

# The European Employment Strategy: Assessing the Status Quo

*J. Timo Weishaupt*

University of Mannheim

*Katja Lack*

German Federal Ministry for Employment and Social  
Affairs

## Abstract

The European Employment Strategy (EES) is the European Union's main instrument to co-ordinate Member States' reform efforts in the area of labour market and social policies. Launched in 1997, it has undergone various changes, both in its governance and its policy orientation. This paper offers an overview of the EES's origins, main functions and evolution. It also critically reflects on its development and closes with a succinct presentation and assessment of the EES in the context of the Europe 2020 Strategy that has replaced the expired Lisbon Strategy.

## 1 Introduction<sup>1</sup>

When it comes to employment-related issues, 2010 was a critical year for Europe in at least two ways. *First*, following the “Great Recession” of 2009, only few European economies showed early signs of economic recovery, while most continued to struggle with sluggish growth and some even had to be “rescued” by the European Union (EU) and International Monetary Fund (IMF) to avoid state bankruptcy. For most, the bleak employment situation of 2009 – i.e., employment rates were down 1.9% or approximately 4.5 million jobs and the demand for labour shrank by roughly 30% (Peña-Casas 2010: 103) – was there to stay for the foreseeable future. To make matters worse, literally all governments had to prepare their policy

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<sup>1</sup> We would like to thank Jonathan Zeitlin for commenting on the draft version of this paper.

responses to mitigate the socio-economic impact of un- and under-employment in times of severe financial austerity. *Second*, with the expiration of the Lisbon Strategy in June 2010, a decade-long process of European policy co-ordination in the social sphere had come to an end, and a new path toward “smart, sustainable and inclusive growth” had to be agreed upon (European Commission 2010b). All hope lay in the new Europe 2020 Strategy, a European “phoenix” that should rise from the ashes to bring macro-economic, labour market, social, educational and environmental policies together in a synergetic way, thus “promoting growth for all” while delivering “high levels of employment, productivity and social cohesion” (European Commission 2010b).

As both of these developments pose “critical junctures” for the evolution of European labour market governance, a short assessment of the status quo of European employment policy co-ordination is warranted. The main vehicle for the EU to co-ordinate employment policy is the European Employment Strategy (EES) first launched in 1997. The EES received great attention after its inception, resulting in a variety of academic scholarship (e.g., Goetschy 2007; Heidenreich 2009; López-Santana 2009a, 2009b; Mailand 2009; Weishaupt 2009; Zeitlin/Pochet/Magnusson 2005; Zeitlin/Trubek 2003; Zirra 2010) and official assessments (Kok 2003, 2004; OPTEM 2007). However, despite this rather long list of publications, the research on the EES is almost entirely limited to the “early years”, i.e., roughly covering the time span until 2005. This “analytical gap” further underlines the need to review recent developments in order to make an assessment of its future development in the context of the Europe 2020 Strategy. This article is structured as follows. First, we briefly review the *origins* of the EES, and subsequently trace the *evolution* of the EES, distinguishing two phases: a first phase (EES I, 1997-2005) during which the EES was launched, evaluated, and revised; and a second phase (EES II, 2005-2010) during which the EES was first *re-directed* and embedded into the larger, revised Lisbon Strategy with a clear focus on economic growth, and subsequently *fine-tuned* both to address the criticism of its new lop-sidedness in favour of economic concerns and to “cope with” the consequences of the global economic and financial crisis. In the following section, we describe the main procedural and substantive

changes of the EES within the new Europe 2020 Strategy, and offer an assessment of the opportunities and risks of this new architecture. Before closing the paper with a discussion of the main findings, a succinct analytical part offers an overview how the EES is expected to work *theoretically* and provides some evidence about its practical impact.

## 2 Origins of the European Employment Strategy

Throughout the 1950s-80s, the process of European integration with respect to the social sphere had been rather limited. European integration was mostly described as “negative integration”, or the retrenchment of national regulatory capacity, rather than “positive integration” associated with European-level capacity building (Scharpf 2000). Accordingly, the EU’s achievements in social policy making were considered “at best – weak” (Pochet 2005: 37), and “EU social policy remained limited and secondary” (Geyer 2000: xiii). Only during the 1990s, the EU began to gradually expand its capacity to monitor and guide national labour market and social policy. The first step was taken with the conclusion of the Treaty on the European Union, signed in Maastricht on 7 February 1992, which declared “a high level of employment and social protection, the raising of the standard of living and quality of life, and economic and social cohesion and solidarity among Member States” as core EU principles and priorities (cf., Art. 2). In June 1993, the European Council then invited Commission President Jacques Delors to present a White Paper on a medium-term strategy for growth, competitiveness and employment. This White Paper paved the way to formulate the so-called “Essen Process” that entailed both a monitoring framework and a set of common goals for employment policies (Council of the European Union 1994: 2-3).

While the “Essen Process” was seen as a temporary solution, a “careful political compromise” emerged after years of deliberation and negotiations as to how this process of non-binding co-ordination could be institutionalised and formally adopted (Mosher/Trubek 2003: 67). This compromise formally created the EES at the Amsterdam Summit in June 1997, which institutionalised a multilateral

surveillance process and established a permanent, treaty-based Employment Committee (EMCO), promoting policy co-ordination among Member States' employment and labour market policies. The precise institutional design of the EES, in turn, was to be decided at an extraordinary European Council meeting held on 26-27 November 1997, prior to the ratification of the Amsterdam Treaty. The box below summarises the key features of the newly created EES.

**Box 1: Institutional Components of the EES**

- **Employment Guidelines (EGL):** following a Commission proposal, the Council agrees annually to a series of Guidelines that establish common priorities for Member States' employment policies;
- **National Action Plans (NAPs):** every Member State draws up an annual National Action Plan that describes how these Guidelines are put into practice on a national level;
- **Joint Employment Report (JER):** The Commission and the Council jointly examine each National Action Plan and present a Joint Employment Report. The Commission presents a new proposal to revise the Employment Guidelines accordingly for the following year;
- **Recommendations:** The Council may decide, by qualified majority, to issue country-specific recommendations upon a proposal by the Commission.

Source: Weishaupt 2011: 162.

The Employment Guidelines, in turn, were organised along four pillars, which were to “guide” the Member States' reform efforts. Arguably the most important pillar was the employability pillar, which focused on activating and labour market policies (and included a number of quantified targets), while the other three pillars were centred on entrepreneurship, adaptability and equal opportunities (Council of the European Union 1997: annex).

**Box 2: The Four Pillars of the EES (1997)*****Employability Pillar (Guidelines 1-7)***

- Implementing *preventative* and *employability-oriented* strategies, building on the early identification of individual needs and ensuring that young/long-term unemployed persons are offered a new start in the form of training, re-training, work practice, a job or other employability measure after six/twelve months respectively.
- Shifting people from welfare dependency to work and training by increasing the number of unemployed people in active labour market policy (ALMP) measures, gradually achieving the average of the three most successful Member States, and at least 20%.
- Developing partnerships as a framework for the provision of training and lifelong learning.
- Facilitating the transition from school to work.

***Entrepreneurship Pillar (Guidelines 8-12)***

- Reducing overhead costs and removing the administrative burden to promote business activities, especially for small and medium-sized enterprises, exploiting all of the available opportunities for job creation, including the social economy; encouraging self-start ups.
- Making the tax system more employment friendly by reducing labour and non-wage labour costs, in particular on unskilled and low-paid work.

***Adaptability Pillar (Guidelines 13-15)***

- Inviting the social partners to negotiate flexible working arrangements and to examine the possibility of more adaptable types of work contract.
- Re-examining the obstacles to investment in human resources and possibly provide for tax or other incentives for the development of in-house training.

***Equal Opportunities Pillar (Guidelines 16-19)***

- Reducing the gap in unemployment rates between men and women and actively supporting the employment of women.
- Improving access to care services.
- Facilitating the return to work after child bearing.
- Giving special attention to people with disabilities.

Source: Council of the European Union 1997: annex.

**3 The EES in Action: The Early Years (1997-2005)**

After its formal launch in 1997, the EES experienced its first “upgrade” in 2000, when it became part of the ambitious Lisbon Strategy. With this strategy, the – at the time predominantly Social Dem-

ocratic – EU heads of state or government committed themselves 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” (Council of the European Union 2000). At the heart of this Lisbon Agenda lay a modernised European Social Model with three elements, including “making more investments in people, activating social policies and strengthening action against old and new forms of social exclusion” (Rodrigues 2003: 17). At the time, it was often argued that the “Lisbon Summit in 2000 marked a ‘true watershed’ in employment and social policy by bringing together economic and social policy in a longterm perspective” (Larsson 2001: 51). In the context of the Lisbon Agenda, the Open Method of Co-ordination (OMC) was formalised as a framework within which national governments could improve their social performance,<sup>2</sup> while the EES was strengthened by arming it with additional “hard targets” – to be reached by 2010 – such as an overall European employment rate of 70% and an employment rate for women of more than 60% (Council of the European Union 2000: 10). Subsequently, the Stockholm European Council in March 2001 introduced a 50% employment target for older workers aged 55-64 (Council of the European Union 2001), while the Barcelona European Summit in March 2002 introduced the goal “to provide childcare by 2010 to at least 90% of children between 3 years old and the mandatory school age and at least 33% of children under 3 years of age” (Council of the European Union 2002: 13). In addition to these new quantitative goals, the Lisbon Agenda also put a strong emphasis on qualitative goals. Put differently, while policy makers’ goal during the 1990s was to – first and foremost – create jobs in order to increase employment levels in Europe (cf., Weishaupt 2011), the Lisbon Agenda pursued a more balanced view that foresaw not only the creation of jobs, but of “good jobs” (i.e., safe, secure and adequately paid employment).

In 2002, five years after the birth of the EES, the EU members decided to evaluate the success of the EES (Commission of the

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<sup>2</sup> The EU outlined that the OMC – i.e., a similar, but “weaker” and less ambitious form of the EES – would be used in a variety of social policy areas, including social inclusion, pensions, and health care, this is to say, in domestically sensitive areas where mutual learning promised to be an appropriate tool to overcoming uncertainties (Zeitlin 2005).

European Communities 2002). While this evaluation showed positive results – it was argued that the EU Member States increasingly focused on activating and preventative measures – it was criticised for being too complex, and thus failing to reach its full potential. The Commission reacted two-fold: First, in April 2003, the EES was simplified by consolidating the four pillars and corresponding guidelines into three overarching objectives, including (1) full employment, (2) quality and quantity of work, and (3) social inclusion and an inclusive labour market. The overarching objectives were then supported by policy priorities (summarizing the previous four pillars) that were coupled, at least in some areas, with associated quantifiable targets (OPTEM 2007: 111). Second, in November 2003, upon initiative by the Council, especially Germany, the Commission asked for the establishment of an expert-led task force, which was charged with a remit to propose changes to the EES to make it more effective (Kok 2003) and, subsequently, to “rethink” the entire Lisbon Strategy (Kok 2004). The main message of the report was that the EES should not be displaced, but rather reformed by: (a) setting clear priorities, (b) reducing the number of Employment Guidelines and fixing their goals for longer periods of time, (c) holding Member States more accountable for their actions by publishing score boards or league tables, and (d) redesigning the overall Lisbon governance, which was described as a “Christmas tree” with too many ornaments (*interview*, DG EMPL\_3).

#### **4 The EES and the New Growth and Jobs Strategy**

##### *A New Architecture*

At the spring European Council of 2005 – now in a political constellation that favoured Conservative and Christian Democratic actors – the EU heads of state or government decided to relaunch the Lisbon Strategy. Subsequently, the new Commission President José Manuel Durão Barroso had the EES architecture revamped, mostly but not exactly following the recommendations of the Kok reports. While Barroso rejected the recommendation to stress “naming and shaming”, the new EES was integrated into a revised Lisbon or Growth and Jobs Strategy. With the relaunch of the Lisbon Strategy, im-

portant governance changes were made that directly affected the operations of the EES.

*First*, the previously distinct macro-economic and employment policy co-ordinating processes were merged (even though the two retained distinct legal bases and ratification procedures). This led to a fusion of the European Employment Guidelines with the Broad Economic Policy Guidelines (BEPG) of the Stability and Growth Pact into a single set of 24 Integrated Guidelines (IGL) for Growth and Jobs, which were fixed for a three-year period (2005-2008). Eight of the 24 IGL were dedicated to employment (see box below).

**Box 3: Integrated Guidelines for Growth and Jobs (2005-2008 and 2008-2010)<sup>3</sup>**

Guideline 17:	Implement employment policies aiming at achieving full employment, improving quality and productivity at work, and strengthening social and territorial cohesion.
Guideline 18:	Promote a lifecycle approach to work.
Guideline 19:	Ensure inclusive labour markets, enhance work attractiveness, and make work pay for job-seekers, including disadvantaged people, and the inactive.
Guideline 20:	Improve matching of labour market needs.
Guideline 21:	Promote flexibility combined with employment security and reduce labour market segmentation, having due regard to the role of the social partners.
Guideline 22:	Ensure employment-friendly labour cost developments and wage-setting mechanisms.
Guideline 23:	Expand and improve investment in human capital.
Guideline 24:	Adapt education and training systems in response to new competence requirements.

Source: Council of the European Union 2005, 2008b.

*Second*, the previous (annual) NAPs for employment disappeared and were now part of (three year) National Reform Programmes (NRPs) that streamlined recommendations and goals of macro-economic, micro-economic and employment policy.<sup>4</sup> The integra-

<sup>3</sup> The Council subsequently re-issued Guidelines 17 to 24 unaltered for a second period (2008-2011).

<sup>4</sup> The Member States' progress was to be summarized, however, in annual Implementation and Progress Reports, thus retaining the previous reporting obligations.

tion of the NAPs had, however, two presumably unintended consequences. On the one hand, employment issues became less visible and were generally thought in the context of economic and financial rather than social policy (cf., Zeitlin 2008). On the other hand, the actual reporting on employment policy was less detailed and more uneven across Member States, effectively reducing the Commission's monitoring capacity (Zeitlin 2010: 253).

*Third*, the European Commission's Directorate General (DG) for Economic and Financial Affairs (ECFIN) became the lead DG for the new Growth and Jobs Strategy. Likewise the national ministries for economic affairs were henceforth responsible for the coordination of the Lisbon Strategy and the preparation of the NRPs. This shift in favour of economic actors directly reduced the strength of the Council of labour ministers (EPSCO) and the Employment as well as the Social Policy Committee (EMCO and SPC respectively) vis-à-vis Council of the economic and finance ministers (ECOFIN) and the corresponding Economic Policy Committee (EPC).

*Fourth*, in the context of the Lisbon Assessment Framework, the DG ECFIN – rather than DG EMPL – launched a Labour Market Reform Database (LABREF) in December 2005, which systematically records, on an annual basis, information on reforms that are likely to have an impact on labour market performance.<sup>5</sup> As the “heavy lifting” of the data collection for LABREF is done by the EPC – rather than EMCO or the SPC – it has been criticised for not being sensitive to social issues and overemphasizing economic priorities for a number of reasons:

- (1) it is based on a growth accounting/GDP framework, which is inappropriate for evaluating key objectives of national social and employment policies;
- (2) it involves an unbalanced and over-aggregated selection of growth components, policy fields, and indicators; and
- (3) it is explicitly designed as an ‘expertocratic’ approach, inspired by the OECD, which does not incorporate self- assessment, peer review, and mutual evaluation by national policy makers (Zeitlin 2009b: fn. 2).

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<sup>5</sup> The database covers nine broad policy areas, including “labour taxation, unemployment and welfare-related benefits, active labor market programs, employment protection legislation, early-retirement and disability schemes, pension systems, wage-bargaining framework, working time organisation, immigration and labour-mobility policies” (cf. [http://ec.europa.eu/economy\\_finance/db\\_indicators/labref/index\\_en.htm](http://ec.europa.eu/economy_finance/db_indicators/labref/index_en.htm), last accessed on 16 February 2011).

*New Focal Points: An Integrated Social Guideline, Flexicurity and New Skills for New Jobs*

These governance changes associated with the Growth and Jobs Strategy – i.e., subsuming the NAPs into the much broader and less explicit NRPs, the dominance of economic and financial in contrast to employment and social policy actors, and the explicit focus on job growth rather than job quality or social inclusion – were the expression of a new ideology that assumed that economic growth will lead to more jobs, which in turn will benefit all. Despite – or maybe because of – this “neo-liberal turn”, many European policymakers continued to adhere to the idea of a “European Social Model”, which resulted in a variety of (“failed”) attempts to rebalance the Lisbon Agenda toward social goals by including an Integrated Social Guideline, and the gradual evolution of new focal points, including – *inter alia* – flexicurity and a renewed focus on skills.

While the 2006 EPSCO meetings – especially the annual “Lisbon Council” held in March of each year – were dominated by economic and employment rather than social issues, the first forceful response to rebalance the EES in favour of social issues was the Italian government’s launch of the initiative “Enhancing Social Europe” in 2007 (Mahoney 2007). The Italian labour minister Cesare Damiano first presented his ideas at an informal Council meeting in January 2007. His paper served as the starting point for in-depth discussion, was further developed and quickly signed from nine EU labour ministers (Italy, France, Spain, Belgium, Luxembourg, Bulgaria, Cyprus, Greece and Hungary). On 14<sup>th</sup> February 2007, the declaration was presented to the other labour ministers, after which also the Austrian and Slovakian ministers signed the document.<sup>6</sup> Even though Germany – especially Social Democratic labour minister Franz Müntefering – supported the initiative, the government decided not to sign it in order to remain “neutral” during its role as Council President. The French labour minister Gérard Larcher subsequently called for “social minimal standards”, which was – most loudly – rejected by Great Britain and Malta (German Press Agency 2007).

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<sup>6</sup> The main points discussed in the paper include the reaffirmation of “Social Europe”, built on a set of common values such as social justice, equality and solidarity.

The European Council then reaffirmed in its Presidency Conclusion of 8/9 March 2007 “the need to strengthen economic and social cohesion [...], the need to fight poverty and social exclusion” and to pay more attention to “active inclusion, i.e. ensuring adequate levels of minimum resources for all” (Council of the European Union 2007a: 8). Referring back to this affirmation, labour minister Franz Müntefering tried “very hard” (*interview*, DG EMPL\_2) to gain approval for the inclusion of a “Integrated Social Guideline”, which he hoped would increase the “pressure” for more EU-level actions and convince the European citizens that the EU seriously considered social issues. Taking position vis-à-vis the other Member States, he then put forward the German vision to ensure active social integration by (a) promoting labour force participation, (b) ensuring adequate levels of minimum resources for all, which was to be combined with the principle of fair remuneration in order to make work pay, and (c) fighting poverty and exclusion of those persons and groups who are most marginalized in society.

Such a guideline was, however, not included when the “Lisbon Council” reissued the original 24 Integrated Guidelines in March 2008. The resistance against the inclusion came from many of the other Member States – mainly economic and fiscal actors – and parts of the Commission. In addition to topical concerns, many Member States considered the achieved “stability” of the guidelines a major advantage, also and especially because they wanted to prevent that each subsequent Presidency also sought to include its priorities (*interview*, DG EMPL\_3). As a compromise, however, the Lisbon Council endorsed slight alterations to the Integrated Guidelines’ supporting texts, e.g., the strife for “adequate levels of minimum resources to all” (Guideline 18), the promotion of “good work” (Guideline 20), or the much stronger focus on poverty reduction (the word poverty occurs three times in the 2005-2008, but seven times in the 2008-2010 text, and a special emphasis was placed on eradicating child poverty, which had previously not been mentioned at all).

Parallel to the discussions about “how social” the EES should be, the Commission and especially the finance and economics ministers of various Member States focused on new issues, including flexicu-

riety<sup>7</sup> (i.e., the “modernisation” of labour market governance) and new skills (to make economic growth sustainable). While flexicurity was first debated in elite and expert circles in the early 2000s (cf., Zirra 2010: 181ff), it first arose as a European topic at the Summit Meeting in Hampton Court in October 2005. The Commission and the subsequent Austrian and Finnish presidencies (spring and fall of 2006 respectively) continued to advance the concept (Weishaupt 2011: 177). At first, flexicurity was mainly discussed from a “policy perspective”, i.e. it was assessed, how it worked – especially in Denmark and the Netherlands – and how other Member States could utilize it (*interview*, DG EMPL\_1). Due to its direct criticism of employment protection legislation, flexicurity was from the beginning a rather controversial topic, also and especially given the overall “neoliberal” impetus of the new Growth and Jobs Strategy (cf., Keune/Jepsen 2007; Viebrock/Clasen 2009). Accordingly, by mid-2007, the Commission began to address flexicurity from a “politics perspective”, seeking ways to ease the fears of mainly labour unions and Social Democrats that flexicurity was all about flexibility (*interview*, DG EMPL\_1). This “politics” focus entailed, on the one hand, that the Commission asked an expert group – chaired by Ton Wilthagen – to develop so-called “pathway switches”, which outlined reform trajectories that were sensitive to the particularities of welfare state “clusters” (European Expert Group on Flexicurity 2007). On the other hand, the Commission solicited input from all relevant actors about “common principles” and invited the European-level social partners to meet and discuss how employment systems needed to be reformed (Commission of the European Communities 2007). Moreover, in its accompanying Communication, the Commission took a significantly less “neoclassical” position when compared to the early Barroso statements (Klindt 2011: 12). This is to say, the Commission not only stressed the goal of enabling “transitions” from unemployment to jobs and between jobs

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<sup>7</sup> While flexicurity is rooted in the Dutch Flexibility and Security Act of 1999 (Visser 2005), the European discourse was mainly centred on the Danish variant, typically encapsulated by the “Golden Triangle” of lax employment protection standards coupled with generous unemployment benefits and extensive ALMPs (Madsen 2005; Wilthagen 2005). The core idea is that employers can “hire and fire” employees with relative ease, while workers are not only protected by generous unemployment benefits (which allow them to sustain their economic well-being), but also have access to ALMPs, which enable them to more easily transfer into new employment.

(which entailed qualitative and egalitarian ambitions), but also suggested that countries with “less developed” benefits systems should offer “higher benefits during shorter spells of unemployment” (Klindt 2011: 13).

Just a few months later, in early October, the European social partners published a joint report, which was written “in the spirit” of flexicurity (ETUC, BUSINESSEUROPE, UEAPME, & CEEP 2007), while DG EMPL Commissioner Vladimir Spidla reiterated at a subsequent tri-party social summit on 19/20 October 2007 that the EES would retain or even reinforce its focus on better quality jobs, human capital investment, jobs for the young and active ageing (European Report 2007). In the end, the Commission’s new sensitivity to “politics” and its effort to consult all relevant stakeholders proved successful and, on 14 December 2007, the European Council of Ministers endorsed eight Common Principles on flexicurity.

**Box 4: Eight Common Principles of Flexicurity (adopted December 2007)**

1. Flexicurity is designed to implement the main principles of the Lisbon Strategy.
2. Flexicurity, in addition to being committed to life-long learning, active labour market policies and a modern social welfare system, sees the need for flexible contractual arrangements.
3. Flexicurity needs to adapt to the different circumstances in each Member State.
4. Flexicurity needs to support open and inclusive labour markets which help to reintroduce inactive employees back into employment.
5. Flexicurity needs to involve the smooth transition between jobs by constantly up-grading employees’ skills and providing the necessary social protection in transition periods.
6. Flexicurity should promote both gender equality as well as consider means to reconcile work–life balance issues.
7. Flexicurity needs the support of the social partners.
8. Flexicurity needs to involve a cost-effective distribution of resources which public budgets can sustain.

Source: Council of the European Union 2007b.

In February 2008, the Commission then also set up a multi-partite “Mission for Flexicurity”, headed by Gérard Larcher, to sustain the momentum. The Mission’s task was to carefully study a small num-

ber of the Member States' pathways to flexicurity, which would then, in December 2008, allow the Commission to present a report to the employment ministers, outlining context-specific ways in which the Common Principles could best be implemented.

In addition to flexicurity – or rather in the context of flexicurity – skills-related issues became increasingly more salient. The groundwork for a new initiative on skills was laid by under the Portuguese Presidency – in collaboration with the Commission – by calling for a “New Skills for New Jobs” agenda in the autumn of 2007. In March 2008, the European Council stressed that “investing in people and modernising labour markets” was one of the four key priority areas of the Lisbon Strategy, and invited the Commission to present a comprehensive study on *future* skills requirements (Council of the European Union 2008a: 9), thus calling for the development of a long-term vision (*interview*, DG EMPL\_3). Subsequently, the “urgency” for an EU-level response for skills development grew even more. On the one hand, the first signs materialised that the global financial crisis would affect employment growth, which in turn, would jeopardize the flexicurity agenda and amplify social inequalities and poverty in the EU. On the other hand, the Commission's study conducted by *Cedefop*, the European Centre for the Development of Vocational Training, suggested that future job growth will be concentrated in sectors that require medium to high skills, while jobs requiring low levels of educational attainment will decline substantially (Cedefop 2008).<sup>8</sup> The report also clearly illustrated that impending challenges associated with *demographic ageing* (necessitating longer working lives) and impending skills gaps (especially when the “baby boom” generation retires) will require structural changes to, and additional investments in, national education and training systems.

The Commission reacted by publishing a Communication on “New Skills for New Jobs” in December 2008, which stressed that upgrading skills was not a luxury but a necessity (Commission of the European Communities 2008: 3), while the subsequent spring

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<sup>8</sup> Similarly, a *Eurofound* study published in 2008 also showed that most newly created “good jobs” came from knowledge intensive sectors while job creation in the low-skill sector was low and often atypical (Fernández-Macías/Hurley 2008).

EPSCO Council invited the Commission to develop a “New Skills for New Jobs” initiative in March 2009 (Council of the European Union 2009a). The aims of this initiative included the improvement of job matching, regular skills monitoring, and assistance with Member States’ efforts to upgrade their skills systems, improved collaboration with the ILO and OECD, and the promotion of mutual learning among the Member States. In line with the new “forward-looking” vision of the Commission, the Member States were also asked to develop an anticipatory view of future national skills needs, also and especially in the context of demographic and climate change. As such, 2008/2009 was a critical period in which the Member States increasingly acknowledged the need for comprehensive reforms, which would require structural changes to labour market as well as vocational training and educational institutions (*interview*, DG EMPL\_3).

The year 2009 was then dominated by reacting to the global economic and financial crisis. Literally all European economies – except Poland – went through a deep recession, employment levels plummeted and unemployment rose rapidly. In some countries (e.g. Denmark, Ireland, Romania and Spain) unemployment doubled, in others (Baltic States) it even tripled (Peña-Casas 2010: 103). Vulnerable workers in atypical employment, migrants, the low-skilled and especially youth were particularly hard hit, which further emphasised the need to focus on skills, not only to mitigate the effects of the crisis, but also in preparation for the post-crisis phase during which economic growth will be highly dependent on the supply of skilled workers. Rather than abandoning flexicurity in the context of acute job shortages, the Member States and the Commission reaffirmed their commitment to labour market reforms and the New Skills agenda. Flexicurity – once more – expanded its focus by becoming more sensitive to issues related to labour market segmentation (and addressing the increasing bifurcation of labour markets) and by prioritising the modernisation of Public Employment Services (PESs) (cf., Council of the European Union 2009b). The former was triggered as new research had shown that the rise in temporary work – which was seen as an important stepping stone within the flexicurity discourse – in the years prior to the recession had failed to lead to stable and higher paid jobs. Instead, it had “trapped”

workers in a recurring sequence of temporary jobs with frequent unemployment spells in between (Commissioner László Andor cited in European Commission 2010a: 3). The latter was a reaction to the crisis, which had amplified the need for PES reform in many of the Member States. Labour market administrations had to not only cater for a rapidly growing number of jobseekers as a result of the economic global downturn, but – at the same time – had to begin preparing themselves for the post-crisis recovery phase, during which swift and accurate job placements would be critical to expedite recovery (*interview*, DG EMPL\_1).<sup>9</sup>

## 5 The End of the Lisbon Strategy: Long Live Europe 2020?

Toward the end of 2009, the Member States and the Commission began discussing how to follow up on the Lisbon Strategy and what role the EES should play. After wide consultations, the EU heads of state or government formally adopted the Europe 2020 Strategy on 17 June 2010. The new Europe 2020 Strategy drew on the previous Lisbon Strategy by prioritising “smart growth” (built on knowledge and education), “sustainable growth” (i.e., resource efficient, green and more competitive growth) and “inclusive growth” (with high levels of employment and social cohesion). The architecture of the Europe 2020 Strategy was, however, in many respects more ambitious than Lisbon as (a) new priorities were set, (b) economic, fiscal, employment, social and environmental policy was to be coordinated in a common “European Semester”, (c) the role of the Commission was to be strengthened, and (d) the labour ministers proclaimed a more active, constructivist role.

### *New Priorities*

The Member States agreed on specifying new priorities, which were expressed in five EU Headline Targets, ten Integrated Guidelines, and seven Flagship Initiatives. The five Headline Targets include

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<sup>9</sup> In this context, the European PESs published their own views as to how they could contribute to promoting reforms in the spirit of flexicurity and the New Jobs for New Skills agenda (HoPES 2008, 2009).

three<sup>10</sup> that are directly related to labour market, skills and social policies, which are supported by four of the ten Integrated Guidelines:<sup>11</sup>

**Box 5: Headline Targets and Integrated Guidelines for Employment**

<b>EU Headline Target</b>	<b>Integrated Guideline(s)</b>
75% of people aged 20-64 in work	increasing labour market participation and reducing structural unemployment ( <i>Guideline 7</i> )
school drop-out rates below 10%, and at least 40% of 30-34-year-olds completing third level education	developing a skilled workforce responding to labour market need, promoting job quality and lifelong learning ( <i>Guideline 8</i> ) & improving the performance of education and training systems at all levels and increasing participation in tertiary education ( <i>Guideline 9</i> )
at least 20 million fewer people in or at risk of poverty and social exclusion	promoting social inclusion and combating poverty ( <i>Guideline 10</i> )

Source: Marlier/Natali 2010: 23.

It is important to realise that the Europe 2020 targets are not a mere continuation of the EES targets. There are significant differences which are hoped to create national policy responses. On the one hand, there are fewer targets, which give the EES a clearer structure and focus. On the other hand, the European targets themselves are more ambitious, more visible or entirely new. More specifically, while raising the *employment rate* remains the key objective, the new target is not only five per cent higher than the Lisbon target, but also the age has been modified to include only the 20-64

<sup>10</sup> The other two are: (1) to reduce greenhouse gas emissions by 20% when compared to 1990 levels, to increase the share of renewables in final energy consumption to 20%, and to move towards a 20% increase in energy efficiency; and (2) to raise combined public and private investment levels in research and development (R&D) to three per cent of the EU's GDP.

<sup>11</sup> The six broad economic guidelines were adopted by ECOFIN on 13 July 2010, while the four employment guidelines were adopted by EPSCO on 21 October 2010. Together, they form the ten Integrated Guidelines.

year olds, i.e., excluding the 15-19-year-olds that are typically still in school or training. The inclusion of two *educational targets*, in turn, is primarily a “visual upgrade” as these educational targets are not entirely new. They are, however, a clear signal that the New Skills agenda is of highest priority and about tackling skills shortages both from “below” (completion of secondary education) and “above” (tertiary level attainment) (*interview*, DG EMPL\_4). Finally, the “real watershed” is the inclusion of the hard target for the reduction of *poverty and social exclusion* (*interview*, DG EMPL\_2). Considering the great resistance the inclusion of a Social Guideline in 2008, this is a real progression and, *inter alia*, a reflection of the new Barroso Commission’s willingness to include social priorities into the post-Lisbon governance structures. Finally, but importantly, the new targets are set not only at the European level, but the Member States have agreed to put forward their own national targets in their NRPs, outlining how they will contribute to the attainment of the Headline Targets. Through the formulation of national targets, the Commission hopes to increase the “ownership” of these targets and thus, more ambitious national efforts than before.

These Headline Targets and Integrated Guidelines are supported by three Flagship Initiatives, through which the Commission can articulate their ideas about future reform trajectories, on which subsequent Council Conclusion will be built. The relevant initiatives include the flagship *Youth on the Move*, which aims to assist young people with gaining the knowledge, skills and experience they need to make their first job a reality, and to improve the quality and attractiveness of education and training in Europe; the *Agenda for New Skills and Jobs*, which aims to give fresh momentum to labour market reforms, helping people to gain the right skills for future jobs, create new jobs and overhaul European employment legislation, and the *European Platform Against Poverty and Social Exclusion*, which aims to bolster work at all levels to reach the agreed EU Headline Target of lifting at least 20 million people out of poverty and exclusion by 2020.

### *The European Semester*

The new architecture of the Europe 2020 Strategy also introduces a new governance process, the European Semester, through which the Member States' macro-economic, budgetary and structural reform policies are co-ordinated in one common cycle. The European semester starts each year in January with the publication of the Annual Growth Survey (AGS) by the Commission. In March, the European Council then identifies – on basis of the AGS – the main economic challenges and gives strategic advice on policies. Taking account of this advice, the Member States subsequently review their medium-term budgetary strategies and, at the same time, write up their NRPs in which they set out the actions they will undertake in areas such as employment and social inclusion. These two documents are then sent to the Commission for review at the end of April. In June and July, based on the Commission's assessment, the Council issues country-specific recommendations (especially) to countries whose policies and budgets are out of line, i.e., Member States receive “guidance” *before* finalising their draft national budgets. The Commission's AGS in the following year then assesses how well this advice has been implemented (Marlier/Natali 2010: 25).

### *A More Forward-looking Commission*

With the introduction of the European Semester, the European-level approach is not only more co-ordinated than before, but also the role of the Commission has changed significantly. While the Commission mainly acted *retrospectively* in the Lisbon Agenda – publishing Annual Progress Reports that assessed the reform progress in the Member States – the Commission can henceforth suggest the issuance of country-specific recommendations in view of Member States' *upcoming* budget cycles. This “front loading” would have been “unthinkable” only a couple of years ago (*interview*, DG EMPL\_1) and may have direct consequences for Member States' reform efforts, particularly when Member States are (at risk of) failing to meet the Stability and Growth Pact targets.

### *A Stronger EPSCO and a Better Monitoring Framework*

Finally, the labour ministers emerged as active players in the process leading up to the new governance architecture under the Europe 2020 Strategy. Their immediate aim was to retain the EES as an equal, constitutive pillar within Europe 2020 (Press Release 2010). To strengthen their case, the EPSCO ministers sought to reshape the European discourse by arguing the economic growth is not only a necessary precondition for employment growth and social cohesion, but that high levels of employment is on its own a driver for economic growth and critical to sustain international competitiveness. They further argued that when it comes to tackling “new risks” associated with demographic ageing, technological advancements, and climate change, they were best equipped to issue recommendations how to move forward. Hence they presented themselves as self-confident and important players, assisting ECOFIN in formulating country-specific recommendations. For this purpose, mutual learning will become more important, which requires the continuation and improvement of the Mutual Learning Programme (MLP) as well as the launch of a Joint Assessment Framework (JAF), through which national employment performance could be better monitored and successful strategies identified.

## **6 Identifying Causal Mechanisms – Why Does/Could the EES Work?<sup>12</sup>**

A legally non-binding mechanism such as the EES that is built on benchmarking, monitoring, mutual learning and “soft” sanctions can *only* affect national policy if and when *actors* react to and/or utilize it. The academic literature sets out at least four scenarios in which actors adapt their behaviour to EES goals and lessons:<sup>13</sup>

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<sup>12</sup> This section draws on a report written by J. Timo Weishaupt (2011) "An Analytic Overview of Methodologies (including Concepts, Indicators, Tools) used for Evaluating the OMC in Areas other than Social OMC" in: Public Policy and Management Institute (ed.): Evaluation of the Effectiveness and Impact of the Social OMC 2006-2010. Commissioned by the European Commission, DG Employment, Social Affairs and Inclusion.

<sup>13</sup> This list of four mechanisms proposed here builds on the five categories developed by Jonathan Zeitlin (2009a) with, however, slight alterations in terminology and categorization.

### *Learning*

The EES provides a variety of opportunities to learn from the experience of other Member States. On the one hand, there are institutionalized *peer review* exercises in the context of EMCO meetings,<sup>14</sup> events organized as part of the Mutual Learning Programme (MLP)<sup>15</sup> and Mutual Information System for Employment Policy (MISEP),<sup>16</sup> as part of the so-called Cambridge process during which National Reform Programmes (NRPs, see below) are presented or discussed, in the context of meetings organized by the Heads of Public Employment Services (HoPES),<sup>17</sup> or events hosted by country chairing the Council Presidency. On the other hand, learning can also be based on “ad hoc” bilateral or multilateral field visits that were initiated following a personal meeting, or be the result of the careful reading of documents produced in the context of the EES. Learning is a *conscious, voluntary*, and sometimes *experimental* process, which is based on active lesson drawing, exposure to new information, critical self-reflection after benchmarking processes or international comparisons, and/or deliberation (e.g., Sabel/Zeitlin 2008). Learning can lead to (a) the *inspiration* for action (without emulating or copying practices from others); (b) the *adaptation* of existing policies and programs in line with new information and the lessons-learned; (c) the *copying of selected elements* of one or more member states’ policies and procedures (“picking and choosing” elements of others’ practices); or (d) the entire *transfer* of a policy or procedure from another member state (cf., Commission of the European Communities 2009: 14). That Member States have learned from the experiences of other members is evidenced in the academic literature (e.g., Jacobsson/Vifell 2007; Nedergaard 2006, 2007; van Gerven/Beckers 2009; Weishaupt 2009, 2011) and has been confirmed in many conversations with national policy makers and European officials alike. Perhaps the best indications for the

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<sup>14</sup> For more information on EMCO, consult for instance Jacobsson and Vifell (2007).

<sup>15</sup> The MLP was launched in 2004, building on the Peer Review Programme from 1999. For more information on the MLP, see for instance Casey and Gold (2005), Nedergaard (2006b), or Visser (2009).

<sup>16</sup> MISEP was formally set up in 1982 and ran until October 2009. For more information, please consult <http://www.eu-employment-observatory.net/en/about/AimsObjectives.htm>, last accessed on 19 January 2011.

<sup>17</sup> For more information on HoPES, please consult Weishaupt (2010).

Member States' appreciation of institutionalised learning opportunities are (a) the fact that – over time – participation in the MLP has become so popular that the Commission has to turn down requests by Member States<sup>18</sup> to participate, and (b) the continuation and reform of MISEP. MISEP has run parallel to the MLP and has been turned into a European Research Seminar in which academics now play a larger and more active role, also and especially to improve learning opportunities.

### *Socialization*

Socialization is understood by many authors either as a *subconscious* response (i.e., gradual, largely unintentional adaptations over time), or the conscious *emulation* of “appropriate” behaviour and imitation of “good” policies and procedures. The way in which the EES promotes socialization includes the repeat exposure to EU “buzzwords” (cf., Heidenreich 2009: 16) and particular ways of “framing” the European discourse. Such buzzwords and frames may include activation, active ageing, flexicurity or gender mainstreaming, which condition policymakers and society as whole to think in “new” terms, while existing policies or procedures may appear “old”, and thus out-of-date and no longer legitimate (e.g., the very term “passive” labour market policy has already a negative connotation). This is to say that an EU-wide discourse may promote “particular values and ideas about social policies”, (Büchs 2008: 6) which implies that socialization is a process that “plant[s] ‘European seeds’ in fertile national grounds” (van Gerven/Beckers 2009: 81) or a process of “political internalization” where “political elites accept an international norm and adopt it as a matter of government policy” (López-Santana 2009b: 136). Indeed, the academic research has demonstrated that socialization does occur, for instance in EU committees, where national experts have to “talk” EU language and persuade their peers about the adequacy of their national practices (Jacobsson/Vifell 2007; Thedvall 2006); subsequent to becoming a

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<sup>18</sup> The EU Commission official explained in an interview that only 12 Member States are admitted to partake in order to keep in-depth discussions possible. In the past, only few members applied for these sessions and sometimes only five or six participated. In recent years, however, 14 or 15 members applied, which means that two or three had to be turned down. The increased interest in learning is also reflected in the priorities of EMCO, which has become more sensitive to this issue.

EU Member as new members have to adapt to already existing norms and practices (Horvath 2007), or in national reform processes, where it becomes increasingly difficult to pursue practices that run counter to those that are considered as “good practice” at the European level (Weishaupt 2011).

*Pressure: European, domestic or intra-institutional*

Pressure is a mechanism used by strategic actors, “creatively appropriating” the objectives, indicators, discourses, or principles of the EES as a tool with which they seek to “convince” policymakers to engage in actions or particular reforms that they would otherwise not have done.<sup>19</sup> As such, it is a *calculated* and *strategic* action on the part of some actors, leading to a *quasi-coerced* response by others in light of unfavourable developments or suboptimal performance. Pressure is seen as a mechanism that contributes to the “passing or unblocking” of domestic reforms (Euréval/Rambøll Management 2008: i). Depending on the author, three types of pressure can be distinguished: European, domestic or intra-institutional.

(1) EU-level pressure is typically understood as inter- or transnational pressure exerted from the Commission, other Member States, or pressure groups organized at the European level. Pressure works through “naming and shaming”, which is argued to be most effective when clear targets are established (benchmarks set) and the corresponding media attention is high (Trubek/Trubek 2005). Examples may include the “3% target” for the investment in research and development (Bruno/Jacquot/Mandin 2006; Kaiser/Prange 2005) or the “33% childcare target” (Weishaupt 2009). Such targets visualize a country’s position in comparative perspective and thus show the distance to others (peers) or the prescribed EU objectives. This visualization can be seen as a “moral sanctioning” mechanism, which has been used as a “political weapon” by various actors against the incumbent government or other actors responsible for the status quo (e.g., Weishaupt 2011; Zohlnhöfer/Ostheim 2005).

(2) Domestic pressure includes the discussion of formal recommendation in the domestic political arena, and amplified or exerted

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<sup>19</sup> The term “creative appropriation” was coined by Charles Sabel and Jonathan Zeitlin for whom it entails both “learning” and “pressuring” (Sabel/Zeitlin 2008).

through the national media, opposition parties, social partners, civil society or the wider public. Pressure is typically used strategically by actors who seek to advance their own or their constituency's interests. Using the EES as a "political weapon" has been referred to as a "leverage effect" or "selective amplifier" (Erhel/Mandin/Palier 2005; Visser 2005), and be found effective in a variety of contexts (e.g., Jacobsson/West 2009; Mailand 2009; van Gerven/Beckers 2009).

(3) Intra-institutional pressure is exerted on policy makers by strategic civil servants, social partners, or civil society actors within the confines of the policy-making stream. Pressure can be exerted by non-state actors such as the social partners or civil society groups, who are invited to take position on legislative proposals of a respective ministry (e.g., in committee meetings or formal consultations) or when new policy is debated before parliament. On such occasions, the non-state actors can refer back to the EES's objective, indicators or ideas, thus putting governments under "normative pressure" to adhere to their European commitments (Mailand 2009: 156).<sup>20</sup> Pressure can also be exerted, however, *within* state bureaucracies by strategic civil servant. This has been the case in Ireland, for instance, where the EES was creatively used by civil servants to pressure the government to issue an "activation scheme" (Weishaupt 2009).

### *Financial Incentives*

Financial incentives can be a mechanism for change as actors may adapt their behaviour in light of resources offered by the European Commission. In a variety of studies, it has been shown that the European Social Fund (ESF), the EES's most important "financial arm", has triggered programmatic or procedural changes (Hartwig 2007; Jacobsson/West 2009; López-Santana 2009a, 2009b; OPTEM 2007: 77-79; Weishaupt 2009). The causal mechanisms associated with the ESF include the potential to "set free" actions that had already been planned, but actors did not have the financial means to implement their ideas (i.e., ESF as an *opportunity structure*); the

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<sup>20</sup> Mailand sees this *strategic use* of the EES as a pressure exerted "bottom-up", whereas pressure exerted through benchmarking and peer review processes are viewed as "top-down" processes.

ESF could lead to a introduction of programs simply because of the availability of EU funding (*“passive” transfer* of EU programs), or because the ESF enhanced mutual learning and enabled institutional innovation (*“active” reflection* on EU recommendations and program transfer).

## 7 Conclusions and Outlook

The EES, first launched in 1997 and revised on numerous occasions, has emerged as the focal point for European-level reform debates. Despite its “ups and downs” – especially during the immediate years after the relaunch of the Lisbon Strategy in 2005, the EES continuously shaped the European reform agenda with unequivocal effects on national politics through the articulation of common targets, the collection of comparable data on key indicators, the agreement on joint priorities, and valuable opportunities for mutual learning. Even though the EES remains a “soft” mechanism for employment policy co-ordination based on benchmarking, monitoring and learning rather than the passage of binding legislation, it has triggered critical reflections of policy, shaped national policy agendas, introduced common focal points such as flexicurity and the New Skills agenda, and – arguably – convergence of policy instruments in the long run can be expected. While Member States welcome the EES for its potential to stimulate reform efforts and especially for its opportunity to learn from good (and bad) practices, it has not remained without political strife over the role of key actors (i.e., who is “in charge” of the agenda), the direction and intensity of reform proposals (i.e., how to balance economic, employment and social concerns), and what instruments are most appropriate or effective (e.g., if, and if so, which hard targets to choose; if, and if so, how “sanctions” should be applied; and how mutual learning ought to be organised).

While the Lisbon Agenda was – during its second phase – criticised for being “socially unbalanced” and for having failed to reduce poverty and inequality despite “good” years of economic growth, the new Europe 2020 Strategy promises to be a real opportunity not to repeat these shortcomings. On the one hand, the EES promotes in a coherent, integrated manner “smart” job growth that

seeks to balance workers' needs by seeking to minimise the segmentation of labour markets and promoting transitions out of and between jobs; articulates a joint, anticipatory, forward-looking New Skills for New Jobs agenda; and sets out – for the first time in EU history – a social guideline and a hard to target to reduce poverty and social exclusion. On the other hand, the EES could unleash sustainable job growth in the “white” and “green” economies as it seeks to turn the challenges associated with demographic and climate change into opportunities.

However, the danger remains that the EES will be hijacked by actors with a neo-classical view on the economy with detrimental consequences for the “smart, sustainable and inclusive” growth goal. If this was to happen, not only would “old” fears associated with flexicurity resurface, turning labour market reforms into “zero-sum games” and juxtaposing labour against business, but also Member States' ability to invest in new skills could be compromised due to short-term, fiscal concerns, while unwilling Member States would be allowed to let the social target fall to the wayside. Even though nothing is set in stone, there is reason to be concerned about such a development as the Commission's first Annual Growth Survey (AGS) published in January 2011 includes little that suggests a progressive vision and fighting poverty or social exclusion finds no mentioning at all (Commission of the European Communities 2011). This is a particularly concerning development given that the draft Joint Employment Report (European Commission 2011b) proposed a variety of strategies to tackle unemployment in a progressive way, stressing *inter alia* skills and strong social safety nets. Yet, the Commission's AGS only refers to the recommendations made in the Joint Macroeconomic Report (European Commission 2011a).

## Interviews

The information offered in this paper is partially based on telephone interviews conducted with four representatives from the European Commission, DG Employment in December 2010 and January 2011. All four persons have requested that their names be withheld.

The information also draws on previous research and expert interviews (Weishaupt) as well as personal experience as a civil servant (Lack).

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