

Enlargement and the European employment strategy: turbulent times ahead?

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The European Employment Strategy (EES) is set to remain centre stage as the EU embraces ten new member states. The evidence regarding the prospects of the accession countries meeting the increasingly explicit targets that the EES has set for the years up to 2010 does not yield a favourable prognosis.

The European Employment Strategy (EES) celebrated its fifth anniversary in November 2002, by which time it was meant to have made a decisive contribution to the achievement of the goals outlined under the employment title of the Amsterdam Treaty. As such, passage of the milestone heralded a review of progress to date and the opening of debate regarding its future. These emphasised the part played by the Strategy in the improved employment performance observed within Europe in recent years and in the convergence of the employment policies of member states during its lifetime. Furthermore, its future role in underpinning the Lisbon agenda in the context of an enlarged Europe was stressed (EC, 2003). The deliberations culminated in the Commission's recent proposal for a Council Decision on a new generation of streamlined employment guidelines (EC, 2003a).

From its inception, the EES was arranged around four central pillars, which housed approximately twenty annually revised guidelines. A series of horizontal objectives cut across the pillars and guidelines in 2001 and 2002. Strictly speaking, the EES is non-binding and historically most of its goals were not elaborated in readily measurable form. Increasingly, however, the Council's annual Decisions on the guidelines have come to emphasise the need for comparable indicators, targets and benchmarking in the assessment of the implementation of its recommendations. Under the proposed revision, the Strategy will be simplified to embrace three overarching objectives that reflect the Lisbon agenda and ten guidelines. The proposals do not, however, represent a radical change in the substance of the EES, although they do suggest a further increase in the use of concrete, verifiable targets.

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The process underpinning the Strategy exposes the labour market policies of member states and their performance to external scrutiny—the so-called open method of co-ordination—and is designed to increase the economic and social benefit to be obtained from the human potential contained within the Union. In particular, the Lisbon European Council summit of March 2000 set member states the goal of making the EU, within ten years, 'the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion' (European Council, 2001). Even with the current membership of 15, the desires of the Council might appear ambitious. In the context of an expanded Union of 25 or more, including a number of post-communist countries whose transitions are far from complete, they appear daunting.

As this paper sets out to demonstrate, the 2004 enlargement will undermine the arithmetic of the EES and confront those charged with its implementation with a breadth and depth of challenges hitherto not experienced. At the same time, while the influence of the Strategy should be reflected in the operation of all of the Structural Funds (EC, 1999), its main financial instrument at Community level is the European Social Fund and this is small. What is more, most awards from the Structural Funds require matched funding and the maximum sum total of all EU contributions from these sources is capped at four per cent of the recipient's GDP (Ingham and Ingham, 2002). However, the ten countries due to accede in May 2004 (AC-10) include eight new members from eastern central Europe (ECE) and the simple average of their *per capita* GDPs is just 47 per cent of the current EU average (Eurostat, 2002). The two other entrants are Cyprus, which raises a complex web of additional problems (Nugent, 2000), and the tiny state of Malta.

Given that a massive injection of new funding is not envisaged, enlargement will reduce the funds available to existing member states in their pursuit of the goals of the Strategy and for their responses to the annual Employment Report on their progress and policies produced jointly by the Commission and Council. The impact of this will be felt most keenly in the current cohesion countries (Greece, Ireland, Portugal and Spain), which tend to lag most other members on all economic and social indicators.¹ Nowhere, however, are the requirements of the EES satisfied in their entirety.

The next section of the paper outlines the structure of the EES as it has operated to date. This is followed by a brief description of the changes proposed by the Commission in April 2003. The major body of the work is composed of an examination of the comparative performance of the labour markets of the EU-15 and AC-10 in respect of some of the goals of the EES that lend themselves to measurement. This exercise feeds naturally into an assessment of the impact of enlargement on the likely attainment of the associated targets of the Strategy. In particular, following a brief examination of overall living standards, attention focuses upon the aspirations of the EES that relate to employment rates and flexible working, unemployment, education and training and the embrace of the knowledge-based economy.² As the Strategy calls for gender equality to be mainstreamed in the implementation of the guidelines, the work includes discussion of the prevailing inequalities between the sexes wherever possible. The final section summarises the paper and considers the prospects for the future.

The EES: horizontal objectives and pillars

It became evident in the face of the oil price shocks of the 1970s and 1980s, the currency upheavals of the 1990s and the relentless pace of globalisation and technical change throughout this era that the economies of Europe were unable to create suffi-

¹ Ireland is the exception, having achieved remarkable progress on many scores, and is likely to be removed from the group.

² An extended version of this paper includes an analysis of *per capita* income differences and patterns of regional inequality (Ingham and Ingham, 2003).

cient jobs for all who wanted them (EC, 1999a). The price and currency movements were prime examples of macroeconomic shocks and the favoured response within much of the EU was to strive for greater convergence and policy co-ordination, leading ultimately to Economic and Monetary Union (EMU). Globalisation and technical change highlighted the inflexibility that underscored the inability of the European economies to handle labour market transformations, which EMU would inevitably test yet further. Building on the foundations laid in the Delors' White Paper on growth, competitiveness and employment (EC, 1993), the EES came to represent the response to these challenges.

The Amsterdam Treaty defined the EES formally, although it was actually launched with immediate effect by the extraordinary Jobs Summit held in Luxembourg shortly after the Amsterdam Council in 1997. To date, it has been organised around four, largely unchanged, central pillars: to improve employability, to develop entrepreneurship and job creation, to encourage the adaptability of businesses and their employees and, finally, to strengthen equal opportunities for women and men.³ In order to achieve the goals set at Lisbon, a series of cross-cutting horizontal objectives were introduced, six in number for 2002, which also contained 'targets', as described in the following sub-section. This is followed by a slightly more detailed account of the ambitions set out under the four pillars in the form of guidelines.⁴

Six horizontal objectives

Although somewhat arbitrary, the first three horizontal objectives could be identified with particular targets and the last three with the mechanics of the EES and they are grouped accordingly here. The first sought to enhance job opportunities and provide appropriate incentives for the take-up of work in order to achieve the goal of full employment. More concretely, it set the overall European targets of a total employment rate of 67 per cent (57 per cent for women) by January 2005 and, by 2010, a total employment rate of 70 per cent (60 per cent) and an employment rate of those aged 55 to 64 of 50 per cent. The second aimed to promote social cohesion and social progress and enhance competitiveness, productivity and the functioning of the labour market. This was to be combined with, or perhaps achieved by, improvements in the quality of work. Although more nebulous than the first objective, it highlighted the roles that could be played by *inter alia* gender equality, flexibility, lifelong learning, and access to the labour market. The third focused upon the need for lifelong learning strategies in order that a competitive, knowledge-based economy and society might be realised, with workers able to acquire and update the skills needed to withstand economic and social change throughout their life cycle. Of most interest here is the exhortation for states to set and monitor targets for increasing participation in further education and training.

The fourth objective referred to the need to strengthen the commitment to and implementation of the EES by the social partners at all levels. Exploration of these issues calls for extensive casework and will not be discussed further, although the emphasis placed upon the need for monitoring the impact of actions taken in pursuit of the goals of the guidelines is noted. The fifth called upon member states to prepare national action plans in accordance with the precepts of the EES, while paying due regard to regional disparities and gender mainstreaming. Finally, the sixth objective demanded the use of indicators, supported by statistical databases, for the purposes of benchmarking and monitoring national policy impacts.

³ The original equal opportunities pillar did not refer to any specific groups, but came to reflect the impetus to adopt a 'gender mainstreaming' approach following the 1998 European Councils in Cardiff and Vienna. The second pillar referred initially only to developing entrepreneurship, with the subsequent change reflecting the decision taken at Lisbon and endorsed at Nice later the same year to strive explicitly for full employment.

⁴ The remaining discussion in this section is based on EC (2002).

Four pillars

The first of the pillars focused on improving employability and encompassed seven guidelines. While employability is an imprecise notion, which must at least be viewed in the context of the prevailing technology, levels of demand and supply and the wage rates and mobility patterns that should in theory equate them, the guidelines nevertheless identified target groups. These ranged from the long-term unemployed, youths without work, the inactive, older workers and disadvantaged groups in general. The policies considered necessary to improve their labour market positions were equally wide-ranging and spanned active interventions, benefit, tax and training system reforms, flexible working arrangements and e-learning for all.

The second pillar consisted of five guidelines directed towards developing entrepreneurship and promoting job creation. In broad outline, these recognised the contribution that small and medium-sized enterprises make to growth, job creation and training opportunities for young people, the untapped potential latent in the new service sector (both environmental and knowledge based) and the role to be played by investment in human resources. These variables were to be influenced by a reduction of the administrative burdens imposed upon those setting up a business or attempting to hire new staff, reductions in the burdens imposed on small businesses by tax and benefit regimes, the promotion of education for entrepreneurship and the provision of targeted support services and regional and local action for employment. In the context of enlargement, it is important to note that such action was to be undertaken without jeopardising public finances or the long-term sustainability of social security systems, while, at the same time, combating undeclared work.

The third pillar focused on encouraging the adaptability of businesses and their employees in order to ensure an improved level and quality of employment. Its three guidelines sought to achieve this from more flexible working arrangements, whether through the application of technology or the introduction of non-standard working time schedules, an appropriate regulatory framework and an expansion of workers' lifelong learning opportunities, including the chance to acquire information society literacy. However, it also demanded that attempts to achieve adaptability should strike a necessary balance between flexibility and job security.

The final pillar looked to strengthen equal opportunities policies for women and men. While it was composed of three guidelines in its own right, the declared objective was also to be mainstreamed across the three other pillars of the Strategy, which called for gender impact assessments and the development of indicators to measure progress towards equality in relation to each of their guidelines. Particular aims outlined under the fourth pillar itself included reductions in unemployment rate gaps, a balanced representation of women and men in all sectors and occupations and at all levels and positive steps to promote equal pay for equal work or work of equal value. There was also a demand for policies aiming to reconcile work and family life, through means such as flexible working, career breaks, parental leave and care for dependents, and that ease the return to the paid workforce after a period of absence.

The proposed revision

From the outset, the EES was to be a central component of EU policy and one demanding that the employment impact of actions in all areas, Community or national, be taken into account (EC, 1999a: 7). The Commission's recent proposal is a little less forthright in this regard, although it seeks to strengthen the Strategy's operation through simplification, greater stability and enhanced co-ordination with other policies, in particular the Broad Economic Policy Guidelines (EC, 2003a). Its suggestions will see the horizontal objectives, pillars and guidelines structure of the EES replaced by three overarching objectives and a reduced number of guidelines. However, observers of the Strategy will uncover little that is truly radical in the document.

In order to reflect the Lisbon agenda, the Commission suggests that the guidelines should foster three complementary and mutually supportive objectives. The first is

that of full employment, with a renewed commitment to the employment rate targets set at Lisbon and Stockholm. The second focuses upon quality and productivity at work and reflects the Lisbon call for more and better jobs. Finally, the third objective seeks cohesion and an inclusive labour market, which serves as a clear reminder that the EES lies at the heart of the European Social Model.

The Commission proposes that the 18 guidelines for 2002 be reduced in future years to ten, although the simplification retains most of the original content and adds little. The recommendations are that the guidelines should be:

- Active and preventative measures for the unemployed and inactive
- Job creation and entrepreneurship
- Address change and promote adaptability and mobility in the labour market
- Promote development of human capital and lifelong learning
- Increase labour supply and promote active ageing
- Gender equality
- Promote the integration of and combat the discrimination against people at a disadvantage in the labour market
- Make work pay through incentives to enhance work attractiveness
- Transform undeclared work into regular employment
- Address regional employment disparities

(EC, 2003a)

The call for gender equality to be mainstreamed across all areas of action remains. However, remarkably little reference to the forthcoming enlargement is to be found in the proposal.

The instruments through which the aims of the Strategy are to be achieved and the means by which it is to be delivered and governed are likewise familiar. In particular, there is heavy emphasis on the role and involvement of the social partners and 'all relevant actors' (*ibid.*). Nevertheless, the text of the document has a more quantitative orientation than past Council Decisions on the annual guidelines. Indeed, one might question how the call from the Brussels Council of March 2003 for the guidelines to be 'results orientated' and the Commission's earlier claim that

Effectiveness also calls for more *result-oriented* guidelines, leading to less emphasis on methods used, and better definition of results to be achieved. This should be based, where possible, on appropriate quantitative targets. (EC, 2003: 6, italics in original)

actually squares with the stated desire to secure the active involvement of civil society.

Some impacts of enlargement

The EES is but one more device aimed at the target of economic and social cohesion, articulated as a formal objective for the first time by the Single European Act of 1986. Cohesion is an expression of solidarity between the member states and regions of the EU seeking balanced and sustainable development, a reduction of structural disparities and the promotion of equal opportunities for all. The forthcoming enlargement will render that task all the more difficult. Average GDP *per capita* in 2001 for nine of the AC-10 countries was only 45 per cent of the EU-15 figure when calculated in purchasing power standards (PPS), with the figures for individual countries ranging from 80 per cent in Cyprus to 33 per cent in Lithuania.⁵ Slovenia was the most advantaged of the countries from ECE with a figure of 69 per cent, followed by the Czech Republic at 57 per cent (Eurostat, 2002). Data for Malta was unavailable at the time of writing, although it is likely to have exceeded the average given above, as its equivalent figure for each of the years 1997–1999 was 55 per cent (*ibid.*). Greece and Portugal were the poorest current member states, with GDPs *per capita* in PPS of 68.1 and 73, respectively,

⁵ All figures for Cyprus relate only to the Greek sector of the island. Reunification would lead to a totally different—and less developed—picture.

while Luxembourg was by far the richest with a figure of 197.4, with Denmark next at 118.7 (Eurostat, 2002a).

Economic and social cohesion is a slippery concept (Begg and Mayes, 1993), but most would take it to imply at least some degree of convergence. Data from Eurostat (2002, 2002a) and Bartholdy (1995) show that all of the AC-10 have posted growth rates in real GDP far in excess of those recorded by the EU-15 at some point in the last decade. In the case of the candidates from ECE, however, these have typically followed episodes of double-digit decline and at least some of the impressive performance has therefore been merely recovering lost ground. Also, there is some suggestion that growth rates in all of the candidate countries have now slowed, in part because of the need to ensure continued compliance with the EU's stability pact in the run-up to entry and as the simple gains from liberalisation dry up. Furthermore, with the exception of Latvia and Lithuania in 2001, none of the candidates exhibited growth rates in excess of those recorded by Ireland (Eurostat, 2002b), the EU's most rapidly expanding member, in any of the years 1995–2001. Cyprus apart, for which the figures are in any case misleading, it will take at least one generation and, under some scenarios rather longer, for any of the new entrants to attain average EU living standards; furthermore, the pursuit of economic and social cohesion between regions will take at least one step backwards (Ingham and Ingham, 2003).

Employment rates

Employment rates depend upon the demand and supply of labour, both of which are in turn influenced by the prevailing policy regime. Also, while growth in both the EU and the accession countries has in general been positive in recent years, it has not necessarily outstripped rates of advance in productivity. On the supply side, the population of the EU is ageing and the proportion over the age of 65 is currently increasing. While the AC-10 exhibit declining populations, they have a younger age structure and their entry will initially slow the rate of ageing of the EU population. Nevertheless, the total population of working age (15–64) is expected to peak around the year 2010 in both blocs of countries (Eurostat, 2001). In consequence, labour supply in the enlarged Union will be increasing during the period over which employment rate targets have been set in the EES.

Against this not totally favourable background, the EU has been making slow but steady progress towards its employment rate targets over recent years. Nevertheless, they appear to be ambitious, even without enlargement, if the current economic slowdown persists. With the admission of the ten new members, however, they would appear to be unattainable. Thus, as shown in Table 1, while some of the AC-10 have very healthy total employment rates, Hungary, Poland and Slovakia, which collectively account for over 70 per cent of the working age group within the accession countries, decidedly do not. Furthermore, the Commission's Regular Reports for the year 2002 show that only the employment rates in Cyprus and Hungary have been on an upward trend over the past five years, while those in the Czech Republic, Estonia, Lithuania and Poland have fallen by 3.5–5 percentage points.⁶ The picture with regard to females is perhaps slightly more optimistic: their employment rate is generally above that in the EU-15, with stability evident in most accession countries since 1996. Once again though Hungary and Poland have very low rates and, in the case of the latter, the trend in female employment has been negative.

Table 1 also reveals that the employment rate of older workers in most of the incoming states falls well below the level obtaining in the EU-15, with the exceptions being found in extremely small countries. Systematic, comparable time-series evidence on the employment rates of older workers is hard to come by, but the Joint Assessment Papers produced by the candidate countries and the Commission analysing the key

⁶ The Regular Reports chart the progress of each applicant country towards accession. They are available at <http://europa.eu.int/comm/enlargement/docs/index.htm>.

Table 1: Employment rates 2001 (%)

	Total 15–64	Total Female 15–64	Total 55–64
Cyprus	67.9	56.5	49.8
Czech Republic	65.0	57.0	36.9
Estonia	61.1	56.9	48.6
Hungary	56.3	49.6	23.7
Latvia	58.9	56.1	36.4
Lithuania	58.6	57.4	39.1
Malta	54.2	31.6	n.a.
Poland	53.8	48.4	30.5
Slovak Republic	56.7	51.8	22.5
Slovenia	63.6	58.6	23.4
EU-15	63.9	54.8	38.2

Source: Eurostat (2002c), except Malta, which is taken from EC (2002a).

challenges for employment policies make it clear that labour market restructuring remains incomplete in the eight transition economies about to enter into membership (EC, 2003b). To the extent that older workers with insider power have so far resisted change in unreformed sectors of those economies, future progress could, of itself, render the unemployment rate statistics even less favourable. This is but one example of how striving to meet some EES targets (employment rates) may conflict with efficient solutions that promote others (competitiveness), at least in the short-term. The situation in Poland merits special mention in this regard. Older workers there are heavily concentrated in the largely archaic agricultural sector and this must be reformed, with attendant large-scale job losses, if unbearable strains are not to be placed on either the pursuit of cohesion between the regions of the new Europe or Poland's obligations under the stability pact (Ingham and Ingham, 2002).

Although not the object of any specific target, the employment rate of older women aged 55–64 was 28.6 per cent across the whole of the EU in 2001, some ten percentage points below the combined figure for males and females in that cohort. The differential was of this order in most member states except for Greece and Spain, where the gap was much larger, and Finland, France and Sweden, where it was much lower. The position in the majority of the accession countries was broadly similar, although the employment rate of older Cypriot women was over 17 per cent below the all-sex average. In addition, the fact that only ten per cent of older women in Slovakia were in employment is of some significance in the context of the overall target set for female employment by the EES.

Of course, it would be possible to argue the case for a two-speed Europe in terms of meeting the employment rate targets set by the Strategy, with the arithmetic only being applied to existing member states. However, this would ignore the fact that enlargement was almost a foregone conclusion by the time that the goals were made explicit at Lisbon and Stockholm in 2000 and 2001, respectively. It also fails to recognise that the entrance of new members could result in migratory flows that might worsen the statistical position of existing member states by increasing their workforces, but not necessarily their demand for labour. This though is contentious territory, with numerous estimates of the likely impacts to be found in the literature (e.g. EC, 2001). However, all of them rest on a number of assumptions that may or may not be justified in the context of what will be the largest expansion yet to relatively low-income countries. In the longer term, even those who foresee the most pessimistic outcomes must acknowledge, as the revised Strategy will, the fact that the EU-15 labour force will start to decline, with the possible onset of labour shortage. Nevertheless, the EES targets refer to a period during which the labour force will still be increasing. Furthermore, it is widely anticipated that any migration will be spatially concentrated.

Table 2: *Non-standard working 2001 (%)*

	Part-Time	Limited Duration Contract	Self Employment
Cyprus	8.3	10.6	23.9
Czech Republic	5.0	8.1	15.3
Estonia	7.4	2.8	7.5
Hungary	3.5	7.5	14.6
Latvia	10.0	7.1	15.2
Lithuania	8.7	6.5	19.3
Malta	n.a.	n.a.	n.a.
Poland	10.2	11.9	28.0
Slovak Republic	2.4	5.0	8.6
Slovenia	6.1	13.1	17.1
CC-9	7.8	9.4	21.1
EU-15	18.0	13.4	15.7

Source: Eurostat (2002c).

Flexible working

Flexible working appeared explicitly under three of the old pillars of the EES and implicitly was perhaps central to that focusing on entrepreneurship and job creation. The concept of flexibility has many dimensions and the examination here is fairly crude, looking simply at part-time employment, limited duration contracts and self-employment. None of these are agreed unanimously to be either good or bad examples of flexible working practices and none serve as adequate delimiters for attempts to compartmentalise the labour market into primary and secondary segments (McGregor and Sproull, 1991). However, before exploring the detail, it is to be noted that the reported working time of full-time employees in the accession countries exceed the EU-15 average of 40.1 hours by more than five per cent only in Latvia (43.5), although they do not fall below it in any of them (Eurostat, 2002b).⁷

As reported in Table 2 (above), part-time employment rates in the incoming states lie far below those observed in the EU, which might be regarded as an unhelpful characteristic of the market for groups such as the young, old and female workers. Furthermore, well over half of those working fewer than 30 hours per week in Poland, which both exhibits a relatively large part-time workforce and carries a heavy weighting in the overall figures, were to be found in just two sectors, agriculture and education, in 2001 (GUS, 2002). Within the EU, the rate of part-time employment amongst women in 2001 was 33.8 per cent or over five times that of males. Although there was considerable variation across countries, only in Finland and Portugal was the ratio below three (2.2 and 2.5, respectively) (Eurostat, 2002d). The corresponding relativities in the accession countries, while present, were not nearly so marked, with that in the Czech Republic (4.1) being the only one to exceed three. Taken in conjunction with the data provided earlier, there is therefore some evidence of a positive correlation between the female employment rate and the availability of part-time work.

Table 2 shows that employment on the basis of limited duration contracts is also less prevalent in the AC-10. This is perhaps surprising in an era of ongoing restructuring when not only should there be many new opportunities for enterprises to exploit, but also considerable risks associated with so doing. Furthermore, with the

⁷ Comparable data for Malta was not available.

Table 3: Employment Structures (%)

	Agriculture		Services	
	1997	2001	1997	2001
Cyprus	9.2	4.9	66.4	71.1
Czech Republic	5.8	4.6	52.6	54.6
Estonia	9.9	7.1	56.7	58.7
Hungary	7.8	6.1	59.0	59.4
Latvia	20.6	15.1	52.6	59.6
Lithuania	20.7	16.5	50.9	56.3
Malta	1.7	2.2	66.9	66.0
Poland	20.5	19.2	47.6	50.1
Slovakia	9.2	6.3	51.5	56.7
Slovenia	12.1	9.9	47.4	51.4
EU-15	5.0	4.2	65.3	67.1

Sources: Regular Reports 2002, Eurostat (1998), Eurostat (2002d).

exception of Cyprus, women are no more likely to be temporary employees than men, which contrasts with the situation in each of the EU member states, although the differences even there are nowhere near as great as in the case of part-time working (*ibid.*). Enlargement will, on the other hand, increase the prevalence of self-employment within the EU. However, its significance in the new entrants is not to be taken as an unequivocal indication of the existence of the entrepreneurship that the EES seeks to promote. In particular, almost 60 per cent of the self-employed in Poland work in agriculture (GUS, 2002). Although not itself an explicit guideline of the EES, the preamble to the fourth Pillar exhorted member states 'to give particular attention to obstacles which hinder women who wish to set up new businesses or become self-employed, with a view to their removal' (EC, 2002). The admission of the ten new members will not dilute the picture that prevails currently within the EU, with only Poland having broadly equal female and male self-employment rates (GUS, *op. cit.*) and, in this case, the caveat regarding agricultural activity must be re-emphasised.

The EES places a good deal of emphasis upon the modernisation of economic activity and the need to further exploit the opportunities offered by the new service sector. As shown in Table 3, the significance of agricultural employment fell in the EU between 1997 and 2001, as it did in each individual member state. Only Portugal among the countries with large agrarian sectors recorded an insignificant decline (13.3 per cent to 12.9 per cent) and farm based employment in the latter year ranged from 16 per cent in Greece to 1.4 per cent in Belgium and the UK. Service sector employment, on the other hand, increased in every member state and ranged from 53 per cent in Portugal to 77 per cent in Luxembourg (75.3 per cent in the Netherlands) in 2001. Broad employment structures changed in the same direction in the accession countries over this period, with Malta being the relatively unimportant exception. It must be recalled, however, that these shifts occurred during a period of static or even falling absolute employment levels in seven of the eight ECE countries.

Unemployment

The obverse of full employment is, of course, low unemployment and Europe's record on this score in recent years has been quite impressive, with near universal steady reductions in jobless totals from 1998 onwards contributing to the latest Labour Force

Table 4: Unemployment Rates (total)

	1997	1998	1999	2000	2001
Cyprus	3.4	3.4	5.9	4.9	4.0
Czech Republic	4.3	5.9	8.5	8.8	8.0
Estonia	10.6	9.6	11.7	13.2	12.4
Hungary	9.0	8.9	6.9	6.6	5.7
Latvia	14.4	14.5	13.7	14.2	13.1
Lithuania	14.1	12.5	10.2	15.6	16.5
Malta	5.6	5.6	5.8	6.5	6.5
Poland	11.0	9.9	12.3	16.3	18.4
Slovakia	11.8	12.5	15.9	19.1	19.4
Slovenia	6.6	7.4	7.3	6.9	5.7
EU-15	10.6	10.2	9.4	8.4	7.3

Sources: Regular Reports (2002), Eurostat (2002d, 2001a, 2000, 1999, 1998).

Survey (LFS) unemployment rate of 7.3 per cent reported in Table 4.⁸ The same cannot be said, however, of the situation in the AC-10, where the overall unemployment rate in 2001 was twice that prevailing in the EU. Furthermore, the preceding four years can be characterised, at best, as a period of jobless growth, while quite sharp increases in unemployment were experienced in the Czech Republic, Poland and Slovakia. Only Hungary saw its unemployment rate fall significantly over this time.⁹

Guideline six of the proposed EES 2003 calls on member states, where appropriate with the social partners, to 'achieve a substantial reduction in gender gaps in... unemployment rates'. Taking the EU-15 as a whole, the rate of female unemployment in 2001 stood at 8.5 per cent, which is to be compared with a male rate of 6.4 per cent. Only in Ireland, Sweden and the UK was the relative position of the sexes reversed, while in Greece and Spain more than 15 per cent of economically active women were without work (Eurostat, 2002d). Excluding Malta, the overall rate of female unemployment in the accession countries was 15.3 per cent, while the equivalent male figure was 13.8 per cent. Women in Latvia, Lithuania and Slovakia had lower unemployment rates than men, while the LFS identified one-in-five economically active Polish women as jobless (Eurostat, 2002c).

Successive iterations of the EES have highlighted the need for member states to tackle the problem of youth unemployment and to ease the transition from school to work. The seriousness with which this objective is viewed is clearly justified: in 2001, 14 per cent of economically active youths aged 15–24 in the EU were unemployed. While this is only two-thirds of the figures recorded in the 1970s and 1980s, it is still double the all-age unemployment rate. Furthermore, the youth unemployment rate exhibits much greater variation across countries than does the overall figure and in Greece, Italy and Finland more than one in four young people in the labour market are without work (Eurostat, 2002d). Nevertheless, the general trend has been for youth unemployment rates to fall. The same cannot be said, however, of the AC-10, as shown in Table 5. Thus, although the proportion of young people without work has declined in Cyprus and Hungary and has been relatively stable, albeit high, in Latvia and Slovenia, it has risen elsewhere. In Poland and Slovakia, where youth unemployment rates in 2001 were 41.5 and 38.9 per cent, respectively, the problem has reached near crisis levels. The unemployment rate for young women (14.9 per cent) was little different from that observed for all youths (14 per cent) within the EU and the same rough equality was observed in the acceding countries.

⁸ The statement is based on the LFS returns for each year.

⁹ The time series data used in the comparisons for the incoming countries were taken from their 2002 Regular Reports.

Table 5: Youth Unemployment (%)

	1997	1998	1999	2000	2001
Cyprus	n.a.	n.a.	11.9	10.5	8.4
Czech Republic	7.0	10.8	16.6	17.0	16.3
Estonia	19.0	14.8	22.1	23.7	24.5
Hungary	16.9	15.2	12.3	12.3	10.5
Latvia	24.9	27.1	23.4	21.4	22.9
Lithuania	25.2	23.7	21.3	27.5	30.9
Malta	7.1	7.2	7.5	11.2	15.4
Poland	22.8	21.3	31.3	35.7	41.5
Slovakia	21.7	23.6	32.0	36.9	38.9
Slovenia	16.3	17.6	18.5	16.4	15.7
EU-15	21.1	19.4	17.8	16.1	14.0

Sources: As Table 4.

Table 6: Long-Term Unemployment (% of total)

	1997	1998	1999	2000	2001
Cyprus	7.9	8.0	22.1	25.8	21.9
Czech Republic	32.3	31.5	36.7	50.0	52.9
Estonia	39.2	46.1	42.6	47.4	46.6
Hungary	48.7	50.8	47.9	47.8	44.8
Latvia	55.8	56.3	53.9	57.1	59.1
Lithuania	n.a.	62.8	38.8	52.4	56.2
Malta	40.6	42.5	46.7	62.3	43.8
Poland	46.1	47.6	41.6	44.7	50.1
Slovakia	n.a.	n.a.	47.6	54.7	58.3
Slovenia	51.9	45.4	41.8	62.7	63.3
EU-15	49.1	49.4	46.0	46.4	44.0

Sources: As Table 4.

The incoming countries also exhibit weaker labour markets than the EU in terms of the percentage of the unemployed without work for more than 12 months (long-term unemployment), as reported in Table 6. However, the difference between the two blocs is not as marked as in certain other instances and Italy performs as badly as any of the forthcoming entrants. As with youth unemployment, little difference was observed between the sexes. That roughly one-half of the newly unemployed will still be in that state one year after entry throughout Europe is, at best, an indication of the size of the task confronting the EES and possibly even evidence of its failure. The problem with this particular indicator of the health of the labour market is, of course, that it will tend to fall as the unemployment rate rises, at least in the first instance.

Education and training

Subsequent to the deliberations at Lisbon, the EES has placed great store in the role of initial education, lifelong learning, training and IT literacy in helping to improve the competitiveness of the European economy, with member states urged to pursue 'a

Table 7: Education and Training Rates (%)

	Max Lower Secondary (25–64 years)	Early School Leavers (18–24 years)	In Education or Training (25–64 years)
Cyprus	35.5	14.8	3.4
Czech Republic	13.7	n.a.	n.a.
Estonia	13.9	14.5	5.3
Hungary	29.9	13.2	3.0
Latvia	20.9	n.a.	n.a.
Lithuania	15.6	14.2	3.7
Malta	n.a.	n.a.	n.a.
Poland	19.6	7.3	5.2
Slovakia	15.1	n.a.	n.a.
Slovenia	24.6	8.3	3.7
EU-15	36.2	19.3	8.4

Sources: Eurostat (2002c, d).

substantial annual increase in per capita investment in human resources' (EC, 2001a).¹⁰ While conventional wisdom holds that the virtual eradication of illiteracy and the increase of educational standards to levels at least comparable to those prevailing in the west was one of the more notable successes of the socialist world, comparisons across space or time in this area are fraught with difficulties. Nevertheless, such exercises are frequently undertaken and the EES demands them. However, any conclusions drawn from the data must be hedged with caution.

Table 7 presents LFS based findings for 2001 on the education and training activity of individuals. Over one-third of EU citizens aged between 25 and 64 are there shown to have received no more than lower secondary school education. With the exception of Cyprus and to a lesser extent Hungary, this figure is far in excess of the rates observed in the incoming countries. Likewise, the second column reveals that notably fewer young people with at most secondary education are not pursuing some form of further education or training in the accession states. On the other hand, considerably more adults in the EU pursue education or training. Taken at face value, these findings point to more prolonged and widespread initial formal education in the AC-10, but rather less emphasis on lifelong learning than is the case among the current membership. As usual, however, the EU average masks considerable variation across countries, with the Mediterranean bloc typically under-performing others on most of measures highlighted.

The preamble to the equal opportunities pillar called on member states 'to ensure the conditions for facilitating the access of women to education, training and lifelong learning'. A comparison of female educational profiles with the average reveals some interesting similarities. Across the EU as a whole, slightly more older women have at most lower secondary education and this is true in all but four member states taken individually. Although the gaps are a little larger, the picture is the same in the accession countries, with the exception of the Baltic States where women are a little more fortunate than the population at large. On the other hand, with but two minor exceptions, young women are somewhat less likely than young men to leave school early

¹⁰ The Commission's Proposal for the 2003 Guidelines includes the following targets for 2010: at least 85 per cent of 22 year olds having completed upper secondary education and an average level of participation in lifelong learning of at least 12.5 per cent of the adult working age population.

Table 8: Continuing Vocational Training Provision 1999

	Enterprises Providing Training (%)	Enterprises Providing Courses (%)	Course Participation Rate (%)	Course Hours per Participant	Course Costs % of Labour Costs
Czech Republic	69	61	49	25	1.9
Estonia	63	47	28	31	1.8
Hungary	37	24	26	38	1.2
Latvia	53	26	25	34	1.1
Lithuania	43	21	20	41	0.8
Poland ¹	39	26	33	28	0.8
Slovenia	48	33	46	24	1.3
EU-11²	71.1	59.9	48.3	35.5	2.0

Sources: Eurostat (2002e, f).

Notes: 1—figures relate only to the Pomorskie region.

2—the figures presented are simple averaged percentages.

within the current EU and in all of the six accession countries for which data are available. Likewise, older women in the incoming states are a little more likely than older men to be in education or training, as they are in nine current member states.¹¹

A somewhat different perspective is provided by surveys of the training activities of employers, an issue brought to the fore in the EES by repeated references to life-long learning, quality in work, adaptability and competitiveness. The published report of the second survey of continuing vocational training in enterprises (CVTS2) conducted in 2000/2001 provides results for eleven current member states and seven of the ECE accession countries. Table 8 reproduces some of the key findings, with additional discussion drawn from data in the sources cited there.

The Czech Republic and Estonia aside, no more than half of all enterprises in ECE provide training for their employees, which contrasts with an EU figure of 70 per cent. Indeed, the latter figure is depressed by the very low training propensities recorded in Spain and Portugal (36 and 22 per cent, respectively) and ranges from 70 per cent in Belgium to 96 per cent in Denmark amongst the remaining nine countries. As might be expected, there is a positive relation between training rates and the size of enterprises in the EU and ECE, while Financial Intermediation is everywhere except Slovenia the sector most likely to provide training.

Training can of course take a variety of forms and any particular enterprise can provide more than one of them. Adopting a simple twofold classification that distinguishes between CVT in the form of formal courses and other, usually job-related, means of training, the second column of the Table shows that enterprises in ECE are much less likely to provide courses for their employees than are those in the EU, even though the latter figure is reduced considerably by the very low likelihoods recorded in Spain and Portugal (28 and 11 per cent, respectively). For enterprises providing training, nowhere does the figure for external provision fall below eighty per cent of the total. Nevertheless, enterprises offering courses in ECE are less than half as likely as those in the EU to provide instruction in-house.

There is an important distinction between the provision of courses and the breadth of their coverage in terms of the proportion of the enterprise's workforce participating on them. The third column of the Table provides the latter rates and the overall conclusion is that access to courses in ECE is rather more selective than in the current

¹¹ Data on early school leavers and older people in education or training are not available for Ireland.

member states. Furthermore, the differences in participation rates within the EU were much less marked than in the case of course provision propensities and only in Austria (35 per cent) and Germany (36 per cent) did they fall below 40 per cent. On the other hand, the largest observation was recorded in Sweden, but only involved just over six in ten of the workers in training enterprises. There was little difference between the participation rates in firms of different sizes in either EU or ECE states and certainly no simple monotonic relationship between the two. Financial Intermediation was everywhere except Finland, Ireland, Luxembourg and Portugal found to be the sector with the highest participation rate.

Although by no means perfect, there was some correlation between the provision of courses and the participation rate in both sets of countries. This impression of regularity is broken when attention turns to the intensity of the course training provided, as measured by the number of hours involved per participant. In ECE, while the Czech Republic ranked first on the two former measures and Lithuania last, their positions were almost totally reversed in terms of the intensity of training provided. At the same time, there was considerable overlap between the course durations observed for the accession states and for current members, albeit with the latter being somewhat longer on average. This may not be entirely surprising, however, as the sectors most likely to offer course training are similar in the two groups of countries and, once the decision to provide instruction for a particular employee has been made, a certain minimum exposure to its content may be necessary.

Observers of the British labour market are well aware that concern over an assumed under-investment in training by firms and its impact on economic performance long predates the EES and even the Delors' White Paper. Indeed, the Industrial Training Act of 1964 was passed precisely in order to stimulate the amount of training undertaken by firms.¹² The CVTS2 survey found that the cost of courses for employees amounted, on average, to two per cent of the total labour costs of all EU enterprises in 1999. This was somewhat in excess of the figures reported by ECE undertakings, although, with the exception of Lithuania and Poland, the proportionate expenditures are not out of line with those recorded for Portugal (1.2 per cent) and Austria (1.3 per cent), the Union's lowest spending countries.¹³ It must nevertheless be borne in mind that these estimates take no account of the costs of other forms of training or of any costs incurred by workers undertaking training and neither do they incorporate any indirect pecuniary effects of the courses, such as a possible reduction in labour turnover.

Information and communication technology

In conjunction with its focus upon training and lifelong learning, the EES emphasises the need for Europe to embrace the knowledge-based economy and to reap the benefits of information and communications technology. In particular, it requested that 'the conditions for giving every worker the opportunity to achieve information society literacy by 2003 should be established' (EC, 2002a). Using data from a variety of sources, the Commission has assembled relevant statistics for both current member states and the acceding countries and some of the important findings are summarised in Table 9.

Given the income differences observed above, it is unsurprising that the number of personal computers (PCs) *per capita* in the acceding countries is below the EU average. However, while the figures for ECE excepting Slovenia indicate that only one in ten

¹² The merits or otherwise of the Act attracted a good deal of debate and it was modified several times before its eventual repeal. Woodhall (1974) provides a useful introduction to the early literature, while Ainley and Corney (1990) chart the subsequent history of the legislation.

¹³ The vast bulk of the costs identified are accounted for by direct costs and the labour costs of participants. Receipts from or contributions to national or other funding bodies were found to be of minor importance.

Table 9: IT Penetration per 100 inhabitants

	PCs		Internet Hosts		Internet Users	
	1998	2000	1998	2001	1998	2000
Cyprus	12.6	17.3 ¹	0.7	1.2	9.1	18.0
Czech Republic	9.7	13.1	0.7	1.8	3.9	9.7
Estonia	11.3	13.5 ¹	1.4	3.1	10.3	25.4
Hungary	6.5	8.7	0.9	1.4	3.9	7.1
Latvia	6.1	8.2 ¹	0.4	0.9	3.3	6.2
Lithuania	5.4	5.9	0.2	0.8	1.9	4.1
Malta	15.9	20.6	0.5	1.8	6.6	10.3
Poland	4.9	6.9	0.3	1.4	4.1	7.2
Slovakia	6.5	7.4 ¹	0.3	1.2	9.3	12.0
Slovenia	21.2	27.6	1.0	1.4	10.1	15.1
EU-15	27.5	35.0	1.7	3.3	9.7	24.5

Sources: Eurostat (2002g, 2001b).

Notes: 1. 1999 figure.

members of the population have a PC, which is but 30 per cent of the EU average, it parallels the situation prevailing in Greece (0.07 PCs per head), Portugal (0.1) and Spain (0.14). The number of internet hosts per head is also lower in the AC-10 than in the member states, although in six of the former, the ratio of hosts to PCs is actually rather higher than in the EU.¹⁴ It would therefore appear that, once enabled, people in the acceding countries are more likely to embrace the internet. Nevertheless, the proportion of internet users in the forthcoming entrants is below the EU average in all cases except Estonia. More surprising is the finding that the growth in the number of users between 1998 and 2000 was actually greater in the current members than in the acceding countries. Statistics such as these serve a blow to the aspirations of the EES in hastening the widespread adoption of the tools of the knowledge economy, although the possibility of rapid developments in this area cannot be ignored.

Concluding discussion

In the eyes of many, the EES has come of age. Having proved its worth, simplification and streamlining are seemingly all that are now necessary for it to meet the challenges of the future. Unfortunately, this conclusion might be challenged on the grounds that its formative years represented a benign epoch in which favourable circumstances prevailed. The climate may now be rather different. Macroeconomic shocks followed from the events of September 2001 and the hostilities in the Gulf and economic growth has slowed. Also, the EU is about to experience its largest ever wave of expansion and the ten new members are all markedly less developed than the countries with which they will unite. Furthermore, they are inexperienced in the operation of modern labour market policies and traditions of civil society—the engine of the EES—are in their infancy.

Current members are well aware of the weakness of the economies of the accession countries and of the deficiencies that continue to plague their labour markets, some of which have been described in the body of this paper. Employment rates in the largest entrants compare unfavourably with those in the EU and are downwardly trended. Furthermore, enlargement will not prevent Europe's labour supply peaking

¹⁴ An internet host is a computer directly connected to the internet with its own IP address and full two-way access to other nodes on the network.

at the time when EES employment rate targets should be met. Working patterns in the accession states remain relatively inflexible, while the prevalence of self-employment in some of them does not necessarily represent evidence of the existence of the kind of entrepreneurship that the EES seeks to promote. At the same time, enlargement will darken the European unemployment picture, with growth in the entrant countries being largely jobless. On the other hand, the new members will improve the formal educational profile of the EU, but the incidence of adult education and training and the embrace of ICT within them is low. Nevertheless, the European institutions press ever harder for a results oriented EES and the Joint Action Plans call for action on all fronts from the AC-10, while simultaneously reminding them of the need for fiscal prudence.

If the EES is to gain widespread acceptance and support, particularly amongst the new members, it must set credible targets in the face of circumstances that have patently changed. While it is tempting, although ultimately futile, to engage in counterfactual speculation about what would have happened in the labour markets of Europe over the past five years in the absence of the Strategy, one can still point to the strains that the Mediterranean cohesion countries continue to place on the credibility of the quest for economic and social cohesion within the existing Union. If, as Goetschy (2001) suggests, the EES has reached its cruising speed, the findings presented in this paper might be taken to predict turbulent times ahead.

Acknowledgements

The authors would like to thank Erik Jones and Brian Towers for their helpful comments on an earlier version of this paper, although they are in no way implicated by the final product. They would also like to acknowledge financial support from the DFID for the project R8097.

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