

The European Employment Strategy: from ends to means?

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“The purpose of economic activity is to increase the well-being of individuals (...). This proposition might seem anodyne (...). Yet, the policies that are pursued often turn out to be antithetical to it.”

(J. Stiglitz, 2002, p. 9)

The greatest achievement of the European Union so far is the creation of the Euro. But Europe is often pictured as a one-eyed man, only preoccupied by economic issues, and forgetful of the social aspects of life. The purpose of the European Employment Strategy (EES) was to counter this critic by showing that the European Union could actively fight unemployment. Yet, far from counter-balancing the restrictions imposed on growth by stage three of the European Monetary Union (EMU), the EES limits its action to this pre-defined framework. How is this possible? History can tell us a lot. In fact, the conditions that prevailed when the EES was first elaborated explain why this policy is still largely dominated by the fight against a now disappeared ghost (inflation), when its true enemies (poverty and unemployment) are still alive and kicking.

1. The origins of the EES

1.1. The limited promises of the 1993 White Paper

The main aim of the *White Paper* was to make the labour market work better. The first line of argument followed the conservative criticisms of the Welfare State of the 1980s, which attributed the high level of unemployment in Europe to ‘Eurosclerosis’. It recalled that “the social welfare system [was] being re-examined in many Member States to improve efficiency and reduce costs through greater responsibility and selectiveness” which meant, in particular, the reduction of unemployment benefits¹. The *White Paper* thus pleaded for a less “passive” and more “active” welfare state, that is one that does not hinder the flexibility of the labour market, but on the contrary promotes it. Legal rules were to be adapted, as “(...) the inflexibility of the labour market [was] responsible for large parts of Europe’s structural unemployment.” Last, the “heavy burden of statutory charges” (40% of GDP in the EU in 1991, compared to 34% in the US²) was to be reduced, as its rise was seen as “a cause of the

¹ Still, as if in afterthought, the authors noted that “unemployment benefits are still essential (...)” and that “they can only be reduced so far before the poverty line is reached.”

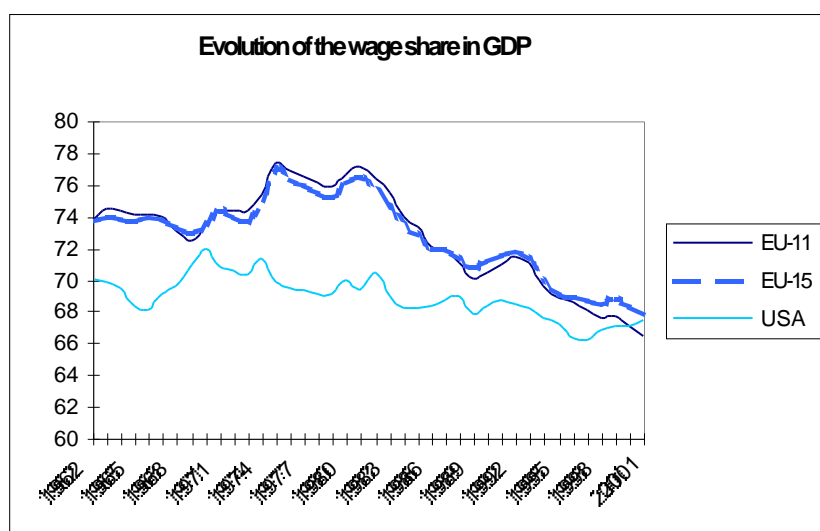
² Even if the relevance of the comparison of gross figures is highly questionable, as Adema (2001) shows. This has been recently acknowledged by the Commission, for whom “The main difference (...) between Europe and the US is that funding is public in Europe, and much more private in the US”. As a result, “the benefits appear to be much more evenly spread in Europe than they are in the US.” (EC, 2001a, p. 5).

economic slowdown and especially of the increase in unemployment”.

But the required change of course of action is fundamental, and acknowledged as such:

The new model of European society calls for less passive and more active solidarity. Solidarity first of all between those who have jobs and those who do not. This key concept has not figured at all in the collective discussions and negotiations of the last ten years. That is why we are proposing a sort of European social pact, the principle of which is quite simple (...); new gains in productivity would essentially be applied to forward-looking investments and to the creation of jobs.

Why this insistence in the *White Paper* on wage moderation? Factual elements alone cannot give an answer. Both the discourses and practices of the European social actors were in line with this approach for many years at that time. Already in November 1986, they had written in their *Joint opinion on the co-operative growth strategy for more employment*, that in all countries, “moderate growth of real per capita wage costs below productivity gains should be maintained for some time” (UNICE, CEEP, ETUC, 1986), i.e. the relative part of wages in GDP should diminish. But not only did they call for wage moderation, they did it. In fact, as graph 1 shows, in 1993, the *total cost of labour* in the EU represented only 71,3 % of the GDP, far below its peak of 1975 (77 % of GDP), but also below its general level of the pre-inflation 1960s (around 74 %).



1.2. The Stability and Growth Pact (Amsterdam Summit, 16-17 June 1997)

The *White Paper* was somewhat a balanced approach, which offered a convincing ‘New Deal’ to Europeans, in particular with its insistence on the building of Trans-European networks. But it was balanced only insofar as the liberal reforms of the labour market were balanced by a guarantee of a rise of public and private investments, the latter being stimulated by wage moderation. But, following the 1993 European recession, the promised investments did not take place. Besides, the monetarist framework of the construction of the EMU imposed a continuous restriction of wages growth. This priority was to be followed, along with a continuous stress on the reform of the labour market.

Many, notably the then recently elected socialist French Prime Minister Lionel Jospin, feared that the Stability and Growth Pact would not promote so much growth. So, in Amsterdam, in order to “keep employment firmly at the top of the political agenda of the Union”, a separate *Resolution on Growth and Employment* was adopted on top of the *Resolution on the Stability and Growth Pact*. They support each other: “sound macro-economic and budget policies go hand in hand with strong and sustainable growth in output and employment.”

In practice, if they go hand in hand, one hand leads the way: employment and social policies do not conflict with, nor even balance the Stability and Growth Pact. They widen its scope, by extending the “market making” logic of the European Union (Streeck, 1995) to another “market”: the labour market. As the *Resolution on Growth and Employment* indicates:

(...) more attention will be given to improving European competitiveness as a prerequisite for growth and employment, so as to, among other objectives, bring more jobs within the reach of the citizens of Europe. In this context, *special attention should be given to labour and product market efficiency* (...). Full attention should also be given to training and education systems including life-long learning, work incentives in the tax and benefit systems and reducing non-wage labour costs, *in order to increase employability*. (emphasis added)

Labour is thus to be apprehended as a commodity, exchanged on a market (Deakin, 1996). This is why *structural* changes are necessary: they are structural in the precise sense that they aim at the creation of a new *structure* of individual interaction – an ideal labour marketplace. Besides, “employability” makes its first apparition in an official document.

However, Member States refused to set any binding target (Trubek and Mosher, 2003). In other words, they accepted to be accountable for their levels of public deficit, debt and inflation (as planned by the Stability and Growth Pact), but not for their level of unemployment, or even for the means devoted to active labour market policies, i.e. for means effectively enhancing the employability of individuals. If Ireland was publicly blamed for its excessive inflation in February 2001, the Council had no means to blame, say, France and Germany, for their excessive levels of unemployment. Shamelessly, the conclusive sentence of the *Resolution* designated some responsible actors: “The European Council asks social partners to fully face their responsibilities within their respective sphere of activity”.

2. The EES at work: a soft policy in a straight jacket

2.1. The progressive building of a collective cognitive framework

2.1.1. The Amsterdam Treaty (October 2nd, 1997)

The Amsterdam Treaty defined the content and procedure of the EES (or “Luxembourg process”, as it was adopted at the extraordinary Luxembourg summit of November 1997). It introduced the new Title VIII Employment, which made the promotion of employment “a matter of common concern” between Member States (Art. 126). The purpose of the EES was not to harmonise national employment policies, nor to make them converge. The range of action available to the Community was limited to “*encouraging co-operation* between Member States by supporting and, if necessary, complementing their action. In doing so, the competencies of the Member States shall be respected.” (Art. 127, emphasis added).

Finally, in its Art. 128, the Title presented the procedure that was to be followed yearly:

- drawing up of guidelines by the Council, acting by a qualified majority;
- annual National Action Plans (NAPs) by the Member States on the measures taken in the light of the guidelines for employment;
- potential recommendations (adopted since 2000 by the Council by a qualified majority, on a proposal of the Commission) from the Council to Member States following the examination of the NAPs.

These recommendations are not binding. All Member States have to do, each year, is to produce a NAP indicating what they will do in order to follow the guidelines and answer the recommendations made to them.

2.1.2. The definition of the ‘open method of coordination’ (Lisbon, 23-24 March 2000)

This method was later labelled the ‘open method of coordination’ (OMC) at the Lisbon summit. It consists in a periodic monitoring of the results achieved by each country, notably through the use of quantitative targets (rates of employment, etc.) and the exchange of qualitative “best practice” (schemes for the inclusion of youth; systems of job rotation; etc.). Following the Lisbon conclusions, this method is now used in a variety of fields, such as pensions, education and social inclusion. Maria Joao Rodrigues, a social scientist, explain the philosophy of the method she invented:

The open method of coordination is a concrete way of developing modern governance using the principle of subsidiarity. This method can foster convergence in common interest and in some agreed common priorities while respecting national and regional diversities. It is an inclusive method for deepening European construction.

The purpose of the open method of coordination is not to define a general ranking of Member States in each policy, but rather to organise a learning process at the European level in order to stimulate exchanges and the emulation of best practices as well as to help Member States improve their own national policies. (Rodrigues, 2003, p. 23)

This is the sunny side of the story. But there is a darker one, that Maria Rodrigues does not hide. If the OMC was invented, it is mainly because the European Union could not do otherwise:

This method was created to overcome a strong political difficulty identified in the preparation of the special European Council of Luxembourg on employment in 1997, because it was impossible to adopt a common target for unemployment reduction, as a counterpart of the common targets for inflation, deficit and debt reduction. But, under the political pressure of the summit, it became possible to adopt common qualitative guidelines instead. (Rodrigues, 2001)

What are the results of the OMC? It is hard to tell. A sure negative result is the absence of real convergence of national employment policies (de la Porte, Pochet, 2003, p. 32). For instance, empirical studies show that the EES is unknown to actors involved in employment policy at a local level (Jacobsson, Schmid, 2003). But one clear result seems to be a new “conventional wisdom” (de la Porte, Pochet, 2003, p. 14) on the expected benefits of active labour market policy.

2.2. The convergence towards activation

2.2.1. Employability: an initial patchwork of national approaches

From the start until the reform of 2003, the guidelines have been organised under the four following “pillars”:

- improving employability
- developing entrepreneurship
- encouraging adaptability of businesses and their employees
- strengthening equal opportunities policies for women and men

The relative importance of these pillars in the NAPs varies greatly. Here, we will concentrate on the employability pillar, quantitatively the most important, and the best entry into the *logic* of the EES. In 2002, the employability guidelines were the following:

- activation of the unemployed (offering a ‘New start’ for every young and long-term unemployed persons and reaching a global rate of activation of 20%) ;
- reform of benefit and tax systems, in order to reduce poverty traps and give incentives to older workers to remain in work;
- reform of educational and training systems, through social dialogue;
- fight against discrimination and social exclusion.

These guidelines are varied, as they reflected the national approaches to employability used by the different states in 1997. A frequent question is then: is it possible to identify a common trajectory in the policies led by the countries? Working on the first three years of the EES (1998-2000), we found a plurality of employability policies in the NAPs (Raveaud, 2001). For instance, we could define an *individual employability*, best illustrated by the UK, where conditionality and incentives are combined to make people seek and accept work. This is opposed to what can be called a *socially shared employability*, as the responsibilities of the Swedish municipalities in the fight against unemployment³ or the French programme “New Start” (*Nouveau Départ*) seem to illustrate.

But the UK does not have the monopoly of this logic of individual responsibilities. It is followed for instance by the Netherlands, where “adequate financial stimulation for individual jobseekers to accept work or a training programme” have been put in place (1998 Netherlands NAP, p. 10). And this is seemingly the direction towards which the policies of countries like Denmark, Sweden, Finland and Germany are evolving⁴, even if they are still mainly

³ “If the young person has not obtained meaningful employment within 90 days, responsibility then passes to the municipalities, which will offer suitable measures.” (1998 Sweden NAP, p. 11).

⁴ In Denmark, “a refusal to accept a reasonable training offer will mean that the young person forfeits the right to receive UB.” (1998 Denmark NAP, p. 35). In Finland, “The employment office offers designated employment to unemployed jobseekers within their own commuting area [which size was expanded and standardised], and unjustified refusal of such an offer leads to sanctions.” (2000 Finland NAP, p. 12). In Sweden, “Unemployment insurance is being reformed with the aim of reinforcing its role as an adjustment insurance. The requirement that individuals make efforts to seek work will be clarified while there is an increase in requirements in terms of occupational and geographical mobility.” (2000 Sweden NAP, p. 14). In Germany, the idea was also to “strengthen the incentives to work, the help given to people to help themselves”, in a context where “tax-financed social benefits payments should be concentrated on those people really in need.” (1999 NAP, p. 28)

characterised by what we called *collectively shared responsibilities* in the promotion of employability. The liberal turn, even if it takes very different forms between countries, thus seems documented, the latest example being the Agenda 2010⁵ in Germany.

2.2.2. *The EES as an intellectual agenda setting*

In its evaluation of the first five years of the EES, the Commission notes a “clear *convergence* towards the active labour market principles” (European Commission, 2002). This is illustrated by the recommendations addressed to the Member States. They gradually evolved from the requirement of creating these policies towards a need to improve their quality and effectiveness⁵. This trajectory is typical of Belgium, Germany, and France. According to the evaluation of the Commission, they have “adopted completely new approaches in labour market policies as a direct effect of the implementation of the guidelines”. In Greece, Spain, and Italy, the progresses are less important. Still, the Commission considers that they have “reoriented their labour market policies by shifting towards more preventive, individualised and diversified approaches”.

In 2003, the United Kingdom was the only country which did not comply with the target of proposing an active measure to at least 20 % of the unemployed. This is quite surprising, as the UK in 1998 launched its ‘New Deal’, whose purpose was precisely to offer a “new start” to the young and the long-term unemployed. Actually, the UK claims that no less than 100 % of the long-term unemployed, whether young or adults, benefit from active measures⁶. But for the Commission, “The UK only achieved a rate slightly over 12 %, when excluding intensive counselling from the measures.”

There is thus a debate on the definition and scope of “activation” policies, which are indeed varied (Raveaud, 2001). But there seem to be a general agreement between the Commission and the Member States on the need to “activate” the unemployed. Several researches challenge this view. It is indeed possible to identify an “ideological convergence” in these policies, consisting in:

the portrayal of unemployment as something for which the individual is responsible. The individual is seen as being responsible for managing risk (for example, job loss), and this risk is considered to be an inevitable fact of life. (Serrano Pascual, 2003 p. 153)

This is the line of the *Third Way Manifesto*, which intends to “promote a new entrepreneurial spirit at all levels of society”. Indeed, for its authors, the purpose is no longer to protect people from risks, but to “transform the safety net of entitlements into a springboard to personal responsibility” (Blair, Schröder, 1999).

But even if this is the case, what is the responsibility of the EU in these developments? Serrano Pascual recognises that “the European institutions do not seem to have been playing an important role” (p. 162) in the implementation of such policies. Still, for her, the role of the EU should not be underestimated, as

⁵ This is confirmed by the fact that, in 2001, all countries but one (the United Kingdom) complied with the “activation target” of at least 20 % of the unemployed benefit from an active measure. Even if the figures are to handle with care, as the definition of activation policies is not harmonised, one can note that the scores vary between 14 % (UK) and 60 % (Sweden) (European Commission, 2003).

⁶ This example, not so exceptional, points to the possible manipulation of indicators in the framework of the EES, as the Commission does not check the origin and construction of national statistics.

the EES is promoting and popularising a certain diagnosis of the problem (interpretation and causes of the problem), legitimisation principles, targets of intervention and definition of the role to be played by the state. (p. 151)

This perspective is reinforced by the now complete integration of the EES into the broad economic policy of the EU.

2.3. The integration of the EES into the Broad Economic Policy Guidelines

2.3.1. The necessity of a structural reform of the labour market

The adoption of the euro, at the beginning of 1999, brought to the forefront the need for increased coordination in policy, both at national and European level. This is why in Cologne in June 1999, the European Council decided to launch a “macro-economic dialogue based on mutual trust”, between the Council, the Commission, the European Central Bank (ECB) and the European social partners. But it remained an “exchange of views”, in which the requirements of the ECB on price stability, wage moderation and the flexibility of labour markets have been communicated to the other participants, without much information going in the opposite direction (Dufresne, 2001). This poses a major problem, as

(...) it is, to say the least, problematic to delegate decision-making to an independent central bank which is unrepresentative of the various groups affected by macro-policy, which is dominated by financial interests, and which pays little if any attention to employment. (Stiglitz, 2002, p. 19)

The *European Employment Pact*, adopted simultaneously, validated this approach. Its purpose was to combine the newly created macro-economic dialogue with two existing processes: the “Cardiff process” (1998), which purpose is to “improve competitiveness and the functioning of the markets in goods, services and capital”, and the EES. But this coordination led to what could be called a cognitive merger, implying the generalisation of the market making logic. This is illustrated by the fact that now *all* aspects of economic life are considered as “markets”, whose “structural reform” is the priority. As the text of the *Conclusions* indicates, the aim of the *Pact* was a “comprehensive structural reform and modernisation to improve the innovative capacity and efficiency of the labour market and the markets in goods, services and capital.” This departs from the Keynesian tradition, for which labour is precisely not exchanged on a market (Fitoussi, 1995). But it is “One of the great ‘tricks’ (...) of neoclassical economics to treat labour like any other factor of production.” (Stiglitz, 2002, p. 10)

As Anne Dufresne (2001) explains, the coordination is in fact a hierarchy, starting from the requirements of the ECB and those of the Stability and Growth Pact, to which the EES is submitted. The specific nature of work relationships is thus neglected, the only question being to deregulate labour markets, like other markets. Indeed, for Blair and Schröder, “flexible markets” are “a modern social democrat aim” (Blair, Schröder, 1999). This was echoed later on by Jose Maria Aznar during the Spanish presidency:

In my opinion, the greatest adversary for a jobless person is the rigidity of the job market. The greater the rigidity, the higher the unemployment rate. There is no greater adversary for someone looking for a job than the rigid rules that prevent him from taking advantage of opportunities or prevent him from accessing that necessary flexibility in the labour market. (Aznar, 2002)

This is the general context in which the more progressive elements in the EES, introduced in

2000, are to be evaluated.

2.3.2. *Raising the quality and quantity of jobs?*

The euphoria of the late 1990s, with the myth of a “new economy” (Gadrey, 2002) did not only hit stock markets. It made victims among European leaders as well, who wanted to “prepare the transition to a new knowledge-based economy and society” at the Lisbon summit, the first of the newly created Spring summit for “employment, economic reform and social cohesion”, held in March 2000. Lisbon was also the stage of the come-back of a nearly forgotten notion: “full employment”, which was to be reached through the “realistic prospect” of a yearly growth of GDP of 3 %. All these objectives were packed in a grand sentence: the EU was “to become 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”. More precisely, this summit saw the introduction of targets for employment rates for the first time. The aim was to raise the employment rate from an average of 61% in 2000 to “as close as possible” to 70% by 2010, with a target for women at 60 % (51% in 2000). The subsequent Stockholm summit (March 2001), introduced intermediary targets of respectively 67 % and 57 % in 2005⁷. But this is not all: not only was full employment to be achieved, but it should be reached through “better jobs”. The catch phrase “quality of employment” thus appeared at the end of many of the 2001 guidelines.

Still, the fate of the theme of the “quality of work” does not predispose to optimism. While the original Communication from the Commission was ambitious (European Commission, 2001), the... four indicators finally selected do not include any serious element, starting with the level of wages and the type of contracts offered, or trade union representation⁸.

2.3.3. *The future of the EES: has anyone found the European Social Model?*

Looking for explanations for the European successes in employment at the end of the 1990s, the Commission estimated that “wage moderation is considered as one key factor” (European Commission, 2002b). This is in line with the permanent recommendations made in the Broad Economic Policy Guidelines (BEPG). It is therefore logical to read that, for the future of the EES, the Commission recognises the BEPG as “an overarching economic policy co-ordination instrument” (European Commission, 2003).

Since 2003, the EES has three top priorities for: full employment; quality and productivity at work; cohesion and an inclusive labour market⁹. Here as often, these objectives partially contradict one another. For instance, under the heading “Promoting adaptability in the labour market”, one can read:

Flexibility should continue to be encouraged, in particular in terms of the availability of

⁷ In 2001, latest figure available at the time of writing, the figures were of 63,9 % and 54,9 %, according to the 2002 *Employment in Europe* report.

⁸ They are only indicators of transition between various states (employment; unemployment; non-employment), and are only “context indicator”. On the contrary, the number of accidents at work is a “key indicator”.

⁹ Besides, Three changes in the content of the guidelines itself are noticeable in their 2003 version: the stress on “active ageing”; the fights against “undeclared work” and “regional employment disparities”.

different contractual or working time arrangements. At the same time, steps should be taken to prevent a segmentation of the labour market between different types of workers and to facilitate transitions between different forms of work.

The problem is that some qualified observer has different views on what flexibility means:

In short, the mantra of increased labour market flexibility [is] only a thinly disguised attempt to roll back – under the guise of “economic efficiency” – gains that workers had achieved over years and years of bargaining and political activity. (Stiglitz, 2002, p. 13)

The role of the EES could thus have been to tell us what are precisely the expected costs and benefits of flexibility. On the contrary, most of the Communication is devoted to procedural aspects (simplification and stability of the guidelines, etc.). This is no doubt valuable, but it does little help to start defining what the “European social model” may well be.

In its 2003 Recommendations, the Council of the European Union, dealing with the case of Sweden, writes :

The Swedish labour market is characterised by very high employment rates, including among older workers and women, and all the EU-wide targets have already been exceeded. (...) Despite the ongoing tax reform, the tax burden on labour is still the highest in the EU. Benefit schemes are relatively generous in an international perspective and include tight eligibility criteria. However, further efforts appear necessary to improve incentives to work.

Is it possible to do better (or worse) than this nonsensical statement to show that, in the long road from 1993, the European Union has mistaken the *ends* for (wrong) *means*?

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