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Formulating EU employment policy in times of New Economic Governance

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1. Introduction

Employment policy became a corner stone in Social Europe with the launch of the European Employment Strategy (EES) in 1997 and was seen as a key instrument in addressing the unemployment problem that in most EU countries remained severe. Although the EES produce political guidance rather than legally binding regulation, it has nevertheless been a driver of policy changes in at least some countries (e.g. Mailand 2006; 2008).

However, according to many observers, during the next more than a decade the EES was gradually weakened and subordinated to economic policies. Moreover, the strategy was simplified, and the number of employment guidelines was reduced from 18 in 1997 to 10 in 2006. Finally, after the launch in 2010 of the EUs newest growth and job strategy, ‘Europe 2020’, there were only four employment guidelines left, accompanied by three quantitative targets.

Europe 2020 is part of the European Semester, the EU’s yearly cycle of what the Commission itself presents as ‘economic policy coordination’ and which more often has been labelled the EU’s ‘new economic governance’. The European Semester was introduced in 2010 as a fresh way to implement the first new economic governance tool, the Stability and Growth Pact, to help strengthen economic discipline during the crisis (Fraser et al. 2010). In addition, the implementation tools of the following new economic governance agreements - the ‘Six Pack’ (2011), the ‘Two Pack’ (2013) and the Treaty of Stability, Coordination and Governance (2013) - have become part of the European Semester.

Early studies of Europe 2020 mostly saw in the strategy a further marginalization of employment policies as well as of broader social policies (e.g. Barbier 2011) and forecast that the ‘political energy’ would be focused on the EU’s new economic governance (Armstrong 2012). Moreover, there is a perception that EES has been replaced in the European rhetoric with references to Europe 2020 (Penas-Cases 2013). However, while acknowledging a certain subordination to economic policies, a few scholars noted developments, which did not support the marginalization trend. For instance, a growing emphasis on poverty in Europe 2020 compared to the Lisbon agenda was pointed out (e.g. Mailand 2013), although the poverty target was described as loose and risked being rendered ineffective as an EU-wide target (Daly 2012).

Nevertheless, until very recently, by far the largest majority of the scholars of EU employment policies and wider social policy have seen a further weakening of these policies taking place. Those who have focused on the period from the mid-00s explain it by factors such as the enlargement to include CEE member states (several of them liberal in political orientation), a turn to the right in the European Parliament, continued erosion of trade union membership (e.g. Barbier 2011) or fewer centre-left member states/electoral outcomes (e.g. Graziano & Hartlapp 2015). The studies focusing on the present decade tend to see the fate of European employment policy and Social Europe, as such, as a result
of the economic crisis and the new economic governance (e.g. Copeland & James 2014; ETUC 2015; Graziano & Hartlapp 2015).

However, recently a new tone has been set. In-depth studies found that since 2011, there has been a progressive ‘socialization’ of the European Semester, in terms of an increasing emphasis on social objectives and targets in the EU’s priorities and country-specific recommendations; an intensification of social monitoring, multilateral surveillance and peer review; and an enhanced role for social and employment policy committees’ actors (Zeitlin & Vanhercke 2014; Vanhercke & Zeitlin 2015). Observations like these have been questioned by others. Although acknowledging the greater emphasis on social policies, Clauwaert finds that it can actually be used to undermine the aim of greater equality (Clauwaert 2015), while Crispi and Menz have questioned how much this development really matters and warned that ‘…focusing too much on instruments and innovations in governance entails the risk of missing the bigger picture’ (Crespi & Menz 2015: 185).

So, where do these contradictory observations leave us regarding EU employment policies? Are these still subordinated to economic policies, or have they – alone or as part of the wider EU social policies – increased in volume and importance within the last three or four years? Furthermore, has the Juncker Commission ‘walked the talk’ with regard to giving social and employment policies a higher priority? And how have other actors acted and reacted – and have they been able to influence the policies?

It is the aim of this article to pursue these overall questions. This will be done by exploring three more specific research questions:

- Have EU employment policies since 2010 been crowded out by the EU’s new economic governance?
- What have the roles and positions of the various actors been regarding this development?
- Which factors explain the development in EU employment policies in the present decade?

In terms of structure, this introduction is followed by an analysis of EU employment policy in the present decade, with a focus on four specific policy initiatives. In the third section, the findings from these research questions are discussed. Methodologically, the sources of the article are 13 interviews (conducted August 2016 – September 2017)\(^1\) with key decision-makers from the member states, the Commission and the European social partners (as well as documents from relevant studies) all of whom have been directly or indirectly involved in the policy formulation processes of the four cases. Unless otherwise

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\(^1\) See Annex A for a list of the 13 interviews. Due to conditions of anonymity, names and titles of the interviewees are not included.
stated the source of the information provided in the article is the interviews. The research report focuses only on the period up to November 2017.

In the research report, it is argued that some crowding out of employment policies took place in the years following the 2008 Great Recession, where a one-sided focus on fiscal and budgetary stability dominated. However, a ‘comeback’ of employment policy as part of the broader social policy can already be identified in 2011 and this became stronger after the change of Commission in 2015. This development took place as a weakening of the economic and fiscal crisis became apparent, but as its social and employment consequences became more obvious. The development was accelerated when a more Social Europe-oriented President of the Commission took over. Moreover, it is argued that the member states and the European social partners seem to have played much weaker roles in initiating and formulating the recent employment policy initiatives than the Commission has.

2. EU employment policy initiatives in the present decade

There might be disagreements about the status of EU employment policies, but EU employment policies and the EES are, nevertheless, still in place. The implementation of the EES involves five steps of the European Semester, all of which predate Europe 2020: the employment guidelines, the joint employment report, the national reform programs, the country reports, and the legally non-binding country specific recommendations, given by the EU to all member states.

Already from its initiation in 2010, Europe 2020 included a number of employment initiatives, including ‘New Skills for New Jobs’ and ‘Youth on the Move’ - two of Europe 2020’s so-called ‘flagship’ initiatives. New Skills for New Jobs aimed at better anticipation of future need for further skills, better matching between skills and labour market needs and better bridging of the gap between education and work. Youth on the Move was devoted to increasing the mobility of young people within the EU and helping them to acquire new skills and competences. The method used for this included coordinating policy to identify and stimulate action at EU and national level; specific actions designed for young people (such as ‘Your first EURES job’ for labour market mobility within the EU); and increased support for young entrepreneurs via the European progress microfinance facility (European Commission 2010).

An analysis of the EU employment policy in its totality is beyond the scope of the present article. Instead, as a ‘proxy’ for this, the focus below will be on what could be seen as the major EU employment policy initiatives that were not already formulated in Europe 2020, but have been formulated after this – i.e. in the present decade. The initiatives are: the employment package, including the Youth Guarantee (2012-13), the revision of the employment guidelines (2014-
15), the long-term unemployment recommendation (2015-16) and the European Pillar of Social Rights (2016-17). This case-based approach has the advantage of giving ‘flesh to the bones’ of decision-making processes, whereas the drawback might be that there will be less focus on ensuring ‘flow’ in the area of policy development.

2.1 Employment Package and the Youth Guarantee, 2012-13

In 2012 the Barroso Commission launched the Employment Package, which was a set of policy documents looking into how EU employment policies intersect with a number of other policy areas in support of the Europe 2020 goal of ‘smart, sustainable and inclusive growth’. The package identified the areas with the biggest potential for job growth within the EU (which according to the initiative were the green economy, health and Information, Communication and Technology (ICT)) as well as the most effective ways for the member states to create more jobs (European Commission 2015a).

Part of the Employment Package was a Youth Employment Package, which most importantly included a Youth Guarantee (YG) to ensure that all young people up to the age of 25 receive a quality offer of a job, continued education, an apprenticeship or a traineeship within four months of leaving formal education or becoming unemployed. The YG was based on a proposal by the Commission from late 2012 and adopted by the Council in 2013. The implementation of the Youth Employment Package was, in 2013, backed up by the Youth Employment Initiative, focusing particularly on the so-called NEETs (Not in Employment, Education or Training), whereas the communication ‘Working Together for Europe’s Young People’ from the same year aimed at accelerating the implementation of the YG. The YEI became the financial arm of the YG. The total budget of the YEI is €6.4 billion for the period 2014-20. The YEI is implemented in accordance with ESF rules. Of the total budget, €3.2 billion comes from a dedicated Youth Employment budget line complemented by €3.2 billion more from the ESF. The ESF’s contribution is topped up by the eligible Member States’ own financial resources (ibid.)

The interviewees did not find the Employment Package to be a very effective initiative. As the first major European employment policy initiative after the outbreak of the economic crisis, it could be seen as the first attempt to balance the new economic governance initiatives taken between 2009-11 in order to address the social and employment consequences of the crisis. It is not embedded in the European Semester, and one of the Commission interviewees went as far as to describe the Employment Package as a ‘side-show’ with no great importance. What contributed to the lack of effectiveness of the Employment Package was, according to one of the EMCO2-interviewees, the fact that

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2 EMCO Employment Committee is the main advisory committee for the employment and social ministers. It also meets regularly with other Council committees and with the European social partners.
the Juncker Commission, to an unusual extent, failed to include the previous Commission’s initiatives in their work programme and simply terminated them - among them the Employment Package. Hence, the Employment Package ceased to exist in November 2014. The YG was the only one of the Barroso Commission’s initiatives, which survived the change of Commission.

In general, the European social partners welcomed the Employment Package. Business Europe stated their belief that only growth can create jobs, but welcomed the focus on job creation and especially emphasized the importance of IT jobs. However, the organization stated that the Commission could have put further emphasis on the principles of flexicurity (see also Business Europe 2012). ETUC’s responses which welcomed, in particular, the recognition that the New Economic Governance needed to be coordinated with employment and social policy and that the social partners should be more closely involved, and supported a large number of the concrete elements in the package such as the role of decent wages in securing job quality and domestic demand, increasing minimum wages to help prevent growing in-work poverty, action to support youth employment and to tackle undeclared work. However, without the necessary investment to develop these sectors, ETUC predicted that the package would be ineffectual. Moreover, ETUC criticized the fact that the Commission ‘recycles old and tired recipes, such as flexicurity’ (ETUC 2012a; 2012b).

However, although the Employment Package as such was not seen as a very significant initiative, the youth employment related parts of it – the YG - was. Interviewees found it to be the first of the present decade’s initiatives that had potential to really improve employment and, furthermore, found it to be innovative with regard to its governance structure. By dedicating a sizeable fund directly to a Council recommendation (that the member states sign up to, but that no member states are legally bound to follow), the Commission secured a greater control over the implementation of it in the member states. The importance of the initiative is also reflected by the fact that it has been mentioned in conclusions from European Councils several times and that member states have received a large number of country specific recommendations mentioned in the initiative.

During the negotiation process, the YG proposal got widespread support from the member states. However, some member states – among them the UK – were, according to interviewees, sceptical about allocating funding to a Council recommendation, since they believed it was too intrusive in terms of member states’ decision-making. Germany was also sceptical, because they believed, they already had a well-functioning dual system and, moreover, had doubts that the YG would deliver. Countries such as Spain and Portugal were initially sceptical because they were concerned they might not be able to deliver the active measures of the initiative within the four-month period proposed, whereas others found the four month period to be too short, thereby risking helping young people that could get on themselves without much assistance. Furthermore,
there were, not surprisingly, discussions about the distribution of the funding. The final decision was to limit the funding to regions with more than 25% of youth unemployment. Most member states had regions that qualified according to this criterion. Finally, a number of the member states – including some of the Nordic and some of the newer member states - found the initiative too prescriptive in general.

All this being said, the interviewees described the decision-making process as relatively smooth and fast and pointed to the funding as a facilitator for consensus building. Consensus about the problem – widespread high levels of youth unemployment – also benefited the decision-making process in the Council’s formations such as their Employment Committee (EMCO).

In general, the reaction of the European social partners to the YG were also positive. However, Business Europe had reservations regarding the label ‘guarantee’, a concept they felt included risks of large financial burdens and creation of false hopes, among other things because it could be difficult for employers to guarantee a job or training (see also Business Europe 2013). ETUC’s support of the YG was perhaps more wholehearted – they fully endorsed it (Tomasetti & Tuttobene 2014). Actually, ETUC had already in 2010 called for a ‘youth guarantee’ (ETUC 2010). ETUC’s greater enthusiasm for the YG was also reflected in the decision-making process of the social partners’ own so-called Framework of Actions, which aims at giving the national social partners indications on best practices garnered from negotiations between the social partners. The Framework of Action was discussed during a series of meetings in spring 2012, and highlighted the fact that the social partners from the outset were very far from each other on the four issues discussed – skills mismatch, labour market reforms, quality of jobs and precariousness, and the YG. The employers gave priority to the first two issues, and the trade unions to the last two. Nevertheless, the social partners succeeded in the end in concluding an agreement. Among the concessions made were that the European trade unions agreed to consider the possibility that diversity of contractual arrangements might be useful and the employers agreed to include references to ‘better jobs’ (Bussi 2013).

However, youth unemployment remained high in the EU, and therefore the Commission proposed in September 2016 to increase the Youth Employment Initiative budget from € 6.4 to € 8.4 billion. Thus, the overall resources for the Youth Employment Initiative will be increased by € 2 billion between 2017 and 2020. Shortly after, in October 2016, the Commission concluded in their 3-year evaluation of the initiative that 14 million young people had entered the scheme since its inception, and that 8 million had taken up an offer for employment, education, traineeship or apprenticeship. Still, the Commission acknowledged problems such as uneven implementation across member states. Moreover, the Commission found that the initiative had contributed to raising youth employment not only by scaling up demand- and supply-side measures but also because the YG had been a powerful driver for policy reform (Europe-
an Commission 2016b)³. However, the European Court of Auditors were much more critical in their report on YG. They could not find any important effects of the scheme, and they criticized, furthermore, the scheme for lack of a clear strategy and clear goals (European Court of Auditors 2017). The Commission and the Council have, according to the interviewees, by and large rejected the criticism of the Court of Auditors, because they found the report to take too simplistic a view of how the youth labour market works.

Criticism in connection with the 3-year evaluation has also been raised by supporters of the scheme. ETUC - as the court of auditors - were critical with its implementation, especially with the quality of the measures provided. However, the ETUC continued fully to support the Youth Guarantee and called for the continuation of the program (ETUC 2016c). According to one of the ETUC interviews, the Commission only agreed to re-finance the scheme after hard pressure from ETUC and other organizations. Moreover, ETUC was unhappy that they were not involved in the 3-year evaluation and they found that their own report (ETUC 2016b) was not taken into consideration. In any case, the Commission has decided to maintain its support for the scheme and President Juncker has furthermore announced plans to support youth more generally (i.e. though a European Solidarity Corps, mobility and quality framework for apprenticeships, European Pillar of Social Rights) (Degnis 2016).

### 2.2 Revised employment guidelines, 2014-15

In 2010, the employment guidelines were revised as planned. The revision was part of the transition from the encompassing socio-economic strategies of the ‘Lisbon Strategy’ to ‘Europe 2020’. In order to simplify the strategy, the overall number of economic and employment guidelines – together labelled the ‘integrated guidelines’ - were, as mentioned above, reduced from 24 to 10 and the employment guidelines from 8 to 4. The 2010 version introduced poverty reduction as an important issue, and education and training was given a higher priority than before. Active labour market policy and gender equality was downplayed (Mailand 2013).

The first more comprehensive revision of the guidelines took place in 2001-02. This revision included hard negotiations and substantial disagreements be-

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³ Assessing the implementation of YG is beyond the aim of the present article. However, a number of independent evaluations can be mentioned. Bussi et al. (2015) have analyzed its implementation and found it to be the explanation for the higher attention given to youth employment in Europe. Moreover, they found that national diversity persisted after the YG was introduced, whereas convergence might be seen at the regional level. The YG’s partnership approach was found to be one of the aspects taken most seriously with the highest level of success, while the 4-month timeframe, targeting of NEETs and evaluation and monitoring had lower levels of success. The National YG implementation plans seem to be adopting different approaches mostly in line with welfare state traditions. Vesan et al. (2016) found in a study of the YG in Italy and Spain that the scheme has paved the way for a recentralization of ALMP in both countries.
tween actors, who positioned themselves in coalitions (Watt 2004; Mailand 2006). Since then, the revisions of the employment guidelines have been less conflictual. This is the case with the revision in 2005 (Mailand 2006) and the 2010 revision (Mailand 2013) - and this is also the case with the latest revision.

In this latest revision, the number of guidelines remained the same (four), albeit under adjusted headings, but with similar messages to the 2010 version (Council of the European Union 2010). Still, in the guideline texts (Council of the European Union 2015) a few important changes can be found. Firstly, both versions state that wage development should be responsive to, inter alia, productivity development, but the 2015 version adds that when wages are set, ‘….Member States and social partners should consider their impact on in-work poverty….’. Secondly, ETUC expressed concern that job quality/quality of employment had a less prominent position in the 2015 employment guidelines. It is no longer mentioned in the heading of any of the guidelines, although it is still referred to in the texts of the guidelines. Thirdly, in the preamble to the employment guidelines, the role of social dialogue is emphasized twice: ‘….in order to improve the functioning and effectiveness of social dialogue at national level, Member States should closely involve national parliaments and social partners…’ and ‘Reforms to the labour market, including the national wage-setting mechanisms, should follow national practices of social dialogue…’.

Fourthly, an additional difference is found when comparing the draft and the final versions of the 2015 guidelines regarding pensions. The draft version calls for the retirement age to be linked to life expectation, whereas, following protests from some member states, this link was removed in the final version. According to the interviewees, this was the most controversial issue in the revision of the guidelines. Finally, it is noteworthy that the word ‘flexicurity’ is still mentioned in the 2015 employment guidelines, despite the controversy about the concept. In addition, some interviewees found the concept to be ‘hidden between the lines’ in the guidelines.

While the revision of the guidelines did not cause any major conflict among member states or among the other main actors, it was nevertheless part of an important streamlining of the European Semester, which took place in 2014-15 and reduced the number of country specific recommendations (following evaluation of the member states’ national reform programs). According to one of the interviewees, this streamlining should be seen in the light of the Juncker Commission’s aim to focus on fewer issues and to improve the impact of those issues (see also Zeitlin & Vanhercke (2015)).

Another interviewee emphasized that not only the quantity, but also the quality of the CSRs has improved in the streamlining process, because fewer issues are now added to the recitals. Previously, apart from explaining the CSRs, the recitals were often used to add issues that some Commission units or individuals wanted mentioned, but which for some reason it was decided should not be in the main text of the recommendations (see Clauwaert 2015 for an argument
for the opposite development). Moreover, several interviews described how the Commission’s surveillance of the member states has improved recently. This is illustrated in the increasing number of visits to each member state, and in denser statistical reporting and registrations. All this has, according to the interviewees, made it harder to argue against the Commission in EMCO than previously.

Table 2: Employment guidelines and quantitative targets, 2010 and 2015

| 7. Increasing labour market participation and reducing structural unemployment |
| 8. Developing a skilled workforce responding to labour market needs, promoting job quality and lifelong learning |
| 9. Improving the performance of education and training systems at all levels and increasing participation in tertiary education |
| 10. Promoting social inclusion and combating poverty |
| - by 2020 75% employment rate for men and women aged 20-64, including through the greater participation of youth, older workers and low skilled workers and better integration of legal migrants |
| - to reduce the dropout rate to 10% whilst increasing the share of the population aged 30-34 having completed tertiary or equivalent education to at least 40% in 2020 |
| - to reduce by 25% the number of Europeans living below the national poverty lines, lifting over 20 million people out of poverty |
| 5. Boosting demand for labour |
| 6. Enhancing labour supply and skills |
| 7. Enhancing the functioning of labour markets |
| 8. Ensuring fairness, combating poverty and promoting equal opportunities (quantitative targets unchanged) |

Source: Council of the European Union 2010; 2015

At the same time, the discussion process of the country specific recommendations in EMCO has changed. Previously, the individual member state could – if arguing hard and convincingly enough – change a proposed recommendation. However, under the influence of the Semester (the six-pack legislation) and in particular with the change in the voting rules as the Nice Treaty had foreseen it has become hard to get the necessary support – a so-called reinforced qualified majority – in EMCO and the other Committees or the Council bodies.

A negative side effect of the streamlining and the fewer CSRs, however, is that attention to EU policies diminishes in the areas where no recommendations are given. This was mentioned by both Commission and EMCO-interviewees and has also been pointed out in the study of Zeitlin & Vanhercke (2015).

2.3 The long-term unemployment initiative, 2015-16

In September 2015, the Commission issued yet another employment policy initiative, this time about long-term unemployment. They had been working on this initiative since at least late 2014. The reason for the initiative was, according to the Commission, that although a general drop in unemployment in the EU was evident since 2013, unemployment remained high in 2013-14 among the long-term unemployed (being unemployed for more than one year), and stood at
5 percent of the EU-population on average, but in a country such as Greece was as high as 19 percent.

The core of the proposal was, from the outset, to require the labour market authorities to sign a job-integration agreement with the long-term unemployed person no later than after 18 months of unemployment. According to the interviewees, it was clearly the Commission that was the main driver for this initiative, whereas the member states’ interests were much more limited. Illustrating this is also the lack of references to the initiative in subsequent European Council conclusions. The initiative was clearly inspired by the YG, and the Commission again used the Council recommendation as the tool. However, the long-term unemployment initiative came without the funding part of the YG. Moreover, according to an EMCO-interviewee, the Commission’s long-term unemployment proposals were weaker and less demanding from the outset, because the member states – who prior to the YG had limited knowledge about how a Council recommendation of this type would work out in practice – now knew about it and were expected to be critical of yet another initiative of this type.

A public consultation in the form of a questionnaire took place from February to May 2015 and the Commission issued the communication in September 2015. The Council adopted the communication in February 2016.

The interviewees described this decision-making process as relatively fast. There was scepticism from a number of member states, who felt that they had already been addressing the long-term unemployment challenge through the ESF Committee and other channels. Other member states criticized the continued focus on a specific target group, along the following lines: first, the youth, then the long-term unemployed, what’s next? Moreover, – as with the YG – there was scepticism from South European member states with regard to the feasibility of the initiative, given their high number of long-term unemployed.

However, the criticism was, according to the interviewees, not very strong and no coalitions were formed. In the end, no member states were opposed to making a special effort to address the problem of long-term unemployment when statistics showed that the problem seemed to be a lasting one. Hence, in spite of the criticism it was possible to get the initiative through the decision-making processes within this relatively short period.

The reactions from the European social partners to the Commission’s initiative came in late spring 2015 and were mildly supportive. Business Europe (with UEAPME and CEEP) emphasized in their response, as they often do with these kind of initiatives, the importance of not seeing the initiative in isolation, but of accompanying it by growth-oriented policies to ensure flexible labour markets, targeted tax- and activation systems, and education and training systems responsive to labour market needs. Moreover, the organization suggested a two-step approach, where the first step should focus on ensuring that social spending is used in the most efficient way and supports employment-related activation. Once effective services were in operation, the next step should be to
ensure better matching between the available workforce and available jobs (Business Europe et al. 2015). ETUC’s response in September was lukewarm. The organization stated that any action to help the long-term unemployed was welcome, but that these proposals would not make a major difference, the reason being that no one was obliged to follow the recommendation and no additional funding to implement them was provided (ETUC 2015).

The adopted recommendation made some changes vis-à-vis the Communication and the later Commission proposal. These have been summarized in an article by Denis Bouget and Bart Vanhercke (Bouget & Vanhercke 2016). The most important of these could be said to be, firstly, that the adopted recommendation takes a more ‘social approach’ by referring to those excluded from the labour market. And secondly, that, compared to the Commission’s proposal, the adopted version emphasizes obligations of the unemployed more than the service providers’ duties. The service providers’ obligations to the long-term unemployed in the Commission’s proposal is downgraded to ‘offers’ to these persons in the adopted recommendation.

### Table 3 – Adopted version of long-term unemployment initiative, main points

<table>
<thead>
<tr>
<th>Recommends that the member states:</th>
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<tbody>
<tr>
<td>1. Support the registration of jobseekers and a closer labour-market orientation of integration measures, inter alia, through a closer link with employers.</td>
</tr>
<tr>
<td>2. Provide individual assessments to registered long-term unemployed persons.</td>
</tr>
<tr>
<td>3. Make a specific offer of a job-integration agreement at the very latest when a long-term unemployed person has reached 18 months of unemployment. For the purposes of this recommendation, a ‘job-integration agreement’ is understood to be a written agreement between a registered long-term unemployed person and a single point of contact, having the objective of facilitating that person’s transition into employment in the labour market.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tools:</th>
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<tbody>
<tr>
<td>- Registration: Encourage the registration of jobseekers with an Employment Service</td>
</tr>
<tr>
<td>- Individual assessment and approach: Employment services and other actors provide personalised guidance</td>
</tr>
<tr>
<td>- Job-integration agreements: Registered long-term unemployed persons not covered by the Youth Guarantee are offered a job-integration agreement at the very latest when they have reached 18 months</td>
</tr>
<tr>
<td>- Employers: Encourage and develop partnerships between employers and other actors and develop services for employers, e.g. screening of job vacancies and placement support; use recruitment subsidies and the reduction of social insurance contributions</td>
</tr>
</tbody>
</table>


Looking at the adapted version, the recommendation calls on the member states to provide individual assessments to register long-term unemployed persons, by making a specific offer of a job-integration agreement at the very latest when a long-term unemployed person has reached 18 months of unemployment. A ‘job-integration agreement’ is understood to be a written agreement between a registered long-term unemployed person and a single point of contact, such as the public employment service. The 14 features of the recommendation call for
active roles for the PES (including an individual approach to the unemployed and encouragement of registration), closer links with employers, calls for use of ESF funds and assessment and monitoring in the relevant Councils’ formations (EMCO and SPC), including the use of the Joint Assessment Framework of indicators, as used in the European Semester.

There do not seem to be any really innovative features in the long-term unemployment recommendations – all the components have been suggested before in one form or another. The Commission interviewees described the initiative as being inspired by the YG, with its focus on quality assistance for a specific target group after a specific period. However, in the case of the long-term unemployment initiative, it was not possible to get political support for EU-level funding for it. The Commission hoped, through the initiative, to improve steering of ALMP and thereby increase the quality of the service offered, especially in member states where the organizational capacity of PES, and the level of cooperation between the relevant actors is low - again with similarities to the YG.

2.4 The European Pillar of Social Rights 2016-174

As one of the interviewees expressed it in August 2016: ‘There is only one show in town in 2016 - and that is the Commission’s initiative, the European Pillar of Social Rights’. This initiative is by far the broadest of the four selected cases. It is highly relevant for EU employment policies, but it is has an all-Social Europe focus. According to the Juncker Commission, the initiative should work as a compass for renewed convergence within the Eurozone. Whereas the Juncker Commission’s aim to strengthen Social Europe was already clear before they took office, the plan to initiate ‘the Pillar’ was mentioned for the first time in September 2015 in Juncker’s ‘State of the Union’ speech (Juncker 2015). The interviewees found that the Commission was the sole initiator of this initiative. No member states were mentioned during the interviews as being among the initiators of the Pillar (as the initiative will be labelled below).

The Commission issued a communication on the Pillar in March 2016 with 20 ‘principles’ (see table 2). This communication left several important questions open, particularly in regard to the legal status of the planned initiatives. The communication was sent out for a nine months’ period of consultation in March and the Commission received several thousand responses. Business Europe mentions in their response that they recognize the need for increased convergence of ‘the EMU/EU’, but does not find that a sole focus on social rights is the right way to go, because the social dimension of the EU is much

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4 Parts of this section are revised paragraphs of the Danish publication Larsen et al. (2017). The author of the present paper was also the sole author of the paragraphs used.

5 Interestingly, of the 1600 responses, 1200 were from the organizations affiliated to ETUC.
broader. Given the reality of the Pillar, it should act as a benchmark for national reforms. However, instead of the Pillar, Business Europe would like to see a combined economic and social strategy supporting better national reforms, and a renewal of the flexicurity principles as a basis for the development of benchmarks (Business Europe 2016). ETUC was predominantly positive in their August 2016 response during the consultation process, where they recommended an ambitious and real rights-based approach, but also expressed concern about the links made between the Pillar and the Refit agenda (ETUC 2016a).

In the Member States’ reaction to the communication, there are traces of the classical divide in Social Europe between regulation-sceptical member states like Britain, Scandinavia and the new member states, and the more regulation-friendly countries from continental and southern Europe (see e.g. Mailand & Arnholzt 2015). Thus, in a joint written response, Denmark and the other Nordic countries expressed concern as to whether the subsidiarity principle would be respected. Denmark repeated the same message at a Council meeting on December 8, 2016 together with Germany, Poland, Romania, Bulgaria, Latvia, Lithuania and Luxembourg (the UK was, because of Brexit, less outspoken). At the meeting there were more welcoming responses from most continental and southern European countries (see also fagpressen.eu 2016). However, according to one of the interviewees, the proposal was met with greater resistance than anticipated by the Commission, which probably has affected the formulation of the 2017 proposal.

The Commission’s proposal was published in April 2016 and included: 1) 20 ‘principles and rights’ under the heading of ‘equal opportunities and access to the labour market’, ‘fair working conditions’ and ‘social protection and inclusion’. 2) Four more specific initiatives (legislative and non-legislative ) on the work-life balance of parents and carers, on information for workers, and on access to social protection and on working time. 2) Finally, a ‘social scoreboard’ to measure performances across 12 areas, that will feed into the European Semester.

The 20 ‘rights and principles’ are also formulated in the proposal in general terms. Comparing the communication and the proposal reveals stylistic changes, including the fact that the later document is shorter and simpler. Moreover, topics have been moved around, but - at least with regard to the employment policy related topics - only a few important changes have been made. It is noteworthy that the word ‘right’ is used far more often in the 2017 proposal than in the 2016 message. In addition to references to rights, the word in the former is used only in relation to ‘7. Conditions of Employment’ and ‘10. Social dialogue and involvement of workers’, but the word is mentioned in connection with all twenty ‘principles and rights’ in the latter. However, it is still unclear how the label ‘right’ should be interpreted.
Table 4 Principles (and rights), titles, European Pillar of Social Rights

<table>
<thead>
<tr>
<th>Communications March 2016</th>
<th>Proposal, April 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equal opp. and access to labour market</strong></td>
<td><strong>Equal opp. and access to labour market</strong></td>
</tr>
<tr>
<td>1. Skills, education and life-long learning</td>
<td>1. Education, training and life-long learning</td>
</tr>
<tr>
<td>2. Flexible and secure labour contracts</td>
<td>2. Gender equality</td>
</tr>
<tr>
<td>3. Secure professional transitions</td>
<td>3. Equal opportunities</td>
</tr>
<tr>
<td>4. Active support for employment</td>
<td>4. Active support for employment</td>
</tr>
<tr>
<td>5. Gender equality and work-life balance</td>
<td>6. Equal opportunities</td>
</tr>
<tr>
<td>7. Fair working conditions</td>
<td>5. Secure and adaptable employment</td>
</tr>
<tr>
<td>8. Conditions of employment</td>
<td>6. Wages</td>
</tr>
<tr>
<td>9. Wages</td>
<td>7. Information about employment conditions and protection in case of dismissals</td>
</tr>
<tr>
<td>12. Adequate and sustainable social protection</td>
<td>10. Healthy, safe and well-adapted work environment and data protection</td>
</tr>
<tr>
<td>13. Integrated social benefits and services</td>
<td>Social protection and inclusion</td>
</tr>
<tr>
<td>14. Health care and sickness benefits</td>
<td>11. Childcare and support to children</td>
</tr>
<tr>
<td>15. Pensions</td>
<td>12. Social protection</td>
</tr>
<tr>
<td>17. Minimum income</td>
<td>14. Minimum income</td>
</tr>
<tr>
<td>18. Disability benefits</td>
<td>15. Old age income and pensions</td>
</tr>
<tr>
<td>20. Childcare</td>
<td>17. Inclusion of people with disabilities</td>
</tr>
<tr>
<td>19. Housing</td>
<td>18. Long-term care</td>
</tr>
<tr>
<td>20. Access to essential services</td>
<td>19. Housing and assistance for the homeless</td>
</tr>
<tr>
<td>21. Access to essential services</td>
<td></td>
</tr>
</tbody>
</table>

Source: European Commission 2016a; 2017a.

Another measure of comparison is to hold expectations up against the 2017 proposal. During the interviews conducted in February 2017, there was a great deal of uncertainty about what the Commission’s proposal would include. However, some of the interviewees had expectations for at least two more or less concrete initiatives that were not fully met in the proposal. One of these was a balance between flexibility and security. The Commission had, during the decision-process, signaled that they would revise or otherwise address the pan-European flexicurity principles that reached their final formulation in 2007.

However, no concrete initiative was taken in this regard. Moreover, principle 2, Flexible and secure labour contracts, from the 2016 communication disappeared in the 2017 proposal, albeit the final principle, 5. Secure and adaptable employment, has a trace of flexicurity.

Another expectation from some of the interviewees was in regard to atypical employees who, in the Commission’s 2016 communication, received much attention in the following texts: 2. Flexible and secure labor contracts, 7. Conditions of employment and 13. Pensions. However, this was not followed up with
concrete initiatives in the 2017 proposal, and only 5. Secure and adaptable employment addresses the subject directly. However, it should be added that atypical employment is mentioned in connection with some of the four specific initiatives that were presented as part of the Pillar. In addition to these two non-fulfilled expectations, interviewees noted, furthermore, that ETUC hoped for, though not necessarily expected, more concrete initiatives regarding, inter alia, information and consultation of employees and social security systems.

As indicated above, not all of the Pillar is related to employment policy, no matter how broad a definition is applied. However, more than half of the ‘rights and principles’ is of relevance for this policy area. The most directly relevant could be said to be: 4.) Active support for employment: a) Everyone has the right to timely and tailor-made assistance to improve employment or self-employment prospects. b) Young people have the right to continued education, apprenticeship, traineeship or a job offer of good standing within 4 months of becoming unemployed or leaving education. c) Unemployed people have the right to personalised, continuous and consistent support. The long-term unemployed have the right to an in-depth individual assessment by the latest at 18 months of unemployment. And 13.) Unemployment benefits: the unemployed have the right to adequate activation support from public employment services to (re)integrate in the labour market, and adequate unemployment benefits of reasonable duration, in line with their contributions and national eligibility rules. Such benefits shall not constitute a disincentive for a quick return to employment. According to interviewees from 2017, the Commission’s opinion is that the Pillar in relation to European employment should work as the basis for future revisions of the employment guidelines.

Regarding the responses to the proposal, those from the member states have, according to the interviewees, been a bit more positive, although criticism has been aired again, especially regarding the four more specific initiatives. According to one of the interviewees, the general opinion in EMCO was that on substance, the Commission had improved the Pillar by taking into account comments from the consultation period. However, the member states found that several issues remained unclear, not least regarding the legal status of the ‘rights and principles’, but also regarding the question of whether only the Eurozone or all of the EU should be covered, and regarding how the Pillar will relate to Europe 2020.

Regarding the content of the Commission’s proposal, the large majority of the member states were reported to be of the opinion that it would not be productive to have further discussion of the ‘rights and principles’. However, some member states – most clearly Hungary which has been the strongest opponent of the Pillar throughout the whole process – were of the opposite opinion. According to one of the interviewees, it weakens the position of the member states aiming for a redrafting that none of them wants to be seen as a close ally of Hungary these days due to the widespread perception that the Hungarian gov-
ernment is moving the country in an authoritarian direction. Regarding the question of whether the Pillar should not only be for the Eurozone, but for the whole of the EU, the discussion was only settled with the Proclamation in November 2017: The Pillar is for the whole of the EU. Some member states, both in the Eurozone (e.g. the Netherlands and Finland) and outside the Eurozone (e.g. Poland and Hungary), were mentioned in the interviews as sceptical with regard to extending the Pillar to the whole of the EU.

Regarding the European social partners’ responses, the 2017 proposal also received a generally positive response from ETUC. ETUC was particularly happy about the work-lifebalance initiatives. However, ETUC disagreed that self-employment should be one of the solutions to the unemployment problem, as proposed in the Pillar (ETUC 2017). The reaction of Business Europe to the 2017 proposal was more critical, especially with regard to the parental leave directive, which Business Europe found to be a burden on employers, an economic expense for society and a threat to social dialogue – the latter because the European social partners had not as yet agreed to make an attempt to negotiate an agreement on the issue. Finally, the organization was sceptical of the split between the Eurozone and the rest of the EU (Business Europe 2017).

Apart from the four specific initiatives - which were either developed independently of the Pillar or could have been so - the Pillar includes almost exclusively non-legally binding ‘principles and rights’. As with other types of non-legally binding EU regulation, one can ask if the Pillar then will have any effect at all? Because the initiative is not yet in its final version, it is too early to answer this question. However, it could be expected that the effect will depend a lot on how the actors choose - both at EU and national level – to use the Pillar. Reference to the Pillar could be used to push for particular reforms when new policy measures are to be decided upon. Or it could be used defensively if European institutions, the Troika or others try to force a member state to take steps that can be said to be incompatible with the Pillar’s principles and rights.

The Pillar in the form of the 20 principles and rights was adopted in a Proclamation at the Gothenburg Social Summit November 17, 2017, and signed by the three presidents (from the Commission, the European Parliament and the Council). The policy formulation of the Pillar is therefore over, and the future phases will be about implementing it. The next step in the implementation of the Pillar is a second step consultation on (legally binding or non-binding) EU action addressing the challenges of access to social protection for people in all forms of employment (de facto a focus on self-employed and atypical employees) that will end January 15, 2018. This consultation was initiated even though the first phase consultation showed that the conditions for a negotiated solution

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6 The possibility of using the Pillar as a ‘shield’ against other regulations was mentioned by Zane Rasnaca, European Trade Union Institute, during the TURI conference, May 17-19, 2017.
on the issue between the social partners was not met (European Commission 2017b).

3. Conclusions and perspectives

In the following sections, attempts will be made to answer the three research questions.

3.1 Have EU employment policies been crowded out?

It can be confirmed, that employment policy, to an even larger extent than previously, was weakened and became subordinated to economic policies, or crowded out by the new economic governance, through its integration in the European Semester, with the Semester’s (at that time) strong focus on fiscal policy and budgetary balances. The fact that no substantial new EU employment policies were seen in 2010-11 also supports this conclusion.

However, already from around 2012-13 there seems to be at least a partial comeback of the employment policies. This comeback is indicated by several developments: firstly, with regard to the four selected initiatives, the employment packages at least tried to maintain a balance in the new economic governance initiative, although only the European Pillar of Social Rights and the YG, with its substantial funding, could be seen as significant. Leaving the Pillar aside, the YG stands out – despite the fact that its effectiveness has been questioned – as the most important EU employment initiative in the present decade.

Secondly, during the revision process, the employment guidelines were – contrary to all earlier revisions - not reduced in number and their relative share of the total number of integrated guidelines actually increased. However, it could also be argued that with only four employment guidelines left, there is not that much to cut. The revision only resulted in a few important changes, one of which is a greater sensitivity to poverty aspects regarding wage setting, and another of which is a call for a greater role for social dialogue. Thirdly, despite not being a high-profile or high-priority initiative, the long-term employment recommendation indicates that the YG was not a ‘one-off” and that employment policy was still on the agenda. Fourthly, the Pillar contributed to the re-emergence of EU employment policies, although its final form as well as its impact on EU and national level policymaking remains to be seen. Summing up, it can be confirmed that the employment policies were crowded out by the New Economic Policies, but only for a period.
Table 5 – Most important EU employment initiatives this decade

<table>
<thead>
<tr>
<th>Year and name</th>
<th>Focus and sub-programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Employment Package and the Youth Employment Initiative, 2012-13</td>
<td>The Employment Package is a set of policy documents aimed at making EU employment policies intersect with other policies in support of smart, sustainable and inclusive growth. Identifies the EU’s biggest potential areas of employment (green economy, health care and ICT). Measures are proposed in areas ‘Supporting job creation’, ‘Restoring the dynamics of labour markets’, and ‘Improving EU Governance’. One of several initiatives under the second area is the ‘Youth Employment Package’, including: 1) YG, 2) Social partner consultation on a framework for traineeships 3) European Alliance for Apprenticeships/improving mobility for youth. The Youth Employment Initiative reinforces and accelerates measures outlined in the Youth Employment Package. It aims to support particularly young NEETs and provides funding for the YG and other youth initiatives.</td>
</tr>
<tr>
<td>(Revised) employment guidelines, 2014-15</td>
<td>The employment guidelines are common priorities and targets for employment policies proposed by the Commission, agreed by national governments and adopted by the EU Council. The 2010 guidelines were revised during the period 2014-15 and now focus on: 5. Boosting demand for labour 6. Enhancing labour supply and skills 7. Enhancing the functioning of labour markets 8. Ensuring fairness, combating poverty and promoting equal opportunities</td>
</tr>
<tr>
<td>Long-term unemployment recommendation, 2015-16</td>
<td>The Council Recommendation puts forward three key steps: 1. encouraging the registration of long-term unemployed with an employment service; 2. Providing each registered long-term unemployed person with an individual in-depth assessment to identify their needs and potential by the very latest at 18 months of unemployment; 3. offering a job integration agreement to all registered long-term unemployed by the very latest at 18 months</td>
</tr>
<tr>
<td>The European Pillar of Social Rights, 2016 -</td>
<td>The initiative aims to strengthen Social Europe and should work as a compass for renewed convergence within the euro area. The Commission’s proposal (April 2017) includes: 1. ‘20 rights and principles’ 2. Four more specific initiatives (legislative and non-legislative initiatives) 3. A ‘social scoreboard’</td>
</tr>
</tbody>
</table>

Looking at the initiatives of the Commission – within as well as beyond – the European Semester also adds to the picture of a more socially oriented Commission. The Juncker Commission seems to be more committed to including the social partners than was the Barroso Commission. The initiative ‘New Start for Social Dialogue’ calls for a more substantial involvement of the social partners in the European Semester; a stronger emphasis on capacity building of national social partners; a strengthened involvement of social partners in EU policy and law-making and a clearer relation between social partners’ agreements and the better regulation agenda (European Commission 2015). Furthermore, nearly all interviewees were of the opinion that the new Commission shows a greater openness towards social partners and that their aim of balancing the New Economic Governance with a stronger social and employment policy profile is sincere.

However, some of the interviewees also raised issues about how much really had changed. An ETUC-interviewee noted that this openness is not really accompanied by an ability to deliver, in that the Commission’s staff after a long
period with less involvement of social partners under the Barroso Commission was ‘out of practice’ regarding stakeholder involvement of social partners. Regarding the roles and positions of the DG Employment and DG Economic and Financial Affairs (DG Ecfin), DG Employment has, according to a DG Employment interviewee, gained more influence in later years, probably as a result of the ‘resocialization’, at the same time as the cooperation between these two DGs has improved (see Zeitlin and Vanhercke 2015 for a similar finding). However, other interviewees emphasized that there still are tensions between the two DGs, as well as within DG Employment, regarding the direction to take – a more liberal track focused on fiscal policy and austerity measures, or a more social and employment policy focused path.

3.2 Roles and positions of the actors and explanations for development

The Commission, the Council/ member states, the European Parliament and the European social partners are the most important actors. The roles and positions of these actors are considered in the second research question. In the four cases, the role of the European Parliament has not been analyzed, but the roles of the member states and the social partners have.

The member states have taken various positions and the UK seems - as is often the case in Social Europe-related questions – to have been among the most critical. But after the Brexit-election they have been, if not silent, then less outspoken than before. In addition, a number of the other member states have been critical of the four initiatives. Whereas few member states had strong opinions on the revision of the guidelines, a number of member states (including South European states) were initially skeptical during parts of the decision-making process with regard to the long-term unemployment initiative, but for varying reasons, and the criticism was not strong. The YG caused some concern among a number of especially North, Central, and South-European member states, but did not lead to strong opposition - and again the reasons for the skepticism differed. The most controversial of the initiatives has also led to most opposition, from North, South as well as Eastern member states, and the criticism seems to have been stronger than the Commission expected. In addition, in this case there were various reasons for the sceptical positions. It remains to be seen how much effect the criticism will have on the final version of the Pillar.

Interestingly, there does not seem to have been a mobilization of coalitions or other forms of close cooperation between member states in connection with any of the four cases. One reason for this might have to do with the nature of the initiatives themselves, that, with the exception of the Pillar, they have not been controversial enough to have the potential to trigger coalition-building. Another explanation - also supported by some of the interviewees – is that clear-cut coalitions are not so common in EU employment policies anymore, partly due to the plurality of interests that has been a side effect of the EU expansion.
The European social partners’ roles and reactions have varied. ETUC was airing the idea of a YG at an early stage, which might have contributed to the development of this initiative and influenced their opinion. However, in general, the European social partners seem to have been more reactive than proactive in the formulation of the four cases. Regarding the YG, the long-term unemployment recommendation and the Pillar, ETUC has been more supportive than Business Europe, who has given these initiatives a more lukewarm welcome. Contrary to this, regarding the revision of the employment guidelines, it was ETUC who expressed most worries.

The third research question was concerned with the reasons for the development in EU employment policies during this decade and the second with the roles and positions of the actors. A combination of a ‘problem load’ (functional) explanation combined with a political actor oriented approach is possible. The partial crowding out of employment policies in the period after the crisis could be understood as an effect of the political attention and gravity given to fiscal stability and austerity under the liberal oriented Barroso Commission. Gradually, this one-sided focus was balanced with a refocusing on social and employment issues. This development took place at the same time that the economic and fiscal crisis weakened, but its social and employment consequences became more obvious. The development was speeded up when a more Social Europe-oriented President of the Commission took over. With the new Commission came also internal changes in the Commission that strengthened DG Employment.

The importance of the role of the Commission is illustrated by the four cases, in which the Commission clearly stands out as the main driver and initiator in at three of them. Only the revision of the employment guidelines cannot be said to be driven by a sole actor, because the five-year revision periods are routinized.
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Annex A - List of Interviews

Scandinavian Employment Committee representative, September 4, 2017 (face-to-face)

Central European Employment Committee representative, August 23, 2017 (telephone)

ETUC, March 15, 2017 (telephone)

Business Europe, February 22, 2017 (face-to-face)

DG Employment, European Pillar of Social Rights Task Force, February 22, 2017 (face-to-face)

DG Employment, A2 Social Dialogue, February 22, 2017 (face-to-face)

The Danish EU representation, February 21, 2017 (face-to-face)

ETUC, February 21, 2017 (face-to-face)

ETUC, August 26, 2017 (telephone)

Business Europe, August 18, 2016 (telephone)

DG Employment, A1 Employment Analysis, August 26, 2016 (telephone)

DG Employment, B1 Employment Strategy, August 10, 2016 (telephone)

DG Employment, Employment Committee, August 4, 2016 (telephone)