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Reform of the European Employment Strategy after Five Years: A Change of Course or Merely of Presentation?

ABSTRACT ■ This article starts with a brief review of the European Employment Strategy (EES) and a general evaluation of its scope and limitations, then provides an assessment of the five-year review conducted by the European Commission. It examines the new form that has been given to the EES for the 2003 exercise, on the basis of the conclusions drawn from the five-year review. It argues that this change involves more than mere presentation, but fails to address the inherent limitations of the EES as currently constituted. Lastly, the article compares the employment guidelines with the original proposals made by the Commission, and draws conclusions regarding the balance of interests and forces in the policy-making process.

Introduction

In a previous study, the present author pointed to the weakness of the European Employment Strategy (EES) launched in 1997. Although the late 1990s had seen considerable employment growth, prompting some commentators to speculate on a substantial and positive role for employment policy in Europe, ‘the imminent end of the boom in the US, rising interest rates in the US and Europe, the adjustments required by global trade imbalances and inappropriate fiscal policies pose a threat to its sustainability’ (Watt, 2000). This prognosis has been proved correct: once again European policy failed to shield the economy from external shocks and has locked it into a low-growth trajectory. Although there have been some recent changes in the macro-economic policy regime, which that study identified as the prime cause of Europe’s long-standing labour market crisis — it is increasingly apparent that the European Commission (EC) is politically unable to impose a strict reading of the Stability and Growth Pact (SGP) on policy-makers, at least in the larger countries — the debate in Europe increasingly focuses on neo-liberal recipes of welfare-state cuts and the removal of so-called labour market rigidities.

The year 2002 saw a major review of the first five years of operation of the EES, or Luxembourg process. This article begins with a brief review of the EES and a general evaluation of its scope and limitations, and summarizes the five-year review conducted by the EC. It then examines the new form that has been given to the EES for the 2003 exercise, on the basis of the conclusions drawn from the five-year review, and attempts to determine whether this marks a useful change of course or merely one of presentation. Lastly, the article compares the employment guidelines with the original Commission proposals, and draws conclusions from this regarding the balance of interests and forces in the policy-making process.

The EES: A Brief Overview and Evaluation

The EES was launched in 1997 at a special 'Jobs Summit' of EU heads of state and government in Luxembourg, following the Amsterdam Summit earlier that year which included a new Employment Title in the revised Treaty. This stipulated that employment was a matter of 'common concern' to the member states, and laid the basis for an EU role in co-ordinating member states' labour market policies. The Treaty emphasized from the start that EU guidelines on labour market policy had to be consistent with the overall coordination of economic strategy via the so-called Broad Economic Policy Guidelines (BEPGs). The coordination method adopted under the EES in some ways reflected that of the BEPGs: the EU set employment policy guidelines (EGLs), while leaving policy design and implementation to the national level. This method subsequently received the title 'open method of coordination' at the Lisbon Summit in 2000. How has it worked in the employment policy field?

The Luxembourg process is an iterative one based on an annual cycle (see Figure 1). Until the recent revisions, the Commission drew up a set of some 20 guidelines for national labour market policy, on the basis of consultations with both European and national-level actors; these were subsequently endorsed by the European Council (heads of state and government) and adopted by the Council of Labour Ministers. These guidelines were divided into four pillars (employability, entrepreneurship, adaptability, and gender equality), chosen to reflect the four main perceived weaknesses of European labour markets: the skills gap (mismatch between the capacities of the unemployed and employer requirements); the job creation gap (bureaucratic or tax-related barriers to establishing new businesses); the adjustment gap (restrictive contractual arrangements that prevent firms expanding employment opportunities); and the gender gap (employment rates are particularly low

FIGURE 1. The European Employment Strategy Cycle, 1997–2002



Source: ETUI.

among women, though also among the young and the elderly) (Larsson, 1998).

On the basis of the EGLs, the member states draw up National Action Plans for employment (NAPs). These are not plans in the usual sense; they report recent and present policies to implement the guidelines, for instance, what proportion of the long-term unemployed are receiving training or how much the government is spending on childcare facilities. These are analysed by the Commission, which since 2000 has made national recommendations in an ‘Employment Package’, along with proposals for a new set of overall guidelines for the following year, which are then endorsed by the European Council and formally adopted by the Council (of labour ministers). Thus the cycle recommences.

In practice, the changes made to the EGLs until 2003 were fairly minor. In 2001, six ‘horizontal objectives’ were added, the most important of which was explicit reference to the overall EU employment rate targets agreed at the 2000 Lisbon Summit: 70 percent for the labour force as a whole by 2010, 60 percent for women, and 50 percent for older workers (55–65). While the Commission and Council (and in particular its Employment Committee (EMCO)) are the main actors at European level, the social partners are involved in consultations in drawing up the EGLs and assisting with the evaluation. The European Parliament (EP) also gives an opinion. Trade unions have also been involved, to varying

degrees, at national level, both in helping to draw up the NAPs and reporting on their activities. European Trade Union Confederation (ETUC) surveys suggest that national affiliates feel inadequately consulted by governments, but that there has been a progressive improvement as the annual exercises have proceeded.

Opinions on the nature and value of the EES differ considerably (see, for instance, the publications by Foden, Goetschy, Jacobsson, Keller and Serrano listed in the references and Watt, 2000). In part, this reflects the familiar question: 'is the glass half-full or half-empty?' (Keller, 2000). Much depends on the baseline chosen. At the *procedural level*, institutional heterogeneity and a clear member-state prerogative in sensitive areas, such as the welfare state, have always meant that an intrusive European employment strategy based on a single blueprint would almost certainly be a non-starter politically. While some have criticized the lack of binding sanctions under the EES (in marked contrast to the Maastricht convergence criteria for EMU), most commentators accept this as inevitable if the employment issue is to be placed on the European political agenda. Some, indeed, stress the value of 'soft' coordination methods (benchmarking, peer-group pressure, the bringing together of different policy actors, and the role of policy learning), which might be undermined if governments were subject to 'excessive' pressure. As noted above, the sanctions specified in the SGP have proved impossible to enforce in practice. Indirect support for the view that, at the very least, the 'open method of coordination' (OMC) is the best currently feasible approach comes from the fact that the same method has since been applied to other areas, notably, social inclusion policies, pensions, and health.

There are, however, grounds for scepticism. One doubt concerns the lack of clear spill-overs between countries in the field of labour market policy and difficulties of transposing 'best practice', even if this can be unambiguously identified. A study by Jacobsson and Schmid (2002) could not identify institutional 'pathways' that would indicate that the EES is actively affecting national decision-making, while my own analysis of the Hartz proposals for labour market reform in Germany could find little evidence that this reflected the European strategy (Watt, 2003). There were few explicit references to the EES and these did not point to a detailed reflection on the implications of the European initiatives, while, conversely, some measures, notably on early retirement, would appear to be in contradiction to them. Overall, it seems clear that knowledge of the EES remains largely limited to rather restricted policy-making circles in Brussels and in national civil services.

Another question mark relates to linkages between the EES and other coordination processes, and also to the Structural Funds. There has been repeated criticism that the EGLs and the BEPGs overlap substantively, but are generated by different and uncoordinated processes, and thus

produce incoherent policy recommendations. Similarly, there are inadequate links between the EES and the European Social Fund, which is charged with helping to finance employment-related measures.

At the *substantive level*, the EES is quite clearly not an encompassing strategy to achieve full employment, which would have required an explicit commitment, in particular, by macro-economic policy-makers (the European Central Bank and national fiscal authorities) to work towards that aim. Monetary policy by the famously independent European Central Bank (ECB) is geared towards price stability; fiscal policy is constrained by the SGP so as not to interfere with monetary policy. The title of the EES should by rights be the 'European strategy for the coordination of national labour market policies'. At the very least, this limits from the outset its scope and reach; commentators in the Keynesian tradition claim that the EES has reinforced the assumption that the problems *on* the labour market are essentially problems *of* the labour market (Schettkat, 2001) — and, indeed, of the individual unemployed themselves (Serrano Pascual, 2003a). This diverts attention from the real cause: a persistent failure to manage demand and actors' expectations in such a way as to permit and sustain full employment.

Conversely, the limited scope arguably means that the EES can only be fairly judged in terms of its effectiveness in diffusing effective labour market strategies. Adopting this latter yardstick, commentators have noted the emphasis on activation: avoiding 'financing joblessness' and, rather, offering the unemployed active support (training, mobility allowances, and childcare) to enter work, coupled with greater obligations on the unemployed to accept such offers, including loss of benefit for those refusing. There is also a rhetorical commitment to 'prevention', or taking steps to avoid people becoming unemployed in the first place. Here the record is more mixed. Governments have been encouraged to prevent the unemployed sliding into long-term unemployment, but the EES has done little to stimulate workplace intervention to avoid redundancies.

By the late 1990s, activation and prevention were considered state-of-the-art approaches in labour market policy (Schmid et al., 1996). In these terms, the EES could be interpreted as an attempt to diffuse such practices from countries where they had a long tradition (such as Sweden). Clearly, the EES can take some of the credit for the fact that 'active' labour market policies have increasingly been adopted in countries where they were previously unknown or infrequently used. For instance, the use of early retirement as an adjustment measure has been on the decline. Ultimately, of course, it is not possible to determine with any accuracy to what extent such a policy shift can be ascribed to a political strategy such as the EES. Arguably, in terms of immediate labour market outcomes, this is in any case irrelevant. It is the policies themselves that count.

The inherent ambiguity of concepts such as employability and activation (Serrano Pascual, 2003a, 2003b) meant that governments could subsume under them 'neo-liberal' measures such as benefit withdrawal ('sticks') and active 'progressive' measures, such as mobility allowances ('carrots'). Like so much in the Strategy, such ambiguity can itself be seen as both a strength and a weakness of this mode of governance: it is less constraining, but more flexible. Thus even the conceptual ambiguity of the Strategy must be considered ambiguous in its impact! Certainly, the EES has helped to change the predominant language used to 'talk about' labour market policy in Europe.

The priority of the EES is to raise employment rather than simply cutting (registered) unemployment. On the one hand, this could be viewed as a positive shift of emphasis, taking account of the risks (not least to the sustainability of the welfare state) posed by policies such as early retirement and the misuse of disability schemes. It discourages governments from manipulating the unemployment statistics and takes greater account of the findings of academic research which show that there is a spectrum of degrees of attachment to the labour market and innumerable transitions between different labour market statuses, rather than a simple dichotomy between the employed and the unemployed (compare the contributions in Schmid and Gazier, 2002). On the other hand, there is a risk of creating permanent downward pressure on wages and working conditions by forcing increasingly marginal groups onto the labour market, reflecting the ideology (more prominent in the Organization for Economic Cooperation and Development's (OECD) Jobs Strategy¹) that 'any job is better than idleness'. Many of the so-called 'inactives' (an ideological term if ever there was one) are performing valuable social activities such as childcare, or otherwise have a very limited capacity for paid employment (at least in the absence of substantial and expensive support measures such as technical alterations to workplaces). Once again, there is an inescapable ambiguity about the EES that cannot be resolved by studying the EGLs themselves. What is decisive is what happens on the ground, in the member states. Yet this compounds the already difficult task of tracing causal links from the EES to actual policy-making.

This section has sought a balanced appraisal of the scope and also the limitations of the EES. To summarize, the following should be noted.

1. The EES is procedurally innovative: it is probably the most stringent form of EU-level influence on national policies in this field that is politically feasible under current conditions. Substantively, it is rather limited, attempting to balance competing objectives and interests, with sufficient ambiguity to act as a 'cover' for a wide range of policies. However, its employment impact can be expected to be dwarfed by

- macro-economic shocks and the success, or otherwise, of macro-policy in coping with these.
2. Within these constraints, the raising of political pressure on national governments, the promotion of policy learning, and the diffusion of good practices could help to make the European labour market more flexible and efficient. This could reduce the rate of unemployment below which inflation starts to rise (the Non-Accelerating Inflation Rate of Unemployment or NAIRU); this would make higher employment *possible*.
 3. Actual success in reducing unemployment and increasing employment is therefore conditional on the EES being complemented by growth- and employment-oriented economic policies. In particular, monetary policy must abandon a rigid a priori view on the sustainable rate of economic growth or NAIRU, and be prepared to 'test the water' by setting monetary conditions so that demand steadily expands, while keeping inflationary expectations within 'reasonable' limits.²

The Five-Year Review of the EES

In 2002, the European Commission conducted an evaluation of the EES. Although certainly well aware of the academic debate on the EES that informed the analysis above, its evaluation was formally an internal one, although based on national reports. The institutes responsible for the national evaluations were chosen by member states, and the quality of their reports varied considerably. The Commission did not subject these reports to outside evaluation, although all were made public on the Commission website.

The Commission's synthesis of the results of the evaluation and the policy conclusions it drew from this exercise were published in two Commission Communications (EC, 2002a, 2002b). Overall, the EES was judged a success in terms of both labour market outcomes (reference is made to 10 million jobs being created in Europe between 1997 and 2002) and policy-making: 'there have been significant changes in national employment policies with a clear convergence towards the common EU objectives set out in the EES policy guidelines'. Challenges remained, however, in demographic trends, bottlenecks, regional differences, restructuring, globalization, and enlargement. In addition, it was noted, albeit fleetingly, that EU unemployment and the number of long-term unemployed remained high.

In response, the Commission identified four priority reform needs: to set clear objectives, to simplify the guidelines, to improve execution of the strategy by involving actors more closely, and to ensure greater consistency with other EU processes, especially the BEPGs. These are

certainly worthy aims. The extent to which they have been adequately reflected in the changes to the strategy implemented in the 2003 cycle is examined below. But first, a number of weaknesses in the Commission's appraisal must be noted.

First, there was some complacency regarding the still high level of unemployment. The cyclical upswing at the end of the decade had indeed led to substantial job creation in Europe, and the Commission seemed to envisage a continuing fall in unemployment. Yet even then, unemployment had only been brought down to the same level as in 1990. Unemployment is now rising again as the downturn persists, while employment rates stagnate. Moreover, much of the Commission's emphasis on the 'structural' improvements in European labour markets was misplaced or confused. The fall in NAIRU, hailed as evidence of such improvements (see also EC, 2002c), merely reflects the fact that this variable (which is 'calculated' by economists according to varying methods and assumptions) tends to fall when unemployment falls. In fact, this concept is at best a useful abstraction and at worst an extremely costly obstacle in the way of rational policy-making.

Similarly, there is some confusion about the 'job content of growth', the rise in which is welcomed, and 'productivity', which should also be increased. Yet the one is essentially the obverse of the other: that the job content of growth in the last upswing was higher than in earlier cycles merely reflected the low rate of productivity growth achieved in Europe. This may be a good or a bad thing (this question has been a source of debate), but it is certainly wrong to imply that the EES can raise *both* job content *and* productivity at the same time.

The Commission evaluation points to some progress in bringing more actors into the process, with a more active role for the social partners in preparing the NAPs. (This is confirmed by survey research conducted by the ETUC among its affiliates.) The Commission again called on national unions and employers to embark on their own assessment and implementation processes (horizontal objective D and guideline 13), especially in the area of 'adaptability', but the ETUC has consistently argued that unions simply do not have the resources or competences to perform this task. A lack of knowledge about the EES beyond expert circles, noted above, is explicitly recognized by the Commission as a problem.

The policy conclusions drawn by the Commission in its second Communication were that the EES needed to be focused more clearly on implementation rather than procedure, implying the need for more stability in the guidelines and a greater focus on reviewing the NAPs against the background of more explicit targets and country-specific recommendations, involving the use of more robust data calling for greater harmonization of definitions. Steps needed to be taken to raise awareness of the EES and improve its visibility, notably, by tying in the

social partners more closely. Lastly, coherence between the various policy processes, and especially the BEPGs, needed to be improved.

The New Form of the EES from 2003

Overall, the ‘retuning’ proposals made by the Commission seem a constructive response to the identified weaknesses of the EES, but fail to address some of the more fundamental concerns indicated earlier. As the proof of the pudding is always in the eating, we turn to the first annual exercise in which the outcomes of this evaluation are supposed to have been reflected. The discussion is divided into two sections: the new structure of the guidelines and the new ‘streamlined’ relationship between the EES and the BEPGs.

New Structure of the Guidelines

The 2003 Guidelines were proposed by the Commission in April, endorsed politically by the Council in June, and the final version was adopted in July. The old pillar structure together with the horizontal objectives have been scrapped; instead, the EGLs take the form of ‘Ten Commandments’ (see Table 1). They are preceded by three ‘overarching and interrelated objectives’ (full employment, quality and productivity at work, and social cohesion and inclusion) and followed by procedural stipulations on involving the EP and the social partners and on financing. It is emphasized that gender issues are to be mainstreamed across all the guidelines. The importance of involving all actors, of taking account of gender issues, and of a focus on unemployment and inactivity, not just employment, is emphasized at the outset.

Substantively, the three objectives, together with the procedural points at the end, primarily reiterate the former horizontal objectives. They have the political value of emphasizing the need for both quantitative *and qualitative* employment goals and the objective of preserving, rather than dismantling, Europe’s welfare systems.

Replacing the four named pillars and the 18 numbered guidelines by ten named ‘commandments’ seems a step forward in presentational terms. Each EGL now reflects a concrete goal of public policy (‘promote active ageing, combat discrimination, and so on) rather than being structured around abstract concepts such as employability. The main policy issues are less ‘scattered’ across pillars and guidelines than before. In practical terms, this makes it easier to find the appropriate EGL for each policy issue and to structure policy reporting, especially the NAPs, accordingly.

Looking at the content of the new EGLs in turn, the following

TABLE 1. The Ten Commandments of 2003

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1. Active and preventive measures for the unemployed and inactive
 2. Job creation and entrepreneurship
 3. Address change and promote adaptability and mobility in the labour market
 4. Promote development of human capital and lifelong learning
 5. Increase labour supply and promote active ageing
 6. Gender equality
 7. Promote the integration of and combat discrimination against people at a disadvantage in the labour market
 8. Make work pay through incentives to enhance work attractiveness
 9. Transform undeclared work into regular employment
 10. Address regional employment disparities
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comparison can be made with the 2002 version under the old structure:

1. Guideline 1 takes up many of the issues of the old employability pillar, but adds a new quantified target: to ensure that, by 2010, 25 percent of the long-term unemployed participate in active measures (see Table 2). It also stresses the importance of regular evaluation of labour market policy.
2. Similarly, Guideline 2 picks up those elements of the entrepreneurship pillar relating to the regulatory burden on enterprises.
3. Guideline 3 is notable in that the strong references in the old adaptability pillar to the responsibilities of the social partners have been watered down. The new emphasis is on the improvement of working conditions and preventing accidents at work.
4. The scattered references to the importance of training and lifelong learning (LLL) under the old pillar system have been grouped under the new Guideline 4. More importantly, specific, quantitative targets have been set.
5. Guideline 5 also brings together diverse points related to raising the labour supply. Here, the emphasis is on ensuring that working conditions encourage retention in the labour market and on providing support measures. The specific quantitative target agreed at the Barcelona summit of raising the effective retirement age by five years is reaffirmed.
6. The new gender guideline calls for a significant reduction in the gender pay gap, but sets no quantitative target. Although the title of 'gender equality' sounds stronger than the old title of 'equal opportunities', EGL 6 is considerably less detailed than the former fourth pillar. A concrete target has been set for childcare provision, however.
7. A welcome focus on disadvantaged labour market groups is made

- explicit in Guideline 7, calling for ‘significant reductions’ in unemployment gaps for these groups and especially for non-EU nationals. Unfortunately, ‘significant’ has not been quantified.
8. Guideline 8 complements EGL 5: it stresses the financial incentives necessary to ‘make work pay’. While the language is somewhat ambiguous, and the importance of ‘preserving an adequate level of social protection’ is emphasized, there is an explicit call to ‘review replacement rates and benefit duration’, emphasizing the link to ‘effective job search’. This is clearly the Guideline that will be cited by those governments seeking to reduce unemployment by imposing pressure on the unemployed themselves. The one specific, although unquantified, target under this Guideline is, however, for a reduction in the tax burden on labour, especially low-paid workers.
 9. The importance of undeclared work has been stressed in the new guidelines, being explicitly ‘one of ten’, rather than buried in a subsection of former EGL 9: this undoubtedly represents a welcome adjustment of policy priorities to reflect changing circumstances, notably, enlargement.
 10. Similarly, the considerable regional variation in unemployment has been explicitly recognized in Guideline 10 as a distinct problem. Although addressed to the member states, perhaps an opportunity has been missed to make a more explicit link to the structural funds and the European Investment Bank.

The procedural points discussed at the end are interesting, reflecting the perceived need to make the strategy better known among national actors. National parliaments are mentioned, but the new EGLs fail to take up the EP proposal, endorsed by the ETUC, that all NAPs should be approved by national parliaments. This would take them, and thus the strategy as a whole, outside civil servants’ offices and subject them to parliamentary debate and thus media attention. Similarly, the role of the social partners is emphasized, but the ETUC’s call to establish national ‘EES committees’, with social partner representation, is not adopted.

A major disappointment is the emphasis at the end, under the heading ‘adequate financial allocation’, on the need to ‘comply with the need for sound public finances’. On the contrary, it would have been valuable if the EGLs could have stressed the importance of public investment in many areas relating to labour market, education, and social policy, even if this might increase government deficits and thus, under current rules, conflict with the letter of the SGP. In fact, there is no call for ‘adequate’ financing, but rather for transparency and cost-effectiveness. This is particularly worrying in the context of figures showing that member states have failed to spend more on active labour market policies, even when spending on ‘passive’ unemployment benefits has fallen (ETUI, 2003: 19).

TABLE 2. Quantified Targets in the 2003 Guidelines

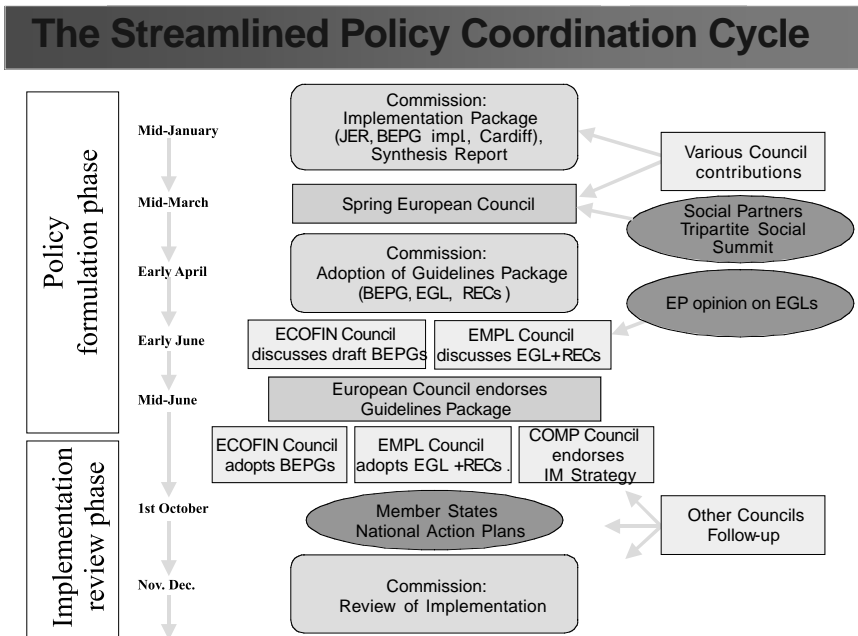
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- Every unemployed person to be offered a new start (job or other employability measure) within 6 months of unemployment in the case of young people and 12 months in the case of adults
 - By 2010, 25 percent of the long-term unemployed to participate in an active measure, with the aim of achieving the average of the three most advanced member states
 - By 2010, at least 85 percent of 22 year olds in the European Union should have completed upper secondary education
 - The European Union average level of participation in life-long learning should be at least 12.5 percent of the adult working-age population (25–64 age group)
 - By 2010, achieve an increase, at EU level, of the effective average exit age from the labour market from 60 to 65
 - Provide childcare by 2010 to at least 90 percent of children between 3 years old and the mandatory school age and at least 33 percent of children under 3 years of age
 - Achieve by 2010 an EU average rate of no more than 10 percent early school leavers
 - All job vacancies advertised by national employment services should be accessible and be able to be consulted by anyone in the EU by 2005
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Overall, it seems that the content of the guidelines has not changed fundamentally. The overall tenor, the need for positive flexibility or ‘flexicurity’ in European labour markets, remains. The presentation is rather clearer and more obviously ‘problem-oriented’. A number of new targets have been included, and some have been given precise quantification, though the initial Commission proposal was much more demanding. This goes some way to make the EES more ‘penetrating’, as it will increase pressure on governments to make progress in this area, or otherwise face ‘peer-group’ pressure in European deliberations and civil-society pressure at home.

New Timing of Coordination Processes

There are two changes in timing and the relationship with other processes. First, the employment and economic policy guidelines will normally remain unchanged over three-year periods, rather than being subject to revision every year, while the annual implementation assessment is retained. Second, the two coordination processes now have the same timetable, which also covers the Cardiff process (product and capital market reform), the Internal Market Strategy, and the nascent open method of coordination processes on pensions and social inclusion

FIGURE 2. The Streamlined Policy Coordination Cycle



(see Figure 2). The new timetable has the effect of making the Spring Summit of the European Council the main annual decision-making forum, setting the course for economic and social policies for the coming year. Each Summit is to be preceded by a tripartite Social Partner Summit.

The aim of the first change is partly to reduce the administrative burden, particularly on the national authorities responsible for drawing up the NAPs, so that they can focus their attention on the *implementation* of the existing EGLs. It is hoped that this will also emphasize the need for medium-term policies, oriented to the longer-term Lisbon targets, and will improve the visibility of the strategy, enabling it to be better communicated to national actors. However, the 2003 restructuring itself can be expected initially to confuse some actors who were getting to grips with the existing structure. The new system has the advantage of maintaining the annual examination of the implementation of the EGLs, which maintains pressure on national governments, while ensuring stability in the benchmarks and objectives themselves.

In the specific case of the BEPGs, however, the changes reinforce an excessively medium-term orientation. The guidelines lack any reference to short-term policy responses to shocks and to adjustments to immediate problems. This is likely to be exacerbated by keeping the BEPGs themselves constant over a three-year period. To avoid a pro-cyclical

effect in recessionary crises, institutional arrangements are required for coordination of the policy mix to permit short-term adjustments to cyclical fluctuations and shocks.

In principle, the streamlining of the processes is a welcome move towards greater economic governance at European level. The existence of parallel processes on different timescales but with considerable substantive overlaps sowed confusion and reduced policy effectiveness. This rather obvious point becomes even more important when the *de facto* 'ranking' of the processes and their content and authorship is considered.

The dream of many advocates of an employment title in the late 1990s, including the trade unions, was that the EES would be a comprehensive micro- *and* macro-level strategy that would place the attainment of full employment at the centre of all relevant policy-making in Europe. Instead, it became simply a labour market strategy, with responsibility for overall coordination of economic policy assigned to the BEPGs. These are the prerogative of DG Economy and Finance together with the Council committees on which finance ministers and their representatives sit; in short, they are firmly in the hands of economic orthodoxy. Moreover, the BEPGs have increasingly intervened in labour market policy, making recommendations often substantively different from those in the EGLs, and circumventing the discussion processes with the social partners and the central role of DG Employment and Social Affairs that had helped to make the employment guidelines comparatively 'progressive' in their orientation.

Having lost the 'war' to put full employment at the centre of overall economic policy-making, it is vital to at least win the 'battle' to ensure that only the EGLs have the authority at European level to shape national labour market policies. It seemed possible that by putting the two processes on the same timetable, the incongruousness of the BEPGs pronouncing on labour market policy would become readily apparent, leading to a reduction of the influence of finance ministers and their allies on labour market policy. Unfortunately, this was not the case in the first annual exercise under the new procedures in 2003; the BEPGs still called for liberal labour market policies and for greater wage flexibility. Hence the recent changes in timing and coherence have not as yet substantially reduced the structural predominance of the BEPGs over the EGLs. This is a cause for great concern, particularly given the failure of the former to address the real coordination needs of the European economy in terms of macro-economic governance.

The Balance of Institutional Power: Lessons of the 2003 Exercise

The earlier analysis of the new EGLs is based on the final version as adopted by the Council of labour and employment ministers on 22 July 2003.³ That text was the result of an intensive process of consultation involving a number of actors, in particular, the Commission, the social partners, the European Parliament, and the Employment Committee.⁴ By comparing the original proposal presented by the Commission⁵ with the final outcome, it is possible to determine the impact of the consultation process on the EGLs. Interviews and discussions with some of the key actors involved make it possible to reconstruct, to some extent, which actors have left their 'fingerprints' on the final text.⁶

The overall effect of the consultation process was to reduce the degree to which the EGLs influence and constrain member states' labour market policy. The most concrete expression of this is the deletion (or weakening) of many of the quantitative targets for national policies. Table 3 lists the quantified targets in the original Commission proposal. Comparison with Table 2 shows that 15 quantitative targets were reduced to eight. In some cases, this is because the target has simply been deleted (for example, elimination of gender gaps in unemployment); in others, the quantitative target has been converted into little more than a declaration of intent, by replacing a specific commitment (such as reducing by half) with a much more general objective ('substantial reduction'). In addition one quantitative target, although retained, has been weakened: 25 percent rather than 30 percent of the long-term unemployed are to benefit from training and other active measures.

Moreover, a number of less specific, but also very important commitments did not survive the consultation process. Perhaps most importantly, the injunction on member states to 'ensure that adequate financial resources are allocated to the implementation of the EGLs' has been removed. Instead, financing is to be merely 'transparent and cost effective'. At the same time, the need to maintain 'sound public finances' has been retained: of course, this can be used to resist calls for increased spending on placement services, training, and so on.

There have also been qualitative changes that serve to alter the 'tone' of the document, with evidence of a shift towards a more punitive and less supportive conception of such Janus-faced concepts as employability. For example, the reference to the need for policy to 'meet individual needs' was dropped, as was the classic 'Third Way' injunction to 'equip people with relevant experience to compete in the labour market'. References to the need for 'stable' jobs and investment in training have been removed. The language on the working poor is weaker. Procedurally, a call for 'close involvement of relevant parliamentary bodies' was also

TABLE 3. Quantified Targets in the Commission Proposal for the 2003 Guidelines

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- Personalized job search plan for all unemployed before the fourth month of unemployment by 2005
 - Work experience or training for all unemployed before the twelfth month of unemployment (before six months for the young and vulnerable) by 2005
 - 30 percent of long-term unemployed in work experience or training by 2010
 - A reduction of 15 percent in the rate of accidents at work and a reduction of 25 percent for high-risk sectors by 2010
 - 80 percent of 25–64 year olds to have at least upper secondary education by 2010
 - Increase the rate of participation of adults in education and training to 15 percent on average in the EU, and to at least 10 percent in every Member State by 2010
 - Increase in investment by companies in the training of adults from the existing level of the equivalent of 2.3 percent of labour costs up to 5 percent of labour costs on average in the EU by 2010
 - An increase in the effective average exit age from the labour market from 60 to 65 years on average in the EU by 2010
 - Elimination of gender gaps in employment and halving of gender pay gaps in each Member State by 2010
 - Childcare places available for 33 percent of 0–3 year olds and 90 percent of those from 3 years to mandatory school age in each Member State by 2010
 - Halving of the school drop-out rate in each Member State and reduction of EU average drop-out rate to 10 percent by 2010
 - Reduction by half in each Member State in the unemployment gaps for people defined as being at a disadvantage in accordance with national definitions by 2010
 - Reduction by half in each Member State in the employment gap between non-EU and EU nationals by 2010
 - All job vacancies advertised by national employment services should be accessible and be able to be consulted by anyone in the EU by 2005
 - National targets to be set for: business training; the reduction of red tape for start-ups; per capita increase of public and private investment in human resources; the tax burden on low-paid workers; and undeclared work
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considerably weakened. Clearly, proponents of a more ‘liberal’ interpretation of the EES have made their influence felt. On the other hand, a fleeting reference to gender equality has been added to the preamble, along with a recognition that EES-inspired policies will contribute to reducing unemployment. This may seem self-evident, but as noted earlier, the EES has accepted the policy reorientation from reducing unemployment to raising employment to such an extent that the reference is welcome.

Quite obviously, representatives of the member states have successfully reduced the extent to which the EES impinges on national policy-making. As with EU decision-making more generally, the initiation right of the Commission is balanced by the need to achieve majorities on the Council and its committees (in this case, the Employment Committee). Initiatives are further constrained by qualified majority voting, with outcomes dependent on the fluctuating coalitions within such committees. It seems obvious that in the employment field, member states retain significant influence over the specific commitments they are prepared to agree. The removal of a target does not necessarily mean that this was the wish of all member states; rather, the weakening of the Commission's draft can be attributed to the demands of sizeable minorities on the labour ministers' Council or EMCO.

Can governments, in this policy area, realistically be 'constrained' to do anything they do not wish to, or can a European employment strategy only work *with* national governments, seeking to support them in finding their own ways to address their employment problems? It seemed that the SGP shows that more binding constraints are possible and can be effective in conditioning national behaviour. But the increasing unpopularity of the SGP and the evident strains it is now under indicate the limitations of this approach. Arguably, there has also been a shift over time. The Maastricht criteria were introduced at a time when national governments seemed more readily prepared to submit to European constraints than today: this has been clearly shown by the limited progress made by the European Convention in furthering integration in substantive policy areas.

A more sophisticated analysis would need to examine closely submissions made by other actors and compared with the outcomes, which goes beyond the scope of this article (though the EP is planning just such an exercise with respect to its own proposed amendments). Some further observations are, however, possible, based on information from actors involved.

The brief references to equal opportunities and to unemployment were included at the behest of the EP. However, it had also proposed a substantial number of redrafts and additions to the Commission's proposal, not least with the aim of increasing the purchase of the EGLs at national level. But employment issues tend to be controversial and the EP report was dogged by party-political conflict and thus also delays, making it difficult to make a decisive contribution at an early enough stage. In particular, this meant that the Commission was unable to present a revised set of EGLs taking account of the EP's views, as it had done in previous years. Nevertheless, the EP reports on the Commission's evaluation exercise did have a considerable influence on the initial proposal presented by the Commission, for instance, regarding the removal of the pillar structure.⁷

The influence of the ETUC was somewhat similar.⁸ The trade unions are regularly consulted by the Commission, which took account of their statements in drawing up its April proposal: in particular, references regarding the role of the social partners were taken on board. Partly for this reason the trade unions broadly welcomed the original proposal and expressed this view to the Commission. Notably, they welcomed the increased use of quantitative targets. However, as we have seen, the final version of the EGLs is considerably different: in particular, many of the targets that attracted trade union support were deleted or watered down during subsequent consultations.

As far as the Commission is concerned, it is important to recognize that it is not a monolithic organization. In particular, there is a constant behind-the-scenes struggle between DG Employment and Social Affairs and DG Economy and Finance.⁹ While the former is responsible for drawing up the EGLs, it has to take account of the latter's views, which tend to regard the labour market as a market 'like any other'. Thus even the initial Commission proposal represents an institutional compromise, and this may explain some of the ambiguities identified above.

Nevertheless, it is the Commission that has the right of initiative. It tries in advance to take on board many of the proposals made by other actors, especially if it is concerned to benefit from their mobilization power and competence in driving the strategy forward. Once it has made its proposals, it seeks to limit the number of changes made, although aware that amendments are inevitable. Overall, in the 2003 exercise the unit responsible at the Commission has expressed satisfaction that, despite the weakening of targets, the main orientations and policy objectives were maintained. As argued earlier, this is a significant, but not major, improvement on previous years. The changes during the consultation process are of interest for what they tell us about the inherent scope and limitations of European policy-making in the employment field — and by implication, more generally.

Conclusion

The 2003 exercise was the first practical application of the conclusions drawn from the five-year review of the EES. The Guidelines have been restructured and the timing of the process brought into line with other coordination processes. How have the changes in the 2003 exercise affected the limitations and strengths of the Strategy as a whole? Do they mark a useful change of course or merely one of presentation?

Given the substantive limitations of the Strategy itself, there are grounds for optimism that the new structure and timing will render the EGLs more visible, more problem-oriented, shifting the focus to moni-

toring their implementation. The streamlining should bolster the EGLs as against the BEPGs, but this has not, in practice, stopped the latter 'straying' onto the territory of the former. It remains unclear whether this will be reflected in national policy priorities. On the substance of the 2003 EGLs, the analysis shows evidence of a desire by the Commission to improve their 'penetration', especially by formulating quantitative targets, even if offset by the success of governments in watering such targets down. Politically, it should be made clear where responsibility for this lies: in national capitals, rather than 'Brussels'. In these terms, the changes go beyond presentation. They are procedural improvements that can be expected to have concrete effects on the implementation of labour market policies, without, however, overcoming the substantial barriers that remain to the coordination of national policies. The commitment to and support for the European Social Model, and thus, among other things, a balance between flexibility and security, has been maintained and possibly strengthened.

In the wider context of employment policy as a whole, however, the changes pale into insignificance compared with the short-term threats to employment posed by both global economic developments and risks, and the inability to reach agreement (most recently on the Convention) on the reforms necessary to endow Europe with a economic governance regime that would promote the output stability and growth that are needed to bring about a sustained rise in employment. The recent monetary-policy reform (Watt and Janssen, 2003) and the pressures now bearing on the SGP are small, but encouraging, steps in the right direction. But only more substantial changes will permit Europe to sustain employment growth for long enough to bring unemployment down to acceptable levels, and only then will the labour market reforms promoted by the EES play their vital role of rendering Europe's labour markets more flexible and efficient, enabling high levels of employment to be maintained without causing inflationary pressures and a restrictive policy response.

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NOTES

- 1 The EES covers similar substantive ground to the OECD Jobs Strategy (launched in 1993), but is procedurally rather different. Its emphasis is clearly on finding ways of raising employment while modernizing welfare

systems so as to defend and render sustainable what can loosely be described as the European social model, while the latter seeks to dismantle just that model as an obstacle to higher employment. For a detailed comparison between the EES and the OECD Jobs Strategy, see Noaksson and Jacobsson (2003).

- 2 Some may question this conclusion given the success of some European countries in reducing unemployment within a (seemingly) common macro-framework. In all cases, though, a demand-side element (a fiscal boost) and/or boost to external demand by exchange-rate depreciation (for example, the UK) or an aggressive wage-moderation policy (for example, The Netherlands) played an important role. Such avenues are available to small, open economies, not to the European economy as a whole (Watt, 2000).
- 3 See http://europa.eu.int/eur-lex/pri/en/oj/dat/2003/l_197/l_19720030805en00130021.pdf.
- 4 EMCO brings together officials of member state labour ministries and two representatives of the Commission.
- 5 See http://europa.eu.int/comm/employment_social/employment_strategy/prop_2003/gl_en.pdf.
- 6 I am grateful to Helene Clark and Peter Schmidt (Commission), Herman Schmid (European Parliament), and Peter Coldrick (ETUC) for information provided. Responsibility for the interpretation lies, however, with the author.
- 7 Personal communication by the EP rapporteur, Herman Schmid.
- 8 Personal communication by (then) ETUC Confederal Secretary, Peter Coldrick.
- 9 There is an interesting parallel here with the interdepartmental conflicts at the OECD (see Noaksson and Jacobsson, 2003).

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