

# The European employment strategy from Amsterdam to Stockholm: Has it reached its cruising speed?

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The establishment in the 1990s of a European strategy for coordinating national employment policies has to be understood in a double context. First, it has to be set in the history of Social Europe which experienced setbacks in the 1990s in both the legislative and contractual routes to regulation. Moreover, the most urgent social priorities such as fighting unemployment were not dealt with at European Union (EU) level. Attention was thus focused on two alternative options for EU-wide action: on the one hand what Streeck (1999) called 'neo-voluntarism' (including among other strategies the diffusion of good practice); and on the other the coordination of national policies around commonly-defined Community guidelines. In this context procedures such as the European employment strategy (EES) could present advantages both for the Member States and for the EU itself by contributing to the construction of supranational coordination.

Second, to make sense of the EES it must also be located within the history of EU economic integration. In the 1990s it became clear that employment measures had to be taken if the European Monetary Union (EMU) project, or at least the planned timetable, was not to be 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. More acutely the Renault Vilvoorde affair touched off a crisis which became the basis for various actions over employment. Finally in 1997 elections in France and in the UK isolated Germany in its rejection of an employment title in the Treaty reform. These factors, combined with fairly poor progress in the other subjects for Treaty reforms made the employment title a unifying and popular project easy to 'sell' to European citizens. Curiously enough, an Employment title in the Amsterdam treaty was adopted at a time when Member States were already experiencing very different employment performance at national level.

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Although formalised within the Amsterdam Treaty (1997), the idea of an EES had been already raised by the Delors White Paper on *Growth, Competitiveness and Employment* (1993) and had been made operational on a pragmatic basis by the Essen procedure following the European Council in December 1994. Following Amsterdam, it was put into practice before the official implementation of the Treaty on the basis of the employment guidelines of the special Luxembourg summit (November 1997).

Since then the EES has been reaching what can be called its 'cruising speed' although given fresh impetus by the Lisbon European Council (March 2000). Since then, the EES has become referred to as 'the open method of coordination' as it represents a new regulatory method for developing the construction of a social Europe which is supposed to be complementary to the existing instruments at EU level, i.e. legislation, European collective agreements and social dialogue, structural funds, support programs, the integration processes of different policy fields, analysis and research.

This paper will both describe and analyse the functioning of the EES, give an account of its present strengths and weaknesses, present the major characteristics of the so-called 'employment package 2000' (assessment carried out by the Joint Employment Report 2000, employment guidelines for 2001, recommendations to member states for 2001) and indicate a number of directions along which it may develop in the future.

## **The major characteristics of the EES**

### **The EES process of the Amsterdam Treaty**

The EES process as designed by the Amsterdam Treaty is the following. Each year common European employment guidelines are elaborated and adopted by the Council (Social Affairs and Ecofin) by qualified majority vote. Afterwards they have to be translated into national employment policies on which each Member State must report to the Commission and the Council in their yearly 'national action plans' (NAPs). Governments are expected to involve trade-union and employer organisations at various levels in both the elaboration and the implementation of their NAPs. An annual evaluation then takes place on the basis of which recommendations can be directed by the Council to Member States. Such recommendations to states deemed not to have followed the guidelines would have no binding effect but could be symbolically powerful.

Three elements characterise the employment title in the Treaty: it is based upon the previous experience of the Essen procedure; the approach to employment is inspired by the already existing convergence process in the macro-economic field; and it is the national level which remains primarily responsible for employment policies and achievements though employment is an issue of common concern for both the national and the community level. Since the Luxembourg summit in autumn 1997, the annual European employment guidelines have been organised under four pillars: a) improving employability—aimed at improving the access of the unemployed to the labour market, it entails two explicit objectives, developing a 'preventive approach' to avoid long term unemployment and implementing 'activation policies'; b) developing entrepreneurship—making it easier to start and run a new business and to recruit people to it, reducing administrative constraints and making the tax structure more employment-friendly; c) encouraging adaptability both for employees and in businesses—this entails the modernisation of work organisation and other forms of adaptability in enterprises; d) strengthening equal opportunity policies this involves a gender mainstreaming approach for all the four pillars, tackling the gender gap, reconciling work and family life, facilitating re-integration into the labour market. Around 20 such EU guidelines are set up each year with only a few of them corresponding to quantified targets. Until now there has been great continuity in these EU annual guidelines; in effect they were more or less identical each year.

## Strengths and weaknesses of the EES?

The strengths of the EES are linked to the fact that it is an iterative process, which provides an opportunity to tackle employment issues over the medium-term, and which makes use of an elaborate method involving targets, deadlines and an evaluation process.

First, the fact that the EES is an *iterative process* between EU and national levels, articulating closely an intra-governmental logic with an EU community logic, presents a number of advantages: it enhances Member States' political commitment in EU decision-making, and thus placing them in a better position to control, accept and implement EU guidelines; it should mean decisions which are better adjusted to the national diversity of institutions and employment policies, and, moreover, decisions that are in consequence more realistic and less likely to be 'wish-lists'; and it enables the involvement of a multitude of economic, social and political actors at various levels (supranational, national, regional). All this finally raises the possibility that real national social priorities (employment, but later on also social protection issues) will figure on the agenda of the EU. This in turn might mean that social issues of 'high politics', which are not really fully acknowledged EU competencies and which are highly contentious, can thus be dealt with at EU level. The process thus encourages a simultaneous 'Europeanisation' and 'renationalisation' of employment policies through a mutual learning process and thus should increase the legitimacy of decisions both through the involvement of a greater number of actors and as a consequence of the anticipated improved employment performances.

Second, the perspective of the EES is to integrate member state policies with Community-level guidelines in a *medium-term, pluriannual perspective*, with results of an incremental nature which transcend short-term political gains and can solve progressively the more fundamental problems of unemployment within the EU. One can say that the EES is a way to 'depoliticise' 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 is 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 characteristic of the EES procedure. However, with the Lisbon approach (March 2000) granting a new and important role to the spring European council which will provide economic and social orientations for the EU and integrate the policies of the different specific EU council of Ministers (general affairs, economy and finance, social affairs, education. . .), a new 'repoliticisation' process starts to take place with a medium-term time perspective in mind.

Third, the *method itself* of the EES is meant to serve as a catalyst for the efficiency of national employment policies in several ways: by establishing external constraints and targets to be reached within a specified timetable (a method which had proved successful for setting up European monetary union); by aligning such targets to the best performing countries (benchmarking); and by putting employment policies to the test of national comparison, submitting them to the scrutiny of a wide range of EU institutions, and making them subject to specific EU recommendations. Tough monitoring and a real evaluation culture are at the heart of the EES.

However, the EES is not without a number of serious weaknesses: a) the lack of real sanctions which is in marked contrast to the stability pact surveillance process; b) the subordination of EU employment guidelines to monetary and economic guidelines (i.e. the broad economic guidelines and the stability pact), a situation which the Köln process (June 1999) and the new commitments of the Lisbon summit (March 2000) have been trying to change by trying to establish a new balance between economic and social objectives for EU integration (see below); c) the scarcity of EU finan-

cial resources for facilitating the development of an active EU employment policy (EU structural funds are not negligible, however. At the European level, the 195 billion euros structural funds over the six coming years (2000–2006) represent the financial instrument to support the attainment of employment objectives, of which 70 billion are devoted to human resource development through the European Social Fund); d) the complexity of the multi-governance process of the EES, given the multiplicity of processes and of actors involved (see below); e) the nature of jobs created; not only the number of jobs created, but also their substantive quality – their duration, wage levels and working conditions – should be examined, an issue which is stressed in the employment guidelines for 2001 and in the EU social agenda adopted at Nice (December 2000).

### **The EU macro-economic and employment context of the 'Employment package 2000'<sup>1</sup>**

Since mid-1999, the EU economy has seen its growth rate increase from 2.5 per cent in 1999 to 3.4 per cent in 2000 with a forecast of around three per cent for 2001. Providing sound macro-economic conditions (low interest rates, low inflation, sound public finances) can be maintained, this progress is set to continue. Unemployment fell from 9.2 per cent in 1999 to 8.7 per cent by mid-2000. Despite moderate growth in 1998/99 strong employment gains were achieved with four million jobs created over the two years. The overall employment rate in the Union rose to 62.2 per cent (but only to 56.5 per cent in full-time equivalent) in 1999 which brings the employment rate back to the same level as in 1990 before the recession of the first part of the decade. More than 14 million people remain however out of work.

By the end of 1999 the major factors and trends in employment were the following:

- a. for the first time since 1990, in 1999 the number of full-time jobs exceeded the number of part-time jobs created (63 per cent of job creation went to full-time jobs). Nevertheless, part-time working continued to expand in 1999. 17 per cent of the total EU workforce now work part-time, 80 per cent of part-time workers being women;
- b. the number of new jobs on open-ended (indeterminate duration) contracts exceeded those on temporary (fixed-term) contracts (57 per cent of job creations went to open-ended contracts). Employees on temporary contracts accounted in 1999 for 13 per cent of the total EU workforce;
- c. despite those new trends (and this is not contradictory), part-time and temporary jobs continue to grow faster and amount altogether to 28.4 per cent of total EU employment;
- d. women have continued to take up the majority of new jobs created (70 per cent) in 1999 which has resulted in a narrowing of the 'gender gap' (the difference between the male and the female employment rate) from 27 per cent in the early 1990s to 19 per cent in 1999;
- e. job creation continues to take place particularly in the service sector which had an employment rate of 41.6 per cent in 1999, but this did not reduce the differential between the EU and the US in that respect which remains at 14 per cent. In its recent strategy paper aimed at dismantling remaining barriers in the service sector (11/1/2001), the Commission reckons that if the EU employed the same percentage of people in the service sector as the US, 36 million new jobs could be created.
- f. youth unemployment reached its lowest point since the 1980s but still remains too high (8.5 per cent of those in the 15–24 age group were unemployed in 1999);
- g. long-term unemployment has also been declining but is still a very serious European problem as the share of the unemployed who have continuously without

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<sup>1</sup> Analysis and figures are taken primarily from the Joint Employment Report 2000.

a job for more than 12 months has continued to hover around 48 per cent since 1994.

Although employment increased in all Member states in 1999, progress was very uneven between countries, geographical regions and social groups. In most countries the improvement employment situation was a result of both increased economic growth and labour market reforms. In some countries, employment growth is also linked to lower labour productivity rates (Denmark, Germany, Italy, UK). In certain countries employment rates already exceed the 70 per cent target of the Lisbon summit (March 2000) i.e. Denmark, Sweden, Netherlands, UK, whereas Spain, Italy and Greece face the greatest challenge in seeking to reach this target. The highest unemployment rates continue to be registered in Spain (15.9 per cent), Greece (11.6 per cent), France, Italy (both at 11.3 per cent) and Finland (10.2 per cent).

Apart from youth and long-term unemployment, and increasing regional disparities within all Member States since 1997, the JER (Joint Employment Report) put the emphasis on two other employment problems which the Employment Guidelines 2001 and Stockholm summit try to address:

- a. the fact that older workers still tend to exit prematurely from the labour market (in 1999, the employment rate of those aged 55–64 is below 37 per cent), but here too large discrepancies exist between Member States with the lowest rates found in Austria, Belgium, France Italy and the highest in Sweden, Denmark and Portugal;
- b. the fact that labour markets show signs of tightness, bottlenecks and skill shortages (in countries near full employment and also in some others in some specific sectors) which explains the importance given to ‘activation’ policies for enhancing employment rates (also among so-called ‘discouraged populations’) and to recent devices encouraging EU labour mobility.

### **The Lisbon summit (March 23–24, 2000): a strategic turning point in EU social and economic policy?**

In Lisbon, at the second extraordinary summit after Luxembourg on employment issues, the Member States agreed an ambitious and new strategic goal for the Union in the next 10 years, ‘to become the most competitive and dynamic knowledge economy in the world, capable of durable economic growth, of higher employment levels and jobs of a better quality and of improved social cohesion’. Its three major objectives relating to employment policy were the goal of full employment by 2010, the raising of employment rates with quantified targets (70 per cent on average and 60 per cent for women) by 2010 and an annual growth rate of three per cent for the same period. It is the first time that a European Council issued conclusions of such a concrete nature with 60 actions covering ten different fields. It took however nine months of tough debates and negotiations before reaching agreement between countries on a strategy where ‘political orientations’ should have priority over economic matters and where more virtuous circles were expected from a closer articulation between various policy fields (macro-economic goals, structural economic reforms, labour market reform, social cohesion, the modernisation of social protection). The basic paradigm was that EU economic integration and reform are not ends in themselves, they must support employment and social cohesion; but similarly, that social cohesion and high employment levels are underpinning conditions for economic growth.

For implementing the objectives of Lisbon in the various policy spheres two sets of institutional devices were introduced. First, a new and path-breaking method was adopted called ‘the open method of coordination’ (OMC) which takes over the method of the European employment strategy (EES), and thus taking advantage of the relative success of the Luxembourg process (see Goetschy, 1999). The major characteristics, strengths and weaknesses of this method have been given above. In

broad terms, this method aims at organising and implementing coordination and cooperation between Member States on the basis of close articulation between an intergovernmental logic and an EU community logic, combining EU competence and subsidiarity, and relying on modern public management tools based on benchmarking, evaluation of Member State performance, peer review and comparisons. The OMC concept should apply to several policy fields although the precise procedures will vary: employment ('the Luxembourg process'); economic reform ('the Cardiff process'); innovation and the knowledge society; the fight against social exclusion, education policy and life long learning; and even perhaps in a later future, the modernisation of social security (pensions and health systems).

Second, a new European Council (besides the two taking place traditionally in June and December) essentially devoted to economic and social affairs will be held every spring; this will be the driving force giving strategic direction and coherence to both economic and social goals and ensuring effective monitoring of progress. The idea is in doing so to withdraw some power from the too overwhelming and economics-driven ECOFIN council, and more broadly to create more coherence between policy fields since the decisions hitherto adopted separately by the various Councils of Ministers (ECOFIN, social affairs, education, etc.) have often been contradictory in their objectives. Concretely, this implies that the European Council will try to better combine the EU Broad Economic Policy Guidelines (BEPG) with the Employment guidelines (Luxembourg process), the Lifelong learning policy, social protection reform and the economic structural reforms ('Cardiff Report' of the 'Cardiff process'). The BEPG will keep their basic strategic role for goal setting but have to take into account the other policy fields.

More specifically what was the content of the two sets of policy goals (economic and social) adopted at Lisbon and subject to the OMC? First, the economic goals aim 'at preparing the transition to a competitive, dynamic and knowledge-based economy' catching up with the USA: first by prompting a digital information society; second by establishing a European Area of Research and Innovation; third by pushing reforms for completing and accelerating the internal market (speeding-up the liberalisation of gas, electricity, postal services and transport and full liberalisation of telecommunications; accelerating the completion of the internal market for services and especially financial services [including pension funds], liberalisation of rules for public procurements. Many targets in this section have been given deadlines and these reforms are also to be linked to the existing 'Cardiff process'); and fourth by coordinating macro-economic policies and keeping in mind that the present good growth performance should be used to consolidate public finances, improve the sustainability of public finances with the impact of aging populations in mind and achieve as many structural reforms as possible (economic, labour markets). This Lisbon section on the ongoing implementation of the internal market through the liberalisation of universal services and financial services might not in all cases be consistent with a search for a higher employment rate and less social exclusion as it might induce employment losses in some sectors at least in the short run.

Second, the social and employment goals of Lisbon aim at 'modernising the European social model by investing in people and building an active welfare state' with specific stress put on:

- a. developing relevant education and training for living and working in a knowledge society (among others, through wide internet access in schools; a EU framework of basic skills – IT skills, languages, technological culture, entrepreneurship and social skills; increasing mobility of students and teachers, as well as through a quantified target of dividing by half by 2010 the number of 18 to 24 years old leaving the lower-secondary education and who are not in further education or training);
- b. developing an active employment policy and improving the quality of jobs: here the major quantified aim is to raise the global employment rate from 61 per cent (in March 2000) to 70 per cent by 2010, and for women from 51 per cent (in

- March 2000) to 60 per cent by 2010. This objective should take into account the countries' different starting points, and Member State are invited to set national target employment rates. The conclusions state also that high employment rates are indispensable to safeguard the sustainability of social protection systems and are the best remedy in the fight against social exclusion;
- c. modernising social protection. However, to satisfy this last objective an elaborate form of OMC is not yet envisaged given Member State sensitivity, and therefore cooperation, exchange of experience and good practice as provided by the treaty will remain the essential tools; the High Level Working Party on Social Protection has to support this cooperation with special attention to be paid to the sustainability of pension systems up to 2020 and beyond;
  - d. fighting social exclusion: policies should here be based on an OMC combining national plans and Commission initiatives for cooperation in this field (see the conclusions of the Nice summit, December 2000).

### What were the reactions and debates after Lisbon?

Lisbon has managed to please the Liberals with its economic reforms, and the socialists with the safeguarding of the EU social model. Its measures for a knowledge society, for modernising social protection, for high employment rates through active employment policies are shared goals for Liberals, centre parties and socialists alike. It has managed to reconcile opposing ideological stances. By adopting a longer time perspective for EU developments spreading over 10 years, such a balanced ideological stance gains even more weight as it renders EU developments less sensitive to national contingent electoral changes. In a way, the fragility of economic and social objectives being only registered through summit conclusions (and being subject to successive summit changes) was meant to be offset by Member States' adherence to longer time perspective objectives.

It remains to be seen though to what extent contradictory objectives can be fulfilled. Will it be possible to preserve pension funds based to a great extent on the solidaristic concept of the welfare state and at the same time satisfy a restrictive goal of public finance sustainability and the liberalisation of financial services (pension funds)? How does the liberalisation of universal services and the acceleration of the internal market in services match with the need to create high quality? Will it be possible to prevent the further widening of the gap, or better still to reduce it, between a high-tech, knowledge society, based on mobile highly qualified wage earners on the one hand and a society that continues to exclude workers and citizens from such developments on the other hand? All those questions remain largely open.

Lisbon has been advocating the spreading of the OMC to a variety of policies (after the EES experience). But voices have been raised in many quarters expressing the fear that the OMC (qualified as 'soft law') might invalidate and disqualify the traditional 'community method' based on legislative and contractual methods ('hard law') in the social sphere. Arguments about the ways such developments and hence such fears can be prevented will be discussed later (see conclusions). Further, one can also deplore the lack of stronger tax policy measures and the fact that relatively little attention was paid to the coordination of national macro-economic policies *per se*, the emphasis being rather laid on the integration and interrelations between different policy fields. The Lisbon summit was however perceived by most member States as a success for the Portuguese presidency which struck a new balance between economic and social developments at EU levels, provided a new strategy based on the OMC, and gave a wider time span for problem solving through its 10 year perspective. Many Member States now speak of Lisbon as a turning point and a sort of milestone and breakthrough in the history of EU integration.

However, the preparation for the following Stockholm summit was going to show, paradoxically, that the Lisbon search for a new balance, when added to the enlargement perspective, led to a situation whereby the impatience and appetite of all Member States increased rapidly. Some advocated faster liberalisation and the speeding

up of implementation of the internal market, others called for more macro-economic coordination and a virtuous policy mix as urgent necessities, insisting upon the safeguarding of the European social model. Each Member State raised its expectation level along its 'ideological preferences' fearing that the new balance would not be in its favour; the fragile consensus message of Lisbon seems to have led to a vivid repolitisation of EU integration developments.

### Major features of the Employment Guidelines 2001

In September 2000 the Commission proposed for the fourth time after Luxembourg (1997) its employment guidelines. They were part of the so-called 'Employment package' which also contains the Joint Employment Report and the Recommendations on the implementation of Member States employment policies.

Four major factors explain the changes made in the 2001 Guidelines: the new paradigm from the Lisbon conclusions and the Feira summit; the mid-term review of the three years of experience with the Luxembourg process; and the evaluation exercise of the Joint Employment Report. In addition, prior to the Feira summit, a High Level Forum, (15 June 2000) to which the social partners presented a joint declaration, was organised discussing the respective contribution of the EU institutions and the social partners to the Lisbon strategy, including the EES. The mid-term review conducted at the level of the Employment Committee concluded that the method used (OMC) by the Luxembourg process and the four-pillar structure of the guidelines have demonstrated their value and should therefore not be changed, at least until 2002 when a full impact assessment of the strategy will be carried out after a five-year cycle.

The major changes observable in the 2001 Guidelines are:<sup>2</sup>

a) First, the social partners are invited seriously to strengthen their own contribution to the guidelines (a request repeated by the Feira Council in June 2000). Concretely, the social partners are expected to create 'a process within the process' whereby they are responsible for developing and reporting on actions within their own sphere. They have been given exclusive responsibility for the implementation of two guidelines in the adaptability pillar: guideline 13 concerning the modernisation of work organisation, and guideline 15 on the contribution of education and lifelong learning to adaptability. On both issues they are supposed to negotiate agreements, and on work modernisation in particular, an annual report is expected from them on the negotiations achieved and on the status of their implementation and impact on employment and labour market functioning. A similar reporting process has also been planned for education and lifelong learning by the Social Agenda (adopted in Nice, December 2000) which stipulates that social partners are invited to report to the council of social affairs by the end of 2001 on agreements at all levels reached in this field. Moreover, social partners are also invited, but this time in cooperation with the Member states, to strengthen their contribution to active policies to combat emerging bottlenecks (G 6), to combating undeclared work (G 9), to take part in local

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<sup>2</sup> Under the four pillars 18 employment guidelines were addressed for 2001:

Pillar 1: *Improving employability*: tackling youth unemployment and preventing long-term unemployment (G 1); a more employment-friendly approach: benefits, taxes and training systems (G 2); developing a policy for active ageing (G 3); developing skills for the new labour market in the context of Lifelong Learning (G 4, 5); active policies to develop job matching and to prevent and combat emerging bottlenecks (G 6); combating discrimination and promoting social inclusion by access to employment (G 7)

Pillar 2: *Developing entrepreneurship and job creation*: making it easier to start up and run businesses (G 8, 9); new opportunities for employment in the knowledge-based society and services (G 10); local action for employment (G 11); tax reforms for employment and training (G 12)

Pillar 3: *Encouraging adaptability of businesses and their employees*: modernising work organisation (G 13, 14); supporting adaptability in enterprises as a component of Lifelong Learning (G 15)

Pillar 4: *Strengthening equal opportunities policies for women and men*: gender mainstreaming approach (G 16); tackling gender gaps (G 17); reconciling work and family life (G 18)

Both the council for social affairs and ECO/FIN have had to adopt the 'employment package'

action for employment (G 11), to tackle gender gaps (G 17) and to reconcile work and family life (G 18).

The role of social partners in the EES can be multifold:

- (i) European social partners together with their national affiliates could themselves define which of the existing guidelines could be subject to benchmarking, the benchmarking criteria, and which further actions (e.g. negotiations) could be taken. In this way they would assume a role in improving the implementation of the guidelines within the framework;
- (ii) some objectives of the employment guidelines and thus their implementation could also be taken care of by the EU social dialogue (sectoral or cross-industry) and lead to joint opinions or agreements (such initiatives driven by the EES have already taken place in sectors such as civil aviation, telecommunications, commerce, agriculture, tanning. The three cross-industry agreement on parental leave, part time work, fixed term employment contracts can also be located – or relocated – into such a perspective). This covers the implementation and diffusion of the guidelines outside the guidelines' framework;
- (iii) social partners could also (within the frame of the EU social dialogue, sectoral or inter-sectoral) propose and elaborate a few new guidelines of their own which could then be adopted by the Council: this entails a role of initiative on their behalf;
- (iv) last but not least, the European social partners can also, on the basis of national 'institutional' best practice, monitor the active participation of national social partners in the elaboration and implementation of NAPs. They could contribute to encourage at national level a more coherent approach between the four pillars of the EES and also encourage more integration between different policy fields (macroeconomy, tax reforms, labour market reforms, social protection reforms) to improve national employment performance. This should lead to a better and closer articulation between the NAPs and the dynamics of national social pacts (in countries where they exist), the distance between the two being one of the weak points of the EES. However, we face here a real difficulty in that NAPs and national social pacts often reflect two contradictory logics; whereas the EES aims at a closer cooperation and convergence between national employment policies, national social pacts are essentially national 'competitive' pacts through which social and political actors aim to capitalise on their national assets (institutional, economic, social) to improve their relative situation within the EU or world economy (Rhodes, 2000). The proposed 'closer articulation' implies that the social partners should coordinate what they do for the EU level with what they do at national level, i.e. introduce into the EES their *real* national strategic preferences and choices (and not follow in a somehow schizophrenic way two different routes, one which really matters at national level, another often essentially symbolic and merely part of a bureaucratic procedure for the EU). This is a crucial issue for both social partners (and also for Member States) for the years to come.

b) Second, though the content of the four pillars has remained similar to the content of Guidelines 2000, a cross-cutting set of five general prescriptions has been introduced to capture the paradigms and objectives of the Lisbon summit:

- (i) the overall aim of full employment is recalled, prompting Member States to monitor their national employment rates and female employment rate so as to reach respectively 70 per cent and 60 per cent by 2010;
- (ii) education and lifelong learning are stressed as new Lisbon priorities and are of special relevance for the pillar on employability and adaptability;
- (iii) social partners are expected to play a more prominent role in the EES, especially in the adaptability pillar with a new reporting procedure, and they are clearly invited to define their own contribution at EU level;

(iv) Member States are invited to pay attention to all four pillars and take care of the coherence between them when implementing the guidelines as national policies.

Altogether, the new objectives of Guidelines 2001 are essentially related to education and lifelong learning, to tackling discriminatory aspects of the labour market and to reinforce their link with social exclusion, to combat emerging bottlenecks, to fight against undeclared work, to enhance active labour market policies, to promote good jobs, to encourage higher employment rates among older workers through policies in support of active ageing. The latter issue (active ageing) has especially been stressed in the Joint Employment Report.

### **Assessment of the functioning and results of the EES**

What do the various assessments of the EES carried out in the three successive EU Joint Employment Reports teach us? Though all member states have fulfilled the obligation to deliver a national plan each year, the following shortcomings have been underlined by the Joint Employment Report of autumn 2000:

- a. the main focus of most NAPs is on 'employability', and there is an uneven implementation of the four pillars, especially true for the 'adaptability' pillar and to a lesser extent for the 'entrepreneurship' pillar;
- b. most plans often consist of a mere list of discrete initiatives without overall integration and coherence between the four different pillars;
- c. 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 impact difficult;
- d. on 'employability', there is, in contrast to the past, clear progress in the implementation of preventive and active policies. This is largely due to the common EU quantitative targets; 12 Member States are already complying with the 20 per cent target for unemployed people through training measures;
- e. the review of tax-benefit systems so as to encourage activation policies lacks clear follow up;
- f. only a minority of Member States have, as required, set national targets for promoting education and lifelong learning;
- g. as regards the 'entrepreneurship' pillar, progress in reducing the tax burden on labour is too slow;
- h. on 'adaptability', there is little evidence of progress as to the modernisation of work organisation;
- i. as to 'equal opportunities', Member States have an improved record on gender mainstreaming across the four pillars, though measures to improve reconcile work and family life vary greatly between Member States
- j. 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.

Insofar as the involvement of the social partners at national level in producing the NAPs is concerned, it appears that this has been inadequate both in elaboration and implementation of the NAPs, which remained often a governmental issue. On the whole, the consultation process has not really generated new initiatives from the social partners or new national strategies for combating unemployment. Though consultation over NAPs generally took place at central level only, it was not usually the top officials on each side who were involved. This contrasts with experience in negotiating social pacts at national level, where top representatives of the union and employers' organisations are invariably the protagonists (Foden, 1999).

### **Employment recommendations to Member States for 2001**

In 1999, following the second evaluation exercise of national action plans, recommendations for 2000 to Member States were for the first time issued. The Commission

identified eight areas where national implementation remained insufficient: the fight against youth unemployment; preventing long-term unemployment; tax reforms and unemployment benefit reforms; job creation in the service sector; making the tax system more employment friendly; modernising the organisation of work; the fight against gender inequalities; improving indicators and statistical tools. Of the 55 recommendations proposed by the Commission, 52 were finally approved by the Council of Ministers. Among the least criticised countries, one finds the three Scandinavian countries (Denmark, Sweden, Finland) and those where unemployment is fairly low (Luxembourg, the Netherlands, Portugal, Austria).

Whereas the recommendations for 2000 had generated some turmoil, dissatisfaction and negative reaction from certain Member States, this was no longer the case with the recommendations for 2001. They were consulted at an earlier stage before the Commission presented them officially, and more account was taken of the particularities of their national labour markets. Those issued for 2001 reiterated most of the 52 confirmed for 2000 either in their entirety or in an amended form. Eight recommendations were dropped because progress had been achieved by Member States.

The recommendations for 2001 are hence the following:

- the fight against youth and long-term unemployment (Belgium, France, Germany, Greece, Italy, Spain, UK). Doubts remain as to the capacity for Italy and Greece to meet the common EU targets which should be reached by 2002;
- tax reforms and unemployment benefit reforms (Belgium, Finland, Greece, Spain, Sweden);
- improve job creation in the service sector (Greece, Portugal);
- making the tax system more employment friendly (Austria, Belgium, Denmark, Germany, Finland, France, Sweden); the EU tax rate on labour remains 15 per cent higher than in the US with an average of nearly 40 per cent of GDP within the EU;
- modernising the organisation of work (Greece, Spain, Luxembourg, the Netherlands, Portugal, UK);
- the fight against gender inequalities (Austria, Denmark, Finland, Germany, Ireland, Luxembourg, Spain);
- encourage ageing workers to remain longer in employment (Austria, Denmark, Germany, Finland, Italy).

In addition new recommendations were included concerning two broad issues which deserve much more policy attention given the Lisbon approach and the emerging knowledge society:

- the necessity for Member States to adopt a more strategic, comprehensive and integrated approach to their employment policies attaching equal importance to all four pillars in the EES (UK, France, Greece, Ireland, Italy);
- improving education and lifelong learning where policy action by Member States has remained too modest (Belgium, France, Germany, Greece, Spain, Ireland, Italy, Luxembourg, Portugal, UK).

Altogether, 58 recommendations have in 2001 been addressed to the EU countries. The similarity of recommendations 2000 and recommendations 2001 does not always reflect that Member States have not taken appropriate action to respond, but that strengthened and lasting efforts are still required as time is often necessary to produce the desired impact.

### **The Stockholm summit (23–24 March 2001)**

The contribution of the Commission for this summit called *Realising the EU's potential: consolidating and extending the Lisbon strategy* (COM (2001) 79) evaluates progress made since Lisbon with 40 political and legislative measures taken. It notes that in

the economic field progress has been made towards the liberalisation of telecommunications, electronic commerce, the European company statute, but the Commission deplores fairly vigorously the delays in the liberalisation of electricity and gas for which it requires and proposes deadlines (respectively 2003 and 2004), in the liberalisation of postal services, in passenger transport and public procurement; in the introduction of a Community patent and in the integration of financial markets.

In the social field, positive moves have, according to the Commission, been made since Lisbon in the attempt to render the content of the three co-ordination processes (Luxembourg, Cardiff, Broad Economic guidelines) more compatible, in the social agenda adopted at Nice, in the open method of co-ordination applied to the fight against social exclusion with national action plans every second year and national targets (no EU guidelines), in the EU action plan on gender issues and the fight against discrimination, and in rights for worker participation in the European Company Statute. Disappointments are expressed as to Member States' inability to set national targets for education and lifelong learning. The analysis repeats that the EU still suffers from six employment gaps: low employment rates (especially for women); regional imbalances; long-term unemployment; low employment rate of ageing workers; skill shortages, insufficient job creation in services.

On the basis of this evaluation, the Commission contribution announces 10 priority fields where the summit should take specific decisions:

- creating more and better jobs in the EU;
- new European labour markets;
- accelerating economic reforms for goods and services;
- integrating financial markets;
- the right regulatory environment;
- accelerating *e*-Europe 2002;
- tackling the IT skill gaps;
- strengthening Europe's capacity for research and innovation;
- developing 'avant-garde' technologies (such as biotechnologies);
- enhancing social inclusion and modernising social protection for an ageing population.

On the social and employment side, emphasis is put on higher employment rates with the introduction of intermediate targets (67 per cent for the workforce as a whole, and 57 per cent for women) by 2005 after the Lisbon targets for 2010, and on the quality of jobs, arguing that the idea of 'jobs of quality', needs to be better understood (it entails skills, health and safety, working conditions, a balance between flexibility and security) and still requires clearly-defined indicators. Further, the notion of 'new European labour markets' emerges with a view to enhancing skill levels and render the EU labour market much more mobile (e.g. through new rules for the recognition of professional qualifications, for the social security of migrant workers and the portability of supplementary pensions). As to the deficit of IT skills, it is reckoned that the demand for IT skills will grow from 10 million today to 13 million by 2003 producing a skill shortage equivalent to 1.7 million jobs, a situation requiring preventive measures and probably a more open immigration policy to satisfy labour and skill shortages. On the social protection front two domains for actions are pinpointed. The implementation of the fight against poverty and social exclusion through the OMC requires the setting-up of relevant comparative indicators which are missing. With an ageing population (by 2020 the size of the working population will remain the same, but it will age with 16 million more people over 50; the dependency ratio will also change, the population over 65 increasing by 18 million) three necessary types of measures have been identified for action: Member States must reduce their public debt more quickly so that interest savings can be used to support pensions and healthcare; employment rates have to be raised especially among older workers, and this in turn involves restricting early retirement, relevant tax incentives and more training and reskilling for older workers; pension

reforms within Member States must be accelerated to ensure that private pensions can benefit from the internal market.

A set of 28 indicators<sup>3</sup> across four policy domains as well as seven more general economic background indicators (based on an earlier communication by the Commission (COM (2000) 594 final, 27/9/2000) are annexed to the report which concern: employment indicators (7), innovation and research indicators (7), economic reform indicators (7), social cohesion indicators (7). They provide the necessary information and a global picture for assessing how far the EU has moved towards its strategic goal of transforming the Union into 'the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion'. They constitute an instrument for monitoring, benchmarking and peer pressure, all being vital elements of the Lisbon follow-up strategy. The use of indicators is aimed at assessing, comparing Member States, to show where there is scope for improvement and where countries can be encouraged to pursue more vigorous reforms.

Within the European Parliament, the German social-democrat Bullmann issued a resolution for the Stockholm summit (*The European council spring 2001: the Lisbon process – the way to progress*, February 2001) which has given rise to a strong political polarisation between Left and Right and was finally turned down. The view of the Right predominated, giving priority to the various liberalisation policies rather than to the full employment and social cohesion objectives of the future Stockholm agenda. Finally, just a few days before the Stockholm summit, the Parliament managed to reach a consensus resolution which was however fairly superficial and largely of a cosmetic nature.

What content analysis can be made at this stage of the Commission Stockholm document? First, the Lisbon approach of a political integration of different domains seems to have been clearly used for legitimising a speeding up of economic internal market reforms under the implicit condition that steps are taken at the same time in other domains of a more social nature or having virtuous social implications, such as employment, social inclusion, macro-economic co-ordination. Second, the speed with which structural economic reforms are planned and achieved appears faster than for social reforms of a market-correction mechanism nature, and the legal underpinning of economic reforms (at least the structural reforms) is much stronger (legislative) than the one for social developments (open method of co-ordination, best practice). Third, we are still mainly witnessing a logic of deepening EU economic integration processes by accelerating the implementation of the internal market, whereas the way in which the enlargement perspective will require a reorientation of the Lisbon strategy is not really tackled for the moment (some Member States will put claims in this direction). Fourth, a balance needs yet to be found between the respective importance of the OMC and the community method for going ahead with EU economic and social integration. The debate here requires reflection upon the respective importance, merits and inconveniences of soft law versus hard law, the need to identify the most appropriate levels for action and the articulation between them (EU, national, regional...), the most appropriate actors to be involved (EU institutions, national institutions, social partners), the way in which and to what extent the regulatory environment should be simplified. Fifth, compared to Lisbon, the Stockholm agenda appears to deal essentially with structural reforms (economic,

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<sup>3</sup> 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 rate of poverty before and after social transfers; the persistence of the poverty rate; jobless households; regional cohesion; early school leavers not in further education and training; long-term unemployment. Though the set of indicators should be relatively stable over time to ensure continuity, the Commission also emphasises the need for flexibility and includes a list of complementary indicators to be developed in the employment field (long-term unemployment flows; quality of work; vacancies; marginal effective tax rate) and in the social field (further indicators are to be defined by the High Level Group on Social Protection)

labour markets) whereas the interrelation between domains, a better articulation between the various processes (Broad economic guidelines, Luxembourg, Cardiff, Köln) and hints for improving the functioning of each of these processes taken individually seem to be missing. No doubt several Member States (among them France) will plead for more macroeconomic co-ordination. The clear stance in favour of structural reforms in the Commission proposal for the Stockholm summit may be the result of several factors: it might reflect what the Commission anticipated as being the Swedish presidency preferences, it might reflect the role and place the Commission assigns itself in the monitoring of the Lisbon process, and thus leaving the more 'political' jobs of co-ordinating processes and of macroeconomic issues to the European Council and the various Council formations, more worryingly it might also reflect already a fading away of the more 'political' and 'co-ordinated' approach of Lisbon.

### Perspectives and conclusions

First, seen as a process or mode of governance, the EES has been rather well received and has even inspired other EU policies (with the Lisbon summit the EES appears to have learned a lesson with regard to fields such as social exclusion, innovation policy, economic reforms, education policy, but less so for social protection) and it appears as a useful tool in policy spheres which are not subject yet to classical EU competence. Moreover, the principles of modern public policy making which the EES entails (targets, deadlines, benchmarking, peer pressure, evaluation, recommendations) have also been propagated in policies and processes outside the direct Lisbon ambit.

An example can be given. As concerns the functioning of the 'Eurogroup', the Commission has made a range of propositions in a recent communication on 'the reinforcement of the co-ordination of economic policies within the Euro zone' (7 February 2001). Beyond the existing stability programmes, the aim is to set up common rules for defining the content of economic policies on the basis of a joint evaluation of the economic situation, to develop efficient ex-ante information procedures and a mutual surveillance procedure within the Eurogroup, making Member State adjustments possible, a range of devices which also grant a more important role to the Commission in the process. An efficient co-ordination of Member State policies would also require frequent meetings between the presidents of the Eurogroup and of the ECB, and the Commission representative at the Council of Governors of the ECB. Applied initially to fiscal policies, such a procedure would later on cover structural policies. Such a proposal can draw upon existing Treaty provisions on policy co-ordination defined at Maastricht (1992), but it emanates also more generally from the OMC as experienced under the EES and the Lisbon approach.

Another example where the OMC has inspired new developments can be found in the EU social dialogue; indeed, a European agreement on telework was adopted on the 7 February 2001 by the telecommunications sectoral social dialogue committee. In this, national unions and operators have developed guidelines on telework to be implemented on a voluntary basis and the EU sectoral social dialogue committee has accepted the role of control the guidelines implementation of the guidelines. This European agreement adopted not only the new method for co-ordinating policies (guidelines, voluntarism, control of implementation), but content-wise it also retained the paradigm of the adaptability pillar of the EES, aiming at modernising work organisation. It is an answer to a twofold challenge, going ahead with the knowledge economy and introducing flex-security for workers on telework.

Second, the 'method of open co-ordination' has however also been subject to harsh criticism (see above). To face the serious challenges of such criticism, it appears essential to develop a fourfold strategy.

- (i) It must clearly be specified that use of the OMC should be reserved to policy areas where community competence is absent or where agreement is very diffi-

cult to reach under the community method (for example because of a requirement for unanimous voting or, exceptionally, for subjects even under qualified majority voting where conflict of interests between Member State is so high that agreement cannot be reached). It should be made clear as a general rule that the OMC should not be used as a substitute to replace the traditional' community method'.

- (ii) The political momentum for broadening the scope of EU fields of competence during intergovernmental conferences (IGC) preparing Treaty reforms should not be lost due to the existence of the OMC. It was unfortunate that the Nice Treaty (December 2000) did not make any serious move forwards as to the enlargement of the scope of EU competence in the social field (neither by creating new competencies nor by moving from unanimity to qualified majority voting for major subjects such as social protection). As to the reforms proposed with regard to social cohesion, it will take a long time before implementation. Blockages in the Nice Treaty reform on social matters gave strong arguments to opponents of the OMC who consider that this was the first proof that the OMC will signify the slow death of the 'community method'.
- (iii) Whenever the OMC is used, it remains crucial to closely articulate the OMC with the two other major EU regulatory methods (legislative and contractual). Concretely, this means that in case of the EES, one could envisage that a few of its guidelines could, in the future, be subject to legislative measures i.e. Directives, either with a view to making some of the guidelines' results and content 'perennial', or with a view to threatening the Member States either when they refuse to implement properly some of the already adopted guidelines or when they are too reluctant to adopt ambitious guidelines in the future. This could of course only be envisaged as long as a Treaty base exists for doing so. On the other hand, the EES has also to be linked more closely to the EU social dialogue and especially to the possibility for the social partners to negotiate EU collective agreements (see previous section on the guidelines for 2001; Biagi (2000); Bercusson (2000)).

These three courses of action would go a long way towards defusing criticism of the OMC as constituting a soft law instrument invalidating and disqualifying hard law mechanisms specific to the 'community method' (we support here the views of legal analysts like Kenner and Biagi that the distinctions made between soft law and hard law have to be put in a more complex legal framework and cannot always be so clear-cut; (Kenner, 1995; 1999)).

- (iv) A further, strategic element is needed as an answer to those who criticise the OMC for lacking democratic legitimacy and democratic transparency due to its complexity. The OMC has been introduced precisely to 'bring the states back again' (as well as the social partners) and to take more into account the diversity of national situations which is partly an answer to the legitimacy argument. Retaining a more vast array of interests signifies indeed greater complexity as to compromises to be struck. We would also like to stress that the OMC has to be distinguished clearly from mere intergovernmentalism and requires a strong role on behalf of the Commission for monitoring the processes in an efficient way, with a view to deepen EU integration and to make it go forward. In the various OMC processes, the European Parliament's role which remains rather minor for the moment, will have to be more clearly defined in the future without rendering those processes too complex.

Third, at this stage, assessments of the EES as to its quantitative and qualitative impact on national employment policies and performance must remain cautious; the process is still recent and it is quite difficult to separate EU guideline-induced effects from effects induced by mere national policies and more generally by macro-economic growth.

Fourth, it is clear especially after the Lisbon summit, that major objective of the

EES is to regain full employment by reducing unemployment and especially by raising the employment rate ; to do so the employment guidelines are aiming through the four pillars (employability, entrepreneurship, adaptability and gender equality) at promoting new labour market paradigms such as activation policies for the unemployed, taking into account more the diversity of individual situations with specific care for long term unemployment and social exclusion, advocating in particular an increased employment rate for women and elderly workers, more 'flexsecurity' for wage earners (i.e. guarantees of social security benefits and training opportunities to offset risks for workers confronting frequent entering and leaving the labour market and thus implicitly encouraging what have been termed 'transitional labour markets' (Schmid, 1995)), trying to avoid situations of 'mismatch', and developing appropriate education and lifelong learning policies. Heading towards full employment is both a social and 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 secure thus their sustainability, and economic in so far as it generates income and favours innovation and risk taking. However, debates remain open and controversial as to what full employment really means and how to reach it, i.e. which is the best policy mix between macro-economic reforms, structural economic reforms, labour market reforms (Pisany-Ferry, 2000).

Fifth, the Lisbon summit (2000) has provided an EU integrated strategy calling for parallel action across a range of interconnected areas so as to develop virtuous circles over a 10 year period between various policy fields, i.e. 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 the 'beggar-my-neighbour' competitive national social pacts and generate national social pacts with fewer negative externalities. However, vigilance and renewed political commitment seem to be essential to keep up the Lisbon momentum without betraying its original intentions.

Finally, more general questions will have to be asked: to what extent are 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 the better understanding of their reciprocal links (between employment, macro-economy, social protection, training and education, innovation policy), the multiplicity of actors involved in the various EU co-ordination policies (monetary authorities, EU institutions, governments, local authorities, social partners) and the multiplicity of discussion/negotiation forums and coordination procedures (Broad economic guidelines, Luxembourg process, Köln process, Cardiff process, Lisbon process)<sup>4</sup> open up different sort of perspectives. Which guidance levels will become

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<sup>4</sup>Seven instances or co-ordination processes are available at present:

1) The co-ordination of macro-economic policies between EU member states around the BEPG (Broad economic policy guidelines) introduced by the Maastricht Treaty (1992)

2) The surveillance procedure of the implementation of the growth and stability pact of 1997

3) The Eurogroup (informal structure) gathering finance ministers of the Euro zone (12 countries) essentially aiming at co-ordinating fiscal policies for the moment

4) The Luxembourg process (EES) aiming at co-ordinating employment policies following the Amsterdam Treaty (1997)

5) The Cardiff process concerning structural economic reforms for the market of goods, services and finances (1998)

6) The Köln process consisting in a dialogue between the ECB, the Council, the Commission, social partners on monetary policies, employment and wage policies, macro-economic policies (1999)

7) The Lisbon process (2000) (though the term 'Lisbon process' has been banned by EU institutions so as not to give the feeling of an overload of processes and replaced by the term 'Lisbon approach') aiming at an integration of economic and social policy fields (macro-economic, economic structural reforms, labour markets structural reforms, policies combating social exclusion, modernisation of social protection). This approach aims through its its yearly spring European summit to provide the

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 or will Member States be tempted to take over with a vision of new forms of intergovernmental cooperation in the social field in mind?

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major medium term economic and social orientations for EU integration and try to give convergent objectives to the variety of above mentioned processes with a special emphasis put on the adoption of BEPG in line with the Employment guidelines.

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