

The European Employment Strategy at the crossroads:

Contribution to the evaluation

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1. The European Employment Strategy

1.1 A new method of EU cooperation

The European Employment Strategy (EES) was launched in 1997 as a joint strategy to combat unemployment and improve the labour market policies of the member states. It aimed at an integrated approach bringing education and vocational training policies, social security systems, labour market policies, competition and tax policies closer together. Important ingredients in the strategy are active labour market policies, investments in education and lifelong learning and reforms of tax and benefit systems to make them more 'employment promoting'. It was stated, moreover, that the objective of a high level of employment was to be taken into consideration in the formulation and implementation of *all* Community policies. The strategy was codified in the Employment Chapter in the Amsterdam treaty (Art. 125-130).

The treaty also codified a procedure for the coordination of employment policies which was later developed at the Luxembourg summit in 1997.¹ The main instruments are common European policy guidelines, recommendations to individual countries to live up to previous commitments, and delivery of National Action Plans (NAPs), combined with mechanisms for joint monitoring and surveillance, including peer review and benchmarking on the basis of common indicators, all in a cyclical procedure repeated annually. An Employment Committee (EMCO), with two officials from each member state and two Commission officials, was set up as an advisory body in the monitoring of the process. It is required, in its work, to consult the European social partners. The European Parliament (EP), the Economic and

¹ For studies of employment policy method, see also Biagi 2000; Ekengren & Jacobsson 2000; Foden 1999; Goetschy 1999; Goetschy 2001; Goetschy & Pochet 1997; Jacobsson 2001a, 2002a, 2002b; Keller 1999, 2000; Kenner 1999; Sciarra 2000, Trubek & Mosher 2001. For studies of the OMC more generally, see de la Porte *et al.* 2001; de la Porte & Pochet 2002; Hodson & Maher 2001.

Social Committee and the Committee of the Regions are also consulted in the policy process. (The EP, accordingly, has a weak role in the employment policy procedure.) The formal task of supervising implementation of the guidelines rests with the Council, which can, on a qualified majority vote, make recommendations to Member States to adapt their policies according to the guidelines.

The Employment Title in the Amsterdam Treaty established employment policy as a 'joint responsibility' of the Member States, and it was, moreover, stated that 'the Member States and the Community shall work towards developing a coordinated strategy for employment'. It can be seen as enshrining a new approach to cooperation by providing an institutional framework for mutually reinforcing measures at both EU and Member State level while respecting the full decision-making authority of the member states (Ekengren & Jacobsson 2000). It envisages cooperation between the Commission and the Council based on mutual respect. This distribution of power is of course sensitive to steering and convergence ambitions that alter this compromise (cf. below). But it relies, at the same time, on the commitment of the member states to assume responsibility for developing their national employment policies.

At the Lisbon summit in 2000 this soft-law-based approach was framed the Open Method of Coordination (OMC), and has, with some variations in terms of procedural design, been extended to several other policy areas: social inclusion, pension reform, education and research, immigration policy (Hodson & Maher 2001).² The cooperation method is innovative in several respects (Ekengren & Jacobsson 2000; Jacobsson 2001b). While formally intergovernmental, it incorporates supranational elements, such as the use of QMV in the adoption of guidelines and recommendations and in assigning a central role for the Commission as initiator. This has led the British and Swedish governments to talk of a 'third way between intergovernmentalism and supranationalism' (Ekengren & Jacobsson 2000). While member state authority is retained, the OMC has made possible a close European cooperation in sensitive areas and complementary measures at European and national level. Devices such as comparisons and evaluations, benchmarking and peer pressure are expected to foster a voluntary upward convergence of member state policies. The Commission plays an important role both as a broker and as a policy initiator, even if it has to share the right to initiative with the member states. The OMC can be seen as a partly new way of distributing powers between the EU and the member states.

Moreover, the EES is a promising example of *multi-level governance*. It is not a matter of either supranational or intergovernmental policy-making but precisely an *interplay between different levels of governance*. Sub-national actors are considered instrumental in implementing the European employment policy, and, moreover, a key role in implementing the EES is given to the social partners at all levels. While employment policy is the most developed case, this is also true of the OMC generally. However, this presupposes that it is not a matter of a top-down process but presupposes a well-functioning flow also in the other direction: feed-back from the lower levels to the national and European levels, and moreover, that sub-national actors and other stake-holders can also be part of policy-formulation and not just, in a strict sense, the implementing phase.

Rather than harmonisation, the cooperation aims at a voluntary coordination and adaptation of member state policy. Apart from the fact the member states are unwilling to concede their national decision-making authority in the social field, governing by directives would not be appropriate for several reasons. To achieve the goal of full employment there is a need to mobilise actors which can only partly be targeted by directives (social partners, sub-national authorities). Moreover, the diversity of labour market situations, and thus the complexity of problems and challenges, but also the diversity of national welfare institutions and traditions, make directives inappropriate. Enlargement of course adds to this picture and accentuates the need for a strategy able to deal with 27 highly different national labour markets. The OMC provides a formula for cooperation in the social field in the context of a more diverse group of member states.

² The key elements of the open method of co-ordination as defined by the Lisbon summit are: 1) fixing guidelines for the Union, 2) translating the European guidelines into national and regional policy by setting specific targets and adopting measures; 3) establishing quantitative and qualitative indicators and benchmarks as a means of comparing best practice; and 4) periodic monitoring, evaluation and peer review.

1.2. The theoretical promise of the OMC

The OMC is supposed to be open for national characteristics and variation, and is compatible with subsidiarity. It accepts the possibility of *coordinated diversity* and the advantages of leaving final policy-making to the lowest possible level when feasible (Scott & Trubek 2002: 6). It has been argued that the OMC concept is so far the most subtle answer in the search for a new balance between convergence and respect for national diversity (Goetschy 2002). It should, in principle, be apt to handle diversity, complexity, and possibly also uncertainty about the appropriate policy solutions.

The OMC as a governance instrument is, in principle, characterised by (cf. Hodson & Maher 2001; Jacobsson 2001a; Scott & Trubek 2002):

- 1) *Subsidiarity*.³ It is compatible with both functional and territorial subsidiarity. It is open to the decision-making of national parliaments and sub-national authorities as well as to contractual agreements between non-state actors, such as the social partners;
- 2) *Flexibility*. Norms and guidelines are easy to change and are thus revisable in the light of evaluation and new information. The OMC instrument is thus both a flexible and a potentially reflexive instrument. Moreover, it is open for diversity and adaptation to specific circumstances;
- 3) *Multi-level integration*. With a need for coordination of action and actors at many levels of government, the OMC is open for a role for sub-national actors as well as non-state actors not only in the implementation phase but also in the policy-formulating phase;
- 4) *Policy integration*. The OMC is intended to make economic and social policies mutually supportive and work towards the same objectives, and supports improved policy coordination both nationally and at European level;
- 5) *Inclusion and participation*. The OMC is open for participation of a wide range of actors, including non-state actors, at all levels;
- 6) *Deliberation*. Without formal sanction mechanisms, discussion and arguments gain in importance and also the need to support arguments with solid data, e.g. empirical evidence and well-developed statistics. In principle, the OMC is open for discussion about the nature of problems, the best way to solve them and to implement them in divergent contexts;
- 7) *Knowledge-sharing*. The OMC also builds on sharing of knowledge and experiences and on learning from others;
- 8) *Softness*. It works without formal sanctions, and is applicable only when fundamental conflicts of interest are not at hand. It works by providing opportunities for action, cooperation and learning.

These are the main characteristics of the OMC considered as an ideal type construction, intended to draw the attention to the inherent potential of the OMC but also to the limits. Still, given these properties, the OMC no doubt has a potential for legitimacy, both in procedural terms (legitimate procedure) and in terms of performance (legitimate outcomes) if the policy-making functions well in all stages. We will now briefly contrast the ideal type with the practice that has developed so far.

1.3. The lack of integration and implementation in the member states

If the OMC in principle offers a promising approach to jointly monitored action in the employment field, how then has this been put into practice so far? The EES is ideally to involve a variety of actors at European, national and sub-national levels. The Council Resolution from the Luxembourg summit in 1997 emphasised that the implementation of the strategy called for "the combined efforts of all concerned: Member States, regions, social partners, and Community institutions". However, research shows that so far the EES has, to a considerable extent, developed as a transgovernmental cooperation procedure with an insufficient involvement of relevant policy actors in the member states (Parliament, sub-national

³ The subsidiarity concept itself is ambiguous. In the Anglo-Saxon and Nordic countries it is defined in terms of 'autonomy', 'closeness' etc, whereas in countries with a Catholic tradition it usually connotes a rather opposite meaning of hierarchical delegation or conditional autonomy (cf. Jarvad 1992). We are here using the term in accordance with the first interpretation.

decision-making bodies and authorities, implementing agencies). Even though social partners are consulted in the member states, wider sections of civil society have not been mobilised. Media attention and public awareness of the EES is very limited.⁴ By governments, the NAP tends to be regarded as a report for an international audience rather than as an action plan for domestic purposes. Already existing or planned measures are interpreted and reported in the EU scheme but few real novelties are introduced in the NAPs. The NAP procedure is insufficiently integrated in the national decision-making structures, budgetary allocations, implementation systems, etc. (Jacobsson & Schmid 2002; Jacobsson 2002b).

We have in earlier work argued that possibly the greatest weakness of the EES is that it has been largely confined to interaction inside a network of national and European policy experts, and not integrated in the policy-making structures nationally. Especially, it has not been sufficiently implemented on the regional and local levels (Jacobsson & Schmid 2002; Jacobsson 2002b). The EU guidelines, as well as the national action plans, are unknown to most actors on the levels where production of commodities and services take place and where enterprises and employees make employment contracts and engage in social partner relations. This of course is a serious weakness, not only because the local/regional level is where actual work life experience and concrete knowledge develops, but also because local/regional variations within and between member states are so significant. There are so far few examples of upward transfer of learning from promising local solutions to the national and European levels or of the modification of national programs and EU guidelines in the light of positive or negative experiences at subnational levels of governance (Zeitlin 2002). The potential for learning inherent in the EES would certainly be better developed if people from 'the field' were to be better integrated. More of a bottom-up - to balance the present top-down - process would improve the learning logic and probably also the quality of the proposals and their effective implementation.

This lack of real integration of the EES with national policy-making structures and the corresponding superficial adaptation to reporting and other procedural requirements is not just a minor deficiency, but a problem of decisive importance for the future of the strategy. What we get is a double standards game where governments endorse European guidelines and recommendations in the Council as well as in the European Council but fail to assume the responsibilities back home. The factors behind what might look like a silent and passive resistance to a full implementation of the EES from the member states must be identified, understood and overcome, and this should really be the major challenge for the ongoing five-year evaluation of the strategy. The Commission states that "more efforts at dissemination of the EES would be needed, at EU, national, regional and local levels" (CEC 2002: 16) as a response to the emerging risks facing the EES, but does not say anything about what the problem is and why it is there in the first place.

So why is it that we find this discrepancy between policy intentions and real outcomes? Is it just an introductory problem which will disappear by itself in due course? Is it because of the softness and diffuseness of the method, which does not compel anyone to do anything? Is it perhaps that the EES is too generalised and has little to contribute to concrete employment policies? Is it on the contrary that member states find the EES too demanding and that they do not want to follow the guidelines and comply with the specific country recommendations? Or is it that implementation of the EES is not supported by direct economic incentives for the member states?

We have singled out two factors as being more important than others:

- 1) An inherent pattern of ambiguity in the EES between the 'European' quest for integration and the member states' protection of autonomy in sensitive policy fields like employment and social affairs which creates a defensive attitude in the member states.
- 2) A feeling that the EES has little to contribute when it comes to practical employment policy and that the national civil servants and experts may know better what needs to be done.

⁴ The international and interdisciplinary research project GOVECOR, funded by the European Commission, provides comparative data on the implementation of the EES in the member states. See national reports at www.govecor.org.

2. Ambiguities in the EES/OMC

The EES/OMC was based on a compromise in the sense that employment policy (and later social protection) is the competence of the member states and at the same time there was perceived to be a functional need for European policy coordination. The solution was the 'third way' between intergovernmentalism and supranationalism described above, which was, for the time being, acceptable to the federalists as well as the intergovernmentalists.⁵ As argued above, it rested on a diffuse power sharing between Community and national interests which was - and remains - open to interpretation and negotiation.

2.1. Does the EES aim at *cooperation, coordination or convergence*?

The ambiguity was present already in the founding documents of the EES. While the Amsterdam treaty speaks of 'coordination', the notion of 'convergence' was introduced already in the conclusions of the Luxembourg summit of November 1997. The 3rd paragraph of the Luxembourg presidency conclusions specifies that the intended cooperation should take the form of "coordination" of both "means and objectives" in common guidelines for action. There is also a reference to the successful economic convergence process and the idea is said to be to create for employment "the same resolve to converge towards jointly set, verifiable, regularly updated targets". Thus, in this paragraph, the cooperation is supposed to take the form of coordination with the aim of convergence towards common objectives.

However, in paragraph 15 of the same document the balance is reintroduced. Having repeated that the common guidelines "will have to be incorporated into national actions plans ... followed by their transposition into national regulatory, administrative or other measures" it goes on to recognise that "the differing situations of the Member States in relation to the problems addressed by the guidelines will result in differing solutions and emphases, in line with individual situations". As a kind of compromise formulation the paragraph concludes that, even if there are these differences, "it is crucial for the coherence and effectiveness of the approach as a whole that all Member States make use of the guidelines in analysing their own situation and framing their policy ... in their national employment action plan".

The three modes of policy integration, i.e. cooperation, coordination and convergence, have clearly different connotations and policy implications. Cooperation involves interaction between member states in policy development on the basis of full national autonomy in an open process which may consist of coordination and may lead to convergence, but might also take other forms and have other outcomes. A process of policy coordination is one step more specified. It presupposes some notion of common concern and a coordinating agency to work out scenarios which are acceptable to the individual stake holders. As put by Sciarra (2000: 218) cooperation and coordination are also two separate legal instrumentalities (also Syrpis 2002: 36f). However, it is important to remember that a process of coordination may very well lead to divergence of policy and development. For instance, member states can coordinate their policies on the basis of division of labour and specialisation of labour markets (cf. classical theories of market differentiation). A convergence process is more closed and much more demanding. It implies a policy development towards a common objective and at least to some degree a coordination process which is directed from a centre.

The ambiguity with respect to aims in the Luxembourg resolution seems to persist. In a recent statement by one of the architects of the OMC, Maria Rodrigues, advisor to the Portuguese presidency in the preparation of the Lisbon summit, we find the ambiguity formulated in a more "up-to-date" but essentially similar way. She says that the purpose of the OMC is "to organise a learning process at European level in order to stimulate exchange and emulation of best practices in order to help Member States to improve their own national policies" (Rodrigues 2001). But then she goes on to say that the

⁵ The EES is a compromise also in terms of policy content. It combines active labour market policies designed along the line of the Nordic welfare states with policy recommendations on tax and benefit system reform long preached by OECD neoclassical economists. Indeed, a 'third way' also in this sense (Kenner 1999).

open method of coordination is more than this: "It creates a European dimension by defining European guidelines and encourages management by objectives by adapting these European guidelines to national diversity." In our reading, her first statement stresses horizontal and voluntary learning, while the second statement points to the importance of common means and ends.

Also in the academic literature, the purpose of the OMC is judged differently by different authors. Cohen & Sabel write that the goal "is mutual correction, not uniformity" (Cohen & Sabel forthcoming). According to Scott & Trubek, "the OMC aims to coordinate the actions of the several Member States in a given policy domain and to create conditions for mutual learning that hopefully will induce some degree of voluntary policy convergence" (2002: 4f). These authors tend to stress the learning capacity and logic of the OMC. Hodson & Maher seem to take a similar position when they argue that the open method of coordination radicalises subsidiarity: "The open method, being focused on horizontal learning processes and peer pressure where individual action runs counter to broadly accepted principles, is dynamic in nature, heterarchical, decentered as a *modus operandi* and without any particular rule or single policy objective as an objective" (Hodson & Maher 2001: 7f). While for learning to function there is a need for a coordinating centre (Cohen & Sabel forthcoming), the steering role of the centre is more pronounced in a convergence strategy. As it has developed in practice, convergence has become more and more pronounced with increasing convergence in economic and monetary policies.

The employment guidelines as they have developed so far clearly contain both policy aims and recommendations for concrete action, i.e. cover both ends and means. For instance, not only do they specify goals and targets, such as improved employment rate or growth rate, but also specify measures of how to obtain this, such as by reform of tax and benefit systems. It is a matter of a quite detailed 'intervention' in national policies and systems with quite far-reaching convergence effects if they were to be followed strictly.

Furthermore, the ambiguity relates not only to the aims of the EES but to the role and status of the OMC in the larger integration project. It concerns also researchers who look at the OMC as a general mode of policy administration. Is the OMC just a 'transitional mechanism' (cf. Hodson & Maher 2001) or a cooperation method in its own right? Is it only an administrative technique or is it a policy in itself? Even the Commission seems ambivalent on this point. It says in its White Paper on European Governance (CEC 2001) that the OMC is an alternative method which may only be applied when legal action under the Community method is not possible. It even takes for granted that both methods "should be used to achieve defined Treaty objectives" (p. 40). But the same Commission has often stated that the EES/OMC was constructed as an *alternative form of governance* in fields where objectives and aims could only be treaty-based in a very general sense.

We prefer to see the OMC as a strategy in itself with instruments and procedures which define an open-ended incremental policy process or a coping strategy (cf. Hovgaard 2000) where ends are not predetermined or only stated as a general direction ("towards full employment"). We will argue below for a coordinated European strategy which still allows for decentralisation and diversification according to local needs.

2.2 Open policy process or closed?

A related aspect of the ambiguity concerns what is supposed to be open about the OMC? According to Rodrigues (2001), it is open because a) European guidelines can be adapted to the national level, b) best practices should be assessed and adapted in the national context, c) there is a clear distinction between reference indicators to be adopted at European level and concrete targets which are to be set by each member state for each indicator, d) monitoring and evaluation should take the national context into account, and e) the method should be open to civil society actors in its various stages (Rodrigues 2001). Again, it is clear that this is not compatible with a striving for convergence except in a very general sense. In this understanding much more emphasis than at present should be laid on setting national (or sub-national) targets according to national and sub-national needs.

It is also clear that this idealtypical description of the OMC is in sharp contrast with the practice developed so far. The Commission evaluation report discusses how multilateral surveillance of the OMC and particularly the use of indicators and targets "has stimulated a 'stress on convergence'" towards best performance in relation to agreed targets levels, but it also reports that member states often resisted the setting of national targets for themselves (CEC 2002: 15). Our assumption here is that once there are common (*national*) objectives and targets, then the cooperation and coordination is not open but 'targeted' towards common objectives. And the response from the member states may be 'resistance', usually in passive forms.

Moreover, the alleged openness towards civil society actors stands in contrast to the actual NAP processes in many countries, which have developed as rather closed transgovernmental processes. The OMC processes no doubt could be opened to a wider range of actors and be made more transparent (Zeitlin 2002). However, here we may have a paradox: the more open a process is to a wider circle of stakeholders nationally and sub-nationally, the less open to predefined European convergence ambitions it is likely to be. And vice versa. The relatively closed nature of the committees facilitates exposure to criticism and 'open' deliberation. As put by a Swedish representative in the most closed committee, the Economic and Financial Committee: "you loosen up the defence", "you must be exposed to criticism and review - that is the whole point with it [the OMC]": He adds that the closedness is probably a prerequisite for such an 'open' method to function (quoted in Jacobsson 2002b).

3. The "We know best" conviction

When we conducted interviews in Sweden and Denmark, we often heard people saying that they are the real experts on the employment problems of their own country, or at least that the EES does not add much to existing national policy. Later we have met the same conviction in other member states. Even in the applicant countries, we have been confronted with this attitude, that the real policy expertise is not in foreign countries, but in the own country and near the people concerned.

These people may be right or wrong, but it is important to understand their position and perspective. Each member state has a historically developed national employment and labour market policy, based on a nation-wide administrative system, which distributes money and administrative power throughout the national territory according to a budget, which is proposed by the government and adopted by the parliament. Money is spent for the administration of the employment services (labour exchange and information, etc.), for unemployment benefits, for study, research and experimentation, for activation programmes, etc. In comparison with these national allowances the EU economic contributions are usually of marginal importance.

Given this well-established national policy regime it is important to try to figure out how the national employment authorities could be significantly affected by policy guidelines, administrative practices and recommendations for policy change emanating from Brussels. There are no legal sanctions and the political pressure from the ministries concerned is often weak or even non-existent. Labour market authorities are instructed to listen to the political signals from the labour market ministry, and their policies are conditioned by the national policy process and its many stakeholders. Thus, in order to have an impact, the EES must be integrated in the national political and administrative system (see below).

From our interviews with national civil servants, we have the impression that even though they agree in a general way with the rational arguments about European policy coordination⁶, they do not really seem to think that they give reasons for them to change. However, their passive resistance is not based on any aversion for EU policies, but on very down-to-earth practical considerations. They do not seem to think that the European policies can bring something that can positively be used in the national context, in forms that fit in with the existing employment policy system and in areas which obviously need to be improved. And there are no important economic incentives in implementing the employment guidelines since the only EU contributions which might matter are the ESF project allocations, which are separate from the EES administration.

If we are right that these two factors - the fear of illegitimate 'external' influences on national policy and the dominance of a self-contained labour market regime - explain much of the implementation deficit of the EES in the member states, then they also help us to understand what needs to be done to open up more constructive interaction between the national and the European policy levels. In the following section, we will briefly address both problems:

- 1) How can the member states be reassured that they have nothing to fear from close cooperation with other member states and the EU institutions?
- 2) What can the EES really contribute that would provide a significant amount of value-added to the existing national employment policy process?

4. Developing the potentialities of the EES/OMC

In the present situation, with the Convention discussing the future forms and methods of the European institutions and policies, partly in order to prepare the EU for the enlargement, and the growing recognition that the EU is moving towards increased diversity, both between member states and within them, it is likely that there will be a growing interest in the OMC in both the employment policy and related fields. Therefore it is important that the ongoing evaluation has its point of departure in the present situation and the problems emerging in the near future, rather than in a tradition of the past or a political philosophy of what the EU ought to be.

Since we believe that the crucial reform of the EES/OMC must make it much more open and much more adapted to the needs of the member states, we will devote the last section of this paper to a short discussion of the ways in which the EES/OMC could be reformed so as to break the passive resistance in the member states and instead turn the strategy into an instrument for reforming the national employment systems in a democratic way and releasing all the activities which are needed if full employment in Europe is to be realised.

If we are right in pointing to the implementation problems as major obstacles for the EES, and if our analysis that they are due to a "tug-of-war" between the federalist or "communitarian" integrationists and defensive member states is correct, then it is vitally important to have that war called off the sooner the better. The member states must be convinced that many of the suggestions and experiences emanating from the EES would actually prove both useful and possible to develop further once the national labour market specificities are recognised and accepted as real conditions. Employment policy needs to be decentralised rather than centralised, both because of the diversities within the European labour markets and because of the need for a mobilisation of resources and people locally and regionally for development and jobs.

In our view, the OMC should be regarded as a form of governance in its own right (not a second best option to legislation) and one which needs to be developed on its own premises. The EES has to be strengthened in such a way that the member states will take more responsibility for improving their own employment policies, are willing to mobilise actors, resources and experiences from below, and will make sure that a European coordination function is institutionalised in a legitimate and constructive way.

4.1. The need for decentralised employment regimes

The national resistance to the EES is unfortunate because in our view the national employment policy systems, even the best of them, need to be transformed and brought closer to the employment problems and the people directly affected by them. It would be a significant improvement if the EES could be used more efficiently to make governments reform their own employment policy systems.

All labour market and employment policy regimes in Europe have been developed as national systems designed to regulate and administer national labour markets in accordance with national economic model recommendations. The labour exchange, the unemployment benefit system, the educational strategies, etc. have all been national in scope and rationality. This emphasis has been so strong that

even the most obvious regional employment crisis situations have been considered in a national context and have been dealt with either in terms of migration policies or in terms of special, "non-economic" strategies for keeping "under-developed" regions alive.

In homogenous and well integrated labour markets this may have worked, but in most cases it has ignored significant local and regional deviation from the model assumptions, and has contributed to increasing performance differences between regions. With the effects of globalisation on the national economies and the introduction of information-based new technologies, the notion of a distinctly 'national' economy is becoming even more problematic.

Today the relationships between national regions are beginning to appear in a different optic. Perhaps it is not so obvious that a state needs one homogenous employment policy? Perhaps it is just as rational to have a combination of different regional strategies? A strong region or sector may rather suddenly turn into a weak one or vice versa. Only three years ago everybody in most member states believed that information technology was 'the big thing' and that the national IT areas were the locomotives of the rest of the market. Today the picture looks very different. A well advised national employment policy will have to be much more sophisticated and differentiated so as to be able to take account of national differentiation and significant regional and local variation. The employment policy cannot any longer assume integration, it has to contribute to integration and make it into one of the policy objectives.

We think the time is ripe for a reform of the centralised labour market administrations, and a reform of the EES could be a much needed impulse to national rethinking in this field. It is not so much the general guidelines that would make the difference, but some of the administrative and organisational practices of the EES which would have a vitalising effect. In its efforts to implement the EES policies the Commission has initiated, *inter alia*, the following:

- a) *Local action plans* (LAP) to mobilise local resources and actors to common initiatives, often based on new combinations of existing activities and new initiatives, and always designed to fit the local context. (For a report on some of these activities, see Swedish Association of Local Authorities 2001 and the Copenhagen Centre 2001);
- b) *Regional action plans for employment* (RAP), which is essentially the same idea applied to the regional level;
- c) *Vertical employment partnerships* between local and regional level projects;
- d) *Territorial employment pacts* (TEP) which takes the coordination idea across national borders and introduces new possibilities for cooperation based on exchange and for learning from other cultural contexts;
- e) Learning processes such as identifying and studying *best practices* (applicable to all levels) or building *local learning centres* where the local labour exchange agency, the library, some local school, some civil society organisations and innovative enterprises may pool resources and perhaps start developing local employment strategies and plans.

The general idea is one of mobilisation of resources from below rather than relying totally on distant aid relations, and on creating jobs in the place where the people live and hope to be able to stay. These kinds of initiatives usually need external support, at least in the early phases, and here we see a way of making a constructive use of ESF means (see below).

These initiatives should not be launched as alternatives to the existing employment policies, but as complements which in the long run may be integrated into a differentiated and localised national employment policy system.

4.2. NAPs should be adopted by national parliaments

The problem with these local and regional initiatives has been that they have not been integrated into the existing national employment system, but have existed in the margin as it were, as ad hoc activities initiated by local authorities or committed individuals or alert civil society organisations.

In order to make a real difference the European policies must be integrated with the national employment policy process, not only formally of course, but in a real way, so that the European policy guidelines and the administrative practices of the OMC are subjected to discussion and adoption by the national parliament on the basis of a government bill just like all other important national policies.

This would mean that the economic consequences entailed in the National Action Plan would release funding just as other parliament decisions do, and that the resources and policy signals would be filtered out throughout the administrative system according to national ways of doing it. It would also mean that the European guidelines would be tried and judged by the parliament on line with other policy priorities. They would be accepted, amended or rejected depending on their relative merits and in full consonance with the authority principles laid down in the treaty. If accepted, in full or as amended, they would be binding on the government and the national labour administration. For the government it would mean that voting in Council on European guidelines, country recommendations, etc., would have to be considered also from a domestic political perspective, well knowing that parliament back home would have the final say.

This would also mean a democratisation of the EES with obvious consequences for its legitimacy. From an all-European perspective, this would involve both difficulties and new possibilities. It would possibly make it more difficult to establish majorities in Council, but it would also discipline the governments and bind them to actual implementation of policies adopted. Moreover, an effective integration of the European policies in the political and administrative system nationally is likely to release far more initiatives and job creation activities at local level.

4.3. Making better use of the European Social Fund (ESF)

There have been attempts to integrate the local level of the EES by coordination with the European Social Fund (ESF). The ESF was established already with the treaty of Rome and aims at promoting employment and mobility among the labour force and to support adaptation to industrial change. It supports local projects in the member states, which need to be co-funded by authorities in the member states. The Commission considers the ESF to be the key financial instrument available at the European level for modernising the labour markets in line with the EES. The EES and the ESF therefore need to be integrated, and for the new ESF programme period (2000-2006) the Commission required coordination between the NAPs and the ESF Single Programming Documents.

There are indications of an improved integration in the sense that the two types of documents are now supporting the same overall objectives (Jacobsson & Schmid 2002; see also national reports at www.govector.org). However, there is less indication of a real integration in practice. There is also little indication of a real integration of the ESF project activities with the national labour market policy at large. Our impression is that the ESF projects, while often important and valuable, tend to live a life of their own outside of the regular labour market policy. The projects also tend to be of a temporary character and with few feedback channels to the regular labour market policy or the NAP work. One Swedish expert described them, in an interview, as 'balcony activity', offering nice experiences for engaged people, but taking place outside the main building.

In other words, the ESF programme has aims and objectives, but no organisation which can maintain a common strategy for action. In the perspective of a reformed European employment strategy, where member states integrate and take responsibility for the mobilisation of local and regional levels, the EES resources could be utilised in a more focussed and instrumental way. This would be particularly valuable for the applicant countries where, at least during a transition period, there is a weak national employment administration and a necessity in most regions to rely on local initiatives and regional partnerships.

4.4. Mobilisation of the trade unions

Strangely enough, the discussion about “the local dimension” of the EES has had much to say about local entrepreneurs and civil society organisations and social cooperatives, etc. but almost nothing about local trade unions. We believe that they often play a very significant role in local employment initiatives, but they are somewhat neglected in the writings about the subject. Trade unions seem to be identified with central negotiations and partnerships.

Yet, the labour movement was born in local struggle and the unions took shape on the shop floors of capitalist enterprises. But gradually, through successful mobilisation and organisation within and between branches, the trade union movement became centralised and institutionalised as a social partner with power to influence, rights to negotiate and competence to manage the difficult task of labour representation. (For a systematic presentation of the organisational development of trade unions, see Schmid 1997). During the last decades the trade union movement has become a key player also at the European level.

Therefore it may seem misplaced in a trade union perspective to call for a decentralisation of the EES and for a mobilisation strategy as a complement to the present top-down character of the EES. Yet, in a situation where right-wing governments may be conquering dominant positions in the EU institutions, it is perhaps a good idea for the trade union movement to remember its historical roots and to find ways once more to build power in a bottom-up process of mobilisation and organisation. If labour markets, as we have suggested, are becoming more heterogeneous and if local and regional variation is increasing, then the difficulties which are facing the central administrations may also become problems for the centralised labour unions. Hierarchical organisations may have to be restructured and the capacity for union activity on local and regional levels may have to be improved.

If so, then this applies *a fortiori* to the European level of trade union organisation. The ETUC may receive its instructions from the national unions but it addresses mainly actors at the central EU level and tries to get its message through in the central employment policy processes. Maybe the ETUC will have to turn to its member organisations and their members much more than today. In addition to influencing the Commission, the European Parliament and the Council it may have to support and inspire its member organisations all the way down to the local level.

We can see a number of services to be performed by the ETUC for the trade union movements in the member states, from developing models for trade union participation in local and regional employment strategies (partnership cooperation, member recruitment, community action for solidarity, etc.) to training programs for young unionists, building think-tanks in parallel to State watch, Bank watch, etc. (i.e. ‘Employer watch’) or organising cross-border demonstrations and solidarity manifestations throughout Europe. In the long run it may even prove to be a more effective strategy for European influence to be able to call trade unions throughout Europe to concerted action than to concentrate all the attention on the policy process at the highest European level.

4.5 . How do we coordinate employment strategies from local to European levels?

We need to develop multi-level employment strategies which can differentiate between local, regional, national and international labour markets and can identify their special modes of operation.⁶ Since the different local labour markets are faced, at least to some extent, with different circumstances, difficulties and opportunities, local employment strategies must be

⁶ We also need a labour market research which looks at the structure of labour markets with non-economic eyes. Economists define markets in terms of exchanges of value, and of course working people get wages and produce profits, but we need also labour market models which are about social relations, organisation and patterns of professional interaction. We intend to return to this subject in a coming paper.

framed in accordance with the specific circumstances prevailing in the local situation. There can be no centralised standard format solution and no hierarchical administration of command.

At the same time it is obvious that the local labour markets are necessarily parts of the overall labour market and helpless in themselves. Often developments run in parallel in many local areas within a larger region. Here strategies are required for coordinated regional mobilisation that have as their starting point the specific conditions of the regions involved. Although the importance of individual entrepreneurs should not be overlooked, local partnerships and territorial cooperation pacts are often essential requirements for development and conversion to new industries.

Employment and work cannot be isolated from other social relations and activities. Work, housing, day-care centres and schools, health care and services for the elderly, transport and other local infrastructure are factors that operate together. The integration of all these areas must take place within the framework of the national political process as it evolves on different levels. The government and national parliament, along with regional and local political bodies, must formulate objectives, frame strategies and mobilise resources. Employment policy must be an integrated part of an overall public policy for development. Strategies developed and rooted locally must be integrated horizontally and vertically on a national basis and, to a growing extent, also coordinated on a European scale. European employment policy must, to a far greater extent than hitherto, be linked with national policy at different levels.

The European guidelines which come from the top-down and the priorities and recommendations of the national political process which come from the bottom-up must be assembled and assessed together in the National Action Plan for employment. This is entirely in keeping with the argument set out in the Commission's White Paper on European Governance where, in the section on subsidiarity, mention is made "of a virtuous circle, based on feedback, networks and involvement from policy creation to implementation at all levels" (CEC 2001: 18). What the Commission in an earlier communication (CEC 2000) called the bottom-up approach must therefore be combined with the top-down approach that has hitherto predominated, so that local resources are mobilised for developments which are not only local but also linked to national and European developments.

5. Conclusion

The European Employment Strategy is now being evaluated. The Commission refers to fairly positive evaluation reports (CEC 2002), but Europe still has many millions of unemployed people. The enlargement adds to the seriousness of the situation, but it also opens up new perspectives for an undivided Europe. In more than one way we are standing at the crossroads: Do we want a Europe which can contain and deal with differences and multiculturalism or do we want a policy for conformity and uniculturalism?

Economic and employment policies have to be revised and improved. We believe that there is a need for coordination of employment policies in Europe in order to balance the much more developed coordination of economic policies and to diminish the risk for uncontrolled labour mobility between member states. We do not think, however, that this coordination will ever be achieved by Community policies which create 'stress towards convergence' on member states and a corresponding passive resistance to change.

Referring to the existing and growing divergences between national labour markets, we have argued that we need a flexible method of coordination which is based on mutual trust and cooperation. OMC is the best alternative at hand but it needs to be improved in important respects.

The main responsibility for employment policies lies with the member states which need to improve their employment policies considerably, particularly with respect to job creation. We have pointed to the need for a strategy for local/regional employment and economic growth which is both focussed on the

prevailing local conditions for development and at the same time is an integrated element of national and European employment policies.

We have argued that the national parliaments should have a special responsibility for integrating employment policies on local, regional and national levels with the European employment guidelines. National Action Plans for employment should be adopted by national parliaments in order to become legitimate elements of the national employment policy process. The European guidelines and recommendations for national employment action should be balanced by bottom-up influences from local and regional employment policy actors in an ongoing European dialogue on how to improve employment growth and quality.

We suggest that the basis for such cooperation should be both complementarity and coordination and a common capacity for creative adaptation to changing economic and social conditions.

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