

# **A TWO-FOLD ASSESSMENT OF EMPLOYMENT POLICY CO-ORDINATION IN THE LIGHT OF ECONOMIC POLICY CO-ORDINATION**

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**Second draft – Comments welcome**

## **Introduction**

Much has already been written about the European employment strategy (EES) and the open method of co-ordination (OMC). There has in particular been much literature on how the European Employment Strategy became the benchmark for the development of other OMCs. We would like to approach the development of the OMC from a two-fold perspective. The first is the institutional side, from a historico-political approach, which will illustrate that the development of the EES was not a smooth process, as much of the existing literature seems to imply. The second is that of the effectiveness and national impact of the content of the guidelines for which the EES + 5 evaluation offers us much new material that adds a new dimension to the existing story on the OMC.

In the first part, the article will recall how the EES has been developing under the shadow of the Economic and Monetary integration model (section 1). Legitimised through the Employment Chapter in the Amsterdam Treaty, the existing stories on the EES tell that it progressively became a policy process in its own right (section 2). This is one of the factors that inspired the OMC, that was inaugurated at the Lisbon Summit (section 3). Since then, the discussions around the EES and the OMC have most often been analysed under the governance heading as a quasi-independent policy process, with no particular link with the EMU. Recently, however, the mutual re-enforcement of the two is being re-considered as a positive sum game for both the economic and employment processes. Interestingly, economic co-ordination is now also being analysed as a soft co-ordination process (Hodson and Maher, 2001). The first five year national evaluations seem to imply that employment creation was mainly due to economic growth, which in turn raises the question of how growth in the new monetary regime is linked to the labour market policy.

In the second part, it will examine how the content of the EES has evolved. Most of the existing literature focuses more on procedural aspects, rather than on assessing the effect of the content of the guidelines. The issue has often been analysed as a depoliticised issue. The first evaluation of the EES reflects not only a mixed picture of its implementation, but also some reservations about the real and concrete achievements, from a content perspective. The active labour market policy (ALMP) promoted by the EES seems not to be capable to deliver what some commentators had expected. This analysis seeks to shed some light on the current debate on the effectiveness of various employment measures under the EES.

This may be where the paradox lies. If the measures and the strategy as a whole have proved not to be so effective, but are leading to more open debates and the move towards more scientifically grounded evaluations, then the analyses of the EES that concentrate on learning, notably at cognitive level could at least be partially confirmed (see Jacobsson, 2002, Trubek and Mosher, 2001). If the learning that is now being incited by the EES +5 evaluation process would also take account of what has not worked, then the conventional wisdom on which it is based could be re-thought.

The article will conclude that one of the results of the EES +5 review process could be a positive sum game if that led to the re-enforcement of employment and economic policies (see Wessels and Linsenmann, 2001).

## **PART I – Historical and theoretical developments of the EES**

### **I. Background and underlying model of Employment Policy Co-ordination in Economic and Monetary Union**

This section will briefly recall how employment policy co-ordination developed, drawing its inspiration from economic co-ordination procedures and eventually becoming an autonomous process in its own right. The EES's principal source of inspiration is the "hard co-ordination" process that led to monetary union. Mid-term objectives, indicators and pressure to convergence were replicated in the Employment Chapter. In a way, it consisted of mimicking the monetary success story.

In the co-ordination procedure that was conceived as rather stringent, sanctions were foreseen in the case of deviance from the Stability and Growth Pact. In the monetary policy co-ordination procedure, the EU Member States agreed to pool their monetary sovereignty and to comply with certain requirements in the form of targets. Member States agreed to maintain their budget deficits within 3% of GDP and their medium term budgetary position close to balance or in surplus. In the event of deviation from the policy line of the Pact, the Council could issue a recommendation for corrective action, and in the case of infringement of the Pact, the Council could issue a formal sanction.

At the same time, little attention was paid to the softer side of economic policy co-ordination, which was set out as a complement to the co-ordination in the area of fiscal policy. The "soft" co-ordination of economic policies was conceived for monitoring the consistency of national economic policies with the economic objectives of the Union and for members participating in the Euro zone, with the Euro zone monetary policy. In the event of a digression from the economic policies, set out in the Broad Economic Policy Guidelines (BEPG), the Council could adopt a non-binding recommendation against the Member State concerned. No formal sanction system is associated with the BEPG, where the sanctions for non-compliance take the form of peer pressure, the financial markets, and public opinion. The hard fiscal and soft economic co-ordination procedures are a reflection of the Member States' commitment to jointly tackle their economic policies and to co-ordinate them with the Council to achieve common aims, including sustainable and non-inflationary growth (Hodson and Maher, 2001).

The particular circumstances under which co-ordination emerged in the monetary field are crucial to mention. The process *'was achieved under German monetary hegemony: the governance of their anchor currency would henceforth be pooled, but according to benchmarks and disciplines that the German monetary authorities would primarily define.'* (de la Porte *et al.*, 2001). It could be argued that the European institutions stimulated policy transfer in monetary regimes by catalysing *'isomorphic processes'* due to the anchor power of the Deutschmark (Radaelli, 2000). However, despite the prescription of a common monetary regime, the institutional contexts of the various countries differed, as did the economic, political and institutional changes that were required to attain the monetary and economic benchmarks.

Interestingly, Monetary Union was achieved with a low level of mobility of workers between the Member States and without a European budget that could play a stabilising role in case of asymmetric shock. Many authors have underlined the need to increase the flexibility of the labour market in order to create the means with which to confront an asymmetrical shock (Pochet *et al.*, 1999). This has led to a fear that industrial relations would slowly but surely become "americanised" (Martin, 1999).

The EU Member States decided to engage in concerted action to address the persisting problems of unemployment during the mid-1990s. It took the form of soft policy co-ordination, and mimicked the economic policy co-ordination procedure through the BEPG tool. It is

crucial to reiterate that from the outset, what was labelled the European Employment Strategy (EES), had to be in line with the policies set out in the economic policy area through an integrative approach (Pochet, 1999). Below, the article will trace the development of the EES from a historical perspective, illustrating how each Presidency contributed to the process. The role of particular individuals is especially apparent, as will then be illustrated, through Sweden's role in the preparation of the 1996 IGC.

The EES began to take form following the Essen European Council (1994), after the impulse launched by the Delors Commission in 1993 via the White Paper on Growth, Competitiveness and Employment in which the Commission took the initiative to suggest a series of policy guidelines to respond to the economic downturn. It was the reflection of the need to re-dynamise the European project and to counter the scepticism towards Europe's monetary integration project (Arnold and Cameron, 2001). In discourse, the tactical aim identified was to find a balance between solidarity and competitiveness (Goetschy, 1999). The Council identified the fight against unemployment as a long-term and paramount policy aim for the Union. In this light, the five objectives were for Member States to invest in vocational training, to increase employment intensive growth, to reduce non-wage labour costs, to increase active labour market policies, and to fight youth and long-term unemployment. Although there was pressure from the Delors Commission and some Member States to respond to the employment crisis in this manner, there was also a considerable amount of counter-pressure to limit any further delegation of power to the EU (Trubek and Mosher, 2001: 8). The proposal to add an employment facet to the European project was non-binding conclusions of the European Councils, and lacked a legal base, a systematised methodology, a strong permanent structure, a long term-vision, and a control process. Member States were to proceed by simple co-operation, which proved to be a failure. However, the White Paper was an important catalyst for raising the issue of employment on the European agenda.

A similar pattern can be identified in the area of social protection, where the 1992 recommendations on the convergence of social protection objectives and policies (92/442/CEE) and on minimum subsistence resources (92/441/CEE) proposed "a premature version of OMC, consisting of regular reporting on the steps taken in the Member States, measured according to appropriate criteria, agreed upon with the Member States" (de la Porte *et al.*, 2001) which was not materialised until recently, with the application of OMC to social inclusion, pensions, and now, perhaps even health care.

The following sessions of the European Council, notably those of Madrid in December 1995 and Dublin in December 1996, contributed to the development of the process through negotiations between Member States. The former identified job creation as a central objective of the EU and its Member States, in economic, political and social terms. The latter boosted employment further on the EU agenda, through the "Dublin Declaration on Employment", underlining the need to pursue a macro-economic policy favourable to growth and employment. In addition to the identification of this policy framework, the European Council of Dublin fore-shadowed Amsterdam, inviting the Member States to create "additional instruments for the effective monitoring and evaluation of employment and labour market policy, including the identification of "good practice" and the development of common indicators that might allow benchmarking and explicit comparisons of policy and performance among Member States." (Arnold and Cameron, 2001: 7-8). Actually, the Irish Presidency at the end of 1996 drafted most of what was to become the Employment Title of the Amsterdam Treaty.

In the preparation for the IGC, A. Larsson (former Swedish Minister of Economy and future Head of DG employment), and the Swedish representative in the IGC, Gunnar Lund, played an important role. As a newcomer to the European Union in 1995, Sweden wished to put forward its policy priorities, notably that of employment, in the European framework.

Larsson's principal argument was that active labour market policies should be conceived together with the EU's project of monetary and economic convergence. The strong connection between the two is reflected in the title of his paper "A European Employment Union – to make EMU possible" that was written in 1995. His argument was that a strong employment policy would contribute positively to the EMU through the development of a well performing labour market. He proposed that the core of a European strategy in the area of employment would be to define an employment goal that should be "consistent with or even more ambitious than the 3% public deficit criteria, agreed in the EMU project." Such a benchmark would represent a more ambitious public finance policy. In other words, the economic and monetary and employment policies were to be intricately linked with each other to meet mutually supportive goals (Larsson, 1995). Upon Larsson's initiative, Sweden tried to convince the other member states of the need to concretely develop an employment strategy for Europe. At the time, however, France, the United Kingdom, Germany and (after the general elections) Spain were opposed.

During the Amsterdam Summit (1997) agreement was eventually reached on the form that the employment strategy should take: the multilateral process associated with EMU would be adapted to employment policy. The Employment Chapter was integrated into the Treaty and became fully operational in 1997, although it was ratified by all Member States later, in 1999. The guidelines are not binding, but the EES became, as of its integration into the Amsterdam Treaty of the European Union, part of the processes that the Member States were obliged to participate in.

Much of the literature on the employment strategy, whether from a socio-political or more economic perspective, presents the development of the EES, particularly since the Amsterdam and Luxembourg Summits, as a natural, smooth and almost apolitical step. We will now dig into more specific political factors into account, notably national political constellations and the role of political bargaining. These appear in the development of the process and the content.

Firstly, in terms of the process, one of the key stakes of the Amsterdam Summit in June 1997 was the Stability and Growth Pact. The new socialist French Government led by Lionel Jospin, would agree to the Pact upon a consequent political condition: that of adding a new Title of Employment to the proposed Treaty and of organising a special meeting of the Council to address the "hot issues" of unemployment and job creation. Given the view on the Pact as a key instrument for EMU of different Member States, in particular Germany, the Council agreed, after considerable political bargaining, to the French proposal.

Secondly, in terms of the content, the European Commission had initially proposed that the entrepreneurship theme should act as a driving force in the strategy. The Member States, on the other hand, were overwhelmingly in favour of an approach that should principally be based on employability. It is also of interest to recall that the fourth pillar on equality of men and women was included in the guidelines upon the impulse of the Commissioner Flynn, who had to prove his commitment to this theme, after he had been accused by the EP of non-interest in this theme.

Upon the French impulse and political consensus of the other Member States, an extraordinary session of the European Council was organised in Luxembourg in November 1997, during which the heart of the process set out in the Employment Chapter was operationalised, after which it was repeated on a yearly basis. According to Juncker (2002), who was at the time Prime Minister, Finance Minister and Labour Minister, and had a transversal view of the political constellation at the time, there was a lack of consensus between the Ministers of Finance and Employment and Social Affairs.<sup>1</sup> Against this

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<sup>1</sup> In sum, he indicates that there were 29 different opinions among the 14 Finance Ministers and 14 Ministers of Employment and Social Affairs, and that he, in the Ecofin and Social Affairs and Employment Councils, was

background, he organised and participated in over 200 preparatory meetings, in order to reach a political consensus to make the Jobs Summit of Luxembourg a success. He has thus been identified as the “orchestrator” of the Luxembourg Jobs Summit. Mr. Juncker himself underlined that the preparation of the Summit was a much tougher and “tumultuous” nut to break than the Summit itself (Agence Europe, No.7106, 24 and 25 November 1997).

It is notably of interest to recall the strong opposition of Spain, followed by Portugal, to the setting of quantitative employment rate targets, as it would, according to Spain’s Prime Minister, Aznar, require an increase of spending of 200% to meet the agreed objectives to combat youth and long-term unemployment. Since the beginning of the discussions around employment, Germany was very critical about the need to address this question at European level, but eventually agreed to the EES. In fact, the analysis of the Agence Europe press agency was that agreement was reached on the EES due to the “flexibility” of Germany. This contextual review indicates that the creation of the EES was not a non-turbulent or obvious resultant of successive Council sessions. In fact, this link was made in retrospect. At the time, the result of the Luxembourg Jobs Summit were identified as “new beginning in the process of European construction” (Agence Europe, No.7106, 24 and 25 November 1997).

As a reflection of the political will of the Member States, employability, which was conventional wisdom in many Member States prior to the Strategy, represented the core pillar of the first set of (19) European Employment Guidelines (EEG) agreed upon and adopted. In addition to employability, the three other pillars that guided the Strategy were the development of entrepreneurship, adaptability and equal opportunities. Although there was a consensus on most of the themes, very much in the “air du temps”, this was not the case for delicate themes such as the reduction of the tax-burden, particularly on low wages. The theme was in line with the Ecofin vision, but there was no agreement among the socially-oriented actors.

Concerning the guidelines themselves, the Commission had proposed rather detailed guidelines, accompanied by quantitative benchmarks, than most Member States were not willing to accept. The subsequent Council amendments watered down these benchmarks, including one on the reduction of the unemployment rate and another on the increase of the overall labour market participation (Trubek and Mosher, 2001). These benchmarks have since then made their comeback, and are at the heart of the EES, linked to a paradigmatic shift towards “activation” and “responsibilisation”. It is also of interest to note that although the EES was labelled a new beginning for Member States to co-ordinate their employment policies, notably in the fight against unemployment, the crucial importance of economic growth for employment creation was highlighted. The analysis at the time was that, given an annual growth rate of 3% to achieve the Internal Market, it would be possible to create between 10 and 12 million new jobs in Europe in the five years that followed (Agence Europe, No.7106, 24 and 25 November 1997).

The history of the EES has not only been about mimicking the process for the monetary union. It was built at a particular moment, when the notion of activation, cherished by the promoters of the Third Way, was setting itself as conventional wisdom. Moreover, the possibilities of constructing a more demand-oriented policy was a non issue because of the 3% deficit limit for entering the Economic and Monetary Union in the first wave. As indicated by Scharpf (2002: 4) “In short, compared to the repertoire of policy choices that was available two or three decades ago, European legal constraints have greatly reduced the capacity of national governments to influence growth and employment in the economies for whose performance they are politically accountable. In principle, the only options which remain freely available are supply-side strategies involving lower tax burdens, further deregulation,

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the sole actor supporting the single joint discourse of the need to development of an inter-linked economic and employment policy.

flexibilisation, wage differentiation and welfare cutbacks to reduce reservation wage". This agenda was welcomed by the central bankers and the ministries of Finance (Verdun, 1996). The EES was also an attempt to build an alternative social agenda in the framework of the new European monetary regime.

We would also like to underline the fact that the strategy coincided with the signature of Social Pacts in many Member States (Fajertag and Pochet, 1997), which have acted as a counter-force to the tendency towards more decentralisation of collective bargaining. But social pacts at national level and the EES at European level both an answer to the liberal agenda, did not merge. It has been a divorce between a national negotiation agenda between the social partners and the government (principally around changes in wage negotiations and to a lesser extent the welfare state to be qualified for EMU) and a European agenda around other themes (of the four pillars).

Concerning the actors, the social pact process has been driven by the negotiation dynamic between social partners at national level and essentially orchestrated by the Commission and the Member States in the case of the European Employment Strategy.

## **II. The European Employment Strategy, presented as an autonomous strategy, without links with monetary union and economic co-ordination**

Many authors analysing the EES present it as a process that progressively became a policy process in its own right. The focus on its acquisition of autonomy has led to an analytical unweaving of the interlock between the EU's economic and employment policy co-ordination processes.

Based on how it was supposed to function theoretically, the analyses have focused very much on how the process developed at European level (Goetschy, 1999). This leads many of the existing analyses to concentrate on the path through which the EES was most likely to have an effect, the cognitive route.: "Effects may include... more subtle impact on national debates and discourses, changes in ways of thinking policy (policy principles), and collective understandings and identities" (Jacobsson, 2001a: 3). Such an analysis, and its atypical characteristic, led many political actors and academics to identify it as a "new" governance tool, a novel approach to regulation in the European Union. This label was later used as a political incentive to introduce the OMC as a "post-regulatory" (Mosher, 2000) instrument for the European Union (see section 3).

As the story of the development of the European Employment Strategy has been told in detail elsewhere (see Goetschy, 1999 and Jacobsson, 2001b), this section will briefly present key developments, used to explain its move towards autonomy. The factors are the move towards more coherence, through the content of the guidelines (both the internal developments and the political factors), particularly the setting the yearly joint report, the use of the recommendation tool and the peer review process.

The European Employment Guidelines (EEG) agreed in 1997 have been adapted during a yearly review, but the four pillars, and in particular the "employability" pillar, related to the activation of the welfare state, have from the outset proved to be the underlying political and paradigmatic blocks of the EES (Jacobsson, 2001a). At the time, it was in particular the United Kingdom that insisted on the inherently paradoxal and ambiguous concepts of employability, adaptability and labour market flexibility, which have without any doubt dominated the strategy to date (Agence Europe, No.7106, 24 and 25 November 1997; Agence Europe, No.7105, 22 November 1997, Kenner, 1999). This influence of the policy line of the United Kingdom is also reflected in article 109n of the Employment Title in the Amsterdam Treaty, following which the principal aim of the EES was identified as "promoting a skilled, trained and adaptable workforce and labour markets responsive to economic change" (OSE, 1997). The famous Lisbon and Stockholm Summits, when the overall

employment rate for the Union were quantified, reflect this active policy paradigm, linked politically to overall macro-economic growth and competitiveness objectives.

In the year 2000, fundamental quantified objectives with target dates were agreed for the Union as a whole - to increase the employment rate in the Union to 70% by 2010, and the female employment rate to 60% (European Council, 2000). In 2001, the driving force of the first session of the Spring European Council continued to be around the need to increase the employment rate. New intermediate targets for employment rates across the Union were agreed: 67% overall employment rate and 57% employment rate for women by January 2005 (European Council, 2001). Moreover, in the light of the ageing of the population, the European Council agreed to increase the average EU employment rate among the elderly bracket of the population (55-64) to 50% by 2010. The risk associated with these quantitative benchmarks, selected through political bargaining is that they could hinder serious analysis of problems and experimentation with different types of solutions (Sisson and Marginson, 2001: 3).

In addition to the EES's intensification in quantitative terms, it has become more complex, and many would argue that it has also become increasingly autonomous, becoming a policy process in its own right. Indeed, six horizontal objectives have been integrated into the EEG (following the conclusions of the Lisbon and Stockholm European Councils), which are linked to broader policy objective agreed for the European Union. The first of these objectives is to increase the employment rate. Another is to improve the quality of employment, which was one of the principal policy threads of the Belgian and Swedish Presidencies, and which had, in due respect of diplomatic rules, been put on an equal footing with the quantity of jobs during the Lisbon European Council (more and better jobs). In line with the employability pillar and the rapid technological changes with the consequential increase of specialisation on the labour market, the third overall objective is to define a coherent and global strategy for life-long learning, which has become one of the new *en vogue* themes of European policy. Another overall objective has been to involve the social partners in all stages of the process. This has been one of the principal philosophical operational principles since the outset, and was, from a historical perspective, one of the principle outcomes of the Florence meeting of the European Council during the Spring of 1996. The penultimate objective, in view of the imbalance of the pillars in their implementation, favouring the employability pillar, is to have a balanced approach to the four pillars. Finally, to the satisfaction of the political actors that believe indicators, in particular quantitative ones, are *the* source of political legitimation for the EES, there is political commitment to develop relevant social indicators. A diplomat's analysis of these horizontal objectives would conclude that they could be considered as the strategic organisational principles with which to address the changes of labour markets across the European Union.

Every year, the Commission drafts the joint report on the performance of the Member States in view of the European Employment Strategy. It is then, with (minor) changes, endorsed by the Labour and Social Affairs Council. Throughout the process, the Commission, progressively developed an expertise that it did not initially have and now proudly holds onto. The Commission, interestingly, converted its national experts of the European Social Fund to specialists on labour market issues.<sup>2</sup>

Turning to another facet of the EES, this time in terms of the process, the different possibilities for its development as set out in the Treaty have been exploited. One is the recommendation tool, that the European Commission has used after the final adoption of the Amsterdam treaty (1999). The Amsterdam Treaty foresaw the possibility for the recommendations to be issued to the Member States in the view of their performance,

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<sup>2</sup> In the OMC poverty/social exclusion, the Commission did not turn to internal human resources from the Social Funds as it had for employment, where the process of conversion to becoming labour market specialists proved to be a difficult process. Instead, experts that were external to the Commission were used. The lack of an internal capacity of analysis may help to explain why the draft Commission report on Social Inclusion met so much opposition from Member States. The final report on poverty and social exclusion that was adopted by the Social Affairs Council was much thinner in terms of the analysis of the performance of Member States.

according to the guidelines and their national action programmes. The Commission was given the right to initiate this process, thereafter to be approved by the Labour and Social Affairs Council.

In 1999, the European Commission used this instrument, seeking to put more pressure on the Member States to meet the objectives set out in the guidelines. This practice can be identified as the climax of the EES's practical institutionalisation. Some Member States, including Belgium and Germany, were highly critical of the use of this recommendation tool, but as a whole, it rendered the whole process more credible.

During the first year, press coverage of the recommendations made to the different Member States was rather comprehensive, acting as a tool for peer pressure. However, press coverage was minimal the following years, and as a whole little attention has since then been paid to the Commission's recommendations.

The use of the recommendation tool has continued on a yearly basis since that time. It is of interest to note that, since the first year of the initiative, the same countries tend to receive approximately the same number of recommendations, often on the same themes. .

If the (as small as possible) number of recommendations is taken as a benchmark for success, the small countries appear to be the best performers (for more details, see de la Porte and Pochet, 2002a). In essence, this yearly classification has contributed to rendering the European Employment Strategy more autonomous.

In the framework of the EES, a specific "peer review programme" was set up in 1999 in order to identify, evaluate and disseminate good practices in active labour market policies. It seeks to assess whether and how good practices can be effectively transferred to other member states. It has been characterised as the qualitative component of the EES, set out to complement the quantitative approach based on indicators and benchmarks. The dynamic of the programme is voluntary. A host country proposes a successful experience in active labour market policies. Countries that are interested in the experience, since they seek to address a similar problem or to compare the experience with an existing experience in their national context, decide to participate in the peer review session concerned. An external expert participates in each peer review session in order to assess the success of the experience in the host country, as well as the real possibilities of transfer to the peer countries. The process has been characterised as more open, compared to the rest of the EES, as there are no pre-defined objectives to meet (Bisopoulos, 2002).

In addition to the role of the Commission in the EES guidelines, the yearly formulation of recommendations and the organisation of the peer review programme, that of the Employment Committee is important (it is an institutional imitation of the Economic Policy Committee that advises the Ecofin Council). In the OMC, the work of the different Council formations is carried out by sector-specific Committees that have the mandate to undertake the technical aspect of the work, notably the selection of indicators and benchmarks, based on proposals made by the European Commission. The progress made in each of these areas is then reviewed annually, during the Spring session of the European Council that is devoted to economic and social questions (European Council, 2000). Let us recall the composition and then the tasks of the Employment Committee (EMCO), which is taken as an example for other such committees. For the composition of the EMCO, Member States have to designate 2 representatives. The requirements of sector specific experience and rank of these representatives are rather supple. The level of the civil servants selected for the EMCO are often a reflection of the importance accorded to the EES nationally. However, no generalisations can be made (various formal and informal sources). According to article 109s of the Amsterdam Treaty, the Employment Committee should monitor the employment situation and employment policies in the Member States and the Community, formulate opinions in this area, as far as this would be necessary, upon its own initiative or upon a specific request from the Council of the Commission, prepare the work of the Council in assessing the employment situation and employment performance of the Union and the Member States. In its activities, the Employment Committee is required to consult Employers

and Trade Unions. The modalities of this consultation process are not set out in the Treaty. This issue will be discussed in more detail below (Treaty of Amsterdam, article 109s).

The novelty of the supporting committees "... lies in the introduction of implementation committees into the decision-making process" (Scott and Trubek 2002) However, beyond this general reflection, the Employment Committee of the EES, and the Committees associated with other OMC processes are difficult to characterise. One characterisation of these committees is as a systematised type of comitology, a type of inter-governmentalism with a touch of supranationalism. In this vision, the main task of the Committees is to defend the governmental and national position. Another approach underlines the learning process and the development of shared diagnostics, language and proposals to respond to common challenges.

### III. OMC – conceived as a new mode of governance

As indicated above *"the tendency to favour an approach based on form rather than on the content"* (Tholoniati, 2001: 6) was a widespread attitude of policy-actors and of academics analysing the process at the time. The EES was characterised as representing a "qualitative break" with the former mode of governance for issues pertaining to the social dimension of Europe (Goetschy, 1999: 130). The following step was a more theoretical one, addressing the EES from the "governance" or "new governance" approaches. The essence of this new governance approach is more than just an additional regulatory tool for the European Union. The new governance approach is part of a new policy paradigm, to respond to the increasing complexities of the EU, as well as a period that is surged with uncertainties. Moreover, in the current EU of 15 and especially in the view of enlargement, diversity is here to stay, and it needs to be responded to adequately (Scott and Trubek, 2002: 6-7). Jachtenfuchs suggest that new governance "...is not only an analytical concept, but also a political ideology, a kind of micro-constitutionalism of the European Union," (Jachtenfuchs, 2001: 254) in the framework of which different players contribute, in view of their competencies, to the policy process. In the context of this discourse on new governance, the relationship between the EES or other OMCs and the new monetary regime has been occulted, or seen only in negative terms, as was the analysis of the "real effects" of the EES at national level.

Against the background of the positive assessment by academics and policy-makers of the European Employment Strategy procedure, rather than its real impact in terms of the content of national policies and results, the OMC was "invented" as the ideal-typical manner for Member States to co-ordinate their policies in selected policy areas. It has also been argued that the EES, as a benchmark for the OMC, represents a "system of governance with the potential to transform the practices of the member states and thus add to the integration process" (Jacobsson, 2002). It has also been characterised as a "voluntary co-ordination" process, which, principally through learning, should eventually lead to the adaptation of Member States' policies in the view of over-arching European objectives. (Jacobsson, 2001b: 1). OMC has been identified as belonging to the *'non-legislative modes of policy-making and modes of governance...'* that have *'...gained in salience in European policy making, and they have been advocated as a panacea for speeding up European decision making'*.

Under this heading, it is conceived as an instrument for deepening European Integration: "The search both to enhance the legitimacy and increase the efficiency of social measures taken at EU level is at the heart of the EES" (Goetschy, 1999: 133). In the view of European level objectives, it seeks to encourage Member States to exchange best practices, to learn from them and to transfer and adapt them to their national contexts, to improve their national

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<sup>3</sup> Saltsa workshop "The Legal Dimension of the Employment Strategy", Brussels, 9-10 October 2000.

<sup>4</sup> Interview with André Simon, Belgian civil servant, 15 October 2000.

policies and practices (de la Porte *et al.*, 2001: 293). In this manner, by seeping into domestic discourses and arrangements, it is supposed to alter the beliefs and expectations of domestic actors (Knill and Lehmkuhl, 1999), thus leading to convergence in the long run. Political actors also approach OMC in the governance approach, and seek to legitimise its application to different areas through such a discourse: "If we use it judiciously, open co-ordination constitutes an offensive strategy which allows us to define concretely a "Social Europe" and anchor it firmly in the European process of co-operation as a common good." (Vandenbroucke, 2001) The elements that were highlighted in these analyses acted as defining elements for the EES as a governance tool in its own right, spilling over to the OMC. Moreover, the analyses of the EES, focusing on learning, is also at the heart of the discourse that legitimises the OMC: "These learning processes are of paramount importance if the Open method is to be an effective method of governance" (Eberlein and Kerwer, 2002).

Below, some of the central factors of the OMC discourse, within the "new governance" approach, will be highlighted: the centrality of the benchmarking approach, the "ideal" but in fact paradoxical answer to subsidiarity and the endeavour to involve all relevant stakeholders in a multi-level logic.

Indicators and benchmarks are conceived by some as "quasi-regulatory" tools, contributing to the characterisation of OMC as a novel tool for governing the EU. In the framework of the EES, benchmarking has been characterised as being "at the heart of EU employment policy" (Sisson *et al.*, 2002). In practice, political interests play a crucial role in the selection of indicators, seemingly even more so than scientific analyses, although special indicators committees are set up with the appropriate experts to discuss these issue (Peña-Casas and Pochet, 2001; Atkinson *et al.*, 2002). The indicators sub-committee of the employment committee has been very active and there are nearly 100 European indicators that have been accepted as pertinent.

Once indicators have been selected, then the benchmarking exercise can begin. In the framework of OMC, benchmarking is the means by which to assess the success of the application of the method, and to put pressure on the EU Member States participating in the process to converge towards commonly defined goals. It is viewed as a device to help strike a balance between heteronomy and autonomy (Sisson *et al.*, 2002). Benchmarking can be quantitative or qualitative. In the European context, quantitative benchmarking refers to the agreement on a top-down quantitative objective, while qualitative benchmarking involves the agreement on a direction for policy change. In both cases, the participants would strive to reach the objective, but in the former, the pressure in view of the top-down quantitative benchmark would be more rigid, while the latter would allow for more flexibility, allowing for corresponding quantitative targets to be defined from the bottom-up.

What is crucial is that through this process, "learning moves to centre stage" (Rainbird, quoted in Sisson *et al.*, 2002), which helps to explain why the analyses of the EES focus on its cognitive dimension. Benchmarking contributes to the "new governance" myth through its portrayal as the central building block of the OMC. Linked to the characteristics of new governance, the flexibility of the instrument, whether it holds or not, is highlighted in discourse. In this manner, it is supposed to respond to diversity, and to be revisable, in the view of increasingly rapid changes.

Besides its characterisation as a governance tool associated in which benchmarking acts as a legitimisation, OMC is presented as a tool in which the application of the subsidiarity principle is ideal. There appears to be an inherent paradox to this ideal-typical situation, since subsidiarity defines the level of power that is the most appropriate for each sphere of action, while the OMC underlines the need to proceed via a widely meshed interactive process, in which different actors would articulate their strategy and actions in a multi-level logic (Pochet, 2001). Ironically, the German Länder, which were opposed to the transfer of

competencies to Brussels in the name of the subsidiarity principle, are among the most ferocious opponents to the OMC. According to the Länder, the OMC should be included in the Treaty, but only in order to limit its scope to a mere exchange of information and experience. They do not think that it is necessary to promote and to operationalise a real co-ordination of member states' policies.

Another building block of the OMC is its participative facet. In theory, it should involve all relevant stakeholders: the Union, the Member States, the local and regional collectivities, as well as the social partners and civil society. One of the godfathers of the OMC, Telò (2002) indicates: "If the actors of civil society are not concerned, consulted, involved at the level of partnership and negotiation, one of the aspects of the 'openness' of the new method will be belied'. The effective participation of a plurality of actors would distinguish this "new form of governance" from classic comitology. The core actors are Member State and Commission officials. Actors that should be consulted include, in the forefront, European social partners, and also the European Parliament, the Economic and Social Committee and the Committee of the Regions. Pursuing the participative dimension further, and as far as social Europe is concerned, one could argue that public debate organised at local, regional, national and European levels would allow for the different welfare regimes that co-exist in the European polity to remain intact, while addressing and correcting their weak points. The bottom-up pressures for accountability could in the long run become pressures for convergence (de la Porte *et al.*, 2001: 303), although such a scenario appears currently to be unrealistic. Social partners, NGOs and civil society are called upon to participate in the OMC in its conceptualisation and implementation. In practice, the five-year lifetime of the process has proved that the European social partners are consulted on the content of the guidelines, and the national ones on the content of the NAP. However, at national level, their implication in the implementation of the NAP has been rather uneven (Foden and Winterton, 2002; Pochet, 2002a).

One hypothesis to explain this disappointing social partner participation could be that in the national context, their participation linked to labour market and broader employment policies is already considerably institutionalised, which means that participation through the EES would in part overlap what they already do, at least in countries where social partner activity is an institution.

Through the focus on participation, there has in particular been an "...emphasis on informal, loose structures that extend across and beyond hierarchies," notably epistemic communities. In this respect, "...the network concept appeared particularly well suited to grasp the essence of multi-level governance in the European Union" (Jachtenfuchs, 2001: 255). The multi-level logic is one of the elements that is repeatedly highlighted in the framework of the OMC and the "new governance" discourses. The different actors and networks of actors are supposed to respond to the ever criticised democratic deficit of the European Union, but they operate through unknown mechanisms behind closed doors. As indicated by Dehousse (2002): "This kind of 'depoliticisation' of the stakes may have the merit of making possible reforms which would otherwise be more difficult in national systems which are locked down by the crossed vetoes of the actors involved. Nevertheless, in the eyes of public opinion, cooperation between experts within more or less obscure networks is not necessarily the best form of legitimation, unless one considers that it is the quality of the results which gives legitimacy to a policy. Spaces for debate and mechanisms of control are thus necessary, especially since the OMC covers a large number of issues of a redistributive character, which have traditionally been legitimated by universal suffrage in democratic societies. Pension reform, national insurance, the fight against exclusion are all spheres in which difficult choices are necessary: the judgement of experts is not enough to assure legitimacy"<sup>5</sup>.

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<sup>5</sup> Dehousse, *op. cit.* Translation by the editors of the present volume.

Benchmarking, the respect of subsidiarity and adequate participation of diverse actors at different levels are central pillars of the OMC in its characterisation as a governance tool. These elements are in line with the factors of the “new governance” approach identified by Trubek and Scott, which are participation and power sharing, multi-level integration, diversity and decentralisation, deliberation, flexibility and revisability, experimentation and knowledge creation (Scott and Trubek 2002: 5-6). However, as Héritier (2002) states, “(...) it may still be premature to advocate that the future of the European policy-making system ought to become “ a confederation of learning networks” (Beresford and Taylor, 2000: 21), centered around sharing knowledge and experience, and characterized by benchmarking, peer review, and public pressure”. In the same way, in employment there is not only one network for employment matters, but at least two, the first around the Employment Committee and the second around the Economic Policy Committee (EPC).

Below, this article will illustrate how, following this theorisation, the economic co-ordination procedure is presented as a rather “soft” OMC, rather than as a more rigid and effective co-ordination process.

#### IV. EMU as a soft co-ordination process

In 2002, the passage to EMU was a frank success. Nevertheless, the central question of the beginning of the 1990s on which economic and social model to strive for in the context of a centralised monetary regime remained unanswered. Until recently, the Ministers of Economics and Finances were perceived as belonging to the same epistemic community, sharing the same values and beliefs, thus facilitating the economic co-ordination procedure (Haas, 1992; Verdun, 1999). In such an approach the objectives of the Stability and Growth Pact, not only the ceiling of 3% for the budget deficit, but also maintaining a balance or having a slight surplus in public finances in the medium term, were considered to be consensual. This was supposed to indicate a (new) culture of stability.

After the debate around sending or not an early warning to Germany and Portugal, whose public deficits were approaching the 3% deficit ceiling te limits of the Stability and Growth Pact are now largely recognised. What was presented as a strong consensus and new conventional wisdom (to have a balanced budget over the cycle) is a much more disputed theme. This failure was followed by the French announcement that they will not respect the deadline of 2004 to return to a balanced budget but delay it by three years. Concerning the BEPGs, the recommendation to Ireland about pro-cyclical policies had no real effects, as the Irish government disregarded the arguments of the Commission. Therefore, the economic co-ordination process through the BEPG appears not to be as stringent as it was set out to be.

This explains why the economic co-ordination process is presented as an example of the OMC by some academics. Identified as one type of OMC, different analysts have come to question the real effectiveness of the co-ordination tools in the economic area. The principal conclusion of a study by TEPSA (2002) for the European Parliament on the national implementation of the recommendations of the BEPGs is that

of the lack of awareness of the BEPG nationally and therefore the lack of integration into national policy processes : « ...the attention paid by **national parliaments** to the BEPGs as well as to parliamentary procedures to deal with the BEPGs and/or their implementation at the national level **is uneven**. In several member states, the BEPGs do not play any significant role in parliamentary debates. Only in a few cases have the BEPGs been subject to party political debate, either on specific recommendations or on the coordination procedure as a whole ».

It seems that the difficulties with the EEG recommendations and how the Member States comply with them are the same for the BEPG recommendations. This recognition that economic co-ordination was not as strong as anticipated has led various authors to draw parallels between the two processes. In these analyses, it appears that there is more

common ground between the BEPG and the EES than between the EES and the OMCs in other areas (de la Porte and Pochet, 2002a).

Moreover the macro-economic dialogue – set up after the Cologne European summit (1999) – involving the various players: the European Central Bank (ECB), the Ministers of Economics and Finance, the Social Affairs Ministers and the European social partners did not function properly. Although the Finance Ministers and the European Central Bank have various forums for conducting a more or less formalised dialogue, the originality of the macro-economic dialogue is that it provides an opportunity for direct contact between representatives of the ECB and the social partners. Basically this dialogue remains a formal one, which means that it cannot be turned into “an effective way to approach implementing the [...] macro-economic policy forming part of the broad economic policy guidelines as pursued by the Member States” (European Council, 1999: 4), as was foreseen in the conclusions of the Cologne European Council.

It is in this context that the question of economic and social governance that was wrongly assumed to be solved re-emerged.<sup>6</sup> One of the six subgroups created within the Convention for the Future of Europe has to deal with the economic governance question.

The return of right-wing governments to power is parallel with the re-emergence of a very liberal Ecofin discourse on the labour market. In fact, this discourse was always present, and was hidden amidst the EEG.<sup>7</sup>

In this light, it is interesting to note that the Ministers of Finance have recently challenged the records of the EES. According to a note of the Spanish Presidency, “**other aspects** pivotal to Luxembourg objectives have seen uneven progress. These are:

- The reform of social protection systems to eliminate disincentives to labour supply and demand.
- Support to active ageing, by removing incentives to early retirement and providing new incentives for people opting for later retirement.
- Wage formation systems, which must allow a rational link between wages and company productivity, while enlarging the overall wage range and taking on board regional differences in labour market conditions.
- Employment protection legislation, to lower the costs of hiring and dismissal and stimulate labour demand.
- Adjustment mechanisms between labour supply and demand, perfecting information and training systems, and improving labour mobility between regions and Member States

At the Barcelona Spring European Council, it was also decided to have a parallel process between the BEPG and the EES, which were up to now dissociated; the EES process took place in the autumn and the BEPG in the spring. Concerning the BEPG they should become pluri-annual with more emphasis on the evaluation of the implementation.

All indicate that ten years after the Maastricht Treaty and five years after the beginning of the employment strategy, all has to be rethink and a more interrelated system should be create in order to cope with the requirements of the new monetary regime. The challenge is that the European Union is now in the Monetary Union and that institutional and substantive solutions must be found in order to obtain an adequate policy-mix for the zone. This concerns the co-

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<sup>6</sup> The question is all the more important in the context of the Convention on the future of Europe, that could lead to non-negligible Treaty modifications.

<sup>7</sup> For example, during the so-called Cologne macroeconomic dialogue process when DG Ecfm and the Central Bank were arguing for structural labour market measures, DG employment and the trade unions replied by highlighting the Luxembourg process as an alternative policy agenda to respond to the structural problems of labour markets.

ordination of budgetary policies and employment policies. It is in this framework that the evaluation of the employment strategy should be situated, which is what we will turn to now.

## **PART II – EES EVALUATION: SOME REFLECTIONS**

Part II is divided into three sections. The first recalls the economic context in which the EES emerged and developed, as well as the way in which the post 11 September disaster could influence the way in which the EES could be structured in the future. The second part presents the Commission's evaluation procedure, as well as paths for detecting how and the degree to which the EES process affects the Member States' employment policies. The third section will illustrate the state-of-affairs for active labour market policies.

### **1. Economic factors**

Before going into further analyses of the content of the EES, it is important to highlight the circumstances under which the EES+5 evaluation is taking place, the post September 11 crisis. Let us recall that the employment question was tabled at European level in a period of low growth, high public deficit and unemployment (1993-1997). The EES process was operationalised in a period of return of economic growth (see table 1 in annex), a significant decrease in budget deficit (table 3 in annex) and in the unemployment rate across the EU-15 (see table 2 in annex) that also coincided with the selection of 11 Member States to participate in the euro-zone. This meant that the Member States could no longer use qualification to the EMU as a pretext to make reforms in the social arena. Moreover, for many member states the budget deficit was transformed into a budget surplus, creating more room for manoeuvre (Fajertag and Pochet, 2000). It should be stressed that this budgetary recovery was uneven among the Member States.

Most of the national + 5EES evaluations have highlighted the importance of economic growth for a healthy employment situation. These include Belgium, Finland, France, The Netherlands, Germany and so on. In the Finnish Evaluation of the EES, it has been noted that between 1998 and 2000, there was a 10% increase in employment. The principal explanatory factors are "rapid economic growth and the macro-economic policy that supported it were both important background factors in this improvement." (p. 42) Hence the policy attitude whereby the Lisbon strategy is characterised as taking account of the changes in the economic environment, and about "making sure that the European social model has a sound financial base" (Lipponen, 2001). The French evaluation has highlighted that French employment policy relies on strong economic growth, which is in turn supported by a policy to stimulate innovation, to encourage new activities and to create enterprises and above all, appropriate macro-economic dialogue (National Evaluation of the EES: France, 2002: 30). The Dutch and the Belgian evaluations have underlined that active employment policies, taken single-handedly, have little impact, and that these policies should be integrated into an overall macro-economic policy favouring growth and competitiveness. As indicated by Visser (2002) "...the (scarce) existing national evidence, combined with international research results, leads us to the conclusion that the improvement of the macro labour market performance is primarily the result of the positive development in the economic environment." He also pointed out that "We do now know how these measures would work in a less beneficial environment". The Irish evaluation indicates that "there should be a greater focus on the demand side of labour market". As many authors have highlighted (Pochet, 1999; Visser, 2002; Scharpf, 2002), the EES is clearly a supply-side approach, fully compatible with the EMU requirements and the internal market as well as the dominant economic approach. The first lesson from the national evaluation is that demand side policies matter. After a long

period without dealing directly with the growth question, this topic is once again on the table in the wake of the 11 September crisis, which is particularly fragile<sup>8</sup>.

## **2. Evaluation framework and paths towards an objective perspective of the effectiveness of the EES**

This section will briefly cast the picture of what the official evaluation framework looks like, as well as propose some paths that could lead to an objective perspective of the effectiveness of the EES.

The EU evaluation of the EES looks at ten different issues. Efficiency was at the centre stage of the evaluation, while decision-making mechanisms were a peripheral issue, on which there was only one question. Altogether, ten topics have been subject to evaluation:

1. Prevention and policies of activation to employment
2. Tax reforms and benefits
3. Lifelong learning
4. Social inclusion
5. Administrative simplification and the self-employed
6. Creation of jobs in services, at local level and in the social economy
7. Taxation
8. Modernising work organisation
9. Equal opportunities
10. Changes in policy-making.

The first nine areas could provide the bare bones of future guidelines. Furthermore, it is often stated that the European Council decisions are taken into consideration when adapting the guidelines every year. The Informal Social Affairs Council of 19 January 2002 reached a consensus on the need for “a simplification of the process (...), particularly by reducing the number of employment guidelines”. Further, “there needs to be closer co-ordination of all the strategies launched in the social sphere, making the process more agile, enhancing its simplification and preventing duplication”. This position is supported by most Member States as the NAPs that they have to submit on a yearly basis represent an increasingly heavy workload. They also call for a longer-term perspective in order to be able to detect any effects of national policy changes taken in the framework of the EES.

Initially, the evaluation process was a highly confidential one, and the much-needed debate about the advantages and disadvantages of the method, its success and failure, followed no common methodology. One might have thought that, in order to gain a more impartial perspective, each country could have combined its national research teams (who know the lie of the land) with a non-national research team (to afford a Community approach). This would have been more logical for a process which boasts exchanges of experience and good practice (Pochet, 2002). The Member States and the Commission have now decided to post the results of the national evaluations on the web. The transversal analyses by the Commission, by theme, will also be rendered public. The spill-over effect of publicising the results of the evaluation is the reflection process that will be initiated by various networks which will feed into the re-structuring of the EES.

In our book (de la Porte and Pochet, 2002b) the hypothesis we proposed was that the EES would have the strongest impact, if taken seriously, for Welfare state regimes that are far from the implicit model prescribed by the EES. This is the case of the Corporatist and the Southern regimes, which could be supported by the fact that these countries receive (many)

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<sup>8</sup> Interestingly, the European Commission made a first-ever update to its traditional autumn employment report following the 11 September crisis, notably highlighting the link between economic growth and a healthy employment situation.

more recommendations than the Scandinavian and Anglo-Saxon ones. Do the national evaluations confirm this hypothesis?

In order to sketch the contours of the evaluation, two dimensions need to be taken into account. Firstly the temporal variable (when change occurs) and secondly the intensity variable (how strong the change seems to be).

#### **a) Temporal variable**

Concerning the time variable, we have envisaged four scenarios:

1. The national policy line coincides with the European one, but existed prior to the European prescriptions. There is no causal link from the European to the national level. Nevertheless, the existence of a European guideline can reinforce a national policy. The research question is the extent to which national interests have influenced the policy line that was later formulated at European level.
2. The national policy coincides with the European one. Nevertheless, the change in national policies and measures occurred after the creation of the European policy line and prescriptions. The research question is the extent to which the European policy had an effect nationally.
3. The national policy coincides with the European one. The formation of the national and European policies occurred quasi-simultaneously. The research question consists of identifying the direction of the influence, as well as its degree of influence. In this case, the reciprocal influences are particularly difficult to identify and attempts to do it would be in vain.
4. The national policy line does not coincide with the European policy line. In this framework, the European level has not been influential, at least until now. The research question consists of identifying the circumstances under which the European policy line could influence the national policy line.

Most of the national analyses seek to disentangle the possible effects of the EES taking into account the national social and employment history. It is of interest to note that all the evaluations, to different degrees, indicate that the EES was in line with the policy line that was followed by the Member States prior to EES (scenario 1). The United Kingdom, Denmark, Sweden and Finland highlight almost total compatibility. The Danish evaluation, for example, underlines that "As Danish employment policies also before 1998 were very much in line with what became the objectives of the employment strategy the implementation of the Strategy has not led to a significant shift in Danish policies" (National Evaluation of the EES: Denmark, 2002: 6). For Sweden "The general view among the Ministry and agency officials and the representatives for the social partners is that the European Employment Strategy has not influenced Sweden's policy to any significant extent and that the strategy is relatively unheard of outside the group of people directly involved" (National Evaluation of the EES: Sweden, 2002: 70). Other countries (Spain, Italy) insist on the EES re-enforcing pre-existing tendencies, without dominating the national policy approach.

That said, a proximity between the pre-existing national policies and the EES process does not exclude an impact of the EES.

Some countries highlight the pressure that the EES has put in specific policy areas. Finland has notably reported an impact in the area of equal opportunities: "...equality policy has been made more transparent. The various sectors of government now take this consideration into account more systematically... Finland would not have given it such emphasis without the EES" (Ministry of Labour, 2002: 38). Finland also reports that, in the framework of the 1999 Finnish programme to stabilise the economy, one important measure was the decision to raise the employment rate, which is not only consistent with, but was "partly influenced by the

Strategy (Ministry of Labour, 2002: 41-42). The Swedish report recognises that the EES had reopened channels of communication between social partners.

On the other hand, according to the Italian report, the Strategy has not allowed for a greater labour market flexibility and labour market conditions (North/South division) or for a re-enforcement of the performance of public employment services.

A positive evaluation of a better co-ordination within the Labour Ministry and with other Ministries (Finance, Education, etc) is pointed out in most national assessments. The Belgian case indicates that the preparation of the NAP has had the effect of improving co-ordination between the actors at different levels, and a representative from the Ministry of the Budget and Finance has also been included in the preparatory process (Pochet, 2002). In the Finnish case, co-operation between sectors of the administration at the level of the central government has been improved in specific thematic areas - fighting unemployment through activation policies and preventing discrimination on the labour market – as a result of the EES. The Portuguese evaluation underlines that progress has been made even “in traditional difficult areas, such as a closer relationship with fiscal and economic policies”. Greek case underlined the organisational influence of the EES where the national assessment underlines: “The launch of the Luxembourg process by the Jobs Summit of November 1997 changed radically the framework for employment policy design and implementation in Greece. The need for change has been enhanced by the process requirements to identify measures, quantify targets and record performance of the employment policy on an annual basis. »

#### **b) The intensity of change**

Most of the evaluation present “some” evidence of change due to the EES; to measure the degree of change is crucial. As Jane Lewis points out “It is difficult to find ways of describing what has happened that capture the degree of change that has taken place, and generalisation has proved impossible. But as political scientists involved more generally in seeking explanations for policy change have pointed out, there are different levels of change, which may also be of hierarchical importance”.

Concerning the intensity, we suggest to use the three levels of change, based on learning, proposed by P. Hall (1993): “we can define social learning as a deliberate attempt to adjust the goals or techniques of policy in response to past experience and new information (...). The learning process may take different forms, depending on the kinds of changes in policy that are involved. That is to say, the concept of social learning should be desegregated. In order to do so, we can think of policymaking as a process that usually involves three central variables: the overarching goals that guide policy in a particular field, the techniques or policy instruments used to attain those goals, and the precise settings of these instruments” (Hall, 1993: 278).

This approach was used in the Dutch national assessment and gave the following results:

- 1) First-order learning: there have indeed been made minor adjustments in policy instruments. This is a continuous process, not exclusively in response to the employment guidelines. Such processes would occur anyway, also without the EES.
- 2) Second-order learning: there has been modest application of new policy techniques: the comprehensive approach has come to the top of the agenda (with clearer new responsibilities and tasks of involved parties) and a new form of monitoring was applied. There may come initiatives in life-long learning.
- 3) Third-order learning: the EES did not contribute to a shift in the hierarchy of goals and instruments to guide policy. The attention to increasing participation and activation of the labour market policy in the Netherlands originated already from the early 1990s, and preceded the EES.

Further analyses are required to see what degree of change, in terms of learning, has taken place. For such analyses, we can draw on the growing body of literature (Palier, 2002; Bonvin, 2002; Lewis, 2002; Visser, 2002; Serrano, 2002) on the nature of change (in relation or not with the EES) linked to the new activation paradigm. In the French case, many authors (Barbier, Palier among others) refer to the change of “reference point” (notably inspired by the work of Muller and Surel, 1998). As an example of this type of change, we can indicate the shift from a focus on the unemployment rate to the employment rate as the principal objective of employment policies.

A certain consensus has emerged on the generalisation of reference points for activation as a central concept of employment policies (Serrano, 2002), while the implementation of the broad range of measures under this heading vary considerably, depending very much on different welfare state traditions.

A global vision of the many interactions and the plurality of actors and networks is taking form (Kobler, 2002). On the one hand, as illustrated in the first part of this article, the Commission and the Presidency of Luxembourg adopted the ideas on employment policy that were dominant at the time as the common European framework with which to address these issues. They were supply-side policies that were different from classical neo-liberal recipes (with the exception of the cost of labour and taxation). Activation and then life-long learning fit into the knowledge society mould. However, the real efficiency and equity of these measures was never really discussed. Moreover, the story of the EES, and its +5 evaluation seems to indicate that the policies of the Member States before the EES were in line with the EES. In terms of intensity, most of the changes made nationally are what can be qualified as “first order learning”, with minor adjustments in policy instruments that would have occurred in any case, independently of the EES. “Second order learning”, principally consisting of re-integrating and re-enforcing a selected policy measure, occurred for selected parts of the EES, which varied from country to country.

The implementation is differentiated according to Member State and target group. National institutions and interests have oriented the interpretations of European policies that are made nationally, according to specific political agendas and circumstances. The influence of the European Employment Strategy has been more significant for the countries where there was a lower degree of consensus on active labour market policies. For some time, that efficiency of activation measures was occulted by the discourse on the “need” to fit employment policies into a one-size fits all European framework. The progressive element of the on-going evaluation is that by the means of reflexivity, in which different networks of players contribute to the analyses and reflections on the restructuration of the EES, it questions the efficiency of the conventional wisdom that can be seen as the under-pinning of the EES.

### **3. Active Labour Market Policies**

We will now turn to the effectiveness of ALMP, at the core of the EES. As we have shown in part 1, section 1, the choice of objectives resulted much more from political horse-trading than from a rational or scientific analysis of tried-and-tested employment measures. That is how employability came to the fore. This corresponded moreover to a general tendency among the Member States’ governments to praise active measures and to move towards an “active welfare state”, to use the Belgian term. Careful analysis of the measures adopted does however reveal a wide variation from one country to another (Barbier, 2002; Bonvin, 2002). This is also in keeping with the discourse of the OECD in praise of active measures (OECD, 1994). The Commission has used this quasi conventional wisdom to boost the employability in the EES, in fact making it the central pillar of the strategy. The aim here is not to detail the results of this policy. However, we would like to point out that different analyses of the OECD at the time showed fairly convincing evidence of the relatively negligible effects in terms of employment and indicated what type of programme appeared to

have more of a positive impact in terms of net job creation. As indicated by Visser, "the EES has embraced the discourse of activating social and labour market policy, whereas the OECD is more reserved about the cost effectiveness of many active labour market policies" (Martin, 2000; Martin and Grubb, 2001).

As we have illustrated, one objective of the Commission was to create a legitimacy for the Union to enter this policy field (which was formerly the OECD's ground). Moreover, the creation of a "social" discourse on employment was to counter-balance that of the Ministers of Finance and the European Central Bank. The economically oriented players support a policy on decreasing labour costs, the decentralisation of collective bargaining, the reduction of the activity of the welfare state (Verdun, 1996; Dufresne, 2001).

The evaluation is in this respect a test to verify the efficiency of the measures adopted, which could affect the conventional wisdom around the activation principle. A first observation is that on this question the Commission has prepared two reports. The first by DG ECFIN, first drafted by the EPC, presents a series of numerical tables and mixed considerations. The headings in the summary note emanating from the economically oriented players are revealing and render lengthy comment unnecessary: "micro economic evaluations: (only) some ALMP programmes improve participant's employment or income prospects". "Macro economic evaluations: no clear-cut results on the functioning of the labour market – at least in the short term". "Longer term effects of ALMPs might be more promising".<sup>9</sup>

Without fundamentally questioning this approach, the tone of DGEMPL is more positive. Here we can see the same dynamic as the one that has been identified in the area of pensions, where the social and economic actors struggle to impose their vision through the presentation of reports (de la Porte and Pochet, 2002c). DG ECFIN bases many of its analyses on recent work of the OECD, which has developed a recognised comprehensive expertise on national economic and employment trends. The data is used to validate their slightly sceptical vision. DG EMPL, on the other hand, seeks to produce a more positive discourse, but does not have the same comprehensive data on which to base its analysis, which explains why it uses the tables of the DG ECFIN document.

It emerges from the DG ECFIN document that the evaluations (of net effects) are rarely available. "So far, only a few MSs provide some information on the outcome of ALMPs that could give some indication of the effectiveness of the various programmes and ensure an efficient use of public spending. In the 2001 NAPs, only three MSs (DK, FIN and S) provided information about the participant's labour market status three or six months after participation in a program" (European Commission, 2002). The Member States have presented the results of their evaluations without common or agreed methodology, so that strictly speaking the results cannot be compared. However, the DG ECFIN summary table provides some interesting information. The results may be slightly or markedly different depending whether one looks at subsidised jobs or assistance for job-seekers (see table 1 below on the differences in national evaluation techniques). The evaluations also imply that some programmes are more efficient than others.

We can conclude that the lack of a comparable evaluation of policies is a problem that can be generalised (**see the transversal evaluations by the Commission, based on ten themes**).

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<sup>9</sup> It should be noted that the evaluation process also opened the debate on the effects of the life-long learning strategy. This clearly indicates that the challenges have not been met. The problems cited are inequity in take-up of education and training opportunities, increasing polarisation impacting negatively on social inclusion, continuing problem of school drop-out, rising skill gaps, stagnation of public investment levels. These conclusions are not new but, if taken seriously, should lead to some re-structuring of the objectives.

**Table 1: ALMPs – Training and Qualification**

Country	Evaluation method	Assessment in the country study
B	Descriptive only	Limited evidence on positive impact on job opportunities
DK	Descriptive (summary report)	Mostly used for young unemployed persons; an obligation primarily to vocational education, and secondly, to labour market training is linked to entitlement to benefits. Very positive results.
D	a) integration quota b) multivariate regression	a) 76 % of participants in Western D, and 56% in Eastern D no longer unemployed 6 months after a qualification measure. b) No significant effect on unemployment.
E	Quasi experiment adjusted for selection bias	Small positive effect (probability of finding a job increases by 2.3%); and the cost is high.
NL	Quasi experiment adjusted for selection bias, and review of international literature.	No significant positive effect, and high costs. Performance particularly bad for youth and low-skilled. Better results if programmes are of a small scale and targeted at women re-entering the labour market or immigrants with good educational background from their country of origin.
A	Quasi experiment, not adjusted for selection bias	Significant positive effect. Strongest for those unemployed for less than 12 months and women. Contributes to easing skills shortages.
P	Output indicator, flow into long-term unemployment	Activation programmes for young unemployed increase the employability of the target group, but the result is very sensitive to the business cycle.
FIN	Descriptive	In general, not effective. No detailed reporting.
S	Literature survey (mostly quasi-experiments adjusted for selection bias)	No positive, or even negative, effects in the 1990s. Explanations: low labour demand following recession, incentive to participate in order to regain eligibility for benefits; increased scale of programmes reduced their effectiveness. Outcome may be more positive 2-3 years after the measure than immediately after the measure.

Not available: EL, F, IRL, LUX, UK

**Note:** “quasi experiment” refers to an evaluation where the employment (or income) situation for a group of ALMP participants is compared ex post with the situation for a group of non participants. “Adjusted for selection bias” refers to an evaluation taking into account differences in unobserved characteristics between the ALMP participants and the control group.

**Source:** Evaluation studies from (some of) the Member States as reported to the European Commission in the first quarter of 2002, contributing to the impact evaluation of the European Employment Strategy.

The problem of this evaluation is, like other comparable wide-scale evaluations, that of the net effect of the EES. One of the results worth highlighting is that some measures seem to be more efficient than others. The next step to take would be to analyse which activation policies and measures work and how and those that do not work. This is contrary to a more global and strategic vision that has been put forward by the Member States, that want more liberty in defining the contours of their national action plans, in order for them to have more overall strategic political impact nationally.

The second observation we would make is that expenditure on active policies has not increased over the past five years (see table 4 below). On the other hand, as unemployment has fallen, active spending as a proportion of overall expenditure has risen from 33 to 40 percent. Yet if we compare these figures with those for 1989 (when the economic cycle more or less corresponded with that of 2000), we note a certain stability here too. Having said that, there are large variations from one country to another. Spain for example increased considerably the percentage devoted to active expenditure, yet without that changing anything as a % of GDP. There can be no doubt that what attracts most attention is stability of active spending as a % of GDP, whatever the economic circumstances.

**Table 2: Spending on Unemployment and on ALMPs 1985-2000**

	Total spending (% of GDP)				Spending on ALMPs (% of GDP)				Spending on ALMPs (% of total spending)			
	-85	-89	-93	-00	-85	-89	-93	-00	-85	-89	-93	-00
Belgium	4.7	3.9	4.2	3.7	1.3	1.3	1.2	1.3	28	32	29	34
Denmark	5.4	5.5	7.1	4.5	1.1	1.1	1.7	1.5	21	21	25	34
Germany	2.2	2.3	4.1	3.1	0.8	1.0	1.6	1.2	36	46	39	40
Greece	0.5	0.8	0.7	0.8	0.2	0.4	0.3	0.4	33	48	43	43
Spain	3.1	3.0	3.8	2.2	0.3	0.9	0.5	0.9	11	28	13	40
France	3.0	2.6	3.3	3.2	0.7	0.7	1.2	1.3	22	28	38	41
Ireland	4.9	4.0	4.2	3.2	1.5	1.4	1.4	1.5	30	34	34	48
Italy	na	na	2.5	na	na	na	1.4	na	na	na	54	na
Luxembourg	1.4	0.9	0.8	0.9	0.5	0.3	0.2	0.3	35	31	21	30
Netherlands	4.6	3.9	4.3	3.7	1.2	1.3	1.5	1.6	27	34	35	43
Austria	1.2	1.2	1.7	1.6	0.3	0.3	0.3	0.5	23	23	18	31
Portugal	0.7	0.7	1.7	1.7	0.3	0.5	0.8	0.8	47	67	48	49
Finland	2.2	2.1	6.6	3.3	0.9	1.0	1.7	1.1	41	46	26	33
Sweden	3.0	2.2	5.7	2.7	2.1	1.5	2.9	1.4	71	71	52	51
United Kingdom	2.9	1.6	2.2	0.8	0.8	0.7	0.6	0.3	26	44	26	40
<i>EU15 (unweighted average)</i>	2.8	2.5	3.5	2.5	0.9	0.9	1.1	1.0	32	39	33	40
<b>EU15 (weighted average)</b>	<b>2.8</b>	<b>2.4</b>	<b>3.4</b>	<b>2.6</b>	<b>0.8</b>	<b>0.9</b>	<b>1.2</b>	<b>1.0</b>	<b>29</b>	<b>39</b>	<b>36</b>	<b>40</b>

**Note:** The OECD's Labour Market Program (LMP) database includes public outlays for unemployment. However, it does not include general macro-economic policies, such as a general payroll-tax reduction. It distinguishes between passive spending (i.e. unemployment benefit + early retirement schemes for labour market reasons) and active spending.

**Source:** Martin and Grubb (2001) and own calculations.

This table illustrates the gap between a discourse on activation and how the money is actually spent. The real change could be in the specific activation measures and programmes on which the money for activation is spent. These include, for example, subsidies for employment, improvement for national employment services, training programmes. There appears to be a move away from employment subsidies, that dominated during the 1980s, towards training.

### **Conclusion: Reframing the EES in the context of economic policies**

Different stakes face the European Employment Strategy. The first is internal and concerns its re-drawing between poles that are partially contradictory.

As stated in the French evaluation: "One of the stakes of the future strategy will be to surmount these contradictions: respect national diversity while allowing for policies to converge in the view of the Lisbon objectives, render the plans truly strategic...while taking account of the concrete measures implemented."

In one way, we are in the situation that reigned during the mid-1990s, where the principal question was on the economic and social architecture that was to accompany the Monetary Union. In the economic area, the forms of co-ordination adopted (Stability Pact and Broad Economic Policy Guidelines) proved to be insufficient. The Convention for the Future of Europe is addressing this question. Similarly, in the social domain, the result obtained for the European Employment Strategy is far from the theorisation on new forms of governance on the one hand, and on the other, from the expected results for the creation of employment. Moreover, the economic networks are re-launching the idea that the problem is a structural question requiring an agenda of liberalisation and flexibilisation. Not surprisingly, the revival

of right-wing governments re-enforces this position, that appeared strongly during the Spanish Presidency.

These preliminary analyses suggest that in the European context, the macro-economic dialogue that has been established as the Cologne process should be re-enforced and integrated into the EES. In effect, if growth is the employment creation engine, then different actors should be able to develop an overall strategic policy framework, in which wage policies play an important role (Pochet, 2002b).

And the EES should be articulated together with economic policies, hence the importance of actually integrating the BEPG and the EEG.

The over-arching objective set for the Union at Lisbon, however, recognised the inter-linkage between different policies, notably growth, employment creation and social cohesion. Moreover, an attempt has been made, through the creation of the Spring Council on economic and social questions, to lace together these issues. However, the actors, despite the institutional prerogatives, still each seek to jealously guard their own policy expertise and not to perceive them in a wider framework (Dehousse, 2002). We thus conclude on the paradoxal note that a successful employment policy depends above all and should be integrated into the overall economic policy, which was the main message of Larsson's 1996 note on why and how to tackle employment policy in a European framework.

The most striking result is that of the unexpected effects. The national evaluations, in spite of the gaps in the methodology, have allowed for a widening of the number of specialists with in-depth knowledge of the European stakes and the inter-relation between the national and European debates. The strategy of the Commission is to re-enforce its legitimacy on the basis of "scientific" analyses, illustrative of a stronger interaction between the academic and the political spheres. Indeed, a wide range of actors are now involved in the process of analysing the EES, which feeds into the evaluation and re-structuration process.

If the measures and the strategy as a whole have proved not to be so effective, but are leading to more open debates and the move towards more scientifically grounded evaluations, then the analyses, that concentrate on the learning that takes place in the framework of the EES, could at least be partially confirmed. Could more be learned from the strategy's weaknesses and failures than from its partial success? This is a crucial question for the future of the "new governance" debate.

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## ANNEX

**Table 1: Gross domestic product, volume  
(percentage change on preceding year, 1961-2003)**

	<b>1991-95</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>IV-2002</b>
B	1.4	3.6	2.2	3.0	4.0	1.0
DK	2.0	3.0	2.5	2.3	3.0	0.9
D	2.0	1.4	2.0	1.8	3.0	0.6
EL	1.2	3.6	3.4	3.6	4.1	4.1
E	1.5	4.0	4.3	4.1	4.1	2.8
F	1.1	1.9	3.4	2.9	3.1	2.0
IRL	4.7	10.8	8.6	10.8	11.5	6.8
I	1.3	2.0	1.8	1.6	2.9	1.8
L	3.9	9.0	5.8	6.0	7.5	5.1
NL	2.1	3.8	4.3	3.7	3.5	1.1
A	2.0	1.6	3.5	2.8	3.0	1.0
P	1.7	3.9	4.5	3.4	3.4	1.8
FIN	-0.7	6.3	5.3	4.1	5.6	0.7
S	0.6	2.1	3.6	4.5	3.6	1.2
UK	1.8	3.4	3.0	2.1	3.0	2.2
EU-15	1.6	2.6	2.9	2.6	3.3	1.7
Euro area	1.5	2.4	2.9	2.7	3.4	1.6
USA	2.4	4.5	4.3	4.1	4.2	1.2
JAP	1.4	1.8	-1.1	0.7	2.4	-0.5

**Table 2: Number of unemployed  
(as a percentage of civilian labour force, 1964-2003) <sup>1</sup>**

	<b>5 year 1991-95</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>IV-2002</b>
<b>B</b>	8.3	9.2	9.3	8.6	6.9	6.6
<b>DK</b>	8.1	5.2	4.9	4.8	4.4	4.3
<b>D</b>	6.6	9.9	9.3	8.6	7.9	7.9
<b>EL</b>	8.3	9.8	10.9	11.6	10.9	10.2
<b>E</b>	20.7	20.6	18.6	15.7	14.0	13.0
<b>F</b>	10.7	11.8	11.4	10.7	9.3	8.6
<b>IRL</b>	14.5	9.9	7.5	5.6	4.2	3.8
<b>I</b>	10.0	11.6	11.7	11.2	10.4	9.5
<b>L</b>	2.5	2.7	2.7	2.4	2.4	2.4
<b>NL</b>	6.1	4.9	3.8	3.2	2.8	2.4
<b>A</b>	3.6	4.4	4.5	3.9	3.7	3.6
<b>P</b>	5.7	6.8	5.1	4.5	4.1	4.1
<b>FIN</b>	13.3	12.7	11.4	10.2	9.8	9.1
<b>S</b>	7.2	9.9	8.3	7.2	5.9	5.1
<b>UK</b>	9.3	6.9	6.2	5.9	5.4	5.1
<b>EU-15</b>	9.7	10.4	9.8	9.0	8.1	7.6
<b>Euro area</b>	9.9	11.3	10.7	9.8	8.8	8.3
<b>USA</b>	6.6	4.9	4.5	4.2	4.0	4.8
<b>JAP</b>	2.6	3.4	4.1	4.7	4.7	5.1

<sup>1</sup> Series following Eurostat definition, based on the labour force survey.

**Table 3: Net lending (+) or not borrowing (-), general government  
(as a percentage of GDP, 1970-2003)<sup>1</sup>**

	<b>1991-95</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>IV-2002</b>
<b>B</b>	-5.9	-2.0	-0.8	-0.6	0.1	0.2
<b>DK<sup>2</sup></b>	-2.4	0.4	1.1	3.1	2.5	3.1
<b>D</b>	-3.1	-2.7	-2.2	-1.6	1.2	-2.7
<b>EL</b>	-11.5	-4.7	-2.4	-1.7	-0.8	0.1
<b>E</b>	-5.6	-3.2	-2.6	-1.1	-0.3	0.0
<b>F</b>	-4.5	-3.0	-2.7	-1.6	-1.3	-1.4
<b>IRL</b>	-2.1	1.2	2.3	2.3	4.5	1.7
<b>I</b>	-9.1	-2.7	-2.8	-1.8	-0.5	-1.4
<b>L</b>	1.9	2.8	3.2	3.8	5.8	5.0
<b>NL</b>	-3.5	-1.1	-0.8	0.4	2.2	0.2
<b>A</b>	-3.8	-2.0	-2.4	-2.2	-1.5	0.1
<b>P</b>	-5.0	-2.6	-2.3	-2.2	-1.5	-2.7
<b>FIN</b>	-5.0	-1.5	1.3	1.9	7.0	4.9
<b>S</b>	-7.6	-1.6	1.9	1.5	3.7	4.8
<b>UK</b>	-5.7	-2.2	0.4	1.1	4.1	0.9
<b>EU-15</b>	-5.1	-2.5	-1.6	-0.7	1.1	-0.6
<b>Euro area</b>	-5.0	-2.6	-2.2	-1.3	0.2	-1.3
<b>USA</b>	4.5	-1.0	0.3	0.9	1.7	0.5
<b>JAP</b>	-0.8	-3.7	-10.7	-7.0	-7.4	-6.9

1. ESA 79 up to 1994, ESA 95 from 1995 onwards. The net lending (borrowing) includes in 2000-2002 one-off proceeds relative to UMTS licenses. The UMTS amounts as a % of GDP in 2000 would be equal to D: 2.5, E: 0.1, L: 1.2, NL: 0.7, A: 0.4, P: 0.3, UK: 2.4, EU-15: 1.2 and euro area: 1.1. For 2001: B: 0.2, DK: 0.2, EL: 0.5, E: 0.1, F: 0.1, EU-15: 0 and euro area: 0 For 2002: E: 0.1, F: 0.1, IRL: 0.2, EU-15: 0 and euro area: 0.

For 2001 the retroactive change to the "special pension contribution" is not included.