

# EUROPEAN PARLIAMENT

1999



2004

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*Committee on Employment and Social Affairs*

28 June 2002

## **WORKING DOCUMENT**

on the impact evaluation and future of the European Employment Strategy –  
Overview of technical analysis

Committee on Employment and Social Affairs

Rapporteur: Herman Schmid

## **Mobilize for More and Better Jobs in Europe**

### **A. Introductory remarks**

1. When the European Employment Strategy (EES) was decided by the Luxemburg summit in 1997 it was specified that this new approach to employment policy would be evaluated in 2002. Since the Commission report on the evaluation outcome is under way, but still not published, the following working document has to be considered as an own initiative draft report, which has the intention to point out problems and stimulate a discussion on new possibilities.

The intention has been to give clear signals on matters of considerable importance, rather than focussing on details and reformulations of existing document texts. The Commission has invited an open and change-oriented discussion of strategy, policy and methodology, and this paper is intended as a contribution to such a discussion.

2. The EES can be divided into two parts: (1) the substantive aspects of the strategy, i.e. the employment guidelines, the national action plans and the joint employment reports and (2) an administrative method and format – the open method of coordination (OMC) in the field of employment policy. Both parts will be discussed below.

### **B. The European Employment policy: Pillars and Guidelines and Policy recommendations.**

1. The pillar structure of the Employment guidelines was constructed in 1997 and is now for the first time a matter of discussion and possible change. The guidelines, on the other hand, have been modified each year as a reflection of the experiences gained, mainly in the form of extended recommendations to each guideline but also in the form of new guidelines and the introduction of so-called "horizontal " guidelines.

2. The result has been a richer document each year, but also a more complex document with more specifications and more details. It seems to be widely agreed that the policy priorities have become less obvious and now a simplification is called for. We can expect: fewer guidelines, priority of recommendations and much of the details left to Member States. From the Commission documents we know that the pillars have been more or less developed by the Member States.

3. The employability pillar has been most successful, both with its prevention and activation focus and its lifelong learning aspect. However, it was developed in a period when the economy was expanding and a growing demand for labour was taken for granted. The emphasis was placed on supplying qualified labour. Today the activation policies are increasingly meeting the difficulty that there may be no job opportunities for the individuals who are made employable. Particularly in regions where the demand for labour is low and unemployment is high, it is important to balance the activation approach with programmes for socio-economic development, and maybe to arrive at combined strategies for job creation and qualification of people. Instead of focussing on the "employability" of people, the rapporteur proposes to focus on the interplay between the development of qualifications and competence (first pillar) and job creation programmes (second pillar) in order to get a better balance between the supply side and the demand side of the labour market.

4. The entrepreneurship pillar has also been successful, even if it is more difficult to assess its employment effects, especially in a mid- and long-term perspective. It has inspired concrete initiatives in a number of areas related to the development of an "entrepreneurship culture" and it has been well adapted to the conditions of an expanding market.

Today its dominating "SME"-perspective may appear to be too narrow. Market conditions are more difficult for start-ups and it may be necessary to put more emphasis on the sort of factors which were emphasised in the Lisbon summit, i.e. technology-based industrial strategies, lifelong learning and specialised skills and competence development. Then it would be interesting to discuss combined efforts, networking initiatives, partnerships for development and public sector modernisation for the creation of high quality and sustainable jobs as complements to the individualised SME-approach.

5. The adaptability pillar is the pillar in which it has been most difficult to develop new policies. The notion of "adaptability" is a bit difficult to understand. Does it signify that we need enterprises, employees and production organisations which are easily adaptable to changing market conditions? Or that we want social partners that are willing to "adapt" to one another?

The pillar is to be about the internal conditions in enterprises and other work places, i.e. about the cooperation process in the production organisation as well as the handling of interest relations between the social partners. It could be called "cooperation in quality jobs for quality products".

It should be noted, however, that a significant part of the policy items in this pillar are dealt with in terms of directives and legislative decisions or social partner based agreements, rather than in terms of the "soft" method of open coordination. At the same time they may be clearly relevant elements of "job quality", "equal opportunities", "social partner cooperation" and other important policy dimensions of the EES and OMC process. Here, the rapporteur calls on the Commission to clarify the relationship between the legislative and non-legislative elements of the pillar.

6. The equal opportunities pillar is in many ways the most important. Employment rates for men have been fairly stable, the continuous rise of the overall employment rate has largely been the result of the increasing employment of women. The problem is that many women for a variety of reasons are often paid less for equal work and are offered low quality jobs. This is the substance of the pillar and this is also why it has been turned into a horizontal guideline as well.

7. The rapporteur considers that the present pillar structure, which was constructed in the mid-1990's, has been left behind by the policy development since then. The Lisbon summit decisions introduced much more dynamic priorities, the EES changed from being a policy model or framework into a real strategy. It set full employment, lifelong learning, social inclusion and technology-based economic growth as new priorities. It also appears that the Commission has gradually changed its frame of reference accordingly. New horizontal guidelines have overshadowed some of the old guidelines.

The Rapporteur considers that a major revision is needed to the EES and the Lisbon approach could be the starting-point of this new method. It would be very interesting if the EP could propose its own list of policy priorities for the EES in the coming period. The rapporteur already gives some proposals (not ranked but supplementary):

- Full employment in Europe
- Equal opportunities for men and women in the labour market and at the work place
- Build broad partnerships for entrepreneurial expansion
- Comprehensive national strategies for lifelong learning
- Combine activation policies with quality job creation programmes
- Mobilise the local and regional labour markets
- Fight discrimination and social exclusion
- Trust the social partners
- Give the national parliaments a key role in the EES

### **C. The Open Method of Coordination.**

1. There has been quite a lot of discussion about the OMC method. Some people think that it is too diffuse and rather ineffective since it works without binding sanctions on individual governments. Other people seem to like it for much the same reasons. It has been called "soft governance" and respects the autonomy of the Member States in the field of employment policies.

2. The evaluation studies, which have been organised by the Commission, seem to demonstrate that the EES has been effective in many ways. It has provided the government expertise in each Member State with a framework for thinking about and developing labour market policies, it has raised aspiration levels and provided empirical and theoretical knowledge about employment policy, it has brought certain policy priorities into focus, like the activation of the unemployed or supporting female employment opportunities, etc. During its first five years, employment in Europe has expanded considerably, and due to these achievements the method has spread to other policy fields like social inclusion, education, pensions etc. Lately the OMC has also become an element of the Convention discussion about future forms of governance in Europe. Finally, it should be remembered that twelve applicant states are about to join the EU with labour markets which are both very different from the Western European labour markets and very different from each other. In order to cope with all this variety it is really important to have an administrative form and method which is flexible, interactive and open to learning processes.

3. Yet the rapporteur is of the opinion that the OMC needs to be improved and developed into a much more effective, relevant and democratic instrument for European policy coordination than has been the case so far. The major weakness of the method has been related to policies which all too often are not properly implemented inside the Member States beyond the government offices and small groups of experts responsible for the relations with the Commission and the other national expert teams. When the method was constructed it was probably assumed that the governments would integrate the EES into their national labour market policies, but this has happened only to a limited extent. The strategy is unknown to most people and very few have heard about the National Action Plans or the Guidelines.

4. The Commission has become increasingly aware of the importance of local and regional application of the strategy. The rapporteur welcomes the two recent Commission Communications on local employment strategies that have been presented and the Commission's request for a better coordination of ESF programmes and EES priorities. Furthermore, the rapporteur considers these Commission initiatives the best way to deal with the striking regional differences with respect to job creation and employment levels which exist within all Member States. The rapporteur calls for a further mobilisation of local and regional resources, where entrepreneurial activities are organised in voluntary partnerships involving many kinds of actors.

5. From the point of view of the rapporteur, decentralisation itself does not solve the problem. The European employment process must be a multi-level process entailing local, regional, national and European actors in two-way interaction, where local and regional policy experiences are communicated from the bottom-up and national and European strategies are communicated from the top-down in a continuous learning and development process.

6. There has been some uncertainty about where responsibility for the integration of levels and concentration of policies in this process should be placed. As far as the OMC policies are concerned, the Treaty places the responsibility with the Member States. In practice, this has been identified as a government responsibility. The form that this should take is, of course, for each Member State to decide for itself. Nevertheless, the rapporteur proposes that National Action Plan (NAP), which each Member State is committed to have, should be adopted by the national parliament concerned on the basis of a government bill. In other words, it should be integrated with the national policy-making procedure and its adoption should have normal budgetary consequences.

This would be a way of emphasising the democratic basis and enhancing the legitimacy of the EES process, but it would also be a practical way of integrating European policy recommendations with the national political process. Parliament is not only the centre of the representative national democracy, it also consists of individual members who have their roots in regional and local constituencies and who are specialists in mediating between policy levels.

7. It is evident that 15-27 governments and parliaments sharing a common market will need efficient and legitimate mechanisms of coordination. This is why the European Commission has its role as monitor of the coordination process.

To be more precise, the rapporteur wants to focus on the *two* sides of the coordination process. One concerns the administrative and practical side of that process, which deals with all the management difficulties associated with its multiple actors and its enormous complexity. The other side concerns the political side of the process. So far, this has in practice also been a matter for the Commission, but this will increasingly carry a problem of legitimacy when there is an elected European Parliament which would be perfectly suited for this coordination function. In practice, it may be difficult to separate the practical/administrative and the political sides of the coordination process. Nevertheless, the rapporteur thinks that the European Parliament should challenge the Commission and the Council on this point and demand a significant role in policies where the OMC is applied.

8. Horizontal policy coordination is also required. The EP has already requested a closer coordination between the Employment Guidelines and the Broad Economic Guidelines, and similar requests will be proposed as regards the social inclusion process.

It would be worthwhile to ask the Commission to propose an integrated timing process where there is sufficient room for both horizontal coordination between the three processes and the vertical integration of policy levels. Member States already complain of the very little time they have to implement and integrate the European recommendations. Dissatisfaction arises also for the tight timing of the horizontal coordination. This remark is not only made by the European Parliament. With an extension of the whole policy field, the timing of the process may have to shift from annual repetition to a more sophisticated cycle.