

Janine Goetschy

CNRS, Université de Nanterre, FRANCE

The European Employment Strategy: Genesis and Development

ABSTRACT ■ The conclusions of the European summits since 1992 and the content of the Amsterdam Treaty seem to imply that the employment issue has finally reached the Community agenda. How far does the new approach differ from previous policy? How were the changes of the 1990s achieved? This article reviews previous EU social policy as regards employment issues, then analyses the different elements of the European employment strategy (EES) and offers a preliminary assessment. A major question addressed is how, compared to previous regulation methods, this new process is likely to affect the legitimacy and efficiency of 'Social Europe'.

Introduction

Items usually appear on the Community agenda as a result of a fourfold mechanism: a convergence of political interests among member states; a key role played by specific supranational institutions such as the European Commission (EC) or Parliament (EP); lobbying by supranational interest groups such as the ETUC, UNICE and CEEP; or through a 'spill-over' process whereby integration in one policy area encourages similar developments in others (Haas, 1964). These four forces may operate separately or in combination.

In general, European integration is primarily the result of intergovernmentalist and supranational forces. This is certainly true of the European employment strategy (EES) contained in the new employment chapter of the Amsterdam Treaty, which reached the EU agenda as a result of a complex mixture of intergovernmentalist and supranational forces as well as spillover effects, and was based on early initiatives in the 1970s as well as new developments in the 1990s.

European Community Employment Policy in the 1970s and 1980s

In the early 1970s the European Community made several attempts to tackle employment issues, though in a very fragmented manner. Apart from the promotion of equality of opportunity between women and men, the first important social initiatives at Community level concerned issues indirectly related to employment protection: the directives on collective redundancies in 1975, on the transfer of enterprises in 1977 and on employee protection in case of employer insolvency in 1980.

A new tripartite institution was set up in 1970 to deal with employment issues: the Standing Employment Committee, composed of Ministers of Labour, the social partners and the Commission. The aim was to coordinate national employment policies and make them compatible with Community objectives; but it was ineffective because of the number of participants and the very formal character of its proceedings. Moreover the Ministers of Labour were reluctant to facilitate its functioning, believing that employment should remain a national prerogative. Four 'European Tripartite Employment Conferences' took place between 1975 and 1978 under pressure from the ETUC in a period when the economic situation was deteriorating. These were supposed to pave the way for a joint approach to economic and employment issues, but faded away through the lack of national follow-up measures and the negative attitude of UNICE.

Later, in the 1980s, numerous structural fund initiatives were taken in favour of the most vulnerable categories in the labour market (local employment initiatives especially for women, measures facilitating the insertion of young people and of long-term unemployed into the labour market) as well as for economically disadvantaged regions. A variety of Community measures might have exerted direct or indirect effects on employment (prescriptions on free circulation of workers, recognition of qualifications, occupational training, elimination of social exclusion), but they contributed only marginally to the fight against unemployment in the Community.

The European Social Dialogue was relaunched by Jacques Delors in 1985, involving regular meetings between the three social partner organizations which could agree non-binding 'joint opinions'. This constitutes a possible forum for employment-related issues (joint opinions have been agreed on education and training). The Maastricht social agreement extended the role of the European social partners, enabling them to reach collective agreements which could be enacted as European directives. So far the results have been modest, but the three agreements reached relate indirectly (parental leave, December 1996) or directly (part-time workers, June 1997 and fixed-term contracts, January 1999) to

employment issues. The limited progress reflects UNICE reluctance to negotiate at community level.

The EES adopted at Essen in 1994 and the macroeconomic monitoring procedure introduced in the Maastricht Treaty (see below) have influenced the rhythm and content of the Social Dialogue. Since 1993 the social partners have regularly adopted joint opinions on the 'broad economic guidelines' which influence and also legitimize Economic and Monetary Union (EMU). Two joint declarations relating specifically to employment deserve mention: one on 'the new strategy of cooperation for growth and employment' (July 1992), which inspired the Delors growth initiative at the Edinburgh summit in December 1992;¹ the other on the role of the social partners in the multilateral monitoring of employment (October 1995). The Social Dialogue has contributed to the elaboration and development of the Delors White Paper of 1993 and to the Essen strategy, and now to the implementation of the employment chapter of the Amsterdam Treaty. Though not always successful, the aim since 1992 has been for the social partners to agree a joint declaration on employment for the European summits, where employment has been a major point on the agenda.

When examining the content of joint opinions or declarations, one might be surprised that ETUC, despite marginal criticism, has agreed to support EU texts which reflect rather 'orthodox' thinking on the internal market and on EMU. For some observers, this reflects a long-term ETUC strategy – which entails both advantages and disadvantages – to gain full integration in the inner circle of European institutions and recognition for its expertise and seriousness.

The Maastricht Treaty gave considerable attention to employment. Article 2 calls for 'a high level of employment and social protection'; article 118 seeks to further employment by Commission initiatives to develop cooperation between member states; article 123 mentions employment as the major objective of the European Social Fund; and article 127 deals with vocational training as a means to facilitate reintegration into the labour market. On the other hand, article 3 lists 20 different policies and actions which the EU should pursue but omits reference to employment.

More specifically, the Maastricht social chapter enabled the Council to adopt directives by a qualified majority on 'the integration of people excluded from the labour market', and by unanimous vote on 'financial contributions seeking to promote employment and job creation'. Altogether though, the Maastricht text was essentially a Treaty on Monetary Union, accompanied by a social protocol without a convincing political will to fight unemployment. Moreover, according to Coldrick (1995) 'the various drafters of the Treaty have seen employment policy as an aspect of social and not also of economic policy, and/or as a national rather than as a European matter'.

The New Impetus for Employment

The Delors White Paper

Following the Edinburgh summit, the 'Delors White Paper' on Growth, Competitiveness and Employment was published in 1993. This initiative by the Commission set the framework for subsequent social policy. The Commission succeeded in putting employment on the agenda by a three-fold strategy.

First, the White Paper – Delors' last major contribution before his departure, a sort of legacy – attempted to combine contradictory elements. The ambition was to meet the convergence criteria for EMU, the implications of which were deflationary, and yet to achieve higher levels of employment. To meet such a challenge, one of the means was to broaden the debate beyond negative flexibility to more active labour market policies. The objective was also to integrate employment policy with other policy issues (fiscal, social protection, environment, equality of opportunities for men and women, new family patterns, demographic changes), linking Keynesian and supply-side measures.

Like the 1985 Delors White Paper on the internal market, that of 1993 also aimed to give a new boost to European integration. The rise of euro-scepticism after Maastricht reflected widespread belief that economic integration was one cause of growing unemployment, and there were also increasing criticisms of the 'democratic deficit' at the heart of European construction. Delors hoped to rally public opinion with an economic strategy for further European integration which could be both job-creating and democratically accountable. The aim was to create 15 million jobs in five years and to mobilize 600 billion ECU to this end.

The White Paper was widely debated within European institutions and member states. In immediate practical terms the initiative failed: member state Finance Ministers resisted those measures which required substantial expenditure (such as the launch of Trans-European); and the Council itself rejected the idea of an ambitious and costly initiative. Hence the measures agreed at the Essen summit were far more modest. However, the White Paper was important for reviving the employment debate, providing a springboard and a reference point for further discussion.

Second, the twice-yearly European summits of heads of government of member states provided a framework for policy development. The Commission has considerable scope to orient the debates, to advance new ideas and measures, and to control their implementation, thus guiding the movement from the beginning to the end. The 'European Initiative for Growth' agreed at the 1992 Edinburgh summit initiated an iterative

process. It was a precedent for the Commission to present reports and communications to successive European summits which were incorporated in the meeting's conclusions, which in turn provided new guidelines for actions to be initiated by the Commission, and so on.

Third, the Commission succeeded in mobilizing its traditional allies on social affairs: the EP, the Economic and Social Committee (ECOSOC), the Committee of Regions, the Standing Employment Committee and the ETUC. The new member states which joined the EU in January 1995 (Austria, Finland and Sweden) also added support to the Commission's viewpoints and initiatives on employment. This helps explain the stream of declarations, opinions and resolutions on employment issues in the EU since 1993.

The Essen Monitoring Procedure and the European Confidence Pact

Unemployment grew rapidly between 1990–94. The 15 existing or prospective EU member states lost 6 million jobs (60 percent of the total created between 1985 and 1990). The employment rate fell from 62 percent in 1992 to less than 60.5 percent in 1997, below the level of the 1970s (and compared with around 74 percent in the USA and Japan). The unemployment rate, which had fallen to 7.7 percent in 1990, reached 11.1 percent in 1994 and was still 10.2 percent in mid-1998. Youth unemployment is double the average, and the share of long-term unemployment rose to almost 50 percent. Moreover an increasing number of jobs were precarious, increasing people's sense of insecurity.

The Essen summit in December 1994 – the last attended by Delors as Commission president – unveiled a multilateral employment monitoring procedure along similar lines to the economic monitoring procedure introduced by the Maastricht Treaty.² The Council recommended member states to take measures at national level in five areas:

- improving employment opportunities by promoting investment in vocational training (especially for the young) and encouraging life-long learning;
- increasing the employment intensity of growth, particularly through a more flexible organization of work and working time, wage restraint, job creation in local environmental and social services;
- reducing non-wage labour costs to encourage employers to hire low-skilled workers;
- developing active labour market policies through the reform of employment services, encouraging occupational and geographical labour mobility and developing incentives for the unemployed to return to work;

- targeting measures to help groups particularly affected by long term unemployment.

Member states were urged to translate these recommendations into a long-term programme in the light of their specific economic and social circumstances, and were required to submit an annual progress report. The Commission, in conjunction with ECOFIN and the Labour and Social Affairs Council, was to synthesize these national reports into an annual assessment submitted to the December European Council. On this basis, the European summit would review the employment guidelines, issue further recommendations to member states and decide new initiatives at Community level.

This procedure was intended to have a threefold effect. First, the annual report would help improve the efficiency of national employment policies by exposing these to public examination and facilitating explicit comparison of the performance of each member state. Second, the prescribed cooperation between ECOFIN and the Social Affairs Council in drafting the annual report might facilitate greater integration of economic and employment policy. Third, it was hoped that multilateral employment monitoring would encourage greater convergence of employment policies in the member states along the lines of the Essen recommendations.

In June 1996 Jacques Santer, who succeeded Delors as Commission president in the previous year, issued proposals for a European Confidence Pact for Employment. There were three main reasons for this initiative. First, it was a response to the economic crisis of 1995: a vicious circle of declining business confidence in the face of high interest rates, monetary turbulence, poor European economic performance, reluctance by employers to recruit new workers, a fall in consumer demand. Second, a confidence pact was conceived as a counterweight to the 'stability pact' proposed by the German Finance Minister Theo Waigel, aimed at assuring budgetary discipline in the member states which were to join the first wave of monetary union. The idea was to make monetary stability and budgetary rigour somehow compatible with employment growth. Third, and not least, Santer was keen to place his own personal mark (and name) on Community employment strategy.

The Confidence Pact had four main objectives:

- reinforcing the dynamic of EMU, which had been put in question by the economic difficulties of many member states and by public disquiet at the deflationary implications of the convergence criteria. EMU, it was insisted, would facilitate reduced unemployment in the medium term;
- maximizing the potential benefits of the internal market;
- speeding up the reform of employment policies and institutions in line with the Essen proposals;

- developing Community-level structural reforms to encourage employment (for example, increasing the budget for Trans-European Networks and redirecting structural funds to employment-oriented programmes).

In addition, the Confidence Pact might help revive the European Social Dialogue by mobilizing the social partners to agree on employment-generating measures both at Community level and through 'territorial employment pacts'.

The targeting of the structural funds was considered an important instrument for implementing a European employment strategy. In March 1996 the Commission issued a communication on 'Community Structural Assistance and Employment' (COM(96)109), containing an evaluation of their contribution to employment recommendations to strengthen this contribution. In particular attempts were made to ensure that the European Social Fund (ESF), which accounts for about a third of all structural funds, would be used to further the Essen objectives. Priority was given to the integration of young people, prevention of long-term unemployment, and assistance to workers to adapt to industrial restructuring and to changes in production systems. The ESF has also been used to assist economically underdeveloped regions, those hit by industrial decline and rural areas. In the period 1994–99 about 11 million persons benefited from actions co-financed by the ESF.

The structural funds have been subject to tighter evaluation procedures in order to strengthen their efficiency, and the social partners have been given a greater role both in the creation and the evaluation of projects. As part of this process, projects are expected to have more precisely defined targets. However, the attempt to make these funds a key instrument of employment policy has faced considerable obstacles: the structural funds are subject to rather complicated procedures and their allocation tends to reflect a logic of 'fair shares' to member states. Moreover it is very difficult to make a quantitative assessment of the direct and indirect employment effects of the programmes. Reliable data often do not exist; and more fundamentally, many projects have only diffuse and long-term employment consequences (by improving infrastructures and improving human resources, for example).

In March 1998 the Commission proposed a series of draft regulations (still awaiting approval at the time of writing) to determine the allocation of the funds (with a proposed budget of 210 billion ECU) in the seven-year period from 2000 to 2006. These are clearly linked to the EES; the draft ESF regulation in particular defines its policy fields as the four pillars of the EES: employability, entrepreneurship, adaptability and equal opportunities, with a special emphasis on local employment initiatives. The general objectives of the various funds would be reduced from

seven to three. Under objective 1, two-thirds of total resources would be allocated to underdeveloped regions; objective 2 would assist regions undergoing economic and social restructuring; objective 3 would relate generally to the modernization of education, training and employment systems. The Commission would be more prescriptive in the definition of topics eligible for structural funds, so as to focus member states' activities on Community priorities. Moreover, improved efficiency is expected through more elaborate evaluation and financial control procedures.

Another crucial element of the EES, from the Essen procedure onwards, has involved taking account of the employment effects of all community policies. This implies evaluating *ex ante* the likely employment impact of new Community measures and policies. The Commission has expressed this aim on several occasions, but as yet is far from achieving this.

The EES after the Treaty of Amsterdam

The Treaty of Amsterdam agreed at the summit of June 1998 concluded the most recent intergovernmental conference (IGC). Though employment was not originally on the agenda it became a priority for several reasons. First, it gained importance in the absence of progress in other areas such as the Common Foreign and Security Policy and institutional reform. Moreover in the absence of a clear common vision of the future, employment acted as one of the few unifying projects which could easily be understood and endorsed by European citizens. Second, public opinion had become increasingly pessimistic about the implications of EMU for employment, public services and company relocation. This had become evident through the huge strike wave of December 1995 in France and the conflicts in 1996 and 1997 in Germany. The Renault Vilvoorde affair touched off a crisis, and became a basis for the various different actions over employment in early 1997. Hence measures had to be taken at EU level if the EMU project, or at least the planned timetable, was not to be at risk. Third, the elections in the UK and France in May and June 1997 isolated Germany in its rejection of an employment chapter – already strongly supported by the Nordic countries (Denmark, Finland and Sweden) and Austria as well as the Benelux countries (Goetschy, 1998). France's continued commitment to EMU would have been in question in the absence of progress on the employment issue at Amsterdam.

The Amsterdam Treaty

The Amsterdam Treaty made 'a high level of employment' an explicit priority of the EU (certain member states would have preferred a 'full

employment' objective) and 'a question of common concern'. The Community acquired new powers to develop 'a coordinated strategy for employment' which should in particular promote 'a skilled, trained and adaptable workforce and labour markets responsive to economic change'. The emphasis placed on the employability and flexibility of the workforce and of employment reflected the wishes of the new British Labour government but also the Commission's own analyses. So did the reference to the aim of 'a high degree of competitiveness' which counterbalanced the emphasis on employment.

Consensus in the IGC over employment was only possible on two conditions: *national* employment policies should continue to play the principal role, and major and costly programmes at EU level should be avoided. Some parties (ETUC, the EP and some national delegations) would have preferred the Treaty to have formally specified the relationship between economic and employment policies. Instead the desire to bring the two into balance was declared in a formal Council resolution (albeit without binding effect) on growth and employment. The inequality of status between the mandatory Stability and Growth Pact agreed at the December 1996 Dublin summit and the resolution on employment illustrates the continuing imbalance between monetary and political integration.

The new employment chapter of the Treaty covers, first, the integration of employment in the formulation and implementation of other Community policies and actions; second, the establishment of mechanisms for coordinating employment policies at Community level. These mechanisms reflect practices already in operation as part of the Essen monitoring procedure, but also borrow extensively from the economic policy coordination model set up by article 103 of the Treaty of Maastricht. The main difference, and it is significant, is that recommendations issued on employment matters will lack any binding effect.

In four significant respects, however, the Amsterdam Treaty involved an advance on the Essen process. First, the 'annual guidelines for employment' were established as the driving force and the key component of coordination: 'the Council [in effect, the Social Affairs Council and ECOFIN] acting by a qualified majority on a proposal from the Commission and after consulting the EP, the ECOSOC, the Committee of the Regions and the Employment Committee, shall each year draw up guidelines which member states shall take into account in their employment policies'. However, these employment guidelines must be 'compatible' with the broad economic guidelines addressed to member states; for many observers (including the ETUC) this entails that EU economic and monetary objectives retain precedence over employment considerations.

Second, the Council is to carry out an annual examination of measures

taken by member states to implement the guidelines. The Council's evaluation will be based on the annual report that each member state must submit to the Council and the Commission, and on the opinion of the Employment Committee. If necessary, in the light of this examination, the Council 'acting by a qualified majority on a recommendation from the Commission, may, if it considers this to be appropriate, make recommendations to member states'. Such recommendations to individual states deemed not to have followed the guidelines would have no obligatory effect but could be symbolically powerful. This implies a strengthening of influence at Community level.

Third, the Treaty establishes an Employment Committee with advisory status, formally ratifying an initiative taken by the Council in December 1996. The member states and the Commission each appoint two members of the Committee. It has a dual purpose: to monitor the employment situation and employment policies in the member states and the EU, and to formulate opinions (at the request of the Commission, the Council or on its own initiative) and to prepare the Council's work. In fulfilling its mandate it is required to consult the social partners.

Finally article 5 of the Treaty allows the Council to adopt, by a qualified majority and after consulting the ECOSOC and the Committee of the Regions, 'incentive measures designed to encourage cooperation between member states and to support their action in the field of employment'. Such measures could involve the dissemination of best practice, the evaluation of experiences and the launch of pilot projects. The force of this innovation is however restricted. First, it is specified that measures adopted 'shall not include harmonisation of the laws and regulations of the member states': subsidiarity is protected. Second, the scope and objectives of any measures must be precisely specified, and their duration must not exceed five years. Third, it is prescribed that expenditure on incentive measures may not impinge on the structural funds. The budget line available for such measures is very limited, amounting to only 6 percent of the Community funds, and covers other areas such as social action and the environment. Hence expenditure on employment initiatives is likely to be to the detriment of measures for which the budget is primarily provided. These restrictions were necessary for Germany to accept the principle of qualified majority voting on incentive measures, while the new UK government also refused an increase in financial resources to promote employment at EU level.

The Luxembourg Jobs Summit and the 1998 Employment Guidelines

In Amsterdam, the new French government demanded not only the adoption of the resolution on growth and employment but also the

convening of an extraordinary summit on employment to ensure rapid implementation of the new provisions. It was agreed that this should take place in Luxembourg in November 1997. On the basis of detailed submissions from member states, the social partners, the Commission and the EP, the summit adopted 19 guidelines under four main headings, broadly based on the Commission's proposals (COM (97) 497). The Vienna Summit in December 1998 was to examine the implementation of the national action plans (NAPs) and adopt new guidelines for 1999.

The four main objectives were as follows:

- *to improve employability*: within five years the member states should offer every young person within the first six months of unemployment an opportunity for training, retraining, work experience, or participation in an employment scheme; similar opportunities should be provided for adults within the first year. On pressure from Spain, it agreed that these periods might be extended for countries with a particularly high rate of unemployment. The member states would attempt to increase the proportion of unemployed offered training, so as to achieve a target of 20 percent (the average of the three best performing member states). The Luxembourg presidency had been pressing for a figure of 25 percent, but Germany resisted this. Another guideline prescribed a substantial reduction of the number of early school-leavers so as to ensure that young labour market entrants are adequately qualified; though despite the proposal of the Commission, no specific target was agreed;
- *to create a new culture of entrepreneurship*: member states should make it easier to start up and run businesses. A new action plan of 10 billion ECU was approved for the European Investment Bank to fund business start-ups, and a new budget line of 450 million ECU agreed to provide loans for small and medium-sized enterprises (SMEs). Member states should encourage self-employment and job creation; reduce tax pressure and indirect labour costs which could be seen as inhibiting recruitment; and consider reducing VAT on labour-intensive services;
- *to promote and encourage the adaptability of firms and their workers*: to this end, social partners were invited to negotiate agreements at sectoral and company level designed to modernize work organization, make firms more competitive and ensure a better balance between flexibility and security for workers. The UK argued that any measures should respect national differences with regard to working time;
- *to strengthen equal opportunities policies* with the aim of reducing discrimination against women in the labour market. The Commission proposed as a target that the gap between the rates of male and female unemployment in the EU (9.6 and 12.5 percent respectively) should be

halved within five years; it also recommended that member states should develop childcare services so as to reach the standards of the three best performing states. But though the summit endorsed the general objectives it did not agree precise targets.

When comparing the Commission proposals with the conclusions of the Luxembourg summit, it is clear that the former were considerably diluted. Though it was agreed that the rate of employment must be significantly increased, the quantitative target and timetable disappeared: the Commission had proposed a target of 65 percent of those of working age to be in employment within five years.³ Likewise, the Commission's target of reducing the EU unemployment rate to 7 percent of the working population was not included.

The guidelines agreed in Luxembourg were formally adopted by the Council of Ministers of December 1997. The national action plans were to be presented to the British presidency and the Commission by April 1998. These were the basis for preliminary discussion at the Cardiff summit in June.

The Vienna Summit and the 1999 Employment Guidelines

At the end-of-year summit there were three major contributions to discussion of employment strategy: the Employment Report for 1998, written jointly by the Commission, the Social Affairs Council and ECOFIN; the report *Employment in Europe 1998* produced by DG V; and the proposed guidelines for 1999. In addition, six other reports dealing with employment issues had been issued in advance of the Vienna summit: on benchmarking and the comparability of statistics; on employment rates; on job opportunities in the information society; on the modernization of work organization; on reforms in public employment services; and on public investment. This plethora of reports illustrated that the encompassing approach to employment proposed in the Delors White paper was again on the agenda; and this was confirmed in the conclusions of the Vienna summit.

The summit (the first since the change of government in Germany) seemed determined to make greater progress in 1999 in developing synergy between employment and economic policies: between the EU employment guidelines and the economic policy guidelines, and also between structural policy reforms (labour, product and financial markets) and employment policies. Therefore the Council invited the Commission to prepare several communications for 1999 on subjects such as tax regimes, international financial markets, investment in infrastructure and in human capital, the difficulties of economic policy coordination mechanisms, mainstreaming of EU policies and elements for a 'European employment pact'.

The key features of the new employment guidelines for 1999 were ‘consolidation’ and ‘continuity’: there were only minor changes from those of the previous year. Many countries had still to respond properly to the 1998 guidelines; and the ‘four pillars’ of employability, entrepreneurship, adaptability and equal opportunities were confirmed as permanent features of the policy architecture. No new quantitative objectives were included. Altogether, innovations in the 1999 guidelines concern method rather than substance: benchmarking, comparability of statistics, quantified targets and indicators *within* the NAPs received emphasis; furthermore, the 1999 NAPs have to be written in a more standardized, simple and comparable format, with only one per country required. One contentious issue which in the end figured in the Vienna conclusions was the possibility for member states to reduce VAT on labour-intensive services not exposed to cross-border competition. France, Finland, The Netherlands and the UK were in favour of this proposal (which had also been discussed in Luxembourg); the other countries were rather opposed.

A Preliminary Assessment of the EES

The Commission undertook an analysis of the NAPs submitted under the Amsterdam procedure, initially in a communication and then in the Joint Employment Report for 1998. All member states had submitted two NAPs despite the very tight timetable. However these displayed six shortcomings:

- the main focus of most NAPs was on ‘employability’ and ‘entrepreneurship’; there was much less reference to measures concerned with ‘adaptability’ and ‘equal opportunities’;
- most consisted of a mere list of discrete initiatives, often not specifically responses to the guidelines, and without overall integration;
- there was insufficient evaluation of the resource and budget implications, and the employment effect of the measures proposed or taken;
- despite the emphasis in the EU guidelines on prevention of long-term unemployment through targeting those at risk of social exclusion, the majority of measures reported tended to focus on those already unemployed for a long period;
- the contribution of the ESF to the various national measures was in general insufficiently addressed;
- most NAPs failed to define precise quantitative objectives, the resources allocated to the measures, the timetable for implementation and the statistical tools which would enable evaluation of the outcome.

This first review, prepared for the Cardiff summit in June 1998, was merely designed to assess whether the content of the NAPs met the EU employment guidelines. It was only for the Vienna summit in December

that the Joint Employment Report considered how far the measures described in the NAPs had been translated into action.

How have the social partners at national level been involved in producing the NAPs? An evaluation by the ETUC reckons that this has varied a great deal between countries: they were most actively consulted in Austria, Belgium, Germany, The Netherlands and the UK. In the three latter countries, joint contributions made by the social partners have even been integrated within the NAPs. However, these clearly remained everywhere the responsibility of governments, which were the driving force behind the process.

In most cases the NAPs largely reflected national employment plans which had already been adopted or were on the drawing-board (in Austria, Denmark, Finland, Greece, Italy, Portugal, Spain and Sweden). Labour market flexibility and the reduction of working time remain in general the issues which give rise to most disagreement between unions and employers, whereas training and employability are more consensual topics. On the whole, the consultation process over NAPs has not really generated new initiatives from the social partners or new national strategies towards unemployment. However, some new ingredients can be found in certain countries, as in Germany, Luxembourg, The Netherlands, Portugal and the UK. Though consultations over NAPs generally took place at central level only, it was not usually the top officials on each side who were involved. This contrasts with experience in negotiating social pacts at national level; in such cases, top representatives of the union and employers' organizations are invariably the protagonists.

We consider that in the best case the NAPs may result in the following beneficial effects: strengthening the Social Dialogue where it already exists, developing a more integrated approach between the 'four pillars' where this is lacking, encouraging countries where statistical tools and evaluation methods of job creation measures are deficient to adopt such devices. In the worst case, it is clear that when defining future national employment measures, governments and social partners will have to bear the EU guidelines in mind.

Conclusions

The EES was initiated by the Delors White Paper, made operational by the Essen procedure, formalized within the employment chapter of the Amsterdam Treaty and put into practice before the official implementation of the Treaty on the basis of the employment guidelines of the Luxembourg summit. While to some extent it displays continuity with earlier European social policy, in some respects it represents a qualitative break.

The aim of the EES is threefold. First, to increase the *legitimacy* of

Community-level action by respecting to a greater degree the diversity of national industrial relations and labour market systems. Already with the Maastricht social agreement, the objective was to diversify Community-level rule-making methods (complementing the use of directives by other methods) and to align such Community-level regulation (which was essentially of a legislative nature) with current national practice (which in many countries derived primarily from collective agreement). This led to three types of reform within the Maastricht social agreement: the formal consultation of the social partners in the preparation of social policy directives; the option of implementing directives by means of national collective agreement rather than legislation; and most notably, the authority assigned to the social partners to negotiate European agreements which could become part of Community law.

The search for legitimacy had already inspired the pursuit of 'Social Europe' in the decade before Maastricht: directives were drafted with the aim of harmonizing national practice rather than innovating, and tended to provide frameworks rather than highly detailed prescriptions. However this did little to enhance the legitimacy of action at Community level. With the Maastricht social agreement and Treaty, diversity and 'subsidiarity' were formally written into the texts (Falkner, 1998). The Treaty of Amsterdam was expected to add further legitimacy to European social measures, first because the interests of 'civil society' would be directly represented in the legislative process, second because member states would become more closely involved in European social affairs through the EES. This implied an iterative process based on greater continuity in the relationship between the national and Community levels.

Second, the EES seeks to improve the *efficiency* of Social Europe: more and better results should be achieved. The competition introduced at Maastricht between two basic rule-making methods (legislative and contractual) was supposed to enhance the efficiency of social regulation. However as most assessments have shown by now, there were many difficulties in reaching European collective agreements. Agreement was achieved in three cases, on parental leave (December 1995), part-time work (June 1997) and fixed-term contracts (January 1999), but only under the 'shadow of the law' (the threat of an eventual directive in the absence of agreement) and under the political and institutional pressure of the IGC. The protagonists (and UNICE in particular) had to show that the 'social partner' provisions in the Maastricht social agreement are effective, otherwise there might have been a risk of amendment in the Amsterdam Treaty. And as regards the adoption of new directives – which in any case had to be much less frequent under the philosophy of the 1995–97 Social Action Programme – one could observe in the 1990s that two other large member states, Germany and France, joined the UK in resisting such legislative initiatives.

The setbacks in the 1990s in both the legislative and the contractual routes to regulation focused attention on two alternative options. The first was to encourage what Streeck calls 'neo-voluntarism', relying primarily on 'soft' forms of regulation rather than mobilizing the legislative capacity of the EU itself. Neo-voluntarism, Streeck argues (1995: 424–5), 'encourages contractual agreements between market participants (unity by subsidiarity)'; attempts to exploit 'the subtle, cajoling effects of public recommendations, expert consensus on "best practice" . . . and mutual information and consultation (governance by recommendation, expertise, explication and consultation)'; offers member states alternative means of policy implementation '(governance by choice)'; and pursues harmonization through education '(governance by diffusion)'. Moreover, countries whose circumstances make compliance difficult may be allowed to opt out of common standards '(cohesion by exemption)'.

The second option for the EU was to involve member states more deeply in the pursuit of commonly defined Community guidelines: the coordination of national policies might well be the best strategy for obtaining results at EU level. Procedures such as the EES could present advantages both for member states and – by contributing to the construction of supranational regulation – the EU itself.

An iterative, long-term procedure such as the EES – precisely because it implies deeper involvement by member states – may be expected to lead to more concrete results than the previous Treaty mechanisms (legislative and contractual) which could not readily be activated and thus remained elements of a 'would-be polity'. The more member states are involved in the rule-making process itself over a sustained period of time, the more realistic it is to expect concrete results. The perspective is to integrate member state policies with Community-level guidelines in a medium-term perspective, with results of an incremental nature which transcend short-term political gains and can solve progressively the more fundamental problems of unemployment within the EU. One can say that the EES is a way to 'depoliticize' the unemployment problem from its immediate national contingencies and to address it in a longer-term perspective: implicit in this orientation (as with EMU and its convergence criteria) is the belief that politicians need to be detached from their immediate national constraints and political contingencies. On the basis of common objectives set within a supranational framework they are most likely to develop a capacity to solve fundamental problems such as unemployment. The fact that the EES is designed as an enduring process means that the nature of transactions between member states is different from that which applies in the case of the adoption of directives. In the latter instance, the diplomatic mode of interaction – where utilities are exchanged, involving trade-offs among a variety of issues, and where short-term political conjunctures are often decisive – tends to prevail; this is less so with the EES.

Third, the EES was also intended to serve as a *catalyst* for the efficiency of national employment policies. This was to be achieved in four ways:

- by making national policies public, putting them to the test of comparison and submitting them to the examination of a range of EU institutions. This mutual control of national employment policies adds to the emerging coordination and Europeanization of national objectives. This approach also legitimizes the search of greater efficiency in the Community's own structural policies such as the ESF;
- by establishing external constraints over national policy. This method succeeded in the case of the single currency, with national finances subject to the disciplines of the convergence criteria;
- by the requirement of common statistical tools and benchmarking. This creates pressure on member states to develop and improve their own devices for evaluating the effectiveness of employment policies;
- by generalizing the method used by the Commission itself in developing the EES procedure, involving quantified targets, a specified timetable and tough monitoring.

The search both to enhance the legitimacy and increase the efficiency of social measures taken at EU level is at the heart of the EES. In this respect there is both continuity with earlier reforms and progress in devising solutions to previous difficulties which have confronted the project of Social Europe.

The EES also represents a change of priority in the EU agenda. Previous social policy initiatives have been directly or indirectly linked to the internal market and EMU, and legitimated on this basis. The principal issues addressed as part of Social Europe have tended to lie outside the core of national social policies, so as not to upset sensitivities concerning national sovereignty. By contrast the EES concerns issues which are central to all member states and national industrial relations systems. The severity of the problem of unemployment has encouraged acceptance of the idea that social measures taken up at Community level must now include those which are important, central and crucial for the national policies of member states. Just as the Maastricht social agreement was an attempt to bring the regulation of social affairs at EU level 'into line' with those operating in national industrial relations systems, so the agreement at Amsterdam can be viewed as an effort to ensure that the most urgent issue at national level (unemployment) should also be the first addressed at EU level.

The more nationally sensitive a subject and the more difficult to resolve at national level, the more likely are member states to become involved in an EU coordination procedure. Their actual involvement further depends on their expectations and capacities to influence the outcome of the whole

process to their advantage. The iterative progress of the EES between commonly defined EU yearly employment guidelines and incremental adjustments of national employment policies may encourage the commitment of member states as they accommodate to the process. In addition, the more they become committed to the process, the more there will develop an interdependence between member states, justifying further development of the EES.

The iterative progress of the EES has two consequences which might appear contradictory: on the one hand the EU employment guidelines will induce a gradual Europeanization of certain elements in national employment policies; on the other the NAPs will probably encourage national social pacts on employment issues (at least in countries where social actors are relatively strong, well organized and relatively consensual), a trend leading at the same time to a certain degree of renationalization of policies (Streeck, 1998; Visser, 1998). Thus it is clear that the participation of member states and social actors (national and European) in the EES will transform their perceptions, preferences and outcomes.

Nevertheless, the current functioning of the EES presents a number of difficulties. Five of them deserve emphasis.

First, the coordination of employment policies does not (formally speaking) involve sanctions against states not adhering to the guidelines. This is in marked contrast to EU coordination of macroeconomic policy.

Second, the allocation of EU financial resources to the EES remains very modest and conditional, falling far short of the recommendations in the Delors White Paper of 1993. In consequence, the whole approach of the EES puts emphasis on changes in employment policies of a qualitative nature (active rather than passive measures, changes in behaviour of the workforce, anticipation and evaluation of policies) and on reducing direct and especially indirect labour costs. The strategy falls far short of a real social redistribution function; the emphasis is now less on EU social regulation by legislation (directives) than on efforts to improve the quality of national policy-making by means of a common Community framework and process.

Third, the subordination of EU employment guidelines to monetary policies and economic guidelines has often been criticized. Certain member states, the ETUC and the EP have frequently highlighted this weakness. Indeed if they are to succeed, these employment guidelines must be compatible with a whole series of other European policies which contain serious inadequacies: macroeconomic policy, tax coordination, social protection, sectoral strategy, the structural funds; all of these need to be compatible with the achievement of the employment targets.

Fourth, the EES is a subject of EU high politics involving a multiplicity of actors (all the EU institutions, the European social partners, member states, national social partners); this makes decision-making on

employment a matter of multiple governance, resulting in problems of procedural complexity and clumsiness (Marks et al., 1996; Wessels, 1997). Yet the complexity of the process allows the Commission to shape the whole process in a fairly authoritative way. As in the past, and even more so in employment matters, faced with a great diversity of national interests the Commission continues to direct the show as it manages the agenda, has intimate knowledge of the institutional and procedural complexities of the EU and is able to represent the history and memory of Community proposals as against the circulating EU presidencies and the changing political identities of member states.

In the EES, the Commission plays a crucial and methodical coordinating role: it structures the behaviour of the multiplicity of actors, channels conflicts, organizes alliance-building and socializes the actors to share its definition of issues and objectives (Greenwood, 1997). In its guidance role, it will be crucial for the Commission to maintain the momentum of the EES over the long term; to introduce each year new incentives so as to prevent the EES from becoming a mere bureaucratic and tokenistic exercise. On the other hand, the Commission needs to be diplomatic in its management of the process; it must exercise firm control (convincing member states to meet deadlines, measuring the content of the NAPs against the guidelines, monitoring their actual implementation, assessing how far they address the problems and needs of each country, verifying that national social partners have been involved, accelerating the adoption of common statistical instruments and methods of evaluating employment policy), but must not irritate member states by permanent harassment or undermine their own voluntary political engagement.

Finally, a fundamental criticism which can be made of the content of the EES. It concerns the quality of jobs created. The importance of emphasizing the urgency of finding solutions to unemployment does not justify overlooking the nature of the jobs to be created. Assigning priority to the reduction of quantitative measures of unemployment may accelerate the development of forms of employment (involuntary part-time work, badly paid and insecure jobs, workfare schemes) which lack adequate social protection and recognition. Such work lacks social dignity and fails to achieve its purpose of social integration of the individual. In addition, encouraging work of this kind tends to exacerbate inequality between the sexes.

The implication of such a dynamic within the EES is that precarious employment tends to become 'banalized', normalized, officially recognized. The development of precarious forms of employment, a more fragmented (because more 'flexible') workforce, the growth of private services and of SMEs (where employment protections and conditions are normally inferior to those in the rest of the economy) is integral to the EU strategy of job creation. These dimensions are no longer questioned

in EU employment policy or in the guidelines. The demand for a disposable workforce and flexible labour markets is taken for granted; its ideological content is no longer perceived.

Hence the EU employment guidelines are not an innocent vehicle; they imply a new productive and working order within the EU, which should be open to serious political debate.

NOTES

- 1 Its main points were greater priority in public expenditure for growth, with incentives for private investment; structural reforms to improve the functioning of markets; increased support for small and medium-sized companies; additional training aimed at qualifying the unemployed; and pay restraint policies.
- 2 The first economic policy guidelines adopted by the Economic and Financial Affairs Council (ECOFIN) in December 1993 defined as key objectives a reduction in unemployment, price and exchange rate stability and sound public finances.
- 3 The existing EU average was 60.5 percent, but in several countries the proportion was far below this.

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JANINE GOETSCHY is a senior research fellow at Centre National de la Recherche Scientifique (CNRS) attached to the group 'Travail et Mobilités' at the University of Nanterre. She is a sociologist specializing in comparative industrial relations and labour regulation at the EU level.

ADDRESS: CNRS-Travail et Mobilités, 200 avenue de la République, 92000-Nanterre, France. [email: janine.goetschy@skynet.be]