, civil aviation, agriculture, construction, leather) but their actual implementation remains uncertain. In order to overcome some of the shortcomings of the EU social dialogue, the Joint Declaration of the EU's social partners for the Laeken council (December 2001) announced new directions, emphasizing on the one hand the wish to develop more bipartite social dialogue and voluntary agreements on the basis of a long-term work programme, and on the other the setting up of a high-level political consultation group close to the spring European council.

### EU employment recommendations for 2002: still a long way to go for certain member states

Given the relative stability of the EU employment guidelines, one anticipates a similar steadiness and repetitiveness as regards EU recommendations addressed to Member States which does 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, 2001b).

The EC proposed 57 recommendations to Member States the vast majority of them (48) having just been updated; regional disparities appear as the major new theme;

in some instances the recommendations for 2002 were made more specific (in areas such as education/training, gender equality, policy mix of employment policies). The countries which were given most recommendations were Greece, Italy, Spain, Belgium, Germany, France; those which were given least recommendations were the Netherlands, Denmark, Finland whereas Austria, Ireland, Portugal, Luxembourg and the UK stood in between. For details see Table 1.

### The March 2002 Barcelona Council: determination, difficulties and uncertainty

In 2002, the Spring Council of the Lisbon strategy will take place in Barcelona mid-March under the Spanish presidency. The key document for that event is the EC synthesis report 'The Lisbon strategy: making change happen' (COM, 2002). Several comments can be made at this stage. First, though the Spring Council should be devoted to economic and social issues within the frame of the implementation of the Lisbon strategy, international events and the economic context also inevitably influence its content: this is the case this year when the economic slowdown explains part

Table 1: EU employment recommendations (\*) to Member States by policy guidelines, 2002

	Austria	Belgium	Denmark	Finland	France	Germany	Greece	Italy	Ireland	Luxembourg	Netherlands	Portugal	Spain	Sweden	United Kingdom	Total
Policy guidelines																
1. Reduction in youth and long term unemployment		*			*	*	*	*					*	*	*	8
2. Increase in labour supply	*	*	*		*	*	*	*		*	*		*	*		11
3. Improvement in skills and education/training	*	*			*	*	*	*	*	*		*	*		*	11
4. More employment-friendly tax system		*	*		*	*								*		5
5. Increase in gender equality	*			*		*	*	*	*	*		*	*	*	*	11
6. Reduction in regional disparities		*		*					*				*			4
7. Encouragement of social partnership					*		*					*	*		*	5
8. More integrated and comprehensive approach to employment policy							*	*								2
Total	3	5	2	2	5	5	6	5	3	3	1	3	6	4	4	57

of the report's orientation. Indeed, the report stresses that the Lisbon targets must not be deviated from and that the stability pact must be respected so as not to upset financial markets. Moreover, as we are now in the period following the successful introduction of the euro, further steps towards macro-economic coordination, fairly weak at present, appear necessary and are envisaged by the report's conclusions.

Second, as in last year's EC synthesis report for the Stockholm Council (March 2001), both its content and method of production show that there still exist very different visions for the EU's future economic and social development and what European integration should be about. A genuine balance between economic and social issues of European integration has not yet been found. While some defend essentially liberal views concerning the speeding-up of economic structural reforms or insist on the overarching role of the stability pact over the Lisbon strategy, others point more to employment and social priorities and defend the urgent need for a more balanced approach between structural economic reform and labour market/social reform. For the latter, the stability pact should be one element among others and not an external constraint which dominates all other matters i.e. economic structural reforms, innovation policy, labour market and social reforms, education/training, environmental policy.

Third, the EC synthesis report highlights some questions concerning future tactics; in particular whether the Spring Council should each year treat equally all items of the Lisbon package (economic structural reforms, research and innovation, employment, social inclusion, education/training, environment) and examine each in a widely encompassing way, or instead deal with a few limited and selected priorities? It implies that this second option would be a more efficient approach. The synthesis report 2002 has selected three priority areas which are, in fact, rather broad: employment policies with a special stress on activation policies, the liberalisation of network industries and financial services, and more investment in the knowledge society.

Fourth, from a more short-term perspective, this synthesis report constitutes a tool for charting progress made and for identifying shortcomings. The report identifies both delayed reforms (such as the liberalisation of public procurements, an integrated market for capital risk and financial services, a community patent, the Galileo satellite system, total liberalisation of energy and gas, postal services, railway freight and passenger transport etc.), and the EU institutions responsible for such delays (essentially the European Parliament and the Council). On a 'scoreboard' identifying all substantive elements of the Lisbon strategy, three sets of measurements and benchmarks (the achievements since Lisbon and Stockholm, the average result achieved by the three best EU performers, and the targets to be reached by 2010) are provided for a vast list of indicators. The setting-up of the latter has been a tough political issue in itself, see COM (2001)(619 final) on structural indicators and the annex of the EC synthesis report itself. To increase the coherence between economic and social policy fields, the synthesis report suggests synchronising the timing of the publication and examination of the three major policy documents and orientations, the BEPGs (broad economic policy guidelines), the Employment guidelines, and the Cardiff report.

Two continuing weaknesses of the Lisbon strategy are reflected in the EC synthesis report. Though enlargement is mentioned, the report does not provide either an analysis or a strategic approach as to how to cope with this crucial dimension. Second, from a political economy approach, it provides no indication as to the contribution of all these reforms to economic growth and employment: what is the relative importance of macro-economic policy, liberalisation policies, innovation and investment policies, labour market reforms, environmental policies, for improving growth and employment (Boyer, 2001). Moreover, it is clear that some of the chosen policy objectives in the spring councils will lead to contradictory outputs; for instance, some liberalisation policies may not be employment-friendly, and the cost of some environmental reforms might not lead to lower prices of products which is a major motive of economic liberalisation.

## EU employment priorities

### Increasing employment rates: a cornerstone for EU economic and social policies

The level of employment has gained priority as a visible political EU objective. The employment rate is now the cornerstone not only of the EES (see above) but also of the Lisbon strategy launched in 2000, its successive spring summits, the BEPGs, and it is said to condition even the proper implementation of the stability pact. The employment rate has become a strong basic principle and common objective for each EU economic and social policy. For each OMC policy (employment, social inclusion, pensions, education/training), a common objective is to bring policies closer together, helping their better mutual coordination and inducing more congruent and more efficient results.

Indeed a good employment rate is expected not only to improve the employment situation but also to be the spur for increasing economic growth, and for enabling the emergence of balanced budgets. Moreover, a good employment rate is increasingly put forward as a necessary condition for preserving the European social model, i.e. the financing of a sustainable pension system and of other social protection policies such as the health system, social exclusion, family allowances etc. It is essentially demographic constraints within which the EU social model will be evolving over the next thirty years which have given new priority to the employment rate: as the active population decreases relative to the total population and as the cohort of older citizens grows. With higher pension costs and health expenses, increased participation in the labour market is deemed essential.

A higher employment rate can be achieved by increasing the participation of specific groups where the margin of manoeuvre remains possible, particularly the employment rate of women, of elderly workers or of younger workers. Until now, the EU employment guidelines have mainly put emphasis on women and more recently elderly workers. Concrete efforts can be made in three directions to improve the employment rate: provide incentives for unemployed workers (principally the so-called 'discouraged workers') to join the labour market; encourage those already on the labour market not to withdraw from it (especially certain categories such as women and elderly workers); and increase the duration of life at work. Reaching those objectives depends not only on the quantity (itself dependent on macroeconomic conditions and the functioning of labour markets) but also on the quality of jobs available; on new investments in human resources; on the removal of gender inequalities and obstacles to occupational and geographical mobility; on a proper match between the job offered and the qualifications of the person; and on activation policies as well as adequate benefit and taxation systems. It is precisely to fulfil ambitious employment rate targets that the quality of work as well as education/training and labour mobility issues emerged as new priorities in the employment package 2001 and 2002. In a COM paper (2002, 9) on 'increasing participation in the labour market and promotion of active ageing' (24/1/2002) the EC aims at giving a better insight into the factors which explain why people enter or remain outside the labour market, and why they stay in it or withdraw from it. The factors which encourage people to enter for the first time or return are not necessarily the same that encourage them to stay in the labour market. The decision to remain in the labour market depends very much on quality of work whereas to encourage joining the labour market will require essentially employability measures. In both cases taxation systems play an important role. Given Member States' diversity in that respect, EU employment guidelines for 2001 have asked each Member State to define its own national employment rate targets; however, as shown in the joint employment report 2001, it is essentially Member States which are near to or above such a target which have fulfilled the EU requirement. Faced with Member States' reluctance, the EC has been working on the elaboration of indicative yearly national employment rates, figures which have not yet been disclosed.

The fact that the employment rate of 15–64 years old has become the key area of attention raises three types of criticism. First, the increase of the employment rate should not shorten initial education/training periods of youngsters because such a development might be detrimental to their qualification level and to the competitiveness of the economy as a whole. Second, EU employment rates are ratios which measure labour market participation whatever the number of hours work in a given job: a 'full-time' employment rate ratio should be set up, because part-time work might be involuntary or not procure sufficient income. Third, certain countries, essentially large ones such as France and Germany, have been functioning on a model where the prolongation of education, the reduction of the retirement age and early retirement have constituted for two decades or more the cornerstones of their employment policies. In France, for example to increase the elderly worker employment rate calls into question to some extent the legal retirement age of 60 years i.e. a '*droit acquis*'.

How far is the EU from reaching the ambitious Lisbon employment rate objectives? In 2000, the EU reached an employment rate of 63.3%, an increase of one percentage point since 1999 and 3.3 since 1985. Since 1997, employment growth has been increasing strongly in Italy, Belgium, Finland, Portugal and Sweden, and since the mid-1990s this has been the case for Spain, Ireland and the Netherlands (Employment in Europe 2001 report). The EC reckons that an average annual growth of 1.1% in the employment rate would as a minimum be required to meet the 2010 challenge of 70% and would imply the creation of 20 million jobs of which 11 to 12 million would be for women and 5 million for men. Those estimates must be put in the context of the total potential reserve of labour within the EU, reckoned to be 53 million (excluding 15–19 year-olds). On this potential, around half of the total number of inactive persons (those not in paid employment) have expressed their intention to join the labour market within the 5 next years (labour force survey). This reflects the fact that the EU has a very large, untapped labour force.

An analysis of the diversity of EU Member States as regards female employment rates and the even more diverse situation as to young worker and older worker employment rates<sup>2</sup> explains to a great extent the reluctance of many countries to define national employment rate targets in their NAPs. How the EES should in the future tackle such existing and, in places, growing diversity remains unresolved. The question goes further than just wondering whether average EU fixed targets will be reached or not; the more profound interrogation is what to do in the face of sticky national behaviour or even diverging national dynamics as regards such matters as youth or elderly worker employment rates. The present recession period is very likely to confirm such trends even further.

### Quality of work: the way to more jobs?

Why has quality of work become a priority issue on the EU agenda? A first set of explanations is to be found in the three underlying structural developments which

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<sup>2</sup> The EU internal diversity of female employment rates (ranging from 39.6% in Italy to 71.6 in Denmark) is broader than the EU internal diversity of male employment rates (ranging from 67.5% to 82.4% in the Netherlands). The male employment rates of the UK, Ireland, Austria and Portugal are near those of the United States, those of the Netherlands being above. As to female employment rates, only those of Denmark and Sweden stand above the American rates. It must be added though that over the last thirty years, the share of female employment in the labour market has been increasing greatly, whereas a slight decrease can be witnessed for men. Older workers' employment rate (55–64 years) was 37.7% (65.1% in Sweden to 26.3% in Belgium) in 2000, and has been in constant decline over the last thirty years. The gap between the employment rate of elderly workers and of those aged 25–54 has widened since 1995 except for the Netherlands, Portugal and the three Scandinavian countries. Achieving by 2010 the 50% employment rate target for those aged 55–64 will be difficult and depend entirely on the way those aged 45–54 today will behave in the future. The EU employment rate of young workers (15–24 years) was 40.3% in 2000, a slight increase since the mid-1990s'. Many of them combine a part-time job with education/training. The lowest such employment rates (below 30%) are in Italy, Belgium and Greece (Employment Report 2001).

have been taking place in the economy and the labour market over the last two decades which have led to fears as to the deterioration of job quality, i.e. the shift towards a service economy, the expansion of precarious work contracts, and work reorganisation in enterprises. A second set of reasons for understanding why quality of work features as a priority in the European councils of Lisbon (March 2000), Nice (December 2000), Stockholm (March 2000), Laeken (December 2001) and in the EU agenda for social policy adopted in December 2000 has something to do with the fear that the internal dynamics of the European employment strategy and the new employment rate targets might induce a *quantitative* job creation race which would be detrimental to job quality. But at the same time it has also become clear that the likelihood of achieving such ambitious employment rate targets will depend very much on the improvement of job quality especially for women or the elderly encouraged to stay in the labour market or to rejoin it. Alongside the urgency to reach employment rate targets, the development of bottlenecks and labour shortages in certain sectors makes enhanced job quality all the more necessary. Thirdly, the job quality debate takes place at a time where the notion of quality has already been used by decision-makers for improving many others aspects of economic and social life such as the quality of products, the quality of the environment, and the quality of educational systems.

What does 'quality of work' mean? As the Employment in Europe 2001 explains 'job quality is a relative concept regarding a job-worker-relationship, which takes into account both objective characteristics related to the job and the match between worker characteristics on the one hand, and job requirements on the other' (2001: 65). Moreover, job quality also involves subjective evaluation of all those characteristics by the workers themselves on the basis of their experience and expectations. This makes the analysis of job quality a very complicated issue. The Employment Report 2001 further notes that 'in the absence of a single composite indicator of job quality, an empirical analysis of job quality has necessarily to be based on data on both objective job and worker characteristics, and subjective evaluations of the job-worker match'. On those four dimensions (objective job characteristics, characteristics of the workers, the match between the two elements, subjective evaluation of jobs) two different exercises need to be carried out by the EC and the Member States: the identification of criteria (i.e. dimensions which describe in a multidimensional and encompassing way job quality) and the evaluation of job quality through the setting up of quality indicators. Both exercises will be the result of a 'social construct' i.e. agreements, disagreements, compromises between the social and political actors around what job quality is; which dimensions it should cover; and how it should be measured. By defining, classifying, and measuring all these job quality issues the social and political actors shape social reality in a certain direction while excluding other options.

In its communication 'Employment and Social Policies: a framework for investing in quality'(COM 313) (20.6.2001), the Commission suggested ten criteria on the basis of which job quality can be grasped and assessed.<sup>3</sup> Several comments can be made.

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<sup>3</sup> (1) Intrinsic job quality (covering elements such as job content, type of contract, hours worked, level of qualification relative to job requirement, wage levels), with the aim of securing an appropriate match between the job and the individual's qualifications. (2) Skills, lifelong learning and career development with the aim to develop workers' qualification potential (this implies improving workers' education and training levels and content). (3) Gender equality with the aim of reducing inequalities of salary, education, responsibility and sectoral gaps between men and women. (4) Health and safety at work to decrease accidents at work, occupational illness and stress levels. (5) Flexibility and security which represents one of the basic new paradigms of the EES; aiming at more flexible behaviour vis-à-vis change on behalf of employers and workers to encourage the latter's professional and geographical mobility; at the same time such flexibility requires the existence of relevant and serve social protection measures. (6) Inclusion and access to the labour market with the objective of facilitating access to the labour market for all categories to make sure people can remain in the labour market and can easily re-enter it. (7) Work organisation and work-life balance. Here the objective is to promote flexible working arrangements, parental leave systems and child care facilities. (8) Social dialogue and worker involvement: the quality of industrial relations such as collective bargaining

First, a broad conception of job quality has been developed. Indeed, whereas the two first criteria are directly linked to the characteristics of a given job, the eight others try to identify more contextual elements which affect job quality. The contextual elements indicate an awareness that the job quality debate is linked to broader policy issues such as wages, industrial relations, social protection, social exclusion, education/training, and even economic performance. Second, job quality is looked at not only on a static basis but also in a dynamic way which enables the identification of workers' life and work trajectories. Third, the Commission's analysis links job quality very closely to the way the issue is already partly dealt with in the EES, and it relies on the indicators in stock while adding some new ones to be developed later. This indicates that job quality is a process open to important future developments.

On the list of job quality dimensions proposed by the EC, three elements are going to be particularly contentious for both political and technical reasons. These are related to wages (criterion 1), social dialogue (8) and non-discrimination (9) which the Belgian presidency—for which job quality was a major priority—could not safeguard. The wage aspect of job quality, strongly supported by France and Belgium, was rejected by the UK. One can note that whereas the wage element of job quality figured in the social policy agenda and conclusions of the Nice council, it had already disappeared from the Stockholm conclusions. Given the high number of working poor in some EU countries (the UK and the southern countries) and given that wages are not something employer associations would like to see discussed at EU level, we can perhaps understand why an indicator assessing the respective importance of low wages in each EU country was not retained. The fear of seeing certain countries being thus identified, and the risk of an EU spillover effect on the fairly taboo question of wage issues explained the blockages. The low wage aspect was however partly safeguarded by the Member States under the form of a trajectory indicator able to show a low-paid worker's wage progression over time.

On the basis of the report drawn up by the Employment Committee which plays a very important role in the EES (Goetschy, 2001b), the Council agreed on most of the ten constituent parts of quality described and the accompanying headline indicators as well as contextual indicators. Much more in-depth work on quality and appropriate indicators is still judged necessary by the Council. This is a field where the socio-economic research programme could provide useful inputs.

What do various enquiries as to job quality teach us? We refer here essentially to the conclusions delivered by the Employment Report 2001 from which five conclusions can be drawn. First, overall fears 'that the trend of increasing employment in the service would lead to a proliferation of low quality jobs' have not materialised, 'with a third of the employed population having good quality jobs, against almost a quarter having low quality jobs'. Criteria retained for measuring job quality were pay-productivity, job security and career prospects. However, great variation was found between Member States with the Netherlands, Belgium, Denmark, France and Finland having most high quality jobs, and Greece, Spain, Ireland and Portugal the least. Germany, the UK and Luxembourg showed a relatively high proportion of low-pay/productivity jobs, but a relatively small percentage of jobs without prospects.

Second, the surveys revealed that 'those employed in jobs of poor quality are also at much higher risk of becoming unemployed or of dropping out of the labour force' which is due to the ongoing massive destruction of low-productivity and low-skilled jobs. Indeed, only one third of persons in jobs of bad quality had found a better job during the following year, 40% had seen their situation unchanged and a quarter had become unemployed or inactive. Those in bad jobs at highest risk of social

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coverage or worker participation devices are considered to be part of job quality. (9) Diversity and non-discrimination: this entails narrowing pay and employment rate gaps of older workers, workers with disabilities, and workers from ethnic minorities compared to the average. (10) Overall work performance with the aim of enhancing employment productivity and living standards throughout the EU.

exclusion were to be found more among women, young workers, and those on temporary contracts and in involuntary part-time employment. Hence, investing in job quality appears to be one of the best safeguards against poverty and social exclusion. Beside long term unemployment, being employed in bad quality jobs with insecure employment relationship also constitutes a major factor leading to social exclusion.

Third, there appear to be important developments concerning quality and the type of work contract (temporary vs. permanent), working time (full time vs. part-time) and its nature (voluntary vs. involuntary); the nature of the work contract being a fundamental element of job quality. The incidence of temporary contracts increased steadily between 1995 and 2000 to reach 13.2% in 2000. A temporary contract can be a way to enter the labour market especially for those without experience or those with low skills. However, the transition from temporary work to permanent work remains difficult: half of those in temporary work stay there from one year to the next, and more than 20% move into unemployment or inactivity, the latter being more common among women, young and older workers, and above EU average in Spain, France and Belgium. Fourth, part-time work has also continued to rise to a level of 18% of total employment, but the proportion of voluntary part-time workers has remained stable at a level of 60%: involuntary part-time work is highest in Spain and Belgium. Part-time employment relationships are fairly stable over time with two-thirds of all part-timers seeing their situation unchanged in two consecutive years, and for half of them their jobs are of good quality. However, when compared with full-time workers their transition rates into unemployment are higher.

Fifth, a final and already quite well-known conclusion, asserts that 'new types of employment relationships often lead to increased stress, health problems and other symptoms of unfavourable working conditions'. Apart from being due to more flexible work contracts, the deterioration of working conditions is also an outcome of the intensification of work and the development of organisational flexibility as shown by a vast array of studies of the sociology of work.

### **Education/training and labour mobility: supply-side factors with a medium term potential**

#### *Education/training*

An open method of coordination was set up by the Barcelona council capitalising on work carried out since the Maastricht Treaty (1992) on policy cooperation in education/training with the help of the 'education committee' (a technical committee to support the Council of Education Ministers) which meets frequently and has had a 'rolling agenda' with a strong element of continuity on which the EC and the EU presidency work closely together. Paradoxically, though EU treaty competences are quite low for education (art. 149) and slightly more important for professional training (art. 150), an active practice of Member State cooperation has emerged over the last ten years which paves the way for an open method of coordination in the field (based on objectives, benchmarking and indicators, and the exchange of good practice). However, it exercises little formal influence on the policy of Member States (no EU guidelines, EU quantified targets, or yearly national action plans). Both in education and training numerous action plans (Erasmus and Leonardo among the best-known) have been adopted in the past, though the full potentialities of the Treaty were not made use of in the field of professional training.

Having in mind the acceleration of the EU towards a knowledge society and a competitive EU economy, education constitutes one of the political priority fields of the Lisbon council where the open method of coordination is expected to be the appropriate way to encourage Member States to undertake more human resource investment and more action in the field. It appeared clearly to political decision-makers that even if some education/training matters have to be linked more closely to employment issues, the functions fulfilled by education and training in society have a much broader scope linked to citizenship which argues strongly that they should not be narrowed down and swallowed by the EES.

Lisbon (2000) had ordered a Report on the concrete future objectives of education and training systems which was adopted in Stockholm (it became a joint report), followed later by a joint working programme of the Council and the Commission with 13 objectives with the triple aim of improving the quality of education, guaranteeing access for all, and securing the openness of EU education systems to the rest of the world (COM, 501, 2001). The aim is to assess Member States' progress on the basis of benchmarking and quantitative indicators enabling the identification of the three best-performing EU countries as well as comparisons with the USA and Japan. A final joint evaluation report is expected by 2010 and an interim report by 2004.

Whereas the open method of coordination will represent the encompassing frame for EU developments in the field of education and training, a more specific EC communication on 'Making a European Area of Lifelong Learning a Reality' (COM, 678, 2001) proposed a vast range of actions so as to make out of the concept of 'lifelong learning' a basic paradigm intended in the medium term to induce a change of behaviour on behalf of enterprises, workers and citizens within the EU. Most EU papers emphasize that the prospect of a knowledge-based economy and the need for individuals to be able to get more easily in and out of the labour market both call for higher educational levels, the reduction of school drop-out rates, a change in basic-skills with a desirable improvement of the study of mathematics and science and ICTs, and the development of lifelong learning.<sup>4</sup>

### *Labour mobility*

In a communication on the 'New European Labour Markets' in February 2001, the Commission aimed to remove barriers to occupational and geographic mobility which is low within the EU and to raise the skill levels of the European workforce.<sup>5</sup> The Commission's approach was endorsed by the Stockholm European Council in March 2001, and was followed by the setting up of a High Level ten member Task Force on skills and mobility of industrialists, unionists and experts which submitted

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<sup>4</sup> Education attainment levels are fairly low in the EU as a whole although with great differences between Member States: in 2000, 60% of 25–64 year olds had completed upper secondary education, with Germany, Austria, Denmark in the lead (77% on average) and Portugal and Spain having the lowest percentages (19% and 37%). Only 20.5% of the same age group had higher education qualifications. Early school leavers not in further education amount to 18.5% within the EU with the highest levels to be found in Portugal (43%), Italy (29%) and Spain (28%). The Lisbon strategy is to halve this by 2010. The participation of adult workers in training across the EU stands at 8% in 2000 (5.7% in 1995), highest in Denmark, UK, Finland and the Netherlands. Men, older workers and those with lower education participate less in training than women, the younger and highly-educated. Life long learning becomes all the more essential given demographic factors; while 55–64 years old count for 16.5% of the work force in 2000, their share will amount to 23.4% by 2030 (The Employment 2001 Report).

<sup>5</sup> The EU has been characterised by low levels of occupational mobility whether between jobs and sectors or within or between Member States. In 2000 only 16.4% of workers had been with their employers less than a year (compared to 15% in 1995 and to around 30% in the USA), 10.1% for one or two years, 73.5% more than two years. Altogether, job stability remains high. Occupational mobility is highest in countries with good employment performance such as Denmark, Ireland, Netherlands, Finland and Spain. Occupational labour mobility and job rotation remain lower than in the USA, but they have been growing among the highly-skilled: 10% of them changed jobs in 1998 and 1999 in the EU. It has been growing especially among the young. On geographic mobility within and between Member States 0.1% of the total EU population (225,000 people) changed residence between two countries in 2000 and 1.2% changed official residence to another region (essentially within the same State) compared to nearly 6% in the USA having changed counties. As to workers, 1.4% of the employed population changed residence between regions in 2000 with slightly higher rates in Austria, UK, Netherlands and France (cf. the Employment 2001 Report). The obstacles to geographic mobility are well-known: they are linked to Member State differences in tax-benefit systems, welfare systems, housing markets, wage differentials, language, and the spread of dual-income household which will increase with the employment rate of women, family circumstances, and the lack of recognition of formal educational and vocational training qualifications, the lack of a common immigration policy for third country nationals. However, the number of commuters both across-borders (600,000 persons) (highest in Austria, Belgium, France and Luxembourg) and between regions in a given country (7.5 million) has become increasingly significant (highest in Belgium, Austria and Germany).

its report to the Commission in December 2001. On the basis of their conclusions, the EC has elaborated an Action Plan for skills and mobility in early 2002 which was tabled for the Barcelona council (COM 72). It follows previous initiatives on mobility in the field of education and training.

The relevance of labour mobility today in the EU integration process derives from interest in the same subject in the 1970s. Then it fitted into a liberal economic conception which reckoned that the free movement of workers, as the free circulation of goods, services and capital, was a necessary condition for the achievement of a real common market. This led to the adoption of social security measures for migrant workers and dispositions on the equivalence of qualifications. In such a conception the building up of a social Europe is first of all based on trust in the efficient functioning of markets, and public intervention is mainly there to safeguard this objective. Meade (1955) was the first economist to study the impact of the circulation of production factors where labour mobility was supposed to encourage workers to move from high unemployment and low wage areas to areas where jobs are more numerous and better paid; this would result, according to the theory, in a better allocation of resources, an improvement in workers' prospects and a decrease in unemployment. Though the context is different, such liberal thinking in a situation of great regional employment level diversity throughout the EU is not absent from the renewed interest in labour mobility.

Second, labour mobility came also to the fore as a crucial factor emerging from the setting up of the European monetary union. Several economic theories have been speculating on the impact of likely asymmetric shocks on a given EU country in a situation of monetary union where Member States are no longer able to use exchange rate mechanisms to adjust. In his analysis on what is an 'optimal monetary zone' Mundell (1961) argued that five types of mechanisms may help in responding to asymmetric shocks: labour mobility, wage and price levels, an expansive budgetary policy, intra-European budgetary transfers, and new forms of incomes. However, given the present state of low geographical labour mobility within the EU, labour mobility as such—from high unemployment areas to low unemployment areas—does not seem to offer a realistic prospect for resolving an asymmetric shock situation. It is precisely to change this situation that labour mobility has again been put on the EU agenda.

Third, to attain the Lisbon strategy objectives (full employment, a knowledge-based economy, more education for all, enhanced employability), the labour mobility debate had to be coupled with the skilling, education and lifelong learning debate. Indeed, increased occupational and geographical labour mobility both within and between Member States should facilitate reaching full employment and the fixed employment rate targets; such mobility is even more crucial in a context of fast-changing labour demand, growing labour shortages and bottlenecks.<sup>6</sup>

## Two major challenges

### The launching of the EES: evaluation after 5 years

In 2001 and 2002, the EC in close cooperation with national authorities initiated an impact evaluation and review of the EES after 5 years which will lead to a communication on the future of the EES in summer 2002. A very brief mid-term evaluation had already been carried out in 2000. The 2002 evaluation package is composed of large national evaluation projects monitored by different sorts of institutions within Member States as well as by a macro-evaluation of labour market structural improvements and EU-wide opinion surveys carried out by the Commission. For reasons of

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<sup>6</sup> Despite the 350 000 job cuts during 2001 in telecoms, computer and electronics industries, the ICT skill shortage is still estimated to be 1.6 million in 2003. Job losses have affected the less skilled employees and there remains a vast cross-sectoral need for ICT skills. In 2000, one in four employers saw lack of qualified labour as an obstacle to business expansion.

national comparability, the EC provided a common framework to Member States for writing up the national evaluation projects. These were supposed to achieve three aims: to show what influence the EGs have had on national policy choices in a medium-term perspective; to give an account of how the situation relative to each EG has been evolving over the last five years; and to assess the impact of the policies adopted by Member States on employment levels, qualifications levels etc., and generally in relations to the EGs initial' objectives. A checklist of ten themes involving more than 50 questions were provided around which Member States had to organize their reporting on prevention and activation policies for the unemployed as well as tax-benefit reforms, life-long learning, social inclusion, entrepreneurship, taxation, modernising work organisation, equal opportunities, and policy-making. The first nine themes referred to the four pillars of the EES and the last one to the EES's impact on the manner in which national employment policies are set up (interministerial cooperation, social partner involvement, etc.). Given the great diversity among Member States as to the statistical information at their disposal and their very different experiences relative to national employment policy assessment, quite large differences are to be expected in national reporting.

The expected EC 'communication on the future of the EES' on the basis of the evaluation of the content of employment policies and of the functioning of the Luxembourg process itself as an open method of coordination process, intends also to provide input for reforming the EES. It will reflect upon the new employment challenges in 2002 and forthcoming years, which policy initiatives to take in the context of enlargement, and how better to articulate the EES with other policy fields and processes. The conclusions and reforms should then be fed into the revised version of the Employment guidelines for 2003. Any evaluation exercise entails two difficulties. First, even if national employment policies remain faithful to the EU guidelines, it will remain difficult to prove (especially in the case of non-compulsory EU measures) which are the measures which Member States would have taken anyhow (without the existence of the EES) and which are the measures taken under the pressure of the EES. Second, it is very difficult to evaluate what share of the improvement in the employment figures is due to structural labour market reforms (and the EES belongs to this category) and what is due to economic growth (which is itself influenced by the global economic situation, national macro-economic policies, the ECB's monetary policy, etc.).

### The EES and enlargement

Enlargement of the Union to Central and Eastern European countries will represent serious challenges for the composition and characteristics of the EU labour market, for employment policies and hence for the EES. In the last five years whereas the employment situation has been slowly improving within EU Member States, it has been deteriorating in the CEECs.<sup>7</sup> In the Nice social agenda (December 2000) it was implied that the CEECs should adopt a strategic approach to employment policies

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<sup>7</sup>Employment and activity rates in those countries are now lower and unemployment substantially higher than in the EU. Their employment rate was under 60% in 2000 (compared to 63% in the EU) and started to decline from 1997. Unemployment reached more than 12% in 2000; most of the CEECs have higher male than female unemployment and their youth unemployment is 26% compared to 16% in the EU. Raising the employment rate to that of the EU would require employment to rise by 7% (3 million jobs). Differences in sectoral developments explain some of these employment gaps. Compared to the EU, employment in the CEECs is highly dependent on agriculture and is highly under-developed in the service sector (28% against 43% in the EU). As further restructuring is to be expected both in agriculture and in the industrial sector, more job losses will occur, and job creation will depend on the speed of job creation in the service sector (especially in financial, business and personal services). The gaps between the CEECs and the EU might become more severe as the EU progresses towards its ambitious Lisbon targets. Converging with EU economies and its social achievements will be all the more difficult given that the economic and social situation varies a great deal within the CEECs (cf. the Employment 2001 Report).

in line with the EES. In this process, the EC and national authorities in the CEECs (seven countries for the moment) have been drafting in 2001 a series of Joint Assessments of Employment Policy (JAPs) aiming at pointing out the present priorities of their labour market policies and institutions; and the priorities of their human resources policies as to the European social fund. Such assessments are intended to check whether the economic, social and institutional fundamental prerequisites are present so as to enable the CEECs properly to join the EES. Although the task for the CEECs when joining the EES will not be easy, the EES as an open-method of coordination regulatory tool presents a number of advantages (flexibility due to its iterative character, medium term perspective, the learning process, its respect for diversity, its lack of sanctions etc.) which the traditional and restrictive legal conception of the transposition of the *acquis communautaire* does not offer.

## Conclusions

What have both the European employment strategy and the Lisbon strategy meant for the development of Social Europe? First, although employment guidelines and recommendations have shown a great degree of continuity over the years along the four pillars (employability, entrepreneurship, adaptability, gender equality), stress has been put during the two last years on new priorities (quality of jobs, occupational and geographic mobility, education/training) which are all closely linked to the overarching objective of enhancing employment and activity rates within the EU. Apart from being an answer to unemployment and bottlenecks, and an instrument for labour market reform, an increased employment rate has also become a prerequisite for a better growth level, for a sustainable social protection system and for reaching better-balanced budgets within the stability pact. Introduced by the EES and the Lisbon strategy, employment rate targets have risen in priority and now constitute guiding principles of the BEPGs, of the conclusions of the various EU councils, and of each of the open method of coordination processes. Though increasing the employment rate is a useful and powerful new paradigm, the argument developed in this article has also given an account of some of the resistance and criticism to which it has been subject. Acting as a sort of 'federating principle', the employment rate should help better to articulate policy fields and lead to more coherent policy outputs, but at the same time it induces new inter-dependencies between policy areas which might impoverish each of the individual policy fields and thus limit their more specific objectives.

Second, the Lisbon strategy has enabled a widening of the policy scope for the EES by setting it in a more global EU project with a ten year perspective. In June 2001, environmental issues have been included in that 'grand design' essentially of a paradigmatic and normative nature but also including some ambitious quantified targets (3% growth rate, full employment, precise employment rate targets, internet targets, halving the number of school drop-outs). This EU project aimed at giving a more clearly defined identity to the EU vis-à-vis the rest of the world and at the same time it was also meant as a management tool enabling an annual assessment by the spring council of delays and progress made so as to reduce the gaps with the USA in several domains (economic and labour market reforms, innovation policy, growth rate etc.). The Lisbon strategy has upgraded employment and social policies so as to make them issues of 'high politics'. However, as we have shown in the section on the preparation of the spring Barcelona council, it seems that a genuine and stabilised balance between economic liberalisation, macro-economic coordination, the stability pact, employment and social reforms has not yet been found. Enlargement to the CEECs and the likely change of political majorities in some EU Member States during 2002, might render such a balance even more difficult in the future.

Third, the fact that open methods of coordination (OMC) procedures have been spreading very fast in several domains (employment in 1997, social inclusion in 2000, pensions in 2001, education/training in 2002), means that the EC and Member States'

policy-making is now highly 'embedded' in the global EU project of the Lisbon strategy and suggests that there exists a real will to pursue EU integration in a way different from the past, and based on stronger Member State cooperation. However, we do not know yet to what extent this new method will help to improve EU policy outputs and how many years it will take for the benefits of real 'europeanization' to be harvested by Member States and by the EU institutions. We may also wonder whether the fairly complex and intricate (though highly flexible) architectural design of the OMC is sustainable and manageable in the long run.

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