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# **Slowing down Social Europe? The role of coalitions and decision-making arenas**

**Report 3 – the employment policy area**

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**July 2011**

ISBN 978-87-91833-60-1

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## 1. Introduction

The social dimension of the EU is as old as the union itself. However, it was not until the mid-1980s that the EU gradually developed a real social dimension to counterbalance economic integration. The social dimension includes hard-law regulation in the form of directives (the first of which was decided upon in the 1970s) as well as soft-law regulation<sup>1</sup> such as the Open Methods of Coordination and the European social partners' voluntary framework agreements. In recent years, what can be labelled 'the regulation-sceptical actors' have been strengthened and 'the pro-regulation actors' have been weakened. Indeed, the number of socialist and social-democratic governments in the European Council has reduced and the same political forces have weakened in the European Parliament. In addition, the Barosso-led Commissions have followed a more liberal agenda than its predecessors and the European Trade Union Confederation (ETUC) has lost bargaining power due to its affiliates' loss of members and challenges from internationalization of production and labour migration. The enlargement in 2004 with new member states where the level of labour standards often do not match those in the old member state also served to strengthen the regulation-sceptical actors. While the enlargement itself made it more difficult to agree new regulation.

These recent changes are expected to have influenced the development of the social dimension of Europe, also known as 'Social Europe'. The present project, which theoretical and methodological framework is described in details in report 1 - aims to explore whether the strengthening of the regulation-sceptical actors has affected the scope and content of regulation as well as the relative weight between different forms of regulation. To address this question, we will analyse recent decision-making processes within the four most important types of EU regulations - the directives, the Method of Coordination (OMC), the social partners' autonomous agreements and case law. In this regards, we will analyse what stand the main actors (the European Council/the member states, the European Commission, the European Parliament, the European social partners and the European Court of Justice (ECJ) have taken with regard to the extent and content of regulation and the choice between the above mentioned different types of regulation. In doing so, we will examine and compare four work and employment related areas. The areas will be labelled 'employment policy', 'employee involvement', 'work-life balance' and 'posting'. The present report will (from section 2 onwards) focus on employment policy only, which at EU-level primarily takes the form of an OMC.

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<sup>1</sup> Regulation' will in this report be used as an 'umbrella-term' for written rules of all kinds, no matter their juridical statue. 'Regulation' is also the name of a special kind of juridical binding rules formulated at the EU-level. It should be clear from the context which of the two meanings of the term is used in which situations.

There are two main reasons that a project with such a focus should be able to provide new and relevant knowledge. Firstly, the connection between changes in the various actors' power position on the European scene, and the outcome in terms of regulation agreed, have seldom been analysed. Secondly, in the rare cases this connection has been analysed, the researchers have exclusively focused on only one policy area or one type of regulation. Knowledge about changes in power positions and regulation outcomes across work and employment related areas and regulation types are therefore limited.

The four types of regulation represent a continuum from what is often named 'hard' (legally binding) to 'soft' (legally non-binding) regulation. Case law and the directives are the binding form of regulation, in that the ECJ rulings and the directives are supra-national legislation that the member-states are bound to follow. The OMCs represents soft regulation, in that the actors (in this case primarily the member-states) are not legally bound to follow them. However, most of the OMCs contain some measures to commit the member states, such as quantitative targets, indicators and feed-back reports. This increases the chances that member-states will perceive the regulation as politically binding. These elements are missing in the social partners' autonomous agreements as these just formulate general guidelines for national and sectoral member organisations and therefore, can be seen as the softest form of regulation of the three.

Furthermore, the relative importance of the main actors varies between the types of regulation. Although variation is found from case to case, the Commission and the member states are the most important actors in the OMCs, whereas the social partners generally have a greater role to play in relation to the directives and the framework agreements. In general the European Parliament's role is at its peak in relation to the directives, and is less important in relation to the autonomous agreements and the OMCs. Finally, the ECJ is the all dominant actor in relation to case law.

The different actor-constellation in the various types of regulation can be seen as 'decision-making arenas' in line with studies of national level decision-making (Winter 2003; Torfing 2004; Mailand 2008). With the reservation that informal contacts always blur the picture, the decision-making processes behind some directives are mainly found on what could be named 'the politico-administrative arena' (including the European Council and the European Commission) and 'the parliamentarian arena' (the European Parliament alone).

Those directives where the social partners are the initiator are at least partly found on 'the bipartite arena' (the social dialogue) or 'the tripartite arena' (for instance the Commission's consultations of the social partner or the tripartite summit before the annual spring summits), the later where the Commission coordinates the process). Similar to some directives, the OMC decision making processes take place mainly in the politico-administrative arena, although the tripartite arena also plays a role (when the social partners are consulted).

Contrary to these directives, however, the European Parliament plays only a minor role in the OMCs. The ‘juridical arena’ is mainly reserved for the ECJ. Previous studies (Hooghe & Marks 1999; Nedergaard 2004; Mailand 2005 to name a few) have shown that, to maximize their influence, the main actors tend to seek alliances and create coalitions with other actors. This is not only the case for the member states in the Council, but also for the various party groups in the Parliament, the social partners and in some cases even the so-called ‘directorates generals’ (departments within the Commission). The multi-level and multi-actor nature of the European decision-making processes on employment and work certainly does not make it easier to study than national level decision-making, but tracking down the coalitions on the European scene can help to find out who wants what, how they get it and why.

### 1.1 Research questions

Following this, the research project – being reported in this working paper – will address the following question: *Has the strengthening of the regulation-sceptical actors affected the content or the range of work and employment regulation at the EU-level?*

This question will be addressed through analysis of the following:

- What role have coalitions played in decision-making processes in work and employment related areas?
- What glues the coalitions together and are they divided primarily into pro-regulation and regulation-sceptical groups?
- Has the strengthening of the regulation-sceptical actors affected different work and employment related areas to a different degree?
- How has it been possible for the actors to agree on a number of new regulation initiatives when the regulation-sceptical actors have been strengthened?

The possible effects stemming from the strengthening of the regulation-sceptical actors would be the adoption of less new regulation than previously - or of less binding forms of regulation - either due to the juridical status of the types of regulation used or to lower or fewer quantitative targets and minimum-levels.

### 1.2 Methods and structure of the working paper

This report will focus only on the employment policy area. Following this introduction, section 2 drawing primarily on secondary literature (published research) covers the historical development of European regulation in the employment policy area. Section 3 is the first case study, which focuses on the employment policy part of the 2005 revision of the Lisbon Strategy, whereas

the section 4 includes the analyses of the second case study, the common flexicurity principles. Section 5 presents the third and last case-study, the Europe 2020 strategy, again with a focus on the employment policy part. Section 6 summarises the findings and draws some preliminary conclusions.

The sources of the three cases studied have been semi-structured interviews with EU-level and national-level civil servants, EU-level and national-level social partners, members of the European Parliament, representatives from the two Kok groups, and finally academic experts (see Annex A for details).

## **2. The history of European employment policy until 2004<sup>2</sup>**

### **2.1 Towards a first generation European Employment Strategy**

While being able to generate growth and wealth and increase employment rates, Europe has for largest part of the past 30 years had to face the challenges of high level of unemployment caused by a continuous enlargement of the labour force, restructuring in various sectors, demographic developments, globalisation as well as other forces.

This more or less persisting high level of unemployment across Europe is one of the most important reasons why the EU decided to introduce an employment strategy, but also pressure from the Delors Commission (1985-95) to balance the EMU and the single market with a social dimension has no doubt played a role. The Commission's white paper on growth, competitiveness and employment (European Commission 1993) legitimised an increased focus on employment matters and policies. Following advice given in this white paper, it was decided to establish a common European framework for employment policy at the Essen summit in 1994.

With the Amsterdam Treaty in 1997, employment policy gained an even more central place in EU: following a proposal from the Commission, the European Council became obliged to every year agree on a series of guidelines setting out common priorities for Member States' employment policies and was given the opportunity to issue country-specific recommendations. At the Luxembourg summit later that year, the European employment policy it was agreed that the member states' employment policy should focus on actions within four pillars: improving the employability of the workforce; entrepreneurship; the adaptability of employees and companies, and equal opportunities for men and women. The four pillars became the backbone of the European Employment Strategy (EES) – also known as the Luxembourg process – and remained so until 2003.

On this background, the strategy took for the following years the form of an annual circular process, starting with employment guidelines setting out com-

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<sup>2</sup> This section is a shortened and edited version of chapter 1, 5 and 6 in Mailand (2006).

mon priorities for member states' employment policy, followed by National Action Plans for Employment (NAPs) where member states' describe how these guidelines should be put into practice nationally. Then, a Joint Employment Report where the Commission and the Council jointly examined each NAP and where the Council could decide, by qualified majority, to include country-specific recommendations upon a proposal from the Commission – something which was done every year from 2000 to 2004. Finally, the Commission was to present a new proposal for revision of the employment guidelines accordingly for the following year.

### **2.1 The EES revision in 2002**

From the outset in 1997, it was decided that the strategy should be able to show results within a five-year period. Therefore, a large-scale evaluation was carried through in 2002. The main conclusions from this evaluation - coordinated and concluded by the Commission - were that the EES had: raised the profile of European employment policies; led to a stronger priority of employment policy at the national level; led to convergence towards successful employment strategies; affected other policies than traditional labour market policies; and created a new framework for policy-making (European Commission 2002).

The evaluation had, according to the interviewees, no major influence on the following revision. The official discussions on the revision started in January 2002 and continued well into 2003. A common belief among the member states was that the strategy and its employment guidelines had become far too complex. Simplification was needed. Moreover, the focus should be more on output and less on input and the number of guidelines. Also the number of quantitative targets under each guideline was to be reduced to reduce peer pressure and remove bureaucracy.

However, not all countries were equally active in influencing the revision. A coalition - in the following named the 'minimalist coalition' - was formed by some EMCO representatives to secure that the revision would contain fewer and more output-centred guidelines as well as have a more simple overall structure.

The coalition started out - according to some interviewees - as a joint Danish-British initiative in the spring of 2002 before the Danish presidency in the autumn of the same year, whereas other interviewees stated that the coalition has a longer history. Other representatives joined this coalition during 2002, including those from the Netherlands, Ireland, Spain, and - according to most interviewees - at a later stage also Sweden, Austria and Germany.

In addition to being one of the initiators of the minimalist coalition, the UK played an important role within it as an informal 'opposition leader'. This role involved bilateral meetings with member states, arranging meetings with the coalition before the EMCO meetings, and acting - explicitly or implicitly - as a spokesperson for the whole coalition. That the UK was assigned this role has to do with several factors. The fact that the UK is one of the three largest member

states means that their arguments carry special weight in EMCO and gives the UK the administrative capacity to use resources on a large scale to prepare and coordinate the coalition. On top of this, several interviewees pointed to the high level of professionalism of the UK representatives and their support base along with the advantage of being native speakers of English. However, all this would have been irrelevant had it not been for the strong commitment and clear goals of the British government and its representatives in EMCO. 'Being at the heart of Europe', as was Tony Blair's vision for the UK, means in relation to the EES a commitment to limit the level of regulation. Of all the member states, according to some of the interviews, the UK government initially came up with the most radical suggestion for the revision: to boil it down to only three guidelines and three targets connected to each of the guidelines.

The actors that the 'minimalist coalition' was in opposition to, counted the Commission, Belgium, Luxembourg and - for most of the period in focus - France. Representatives from these countries did not to the same extent share the goals of few output-oriented guidelines. They were generally more open to extensive labour market regulation and tended to focus more on the quality of employment, including job security. For most of the period a number of Southern European member states (Portugal, Italy, Greece) also participated in this coalition, which could be termed the 'regulation coalition'.

From these initial discussions with the member states, the Commission issued a first communication in July 2002 - 'Taking stock of five years of the European Employment Strategy' - on the future of the EES and the experiences of the first five years. Their main suggestion was 'to simplify the guidelines without undermining their effectiveness'. This should be achieved by, *inter alia*: having clearer definitions of the overall improvements; a concentration of priorities; an increased emphasis on the results to be achieved; and a focus on implementation rather than on the annual elaboration of guidelines (European Commission 2002).

To a large extent this first communication reflects the wish for simplification, which most of the member states had agreed upon during the initial discussions. Most of what later became the main lines of the revision can be found in this communication although the most controversial part of the revision - the quantified targets and the wording of the guidelines themselves - was not agreed upon until a later stage.

Based on the consultation process with the European social partners, the European parliament and others, as well as discussions in EMCO and between the relevant General Directorates, the Commission issued a second communication entitled 'The future of the European Employment Strategy – A strategy for full employment and better jobs for all' in January 2003 (European Commission 2003). Although this communication presented the new goals and the new guidelines 'without prejudging at this stage the precise architecture of future guidelines' (*ibid*: 9), three new goals of the EES (to create full employment;



quality and productivity at work and strengthened social cohesion and inclusion) as well as the themes, if not the final wording, of the ten final guidelines were already present in this document. The second communication was discussed at the informal Council meeting in January in Nafplio, Greece. At this meeting the 'minimalist coalition' (which at this point comprised the UK, Denmark, Spain, the Netherlands, Ireland, Sweden and Germany) aired a general dissatisfaction with the second communication and the line proposed by both the Commission and the Presidency (Greece). Criticism was raised both regarding the scale of the Commission's proposal (the eleven priorities mentioned above) and the Presidency's proposal (nine priorities). The Presidency added new priorities to those of the Commission: reduction of undeclared work, integration of immigrants, integration of the young and unemployed in the labour market, and reduction of regional inequalities. The coalition hereby found that the agreement to formulate simpler guidelines requiring less bureaucracy had not been respected. Furthermore, the coalition wanted the guidelines to focus on full employment and a reduction of the number of indicators and quantitative targets.

France, Belgium, Luxembourg, Portugal and the representative from the European Parliament, on the other hand, supported the line of the Commission/Presidency. According to this 'regulation coalition' all three areas in the 'social triangle' - more jobs, better jobs and more social inclusion - should be included in the new strategy. These actors were also positive towards the Commission's new priorities of immigration and regional inequalities.

The guideline on immigration was however removed, because this issue at the time was considered too controversial to gain consensus. Some member states were unwilling to give immigration such a high visibility which would be the case by adding a guideline on it. The guideline on undeclared work was a priority of the Greek presidency. It proved impossible to remove this guideline since the issue divided the 'minimalist' coalition along a North-South divide. Many representatives from the Northern European countries' felt that undeclared work was a minor problem in their own countries. They feared that expenses from future EU actions in this area in Southern Europe where the problems are believed to be of greater dimensions. Some of the Southern European countries, on the other hand, saw undeclared work as a major labour market problem.

Apart from the issues of immigration and undeclared work, the guidelines themselves were more or less settled, and the negotiations in this phase were mainly concerned the number and the level of ambition of the quantified targets. Several countries in the 'minimalist coalition' felt that both the number and the level of ambition within the indicators were contradicting the message from the majority of member states - to have a simplified strategy with few out-put-oriented indicators. At the meetings in EMCO in April and May 2003 this was discussed and the number of quantified targets was reduced substantially.

However, most of the national-level interviewees were of the impression that the net-effect of the whole process was close to zero. Comparing the 2002 guidelines and targets with those from 2003 (see annex B), it appears that if the official numbering and wording is used, the number of guidelines did in fact decrease, whilst the number of quantitative targets increased.

## **2.2 The European Employment Task Force 2003**

Even before the revision process ended in July 2003, a new initiative related to employment policy was launched. The interviewees offered several explanations for the initiative that led to the set up of the European Taskforce under the leadership of Wim Kok, the former Dutch prime minister, known for a number of successful labour market reforms in the Netherlands during the 1990s. The UK played a leading role in all of the explanations. According to some, the UK felt that the EES had become inactive and they wanted another instrument, a more inter-governmental instrument. Others saw the Employment Taskforce as a reflection of the British government's EU strategy, which follows the line of reasoning that if the UK was to be able to spearhead a reform of the EU, then the government would be able to reverse the sceptical British public opinion on the role of the EU.

A third explanation offered by the interviewees for the important role of the UK is related to the situation in Germany. The aim of the initiative - taken by Blair and Schröder - was reportedly to assist the German reform process, especially the so-called Hartz reforms of social and labour market policy; something that would also strengthen Schroeder vis-à-vis Chirac. Although Chirac's name at a later stage was added to the initiative, the French government was not among the initiators; it was taken despite the position taken of the French government.

The Commission, too, played a role in the set up of the taskforce, but their role was initially to try to prevent the initiative. The initiative was taken at a time when the revision of the EES was well under way, but not completed. So why reform what was already being revised? The explanation that DG Employment is inclined towards seems to have been that the initiative was an attempted 'hostile take-over' from the UK and other member states in order to establish an inter-governmental employment policy as a substitute, and not a supplement, to the EES, which was partly driven by the Commission. Fuelling the Commission's fear was the fact that the UK-driven discussion in the agenda-setting phase on the necessity to push for re-forms did not even mention the EES.

When the initial attempts to block the initiative failed, DG Employment encapsulated it by offering to supply the Taskforce with a secretariat, to ensure that the Taskforce's report would fit the EES. The members of the secretariat were high-ranking civil servants, including Antonis Kastrissiakis, the then Director in DG Employment, and Héléne Clark, then Head of Unit in the unit

responsible for the EES. The secretariat also included a representative from DG for Economy and Finance (DG ECFIN) to secure the macro-economic consistency and avoid damage to public finances in the member states, and especially to ensure that no 'structurally damaging' demands were made, i.e. agreements that could bend incentives of companies and individuals in wrong directions.

Regardless of the plausibility of the explanations, the official proposal to set up an Employment Taskforce did come from Blair, Schröder and Chirac prior to the Spring Council in Brussels in March 2003. In their letter, the three Heads of State and Governments emphasised that the taskforce should be seen as a supplement, not an alternative, to the EES and that the taskforce should publish a report including specific initiatives by the end of the year.

The official decision to set up the Employment Taskforce was, as mentioned above, taken at the Spring Council in March 2003. The European Council 'invited the Commission to establish a European Employment Task Force to help identify practical reforms that could have the most direct and immediate impact on the implementation by Member States of the revised Employment Strategy' (Council of the European Union 2003). Thereby, the Commission's strong role in the initiative and its close relation to the EES seemed secured.

After having consulted the member states, a chairman was appointed by the Commission. According to some interviewees, discussions took place in the Commission, as well as among some member states, with respect to who should chair the task force. The UK proposed Peter Sutherland, who was chairman of Goldman Sachs International and BP plc, as well as former Director-General of WTO and GATT. However, the Commission wanted a less business-oriented person and appointed Wim Kok. The other representatives were appointed by the Commission but again after consultation with the member states.

The task force had only six months to write the report. It met seven times for one or two-day meetings. The work was organised around the discussions of a number of specific topics. The discussions were then summarised by the secretariat. In fact, the members of the secretariat were not only summarising the discussions between the Taskforce members – they also participated actively in the discussions, both when invited and on their own initiative. This was not seen as problematic by the interviewed task force members that praised the assistance the secretariat provided.

The work was lead by Wim Kok, whose position as a chair included mediating between the different positions taken by the members. The interviewees agreed that Wim Kok led the task-force in a very professional manner and that he was sufficiently powerful to push forward his own wishes, for instance to change the secretariat's drafts according to what he believed had been agreed by the group members. Despite of these cases of 'arm-wrestling', the interviewees from the group found the secretariat did a good job.

The interviewees disagreed to some extent on what issues were the most controversial issues, but identified four issues that were controversial and diffi-

cult to agree upon. One issue was directly related to the EES and its revision. One part of the group had a general positive impression of the EES and the Lisbon process, whereas another was more critical regarding these processes. Moreover, this part of the group found that EU in general was lagging behind USA and wanted a discussion of this in the report – something that was not included. The other controversial issues were the explicit use of ‘faming, naming and shaming’ of member states; the balance of flexibility and security; and references to the high frequency of temporary contracts in some member states.

The final report (European Employment Task Force 2003) was published in November 2003 and was given the telling title ‘Jobs, Jobs, Jobs’. Stressing the significance of the title, the re-port concluded by listing four requirements: 1) increase the adaptability of workers and enter-prises, 2) attract more people to the labour market, 3) invest more and more effectively in human capital, 4) ensure effective implementation of the reforms through better governance (among other things through strengthening the role of country-specific recommendations).

In general, the report was well received by nearly all actors. A couple of interviewees described it as a more ‘balanced document’ than expected, because it included both economic and flexibility aspects along with social security aspects. Most interviewees found the report more focused on implementation and action, and simpler and clearer, than the texts of the EES. However, at the same time the interviewees emphasised that in reality the content was not different from what could be found in the EES.

The national governments welcomed the report without exception. The British government was – perhaps not surprisingly – the most enthusiastic supporters. One British interviewee stated that not only had the report influenced the employment guidelines and pushed the discussion on flexicurity forward – the four requirements had also been taken up at the national level because they were easier to handle than the employment guidelines. In general, however, the interviewees could not point out specific impacts from the Kok report, despite their positive evaluation.

The Commission was less enthusiastic of the report. From their perspective, the problem with the report was not so much its content – that were similar to what could be found in the EES - as it was the danger that the report would take-over the position the EES previously had had. However, they had to accept it, since they, to some extent, had been involved in it, and all member states as well as most other actors seemed to find it useful. Outright criticism of the report was scarce, but some social NGOs were slightly worried about the report, due to its limited focus on social inclusion. Other observers regarded the report as an expression of a new neo-liberal route.

That these sceptical voices drowned in the general applause may be due to the fact that there was something for everybody in the report, and furthermore that it refrained from being too controversial. Even without extensive formal

consultation, the taskforce succeeded in avoiding controversial issues for the member states by not tipping the balance between economic and social aims, and in not directly confronting the Commission. At the same time, at least some aims and demands of the EES were communicated in a slightly clearer and sharper way than previously – not least the demand to ‘walk the talk’ by implementing reforms and guide-lines already agreed upon.

The success of the report left the Commission with no choice but to allow the Kok report to have some effect on the EES, even though the EES had just been reformed the same year. This was done by framing the EES’ employment recommendations according to the four commandments of the Kok report. Apart from that, another important outcome of the report was that Wim Kok was asked to prepare the midterm review of the Lisbon strategy (see below).

### **3. The revision of the Lisbon Strategy, 2005<sup>3</sup>**

The first of the three processes chosen for a deeper analysis is the revision of the Lisbon Strategy in 2005, which included a revision of the EES.

#### **3.1 Agenda setting - the High Level Group**

It was, essentially, the Spring Council that mandated the Commission to set-up a High Level Group ‘to contribute to the mid-term review of the Lisbon-process’. The review itself was decided already when the Lisbon-process was launched in 2000. The Commission appointed Wim Kok as chair. After the success with the Employment Taskforce, he was the obvious choice and there were among the interviewees no reports of alternative candidates. Some of the group members were appointed by the Commission and others by the member states.

The group had more members and was less dominated by academics compared to the Employment Taskforce. Including the chair it consisted of 13 representatives including politicians and representatives from academia, business and trade unions. The chair of the British consultancy The Work Foundation, Will Hutton, worked as a ‘rapporteur’ for the group. He was proposed by the British government and approved by the Commission. The appointment of representatives was, in general, not controversial according to the interviewees. However, one of the interviewees pointed the selected representative as a compromise. The Commission - more precisely the then President Romano Prodi - proposed the former Secretary General Emilio Gabaglio from the European Trade Union Congress (ETUC), but he was refused by the Italian government, probably because he was too left-winged in the eyes of the Italian government.

The secretariat-assistance was delivered by people from the Secretariat-General and DG ECFIN. Hence, an important difference from the Employment

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<sup>3</sup> This section is a shortened and edited version of chapter 7 in Mailand (2006)

Taskforce was that DG Employment was not represented in the secretariat. Therefore, DG Employment made quite an effort to ensure that the secretariat was fully informed about their priorities. This ‘economist bias’ of the secretariat was not the only difference from the Employment Taskforce. Also the presence of a ‘rapporteur’ was a clear signal that Wim Kok this time would not grant the secretariat the main responsibility for drafting the text. But there were nevertheless similarities with the secretariat of the first Kok group. For example were disagreements between the secretariat and the group also this time reported to be numerous and serious, but they took primarily place in the beginning of the process.

Six meetings - each lasting one to three days - took place from May to October 2004. Similar to the first Kok group, the interviewees disagreed to some extent about what were the most controversial issues. A number of issues were pointed to: use of IMF or Eurostat statistics; finding a balance between the three main pillars of the Lisbon Strategy; the status of the findings of the first Kok report; ‘naming and shaming’; the role of monetary and fiscal policy in generating employment; a possible connection between working hours during the working year and the GDP; the Service Directive (which was already at that time discussed in various EU-institutions, but only found its final form in the spring of 2006); and, finally, the use of the word ‘flexibility’.

Nevertheless, the tough negotiations, repeated rewritings and disagreements did not prevent the interviewees from expressing satisfaction with the report. Wim Kok was again very much praised for his strength as a leader, his ability to mediate and secure consensus at the same time as he succeeded in getting his own visions for the reports through. Compared to the first Kok group, Wim Kok was actually in a better position to control the process with a personal assistant as part of the group and, not least, with a ‘rapporteur’, and not the Commission secretariat, holding the pen on the main part of the report.

The Executive Summary of the report (High Level Group 2004) lists the most important actions under the five headings in chapter 2. These are: 1) The knowledge society: increasing Europe’s attractiveness for researchers and scientists, making R & D a top priority and promoting the use of information and communication technologies; 2) the internal market: completion of the internal market for the free movement of goods and capital, and urgent action to create a single market for services; 3) the business climate: reducing the total administrative burden; improving the quality of legislation; facilitating the rapid start-up of new enterprises; and creating an environment more supportive to businesses; 4) the labour market: rapid delivery on the recommendations of the European Employment Taskforce; developing strategies for lifelong learning and active ageing; and underpinning partnerships for growth and employment; 5) environmental sustainability: spreading eco-innovations and building leadership in eco-industry; pursuing policies which lead to long-term and sustained improvements in productivity through eco-efficiency. Finally, the executive

summary sums up the responsibility of the institutions (High Level Group 2004). The order of the chapters is of importance, and the interviewees confirmed that realising the knowledge society was the main message in the report.

### **3.2 Policy formulation 1 - choosing the OMCs and the Communication**

After a great deal of turbulence regarding the approval of the Commissionaires, the Commission took office in November 2004 approximately at the same time as the High Level Group delivered its report. It soon became clear that the Lisbon Strategy was the most important issue for the new President of the Commission, Barroso.

In the run-up to the revision, most actors found that the Lisbon strategy had developed into far too broad a strategy. They claimed that it was about everything and therefore nothing and that it contained too many guidelines and targets. Therefore, the Lisbon strategy needed to be more focused. It was also clear that some of the strategy's main targets – the employment rate target of 70 percent overall, 60 percent for women and 50 percent for older workers in 2010 - would be difficult to reach in some countries. However, changing the targets was not discussed.

The first important question in relation to the mid-term review of the Lisbon process was to decide which OMCs should continue to be under the umbrella of the Lisbon strategy. There was from the outset no doubt that the Broad Economic Guidelines would still be part of the Lisbon Strategy, partly because the new Commission and its President were considered to have a more liberal and 'economic' orientation than the previous one, and partly because the Broad Economic Guidelines are treaty-based and, therefore, impossible to abandon without another treaty revision. The employment guidelines are also treaty-based (the Amsterdam Treaty), but there were nevertheless some worries in DG Employment, ETUC and in some national governments that they would get a much lower status after the revision. Other major uncertainties were in connection to the other OMCs – those on social inclusion, pensions, health and education. In the end the solution was to include those parts of the education OMC that are directly linked to employment, most importantly lifelong learning. The discussions about which OMCs to include and exclude took place in the Economic Policy Committee (EPC) and the Social Policy Committee (SPC), but not in EMCO. What might have been a danger in the eyes of some actors – and an unspoken aim for others – was that the OMCs excluded from the Lisbon agenda could be marginalized and would eventually slowly fade out.

The Commission's Communication to the Spring Council 2005 was published in early February 2005 (European Commission 2005b). The title 'Working Together for Growth and Jobs – A New Start for the Lisbon Strategy' repeats the new priority of the Lisbon Strategy from the second Kok report: growth and jobs. The communication does not include actual guidelines, but include a list of actions under 15 headings (see Annex C) gives a good indica-

tion of what was to be expected. The actions are classified under three headings of 'A more attractive place to invest and work', 'Knowledge and innovation for the growth', and 'Creating more and better jobs'.

DG Employment decided already in late 2004 to classify the new guidelines along three of the first Kok report's four 'requirements'. However, one important divergence from the Kok requirements, namely the adding of 'and modernise social protection systems'. According to interviewees from the Commission this was added after pressure from DG Employment to keep social inclusion on the Lisbon Agenda.

With respect to the EES, the only important new feature of substance - compared to the previous guidelines - is found under the heading 'Creating more and better jobs'. This is the 'Youth Pact'. There are also three other important changes proposed, but these are related to governance and are found in chapter 4 'Making the partnership deliver on growth and jobs'. Firstly, the proposal is to integrate the Broad Economic Guidelines and the Employment Guidelines - not only by cross-references as in the 2003 revision, but by including them into a single set of 'integrated guidelines'. Secondly, at the national level 'National Action Programmes' for growth and jobs should match the guidelines and replace the NAPs and other national OMC reports. Thirdly, to increase national ownership of the member states' were called to appoint a "Mr. or Mrs. Lisbon" to co-ordinate the different elements of the strategy.

The member states' reaction to the Barroso Plan at the Spring Council was generally speaking positive. However, the Council insisted on giving higher priority to the knowledge society than on competitiveness and made more references to the social inclusion issue (European Council 2005; Barbier et al. 2005). About 1/3 of the member states found that social inclusion had received insufficient attention in the Barroso Plan.

Also at the Spring Council - and before that in EMCO - the future of national specific recommendations and 'naming and shaming' was discussed. Some member states resistance against 'naming and shaming' and the recommendations were, according to several interviewees, widely shared and more marked than previously. The Commission decided therefore to leave out - at least temporarily - the national-specific recommendations from the coming Annual Progress report (including the Joint Employment Report). The argument was that the revision and the new type of national report (NRP) led to a situation where it inappropriate with recommendations the first year, mainly because the first year's report would focus on policy formulations/strategies. Recommendations could then return to the annual Progress Reports the following year when the national report would concentrate on implementation. However, many interviewees from both the EU-level and the national level doubted that this would happen due to resistance from some member states. Supporting this forecast was the observation that the Commission's Vice-President Verheugen at several occasions has expressed himself in negative terms about 'naming and



shaming', and even stated that the decision to exclude naming and shaming was taken independently of the reactions from the member states (EurActiv 2005).

### **3.3 Policy formulation 2 and outcome - draft and final guidelines**

The Communication with the draft guidelines went out from the Commission in April 2005 (European Commission 2005a). The draft Broad Economic Policy Guidelines and the draft Employment Guidelines were now in the same document. Whereas there were 10 employment guidelines in 2003-2004, the number was reduced to eight in the communication.

A comparison between the draft 2005 guidelines (Annex C) and the adopted one from 2003 (Annex B) leads to five observations: Firstly, apart from the three overall employment rate targets (70 percent overall, 60 percent women, 50 percent older workers) in 2010, there are no targets in the draft guidelines. Secondly, the first employment guideline (Implement employment policies aiming at achieving full employment, improving quality and productivity at work, and strengthening social and territorial cohesion) has an overarching character. It resembles one of the horizontal guidelines that were abandoned in the 2003 revision of the EES. Hence, it is surprising that the Commission proposed such a guideline and interviewees from the Commission were also surprised that the member states did not reject it in EMCO.

Thirdly, three features have disappeared from the draft employment guidelines compared to the 2003 adopted guidelines: entrepreneurship, which was covered by the micro-economic guidelines, and gender equality. Fourthly, a number of issues have changed 'statuses' in that they have become either more or less prominent or more explicitly addressed compared to the 2003 guidelines. However the fifth - and maybe most important - observation is that the aggregated effect of these changes is minor, with the exception of the removal of the majority of the quantitative targets. Furthermore, the reduction to eight guidelines could be argued to have led to broader and less focused guidelines.

That the proposed changes were minor might be one of the explanations why EMCO's decision making process on the draft guidelines - according to the interviewees and compared to the revision process in 2002-03 - ran much more smoothly. One of the issues that led to some discussion in EMCO was the more explicit reference to wage issues in the employment guidelines. This might be related to the fact that some countries have both representatives from Ministries of Finance as well as from Ministries of Employment/Work (and Social Policies) as representatives. Representatives from the Ministry of Finance, inter alia, Sweden and Finland opposed to discuss the issue in EMCO, but wanted it to be reserved for the ECOFIN councils and the Economic Policy Committee meetings.

A comparison of the draft and the final guidelines (Annex C) confirms the picture of a less dramatic exercise compared to the similar process in the last revision. The most important change compared to the draft was the re-

introduction of the quantitative targets – however, not in the main text of the guidelines, but in a sort of an annex. Indeed the quantitative targets clearly had a less prominent position than in the 2003 guidelines. The number of guidelines was the same and only two of the titles have been slightly reformulated. Regarding the texts of the guidelines a fair amount of reformulation, as well as adding or removal of bullet points. However, most of these were of minor importance.

A controversial issue in the revision process was the relative weight of the economic and the employment aspects of the revised Lisbon Strategy, including the guidelines. The worst case scenarios among those who wanted a continuation of an European employment policy was that the EES would be totally abandoned, sidelined or reduced to insignificance did not happen. Nevertheless, the employment guidelines ended up having a subordinated position vis-à-vis the economic guidelines, in that there they made up the minority of the total number of guidelines, and in that they were placed in the end of the document. However, the interviewees from DG Employment were satisfied with the position the employment issue achieved in the revised Lisbon strategy. One interviewee from DG Employment adds that especially from April, when the draft employment guidelines were added, the position was satisfying. Most, but not all, of the EMCO-representatives from the member states also found that the employment guidelines make up a suitable part of the revised Lisbon Strategy, whereas a few found that the economic part is too dominating.

### **3.4 Assessment**

Whereas a plurality of actors were decisive for the setting up of the EES in the mid-1990s, in its further development the member states have been the dominant actors, even though the Commission (DG Employment and to some extent DG ECOFIN and DG Enterprise) has also continued to exercise a strong influence. The social partners and the European Parliament – who have been pointed out as part of the coalition establishing the strategy – have been less influential in the revisions.

Looking back to the period prior to the 2005 revision, it was an open question which of the two coalitions that was been most successful in influencing the revisions of the strategy in 2003: the one that succeeded in adding a number of quantified targets to the guidelines, or the one that succeeded in reducing the Commission's proposal to a simpler, but not radically different document, from the one supposed to be reformed. The coalitions seem to have played a more limited role in the 2005 revision. This is because the process was less conflict prone, but also because the greater number of member states have made the coalitions even less stable and even less clearly demarcated than they were before.

The processes around the two Kok reports demonstrate more clearly an inter-governmental process. Especially the first Kok report - a process where the

member states (Germany and especially the UK) set the agenda, and where the Commission acts reactively - could be seen as a government-driven process. The initiative to set-up of the second Kok group is different because the Commission had a strong role in it. The work-processes, however, were similar on a number of points.

The outcomes of the revision in 2005 could be said to have been influenced by the strengthening of the regulation sceptical actors. The new Commission has clearly, if not changed, then refocused the Lisbon process more on growth and jobs and downplayed the role of social inclusion and environmental issues; and since the social inclusion area de facto is part of the employ policy, the marginalisation of the social inclusion in the revision process should be part of the assessment of the impact from the strengthening of the regulation-sceptical actors. Moreover, the context and the plans have changed to a large extent during the years, and the change of Commission has contributed to this. For instance, an important question at the time of the Lisbon summit in 2000 was to give the EES a stronger social inclusion dimension – this was certainly not on the agenda any longer around 2005. However, in relation to EES, no major changes could be seen as a consequence of the 2005 revision. But even though the change of the member states' general political orientation and the change of Commission are not strongly reflected in the employment guidelines, some - but not all - interviewees do feel that a change had taken place. As one of them expressed it, it is now possible to discuss the quantity of jobs without always balancing the argument against the question of the quality of jobs, and it is possible to discuss making work pay without always also discussing security. Also the use of pressure on the member states through 'naming and shaming' seems to have diminished.

Hence, the EES has proved to be flexible in terms of ability to absorb political changes. Both the original EES and the revised version are broad and sufficiently commodious to absorb varying trends. The social-democratic bias and the focus on employability in the early years of the strategy had more to do with the background of the strategy, and the unequal weight given to each of the four guidelines, than with the guidelines themselves. Likewise, the 'turn to the right' perceived by some interviewees in EMCO as well as other discussions about the EES are not evident in the guidelines themselves. Even a new seemingly 'liberal' guideline such as the one 'to make work pay' can be - and has been - addressed differently in the member states, e.g. by increasing the minimum wage or by reducing unemployment benefits.

#### 4. The European Flexicurity Principles, 2007<sup>4</sup>

The European process of flexicurity is as old as the EES itself. As early as in the first employment guidelines in 1998, the social partners in the member states were invited to negotiate agreements to modernize work organization with the aim of achieving a balance between flexibility and security (Keune 2008). The revisions of the guidelines in 2003 and 2005 brought more explicit references to flexicurity. Later, it was attributed a central position in the 2006 Green Paper on Labour Law (European Commission 2006), and by the 2006 spring Summit, flexicurity had attained a sufficient status for the Council to invite the Commission to formulate a series of ‘common principles’, to be incorporated into the EES. Starting with the first attempt to define the concepts at the EU level, the decision-making process leading to the common principles are analysed below step by step.

##### 4.1 Agenda Setting - Initiation, the Green Paper and the Working Group

According to the interviewees, the initiative not only to refer to flexicurity in the employment guidelines, but also to deepen and widen its use at the EU level, came from civil servants in DG Employment in 2005. Their reason was most likely that they saw it as a tool to bridge the visions for Europe represented by the minimalist and the regulation coalitions – and, importantly, a bridge which would fit the overall reform agenda of the Commission. Moreover, it could be used to give new life to one of the cornerstones of DG Employment policy, the EES, to which the member states were paying less and less attention.

The first references to the Commission’s home-grown definition of flexicurity are reportedly found in papers from the Austrian presidency’s informal meeting with Employment and Social Affairs Ministers in January 2006. This definition included four ‘components’: ‘flexible and reliable contractual arrangements, effective active labour market policies, comprehensive lifelong learning strategies and modern social security systems’. These four components, inspired by the Danish ‘golden triangle’ of flexicurity (e.g. Madsen 2005), formed the basis for two loosely coordinated initiatives taken by DG Employment. One was launched in 2005 in connection with the preparation of a Green Paper on Labour Law, the final version of which was published in November 2006 (European Commission 2006). This aimed to set the agenda for a discussion of labour law reforms along the lines of flexicurity, and presented the four components. The focus here, and in other early DG Employment publications on flexicurity, was on transitions from job security to employment security. This was one of the reasons why not all member states and interest organizations saw flexicurity as the win-win situation it was proclaimed. Some, primar-

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<sup>4</sup> This section is a shortened and edited version of Mailand (2010).

ily central and southern European governments and trade unions, feared that flexicurity was basically liberalization in disguise. These negative reactions, according to some interviewees, together with the fact that the Green Paper on labour law was written in another unit of DG Employment, meant that there were no references to the Green Paper in later publications related to the common flexicurity principles.

The second flexicurity initiative was launched in the winter of 2006, when the Austrian presidency invited EMCO to set up an internal working group on flexicurity. At the time, many member states were still critical towards the flexicurity approach. The UK was reportedly among the sceptics, because the British government feared that reforms along flexicurity lines would damage flexibility in their labour market. During the process, British EMCO members attempted to gain the support of the member states with which they usually cooperated for a definition of flexicurity that drastically downplayed job and income security and emphasized employment security and competitiveness. But the attempt failed, mainly because at least some of the other EMCO representatives from the minimalist coalition found the proposal too liberal and unlikely to get Council approval.

However, most member states were initially mildly positive towards the flexicurity concept; widespread scepticism developed only later. Apart from the Commission and the Austrian presidency, only the Danish government and its representatives in EMCO were at that time among the strong pro-flexicurity actors.

The report of the working group was issued in May 2006 (EMCO Working Group of Flexicurity, 2006). It referred extensively to existing analyses that showed the positive employment effects of combining flexibility and security, and made several references to Denmark and the Netherlands, but also to policies in Sweden and Austria.

#### **4.2 Policy formulation 1 - The Expert Group and the Communication**

The flexicurity concept was still ambiguous following the report of the Working Group. Its efforts led to a decision during the summer of 2006 to set up an Expert Group that would help clarify the concept and add concrete flexicurity 'pathways' that countries should follow, in addition to the common principles the Commission also had in mind. The group appointed Professor Ton Wilthagen (one of the first to use the term in academia) as a rapporteur and also included four professors of law and economics and three representatives from DG Employment, ETUC and BusinessEurope. The group adopted and refined the Commission's four-part flexicurity definition and also deemed social dialogue essential to flexicurity.

Most importantly, the report contained the pathways the Commission asked for, categorized according to the most significant labour-market policy challenges. No member states were mentioned, but it was not difficult to plot them

on these pathways. Pathway 1 required member states to ‘reduce asymmetries between non-standard and standard employment by integrating non-standard contracts fully into regulation and consider making employment in standard contracts more attractive to firms’. Pathway 2 focused on enhancing ‘companies’ and workers’ adaptability by developing and strengthening transition security’. Pathway 3 required the actors to ‘address opportunity and skills gaps among the workforce by broadening and deepening investments in skills’, whereas Pathway 4 called to ‘enhance employment opportunities for benefit recipients, prevent long-term welfare dependence, regularize informal work and build up more institutional capacity for change’ (European Expert Group on Flexicurity 2007).

A second report, including specific examples of flexicurity from the member states, was published in a separate report with Wilthagen as the sole author (Wilthagen 2007). The decision to divide the material in this way was taken by DG Employment, which believed that some member states would have disliked seeing themselves grouped under specific pathways.

According to the interviewees, it was a painful process to get the Expert Group to reach consensus. As the deadline approached, it became clear that its ETUC representative was dissatisfied with the report, as she found it too focused on hire-and-fire flexibility and on the weakening of employment protection compared to other forms of flexibility. A decision was therefore taken to present both social partner representatives as ‘advisors’ to the group, not as members, as they really had been. In this way, the ETUC representative did not have to sign the report, at the same time her contribution was respected. The group and the future of the flexicurity concepts faced additional challenges. Whereas the Finnish presidency in the second half of 2006 had been mildly supportive of flexicurity, the German presidency in the first half of 2007 was initially very sceptical. Together with the incoming Portuguese and Slovene presidencies, it sent a letter to the Commission asking them to exclude aspects related to numerical flexibility and job security (dismissals, terms of notice, etc.) in its work on the Communication. Since these were seen by DG Employment as cornerstones of flexicurity, this request created some tension between DG Employment and the troika, and the Commission did not to follow its advice.

Other countries also remained critical during the winter and spring of 2007. The Southern European countries, as well as several EMCO representatives from new member states, were sceptical. And even though France had shown great interest in flexicurity and a large number of French delegations had visited Denmark to learn about the concept, its EMCO members remained sceptical of what they saw as a still too liberal bias of the concept. Surprisingly, the Netherlands was initially critical for reasons the interviewees could not explain. The same was the case with Sweden. Therefore, the actors pushing for flexicurity faced strong opposition.

However, many of the sceptical member states gradually changed their position. The change of government in France in May 2007 was, according to the interviewees, very important. Compared to the previous French government the Fillon government and its EMCO-representatives gave less conditional support. This change was reflected in a willingness to introduce labour market reforms and challenge the French trade unions, seriously reducing the power of the sceptics. Hence, the German presidency's scepticism weakened towards its end. Ultimately, it was important for the Germans to have the Expert Group's report published before the end of the presidency. France's change in position very likely helped the Germans move from scepticism to support. Also, the UK and the Netherlands came on board as supporters during the spring of 2007. Further weakening of the critical voices occurred, according to some interviewees, when the Expert Group presented its results. The report in general was found to be 'more balanced' than previous publications on flexicurity, mainly because it emphasized that flexicurity should not be only about reducing job security to gain employment security. Furthermore, the Commission's four dimensions of flexicurity were generally accepted.

These changed positions facilitated DG Employment's work on its Communication presenting proposals for the common principles (European Commission 2007). The Communication again presented the four components and explained how they ought to support one another. It then proposed eight common principles, among them that flexicurity should be adapted to suit the individual countries' conditions; should reduce the gulf between insiders and outsiders in the labour market; should support mobility and be based on mutual trust and social dialogue. Finally, the document repeated the Expert Group's proposals for flexicurity pathways.

### **Policy formulation 2 - reactions and the social partners' report**

The response to the Communication from the employers' federations and the Northern European member states was mostly positive. Southern European member states and trade unions, as well as Continental trade unions, remained sceptical. Among other reservations, these member states disliked the pathways, as they saw them as weakly masked attempts to impose a new type of country-specific guidelines.

The reaction of the Parliament was also cautious. Although the Parliament had no constitutional decision-making authority in relation to the European flexicurity initiative, the Commission regarded its support as absolutely necessary to legitimize it. Its Social and Employment Committee was in general very sceptical, but the Parliament's response did not totally reject the initiative. Among other things, its report in September 2007 regretted what they saw as the Commission's aim to spread risks and benefits to both insiders and outsiders through less strict job protection. Furthermore, they asked for greater involve-

ment of the social partners and emphasized the importance of trust in striking flexicurity balances (European Parliament 2007). That the report was not even more critical, according to some interviewees, reflected the strong efforts of the report's rapporteur – the Danish social-democrat MEP Ole Christensen – to achieve consensus.

The ETUC expressed scepticism in its reaction to the Communication, especially about what it saw as an attack on job security (ETUC 2007). On the other hand, the feedback from BusinessEurope was highly positive (BusinessEurope, 2007), regarding flexicurity as a shift from the protection of existing jobs to the facilitation of job creation.

It was, however, not only at the European level that stakeholders took positions on the Communication. Some national social partner organizations worked very actively to pave the way for the adoption of the flexicurity principles. For instance, the Danish employers' confederation, made a successful effort to convince its German counterparts of the usefulness of flexicurity. Furthermore, its Director of International Affairs, Jørgen Rønne, was also acting Director of Social Affairs in BusinessEurope, from which he could influence its attitudes to flexicurity.

It is telling that the sceptics' focus throughout the process was very much on the consequences for external numerical flexibility/job security, with barely a mention of what a European flexicurity system might mean for unemployment benefits (income security), which is central to the common understanding of the much-celebrated Danish flexicurity model. For the critics, it was crucial that flexicurity should not lead to improvements in job protection for some groups of employees at the expense of others. In this light, the ETUC opposed the dichotomy between labour market insiders and outsiders. Its argument was partly based on the perception that outsourcing and restructuring means no definitive insiders are found amongst employees on contemporary European job markets. It was therefore unable to support a definition of flexicurity in which job security is replaced by employment security.

Further barriers arose to reaching agreement on the joint principles. One of the most sceptical countries, Portugal, took over the EU Presidency in July 2007, and trade unions organized big demonstrations protesting against flexicurity in Lisbon as well as in Brussels. However, following protracted negotiations the European social partners, in the context of a joint publication on key challenges facing the European labour markets to be presented at the annual tripartite summit in Brussels, agreed a concise compromise on flexicurity and methods of achieving it that did not greatly differ from that proposed in the Commission's Communication (ETUC et al. 2007). Also in this case, it was extremely difficult to reach common ground. Within the ETUC, agreement on a text regarding flexicurity was challenged by a number of still critical member organizations – mostly from central and Southern Europe, but the Swedish trade unions also had reservations. Moreover, the ETUC general secretary John



Monks, according to some interviewees, personally had strong reservations concerning the concept. BusinessEurope was more in favour of a joint text and had, as described above, few problems with the concept as it had been defined in the European process, but it too still had a number sceptical member organizations, although fewer than the ETUC. Some of these feared that flexicurity would lead to excessive tax pressures, others were concerned it might damage flexibility.

Strong pressure from the Commission (including Barroso's cabinet) and efforts by key second-tier individuals in both ETUC and BusinessEurope were among the factors that made a compromise on a short paragraph on flexicurity possible, only one day before the tripartite summit. The compromise was also facilitated by the fact that the time schedule was even tighter than normally the case for reports from the European social partners, because their member organizations were less involved.

In the text itself, the European social partners called upon member states to 'design a right mix of policy measures addressing flexibility and security dimensions (labour law and contractual arrangements, effective and high quality active labour market policies, lifelong learning policies, efficient and sustainable social protection systems, social dialogue) for workers and employers in a holistic and balanced way'. Furthermore, they stated that 'flexicurity policies must be accompanied by sound macroeconomic policies, favourable business environment, adequate financial resources and the provision of good working conditions'. Finally, the member states and the EU institutions were asked to involve social partners in all steps in the process (2007: 62).

Despite the brevity of this seemingly innocent paragraph, its publication, according to the interviewees, was seen as a second major stepping stone for the flexicurity process: the first being the French change of position just a couple of months earlier.

### **Outcome - Adoption of the common principles of flexicurity**

With the European social partners' report, the basis for the sceptics was yet again weakened and the European Council reached an agreement on the principles at its meeting in December 2007. There were some differences between the principles proposed by the Commission in June and those adopted in December (see Annex D).

First, and maybe most importantly, there are no references to the flexicurity pathways in the final version. Some interviewees confirmed that resistance to the pathways persisted from some member states, Spain being one of these. The pathways were to the very end too hard for some member states to swallow, because they were seen as too prescriptive for individual member states.

Second, the references to insiders and outsiders in the labour market (principles 1 and 4) were removed. Some interviewees confirmed that this change

might have to do with a rejection by some member states – and also the ETUC – of this dichotomy, and their dislike of the connotation of ‘taken from the one and given to the other’. Keune (2008) emphasizes in his analysis that in place of the references to insiders and outsiders the Council included a statement referring to those on the periphery of the labour market: the inactive, the unemployed, those in undeclared work, in unstable employment, or at the margins of the labour market need to be provided with better opportunities, economic incentives and supportive measures for easier access to work or stepping-stones to assist progress into stable and legally secure employment. Keune sees in this a clear deviation from ‘the Commission’s view that employment protection legislation should be low and its acceptance of flexible contracts’ (2008: 11).

Third, principle 6 in the draft version states that flexicurity should ‘support gender equality by promoting equal access to quality employment . . . as well as providing equal opportunities to migrants, young, disabled and older workers’. In the final version, there is reference only to gender equality – the other groups have disappeared. The interviewees could not come up with an explanation for this narrowing of the focus.

Fourth, in principle 7, about the importance of trust and dialogue, the role of social dialogue has been emphasized more strongly and the words ‘socially balanced policies’ have been added. Again, this most likely happened as a consequence of pressure from the sceptical member states or trade unions.

In sum, the changes are not fundamental, but they illustrate that in order to get everyone on board, it was necessary to make some concessions to pro-regulation actors and other stakeholders.

### **4.3 Assessment**

The analysis showed that the supporters of flexicurity succeeded in obtaining a set of common flexicurity principles through the EU decision-making process, but that the sceptics succeeded in downplaying the initial strong focus on transition from job security to employment security and on divisions between insiders and outsiders in the labour market.

This has to be seen in the context of, and in connection with, the large number of actors that changed position from sceptics to (weak or strong) supporters of flexicurity through the decision-making process. Whereas a number of continental and Southern European trade unions, as well as the EP, remained sceptical all the way through, important member states such as the UK, the Netherlands, France and (to some extent) Germany shifted position. The same was the case with BusinessEurope, and to a lesser degree the ETUC.

At least two factors might explain this development: the erosion of the anti-job-security elements of the flexicurity concept and a spill-over (or domino) effect that gradually eroded the power as well as the arguments of the sceptics. The most important drivers in the domino effect might have been the change of

government in France, which ‘spilled over’ to Germany and others, and the last-minute support from both European social partner organizations.

It seems that coalitions have played only a minor role, although the UK’s EMCO representatives initially attempted to mobilize the minimalist coalition. This does not mean that some of the actors did not join forces in their attempts to influence the process: the joint Portuguese-German-Slovenian letter is just one example of this. What it means is that more or less stable cooperation between actors along the lines described by Sabatier and Jenkins-Smith could not be seen in this case. The two coalitions which crystallized in the decision-making processes on European employment policy earlier in the decade – the ‘minimalist’ coalition’ and ‘regulation’ coalitions – were divided in the case of the flexicurity process. Whereas the strongest sceptics were found among what was previously the regulation coalition, the sceptics in the beginning of the process also included member states from the minimalist coalition, among them the UK and the Netherlands, although for different reasons. Towards the end of the process, most countries from the regulation coalition had developed into (weak or strong) supporters of flexicurity. Moreover, DG Employment did not join the countries that previously formed the backbone of the regulation coalition, such as France and Belgium, in their criticism of flexicurity. Quite the contrary: DG Employment was the initiator and one of the strongest supporters of flexicurity (see also Keune and Jepsen 2007).

That the two coalitions from the first half of the decade played a minor role in relation to the development of the common flexicurity principles does not imply that the struggle on the scale of labour market regulation, which initially divided the two coalitions, was irrelevant. However, the flexicurity issue is not so easy to place on a ‘more or less regulation’ axis, as the interpretation of it as a sweetener on the liberalization pill might imply. The flexicurity principles call for less regulation in some areas, but also for more regulation – and higher public spending – in others.

## **5. The Europe 2020 strategy, 2010**

### **5.1 Agenda setting**

In 2008, as the end of the Lisbon Strategy approached reflections and discussions on its successor intensified. It had become clear a couple of years before the end of its term that neither the main aim of the strategy to create ‘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’, nor its main 70 percent employment target, would be fulfilled.

At the Spring Council in March the Lisbon Coordinators (essentially high level civil servants from the member states) were asked to start reflecting on a future strategy. At a joint meeting in May this led to the conclusion that the

basic structure and processes of the revised Lisbon strategy should be recycled for the 'post-Lisbon Strategy', but that the strategy should be less bureaucratic, and more political with a leading role for the European council, Heads of State and Government. Furthermore, the Lisbon Coordinators identified four key challenges: skills level and equality of education; low-carbon energy efficient economies; greater acceptance for European norms and standards in external relations; and the next communication revolution (European Commission 2008). De facto this signalled not only greater national ownership, but also centralisation with a reduced role for the sector ministers involved.

In late November the same year the Commissions published its 'Non-paper on the Lisbon Strategy for Growth and Jobs after 2010'<sup>5</sup> (European Commission 2008). In the meantime the economic context had shifted with the appearance of the financial crisis and the European Economic Recovery Plan. The employment policy linked features of the non-paper which included greater emphasis on access to high-quality education; an enhanced level of intra-EU mobility; successful integration of immigrants; and family friendly policies. Regarding governance, the non-paper repeated the call from the May meeting for a more political strategy and greater national ownership (European Commission 2009b).

A number of the member-states including Denmark accepted the Commission's invitation to respond with their own 'non-papers'. In its non-paper the Danish Government - after having had input from the social partners and other stakeholders - pointed to five strategic directions for the post-Lisbon Strategy: deepening the internal market (incl. more flexible labour market); enhancing knowledge and innovation; making growth green; strengthening the external dimension; and reinforcing the governance structure and implementation (including ranking of member states and avoidance of input targets) (The Government of Denmark 2009).

In 2008 the European social partners also started their reflections on the coming strategy. Business Europe did so towards the end of the year. The result was published in September 2009 in the publication 'Putting Europe Back on Track: European Growth and Job Strategy post-2010' (BusinessEurope 2009). According to an interviewee, the publication ended up - for obvious reasons - being more focused on the crisis than initially planned. Business Europe found that the Lisbon Strategy in general had failed to deliver and called for greater commitment from the member states in a new strategy around five pillars: deepening economic integration and restoring financial stability; enhancing innovation, entrepreneurship, education and skills; putting modern employment and social policies in place; integrating energy, environmental and competitiveness policies; and shaping globalisation and fighting protectionism. In relation

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<sup>5</sup> A 'non-paper' is an unofficial document, a discussion paper or the like, that neither has the status of a communication, nor a proposal. The author of a non-paper can be the Commission or a member-state.

to employment policy, the organisation called specifically for upgrading the employment rate target from 70 to 75 percent and reconfirming the commitment to increase spending on research and development to 3 percent of GDP (ibid.).

The ETUC started their reflections a bit later, in the autumn 2009, when a discussion paper on the post-Lisbon strategy was debated at the executive meeting. The proposals included a floor of social rights for workers to avoid unfair competition and implementation of European regulation of precarious work. However, prior to the publication of the Communication 'Europe 2020' in March the ETUC did not make any written contributions to the debate. According to an interviewee this lack of an early response had to do with the choice of not making the post-Lisbon strategy a high political priority and of keeping responses to the absolute minimum necessary. This choice was influenced by at least three factors: Firstly, drawing on their experiences from the 'original' and the revised Lisbon strategy, the ETUC's did not believe that Europe 2020 would be able to deliver an important tool for creating growth and jobs, especially as the political orientation and the leader of the Commission were unchanged. Secondly, from 2008 the ETUC's Brussels secretariat had developed capacity problems as high-level and experienced staff left the organisations. In relation to the employment area, the appointment of the widely respected Secretary Maria Helena André to Portuguese Minister of Labour might be seen as the greatest of the losses. The reduction in personnel resources led naturally to a need for tougher priorities among issues and processes. Thirdly, the ETUCs member organisations were to an even greater extent than usual divided in their opinions on the way to respond to the Commission's initiative - which naturally narrowed the ETUC's room for manoeuvre.

In February 2009 the Employment Committee, formed by the Council, initiated the first of four of its future strategy discussion meetings to take place that the year. The initial discussions resulted in a 'discussion paper' published in May the same year. The document echoes the previous post-Lisbon documents with regards to the challenges and priorities. In relation to governance, the discussion paper calls for a greater concern with country specific factors, but also for stronger peer pressure and a reinforcement of the country-specific recommendations with better complementarity and coordination between EU policy areas and the various EU-level as well as national programmes. Furthermore, the usefulness of quantitative targets and benchmarks were emphasised (Council of the European Union 2009). According to the interviewees, the discussions were very open with nothing being very concrete or clear at this stage. One common perception among the committee members was an aim for a simpler and less bureaucratic strategy, but no specific issue was identified as being controversial at this stage in the decision-making process and no strong disagreements were aired. One of the interviewees found that at this stage the Commission seemed to have lost interest in the employment part of the strategy. If this was the case, it might have been due to uncertainty about the employment

policy part of the future strategy. Also the fact that the Parliament's approval of the new Commission came later than usual (the process ended in February 2010), contributed to the uncertainty about the direction of the future strategy.

In early September 2009, following recognition of the economic crisis, during Barosso's re-election campaign as leader of the Commission something took place that would later become very important to the future strategy. Many members of Parliament found him to be too liberal. However, during a speech to the Parliament, when Barosso warned against using the economic crisis as an opportunity to attack the single market, he also said that Europe 'needed a much stronger focus on the social dimension' (The New York Times September 3, 2009). All but one of the interviewees agreed that this statement and Barosso's following support for a poverty dimension in the post-2020 strategy should be seen as a reaction to the criticism of a lack of social focus in the Lisbon strategy and a tactical step to be re-elected.

As is usually the case in the European employment policy area, the official evaluation of the strategy – in this case the revised Lisbon Strategy – came too late to really make an impact on the early policy formulation of the following strategy. This was published in early February 2010 and the evaluation having been conducted by the Commission itself was not an independent evaluation. It was nevertheless far from a pure celebration of the Lisbon Strategy. On the positive side, the evaluation concludes that the strategy has helped to build broad consensus on the reforms that Europe needed and that it contributed to increased employment in Europe, although the increase in employment had not always lifted citizens out of poverty. However, a number of areas where things could have been better are mentioned. Among these are the strategy's lacking ability to address the causes of the crisis, a gap between the commitment of the member states and the actions taken; 'over-prepared' sector councils leaving little room for manoeuvre by the Heads of States and Governments; and in some countries the lack of impact and take-up of the strategy (European Commission 2010a).

## **5.2 Policy formulation 1 - from consultation to the communication**

It is not possible to draw a sharp line between the agenda setting phase and the policy formulation phase, but the later could be said to begin with the official Commission's consultation process in late November 2009 when they issued their 'Consultation of the future 'EU 2020' Strategy' (European Commission 2009a). The consultation paper, which naturally incorporated the challenges the recession had led to, pointed to three priorities: 1) Creating value by basing growth on knowledge (emphasising education, research, innovation and creativity and the digital economy); 2) empowering people in inclusive societies (emphasising flexicurity, the role of skills, poverty and the potential of self-employment); 3) creating a competitive, connected and greener economy. The communication also included suggestions for a number of instruments to meet

these priorities. These include, inter alia, fully exploiting the full potential of the single market by removing obstacles to cross-border activity; supporting growth through full use of the Stability and Growth Pact, including a reinforced structural reform agenda, and investment in R&D, new technologies, innovation, and in education and skills; and a clear governance structure with focus on the European Council to ensure the integration of the different policies.

The communication was very broad and general. The interviewees did not refer to any intense discussions in this part of the process. Therefore, the relatively strong role given to education and skills and the emphasis of the central role of the European Council, repeated from the documents previously issued in the process were of most importance.

The reactions of the member states to the communications were in general positive, whereas the European social partners' response was more mixed. After having aired its disappointment with the Lisbon strategy, the ETUC stated in their response that they found the communication did not clearly enough spell out the way unemployment, the budget crisis and the environmental crisis would be faced. Moreover, the ETUC, inter alia, called for 'a progressive version of the social dimension and social policy'. Business Europe on their part repeated their call for removing the remaining internal market barriers, further reducing administrative burdens, creating better access to finance, and aiming for flexicurity (European Commission 2010a).

The EMCO also contributed to the debate in the period between the consultation and the communication. As stated above, in the process there had been some doubt on the future of the EES within the post-Lisbon strategy. In the document, EMCO reiterates that the EES should remain one of the key strands in the future strategy, and furthermore, calls for a limited number of headline targets, including an employment rate at 75 percent (Employment Committee 2010b). One of the interviewees added that DG Employment, after having lost interest in the EES, changed position and called the EMCO members to confirm the strategy at this point. Accordingly, it was DG Employment more than the member states, which orchestrated this confirmation of the EES.

Having taken the answers to the consultation into account, the Commission finally published the successor to the Lisbon strategy in early March 2010 (European Commission 2010b). This was later than expected due to the late approval of the new Commission (February 9). The title was 'Europe 2020 – a strategy for smart, sustainable and inclusive growth'. The document started by presenting the challenges, stating that the crisis had wiped out years of economic and social progress and simultaneously had to face the intensifying long-term challenges, of globalisation, pressure on resources and ageing. The document calls for a union delivering high levels of employment, productivity and social cohesion. This should be done through: 1) Smart growth: developing an economy based on knowledge and innovation. 2) Sustainable growth: promoting a more resource efficient, greener and more competitive economy. 3) Inclu-

sive growth: fostering a high-employment economy delivering social and territorial cohesion.

To this end, the Commission proposed five ‘headline targets’:

- 75 percent of the population aged 20-64 should be employed
- 3 percent of the EU's GDP should be invested in R&D
- the "20/20/20" climate/energy targets should be met (including an increase to 30 percent of emissions reduction if the conditions are right)
- the share of early school leavers should be under 10 percent and at least 40 percent of the younger generation should have a tertiary degree
- 20 million less people should be at risk of poverty.

In addition, the Commission proposed seven flagship initiatives to catalyse progress under each priority theme, three of which were related to Social Europe, namely: ‘Youth on the move’ to enhance the performance of education systems and to facilitate the entry of young people to the labour market; ‘An agenda for new skills and jobs’ to modernise labour markets and empower people by developing their skills throughout the lifecycle with a view to increase labour participation and better match labour supply and demand, including, inter alia, a renewed European flexicurity strategy; ‘European platform against poverty’ to ensure social and territorial cohesion such that the benefits of growth and jobs are widely shared and people experiencing poverty and social exclusion are enabled to live in dignity and take an active part in society. The flagship initiatives should be seen, according to one of the Commission interviewees, as illustrative examples of the Commission’s aims with the strategy. Accordingly, their titles were formulated in a hurry in the General Secretariat and were little discussed with the sectoral DGs.

Moreover, in relation to governance, the communication signals a continuation of previous governance structures, albeit emphasising the importance of national ownership. Hence, Europe 2020 should rely on two pillars: the thematic approach outlined above, combining priorities and headline targets, and country reporting. It was foreseen that integrated guidelines would be adopted at EU level to cover the scope of EU priorities and targets and country-specific recommendations should be addressed to member states. Policy warnings could be issued in case of inadequate response. The reporting of Europe 2020 and the Stability and Growth Pact evaluation should be done simultaneously, while keeping the instruments separate and maintaining the integrity of the Pact.

The interviewees pointed to three controversial issues at this point in the decision making process. Firstly, and process related, the timeframe to discuss the Commission’s proposal was shorter than normal. EMCO, for instance, had in previous similar processes had two or three meetings to discuss the task, but in the case of EU 2020 there was only time for one meeting. Some of the inter-



viewees had the impression that if there had been more time for discussion more issues would have been seen as controversial.

Secondly, and also process-related, the original idea from the Commission was to integrate Europe 2020 and the Growth and Stability Pact to have a single document and a single governance structure, but the member states rejected this idea. One of the countries that did not want this was the UK, which according to one of the interviewees, backed-up the EES more than usual as an independent strategy to avoid a too strong economic strategy which was liked even less.

Thirdly, a controversial content-related issue was connected to one of the quantitative targets, the educational target. The presence and level of the employment target was not questioned, whereas the education target was controversial. However, this issue was not addressed very much in the bodies that the interviewees represented (EMCO and the Social Protection Committee, SPC), but in the Education Council and the Steering Committee for Education. Still, the interviewees had some information about it. Reportedly Germany was the country that had the biggest problem with the educational target, which was said to be related to the extensive degree of autonomy of the German *länder*, complicating federal level targets in this field (see also EurActiv 18 2010).

Fourthly, *the* most controversial issue, not only in this early phase, but throughout the decision-making process, was the poverty target and related indicators - and more generally the inclusion of this purely social policy issue in the EES in general. There were two partly overlapping dimensions to this controversy, a juridical one and a political one. The juridical one questioned the legal foundation to include the issue in a plan like Europe 2020. Whereas article 148 of the Lisbon Treaty (previously 128 of the Amsterdam Treaty) provides the legal base for the EES and the employment target, questions were raised regarding the legal base of the poverty part of Europe 2020. According to one of the interviewees from the Commission there were discussions about which of two roads to follow. One road was to link the poverty action directly to the EES and 'use' the EES' legal base. This would limit the scope of what could be done, but the juridical base would be clear. The other opportunity would be to seek juridical backing elsewhere in the treaties and have more freedom in formulating the path to take. The Commission chose the first option, most likely influenced by the positions taken by the member states. The UK, Denmark, Sweden, the Netherlands (mainly regulation-sceptical actors) and Italy (that did not want any targets at all) and possibly other member states too were sceptical with regard to the legal basis, and the UK stated that no recommendations on the issue would be accepted. The controversy was, according to one of the interviewees closest to the process, not only related to the presence of the poverty issue, but also of how to measure it (see below).

To what extent the reason for the questioning about the issue was really juridical and to what extent the juridical argument was used to avoid unwanted European regulation is not clear. There were debates about poverty, where some

member states, among them Denmark, denied that poverty existed in their member state and emphasised jobs as the best way out of poverty, hence highlighting the link to the EES. In addition to this, the level of the target was also controversial. Prior to the publication of Europe 2020 the Employment and Social Affairs Commissioner, Lázlo Andor, together with the European Council's President, Herman Van Rompuy, proposed, a target of 50 percent, similar to the level proposed by European Social NGOs, but in order to make its adoption realistic it had to be lowered (EurActiv 2010).

Among the European social partners the ETUC was again the most sceptical organisation. In their response to 'Europe 2020' the document was described as disappointing, and pointed to the lack of response: to rising unemployment,; incentives in the tax systems and capital markets encouraging speculation and short-termism; and how to find new ways of raising public funds (ETUC 2010).

Business Europe did not make a specific response to 'Europe 2020' but sent the Commission their 'Go for Growth – an agenda for the European Union in 2010 -2014' (Business Europe 2010), which had been published in February. According to this document growth should, among other actions, be created by securing four conditions for recovery (stable financial markets, return to sound public finances, speed-up of structural reforms and keeping markets open) and three drivers for business opportunities (revitalise the single market, formulate ambitious international trade policy, and supporting innovation, research and education). The document also calls for boosting employment by promoting job creation through actions including modernising social security systems, implementing the European flexicurity principles, encouraging member states to contain labour cost in order to increase labour demand, and by increasing the supply of skilled workers through launching a European industrial doctorate, increase labour market participation of older workers and facilitating legal economic migration. Business Europe regretted the lack of any growth related target in the Europe 2020 communication and found it remarkable that a strategy with a strong focus on growth did not include any growth related target, while finding space for many other kinds of quantitative targets. The growth issue - but not the lack of a target - was also reflected in the speech made by Business Europe General Director Philippe de Buck on the same day, March 3, the Europe 2020 plan was launched.

In the speech de Buck also mentioned that the European social partners were working on a joint recommendation on EU 2020. These discussions were described by the interviewees as very difficult. One of the difficult issues was flexicurity, which was so controversial at this point that, according to one interviewee, it was removed from the secretariat level of the organisations to be discussed only at the highest political level between Business Europe and the ETUC. Under favourable economic conditions in 2007, the attempt to establish consensus in relation to the European flexicurity initiative it was already difficult to get the trade unions on board (see section 4). The economic crisis had

not made the sceptical trade unions' general feelings about the concept warmer - their members were losing their jobs on a large scale and relaxing job security was therefore not welcomed by them. Business Europe, on the other hand, tried to argue that flexicurity was still a relevant strategy despite of the crisis. The discussion on both the secretariat level and the political level were lengthy and the agreement was first settled in June and therefore is presented in the next section.

### 5.3 Policy formulation 2 – from draft to final guidelines

This phase can be said to run from April to December, with the most intensive phase being April to July. The plan was to have a new set of integrated guidelines adopted at June Council – however, this did not happen.

The draft guidelines were published by the Commission in late April (European Commission 2010c). The draft employment guidelines were written as text leading up to the quantitative targets, which - except for two specifications, that will addressed below - had remained unchanged from the communication 'Europe 2020'. The employment guidelines were placed and numbered after the broad economic guidelines 1 - 6. The titles of the guidelines and targets were (see Annex E for their full length):

- 7. Increasing labour market participation and reducing structural unemployment (by 2020 75 % of 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)
- 8. Develop 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 (to reduce the drop out rate to 10 % whilst increasing the share of the population aged 30-34 having completed tertiary or equivalent education to at least 40 % by 2020)
- 10. Promoting social inclusion and combating poverty (to reduce by 25 % the number of Europeans living below the national poverty lines, lifting over 20% of people out of poverty).

It could seem as though a target for guideline 8 was missing. However, according to the interviewees, no such guideline was planned. As could be seen above, the quantitative targets were formulated prior to formulation of the guidelines.

The debates in EMCO on the employment guidelines were, again according to the interviewees, not very intense, but a number of issues were nevertheless controversial<sup>6</sup>. The questions about the wage issue were addressed in the previ-

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<sup>6</sup> Some of the interviewees made an interesting observation regarding the role of the new member states in the EMCO-processes. The member states are still seen to be less

ous employment guidelines (formulated in 2007), but had disappeared so the draft guidelines only address this issue in the economic guidelines.

Moreover, the activation issue was discussed. It was - according to some of the interviewees - better spelled out in the previous guidelines. In the new draft guidelines 'active labour market policies' are mentioned briefly, but only in connection to flexicurity. Furthermore, it is stated that 'employment services should be strengthened and open to all, including young people and those threatened by unemployment with personalised services targeting those furthest away from the labour market' (ibid.:8).

Business Europe generally welcomed the draft guidelines, but found that access to finance was insufficiently covered, that environmental problems were addressed in a simplistic way; that reference to wage development and social dialogue must respect the autonomy of the social partners; and that the text did not acknowledge sufficiently the importance of a flexible labour market. More specifically, Business Europe express in their comments, inter alia, that the reiterated support to the implementation of the flexicurity principles is undermined by the reference to tackle 'labour market segmentation by addressing temporary and precarious employment' (guideline 7) and that the need to encourage cooperation between business and education/training institutions as well as involvement of social partners should be emphasised (guideline 8 and 9). Although Business Europe expresses support for the call to promote social inclusion and combat poverty, they state that the efficiency of setting specific targets for poverty reduction is questionable. They found an introduction of a growth target in combination with the employment target to be more efficient (guideline 10).

The ETUC did not respond, which among other things - according to the ETUC interviewee - was because the ETUC gave higher priority to other issues (see above).

The discussions on a joint statement on Europe 2020 between the European social partners continued during April and May until an agreement was made in early June. The policy priorities presented in the statement included a call for: 1) combining exit and entry strategies, i. e. to mobilise the necessary resources to sustain growth-enhancing investments while ensuring the sustainability of public finances and social protection systems; 2) promoting the knowledge triangle (education, research and innovation), including for instance lifelong learning strategies and job creation for the excluded, 3) develop employment and social policies and 4) create a supportive public environment and access to high-quality, affordable and effective public services.

Especially interesting are the measures related to employment and social policy in that the most controversial issue - flexicurity - was included here. The

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active and influential in the decision making process, but according to the interviewees, turn out to be more active and influential when they have been Presidents for the EU and hereby 'learned the game'.

inclusion on flexicurity in the Europe 2020 led to intense discussions among European social partners, contrary to in the EMCO. In the text the European social partners call upon Member States to implement a right mix of policy measures addressing the four flexibility and security dimensions known to form the common flexicurity principles ‘in a holistic and balanced way’. Moreover, the European Social Partners call upon Member States to review, and if necessary adjust, the design of labour law, job protection systems and, together with social partners, collective bargaining practice with a view to:

- ensuring an optimal balance between flexibility and security for all employment relationships and provide adequate security for workers under all forms of contracts in order to tackle segmented labour markets
- developing complementary employment security measures promoting transitions into productive and rewarding jobs
- enhancing legal certainty and transparency for both employers and workers with regard to the scope, coverage and the enforcement of labour law; implementing and respecting at national level the principles and rules of European social directives
- promoting stable employment relationships and sustainable labour market practices.

The social partners added that these flexicurity policies must be accompanied by firm macroeconomic policies, favourable business environments, adequate financial resources and the provision of good working conditions. In particular, wage policies, autonomously set by social partners, should ensure that real wage developments are consistent with productivity trends, while non-wage labour costs are restrained where appropriate in order to support labour demand. Unemployment and poverty traps must be addressed as well as disproportionate executive pay, making sure that remuneration policies are aligned with the long-term success of enterprises and sound management practices (ETUC et al. 2010).

The joint statement finally presents priorities on governance issues. Here, the social partners call for, inter alia, a review of the lack of ownership and accountability in the European attempts to coordinate reforms. The Commission should closely monitor progress and exert its rights to alert member states not delivering on agreed commitments. The guidelines should be reduced in number and focus more on overall objectives while the social partners should be involved more on all levels.

As such in its final form the text does not include a lot that could be said to be very controversial. It is noteworthy, that the text includes a reference to preventing segmentation that went against the criticism raised in UNICE’s response to the employment guidelines. The most noteworthy thing might well be that it was possible for the European social partners to agree on (yet) a text on

flexicurity at all. The UNICE and the ETUI interviewees point to each other as the most reluctant organisation in formulating a text on the issue.

Before being published it should first be approved by the member organisations. When the text was presented to the member organisations, at the least the ETUC had problems getting it approved, but in the end they succeeded in doing so. With a publication date of June 4, one and a half months after the publication of the draft guidelines, the impact of the text was not profound and none of the actors interviewed referred to this document as being important.

Regarding the employment guidelines there were still problems with the education and the poverty guidelines and with the target period. Nevertheless, by mid-May Germany and its länder accepted the targets by an agreement that the target in the education area was EU wide targets and, therefore, lower results in one member state could be offset by higher results in others. The Commission's commitment to the enhancement of VET and to the independence of member states on education should accordingly further facilitate consensus. Also Austria, who previously had also argued against the education target, ended their resistance in May (EurActiv, August 18 2010). Comparing the Europe 2020 target with the draft guideline on education, it can be seen that a specification has been added, so the increase in the share of the population having completed tertiary or equivalent education to at least 40 % of persons aged 30-34. This specification was not raised in the interviews as a matter of controversy.

The most controversial issue was still the poverty guideline with its quantitative target and accompanying indicators. The member states most sceptical of the target were, as stated above, the UK, Denmark, Sweden, the Netherlands and Italy. According to one of the Commission interviewees, the UK (who in this, as in many other cases orchestrated the regulation-sceptical actors) could easily have found allies in the Czech delegation and among other new member states, but in the end the UK chose not to push too hard. The reason was accordingly that the new Conservative-Liberal government did not want to be put in a position where in domestic debates they could be accused of not caring for the poor. The decision of the UK to abandon its resistance might also have had to do with changes in the indicators. The member states differed in views as to what would be appropriate underpinning indicators. In the end two indicators – on jobless households and material deprivation – were added to the one the Commission had proposed (relative poverty). This meant that the population concerned in Europe increased from some 80 million to approximately 120 million, while the number to be lifted out of poverty or exclusion was maintained at 20 million as in the Commission's proposal (European Council 2010). According to one of the interviewees, considerations as to the appropriate level of ambition were implicit in this, but the discussion and negotiation related mainly to diverging views as to what is the nature, causes and the main escape routes to poverty and exclusion. Also of importance for the decision of the UK

to give up its resistance might have been that no sanctions could be foreseen from non-compliance with the target other than being 'named and shamed' by a recommendation. The UK gave up its resistance at some point in June, so the target and the guidelines could officially be approved by the Council at its June meeting, whereas the other member states had given up their resistance at an earlier stage<sup>7</sup>.

However, the battle over the issue was not over. Firstly, the UK made it clear that although they had accepted the guidelines and the target, they would not accept country-specific recommendations on the issue of poverty. Secondly, the European Parliament should give their opinion on the text.

#### **5.4 The end of process and the outcome**

The European Parliament's Employment and Social Affairs Committee delivered its report in mid-July, just before the summer break. Although the committee had taken part in discussions and given opinions on EU 2020, the adoption of the report could be said to be the first step in OMCs areas such as employment when the Parliament has strong a formal role. However, the role of the Parliament in OMCs is still clearly more limited compared to the co-determination procedure known from labour law issues, employee involvement and other areas related to Social Europe, since the Council and the Commission are not obliged to take the Parliaments' proposals into account in the OMCs.

The role a rapporteur (author) on the report was granted to Csaba Öry, a Hungarian MP belonging to the group of Christian Democrats. The report included no less than 50 amendments to the text proposed by the Commission on the employment guidelines. The report emphasises the importance of striking a balance between the immediate challenges resulting from the crisis and the longer term ones resulting from demographic change, globalisation and the adoption of new technologies. Moreover, the report states that the need for clarity and operational usefulness precludes a smaller number of guidelines.. More specifically, the report calls for commitment to invest in sustainable growth; focus on mobility and employment; adequate use of flexicurity principles, education and to fight against structural unemployment; address the growing number of atypical employment contracts; boosting job-creation and employment-rich growth; emphasise the role of the social partners; pay attention to socio-economic disparities between member states (European Parliament 2010).

According to some of the interviewees with the very large number of proposed amendments the Committee acted as if the area was a codetermination area, and not an area where the Council and the Commission were only obliged

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<sup>7</sup> Some observers find the approach in the strategy and the indicators at odds with the various commonly applied benchmarks for poverty and see a risk that may result in a weakened, not strengthened fight against poverty. One of the reasons for this is that Europe 2020 accordingly defines unemployment as equating poverty and fear this might lead national governments to push unemployed people into any job, potentially raising the level of working poor (Jagodszinski & Pochet 2011).

to consult the Parliament. Some interviewees explained this as a lack of knowledge by the newly elected Öry about the rules of the game, while others had an unrealistic and too ambitious strategy.

In any case, the chair of the Committee Pervenche Berés from the Social Democratic group convinced the rapporteur and shadow rapporteur to narrow the priorities to a few, in order to maximise the opportunity to make changes. The ‘trio’ decided on a short list, including, inter alia, gender balance, governance (social dialogue) and child poverty. Here after, they made contact for a ‘trialogue’ - a final decision-making process between the Parliament, the Council and the Committee, that is usually not used in areas of OMCs. According to an interviewee, DG Employment tried to prevent this step, but when they realised the Council and the ‘trio’ was going to meet anyway, they decided to go along. During the talks it was agreed that in the final version a number of issues would be highlighted in the recitals. These were: supporting the development of SMEs; the need for national targets and sub-targets in the fields covered by the EGs; the improvement of governance and monitoring during the implementation; the role of education and training; the goal of a high level of employment; decent work and the quality of jobs; gender equality and the principle of equal pay; combating poverty and youth unemployment; the protection of the working poor and the importance of: adequate childcare services; and of the cohesion policies. It is important to note that these changes were not made in the guidelines themselves, but in the preamble to them (the recitals), which can be said to be less important. However, all interviewees who had an opinion on the amendments found them of no importance. The guidelines were finally adopted in late October.

By finalising the voting procedure in mid-July, the Employment and Social Affairs Committee followed a tradition in the employment area to be relatively late in the decision-making process, although their report was completed earlier in this process than in the comparable process period under the Lisbon strategy. In any case, the late timing did not prevent the report (or the selected parts of it) having an impact. One interviewee found it important that the Council was chaired by a pro-regulation government - more specifically the Belgian coalition caretaker, which despite of, or because of, its status of being a caretaker government had been a very active presidency. The Belgium government could accordingly see a perspective in some of the Parliament’s amendments. In the talks the Presidency was led by the Belgium Minister of Labour herself, Joëlle Milquet. Moreover, it should not be forgotten that the Parliament also had a more direct, but maybe more important influence on the process in contributing to the pressure put on the Commission and its leader to give Europe 2020 a social profile – which was successful to some extent.



#### 5.4 Assessment

One way of assessing if the strengthening of the regulation sceptical actors has impacted the regulation in relation to Europe 2020 is to compare the employment guidelines agreed in 2007 with the employment guidelines agreed in 2010 (see annex E). The reduced number of guidelines (from eight to four) makes the assessment more complicated. However, taking this reduction into account, it is possible to summarise the most important changes:

- poverty is now an important issue and has its own guideline and a quantitative target, and there are several references to social security systems. In the 2007 version poverty was not addressed, although the social security system was (mainly in connection to flexicurity).
- education and training, that already played an important role in the 2007 guidelines, has become even more important. Two out of four guidelines are now about education and training, and one of the quantitative targets is too.
- activation policies have a less important role, although the word and the related ‘ public employment service’ are mentioned in guideline 7. In the 2007 version activation has an important position in at least three of the eight guidelines and two of the eight quantitative targets.
- gender equality is totally absent. In the 2007 version there were four references to gender balance issues, and one quantitative target (the female employment rate).

Looking at the changes, there are - when they are assessed as a whole - no indications that they have strengthened the regulation-sceptical actors. The lack of references to the gender issue could be seen as such a strengthening, but is more than counterbalanced by the introduction of the poverty guideline and target.

Comparing the draft guidelines and targets with the final versions does not provide much evidence to back up the argument either. Regulation sceptical member states, most importantly the UK, tried to block the poverty guideline and target, but only half-heartedly and without much success. However, they managed to change the poverty indicators. The German/Austrian resistance to the education/skills guidelines could not be interpreted as an issue dividing the member states among the pro-regulation/regulation sceptical line, but rather as an issue related to the principle of subsidiarity. The interviewees had difficulties in pointing to important changes in the employment part of the Europe 2020 initiative and found that the Commission got what they wanted, without the member states being able or willing to change much. The most important changes – apart from the introduction of the poverty issue – according to the interviewees, have been related to governance, and especially the closer in-

volvement of Head of States and Governments at the expense of the sectoral ministries. Another important change that did take place was in the power balance between the DGs involved. Just like in the revision of the Lisbon Strategy in 2005 a reshuffling took place. The Lisbon Strategy was dominated by the DG Economy and Finance, DG Enterprise and DG Employment, whereas Europe 2020 is dominated by DG Economy and Finance, DG Employment, DG Education and Culture and DG Energy. The change reflects the important role of education and skills as well as energy in Europe 2020. However, according to one interviewee, the direction of causality is not only so that the power-balance between DGs reflects a political choice to give higher priority to energy as well as education and skills in the new strategy, but also the other way around – that the most powerful DGs manage to get their policy area on the statutes ladder.

Regarding coalitions, the Europe 2020 shows a decision-making process where coalitions only played a relatively limited role. The poverty issue did activate resistance from a number of the regulation sceptical actors. And cooperation between the pro-regulation Belgium Presidency and the Parliament's Employment and Social Affairs Committee during the final phase of the decision-making process might also have facilitated the changes made to the recitals of the guidelines. However, apart from these examples, there does not seem to have been much coordinated action among the two groups of actors referred to as the regulation-sceptical and pro-regulation actors. The role of the European Social partners in relation to the two groups of actors have been the usual ones, but they do seem to have been much less important for this process compared to the decision-making processes on the European flexicurity initiative. Their common declaration came too late to make an impact and the ETUC was seemingly forced by its reduced organisational capacity to choose what processes to focus on - and Europe 2020 was not among them. If the ETUC does not solve its capacity problems the regulation coalition will be (further) weakened.

## 6. Conclusions

The historical section and the three selected case stories represent more than 15 years of European employment policy history. Addressing the overall research question and the four sub-questions, the following observation can be made:

First, and related to the overall research question, looking at the development of the employment policy area *examples of successful attempts to slow down Social Europe in the employment policy area can be seen, but they are few*. Regarding the *range* of the policy, the employment guidelines have been reduced in numbers during the years (gradually from the peak of 18 guidelines in 2002 to 4 in 2010), which in itself represents a weakening. However, this development is less dramatic when seen in the context of the attempts to streamline the strategies, which have also led to a diminished number of economic guidelines. Moreover, it is important to note that although the EES has been

challenged at all three revisions (2002-03, 2005 and 2010) it has fared much better than expected by many. Still, the bottom-line is that the range of the employment policy in absolute terms - and to some extent also relative to the economic strategy - has been diminished over the years, and the employment policy now has a more subordinate position to the economic policy than 10 years ago. Focussing on the *content* of the employment policy there are again only few signs that a development in line with a weakening of Social Europe has taken place. The revision in 2005 been influenced by the strengthening of the regulation sceptical actors. The new Commission did clearly refocus the Lisbon process more on growth and jobs and downplayed the role of social inclusion and environmental issues – and since the social inclusion area de facto is part of the employ policy, the marginalisation of the social inclusion in the revision process should be part of the assessment. In relation to EES itself, however, no major changes could be seen as a consequence. The 2007 adoption of the flexicurity principles included so many concessions to the pro-regulation actors (like the revision of the EES in 2002-03) that they could not be seen as weakening Social Europe. Likewise, the new 2020 strategy with the inclusion of the poverty issues (more than) balance the disappearance of the gender issue and other minor steps in the direction of weakening Social Europe, although the way the poverty indicator has been formulated has led to questions about its usefulness. Taken *together*, although the changes of the scope and the content of European employment policy are important and it some extent can be confirmed that ‘social policy’ discourses as well as practises have weakened as described by Barbier (2011), the changes in the employment policy area are much more limited than could be expected from the change in the power-relations between the actors.

Second, and related to the first sub-question, *coalitions seem to have played a more important role in the first half of the past decade (especially in the first revision of EES) than in the second half*, where neither the common flexicurity principles nor the Europe 2020 activated the coalitions more than sporadically. One obvious explanation could be that the weakening of the pro-regulation actors has weakened the pro-regulation coalition too - and this to such an extent that it is not able to organise resistance. Contributing to this might be that a number of the new member states are not easily placed within the two coalitions, although these member states’ governments on average tend to take more regulation sceptical positions than the old member states. However, despite the weakening of the role of coalitions and of the pro-regulation coalition in particular, at least parts of the pro-regulation coalition played an important role in the amalgamation of the social OMCs in 2006, the change of the European flexicurity concept during the decision-making process 2006-07 and the inclusion of the poverty issue in Europe 2020.

Third, and related to the second sub-question, *the coalitions have primarily been divided in their attitude to regulation* - especially with regard to the range

of this. These general attitudes or orientations seem to be stable, whereas some member states change positions. However, on some occasions, the dividing line is not so much related to pro- et contra for regulation as such, but more to the actors' priority subsidiarity principle, more specifically to the perceived 'no-go zone' for European regulation. The debate on the poverty issue in Europe 2020 is an example of this. But since there is a great deal of overlap between the actors that try to minimise regulation as such and those that are sceptical to European regulation, it is not always possible to tell if it is the one or the other that explains certain positions. Another dividing line among the actors is the one on social partner versus state regulation, where the supporters of the first position tend to emphasise a 'no-go zone' for state regulation that should be reserved for the social partners' regulation. The supporters of the social partner regulation are primarily from the Nordic member states, where this bipartite regulation is most widespread.

Fourth, and related to the third sub-question, *it has – despite of the weakening of the pro-regulation actors – been possible to agree on new regulation in the employment policy area because part of the new regulation is not easy to place on the pro-contra regulation scale and because some actors have veto-points*. An example of the first was the joint European flexicurity principles, whereas an example of the later is the Parliaments competence not to approve a Commission and its leader – this might be the single most important reason that the poverty issue was included in the Europe 2020 plan and its employment guidelines.

Fifth, the issue of changing *decision making arenas* (referred to in the title and the introduction of this report 3 as well as in the theoretical framework presented in report 1) *has been less important in the employment policy area* than in some of the other policy areas analysed in the project. One of the reasons for this is that the employment policy is firmly placed within the OMCs, and changes between types of regulation rarely take place. However, there might be space for some limited 'detours' as the Kok groups and the European flexicurity initiative illustrates. Furthermore, the set-up of the first Kok group in 2003 was a clear attempt from regulation-sceptical actors to change the decision-making arena in order to bend the outcome. Other than this there are few examples of major arena-shifts. The (only partly successful) attempt of core actors from the Parliament's Social and Employment Committee to improve the de facto competencies of the parliamentary arena in relation to the 2010 version of the employment guidelines is nevertheless noteworthy.

Sixth, the descriptions shows that *although EU-level employment policy regulation is soft non-binding regulation, actors are sometimes willing to fight hard to get their will through* – this is especially the case with the quantitative targets and the country specific recommendations. On the other hand, the lack of intense discussions in some phases of the decision making processes and the lack of action from the coalitions might be explained by the non-binding nature

of the regulation, which makes non-wanted outcomes less serious than in hard-law regulation.

Finally, the *conclusion that employment policy has been weakened only to a limited extent - despite of the weakening of the pro-regulation actors - does not necessarily imply that the employment policy in its present form is a correct or adequate answer to the structural and cyclical challenges Europe face today.* Such an analysis has not been the aim of the present report. The overall conclusion imply, though, that in the area of employment policy – one of the four areas analysed in the present study – that over the last 10 -15 years Social Europe seems to have been weakened only to a limited extent, and less so than could be expected from the weakening of the pro-regulation actors.

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## Annex A – List of interviews

|                                |   |
|--------------------------------|---|
|                                | <i>Interviews case 1- The Revision of the Lisbon Strategy<br/>Conducted October 2005 – April 2006</i>       |
| Robert Strauss                 | Employment and Social Affairs DG  |
| Stefaan Hermans                | EMCO Support Team, Employment and Social Affairs DG   |
| Helene Clark                   | Employment and Social Affairs DG  |
| Lorena Ionita                  | Social Affairs, UNICE (Business Europe)   |
| Folker Franz                   | Competitiveness, UNICE (Business Europe)  |
| Bength Hedenström              | CEEP  |
| Ronald Janssen                 | European Trade Union Congress (ETUC)  |
| Will Hutton                    | The Work Foundation, rapporteur to Kok Group 2  |
| Wanja Lundby-Wedin             | LO Sweden, member of Kok Group 2  |
| Flemming Kühn Petersen         | Ministry of Employment, Centre for International Affairs, DK  |
| Jonas Bering Liisberg          | Ministry of Employment, Centre for Intern. and Legal Affairs, DK  |
| Signe Stendal & Hans Brask     | Ministry of Foreign Affairs, Office of European Affairs, DK   |
| Jenna Keys                     | Department for Work and Pensions, UK  |
| Mik Wolley                     | Department for Work and Pensions, UK  |
| Kathrine Watson                | European Strategy Team, Depart. for Trade and Industry, UK  |
| Alfonso Prieto & Jamie H. Ruiz | Ministry of Employment and Social Affairs, ES   |
| Kryzstof Kaczmarek             | Labour Market Department, Ministry of Econ. and Labour, PL  |
| Julian Zawistorwski            | Labour Market Department, Ministry of Econ. and Labour, PL  |
| Ewa Giermanowska               | Institute of Applied Social Sciences Warsaw University, PL  |
|                                | <i>Interviews case 2- The Common European Flexicurity Principles<br/>Conducted August 2007 - April 2009</i> |
| Beata Zaborkowska              | EMCO Support Team, Employment and Social Affairs DG   |
| Jos Kester                     | EMCO Support Team, Employment and Social Affairs DG   |
| Ole Bondo Christensen          | EMCO members, DK  |
| Flemming Kühn Pedersen         | EMCO members, DK  |
| Barbara Kuta                   | EMCO member, PL   |
| Alfonso Prieto                 | Advisor to Spanish EMCO representatives, ES   |
| Steven D'Haeseleer             | Social Affairs, BusinessEurope  |
| Jørgen Rønne                   | Ex- Social Affairs, BusinessEurope  |
| Ronald Janssen                 | ETUC  |
| Ton Wilthagen                  | Rapporteur of the European Expert Group on Flexicurity  |
|                                | <i>Interviews case 3 – The Europe 2020 Strategy<br/>Conducted May – November 2010</i>                       |
| Robert Strauss                 | Employment and Social Affairs DG  |
| Ana Pereira                    | EMCO Support Team, Employment and Social Affairs DG   |
| Katarina Lindahl               | Employment and Social Affairs DG  |
| Flemming Kühn Pedersen         | EMCO members, DK  |
| Tom Bevears                    | EMCO member, BL   |
| Pervenche Berés                | Socialist MEP, chair of Employment And Social Affairs Com, EP/FR  |
| Steven D'Haeseleer             | Social Affairs, BusinessEurope  |
| Ronald Janssen                 | European Trade Unions Congress (ETUC)   |

### Annex B – Adopted employment guidelines, 2002 and 2003

|                                      |  |
|--------------------------------------|--|
| Adopted guidelines and targets 2002  | 18 guidelines<br>6 quantitative targets  |
| Adopted guidelines and targets, 2003 | <ol style="list-style-type: none"> <li>1. active and preventative measures for the unemployed and inactive</li> <li>2. job creation and entrepreneurship</li> <li>3. promotion of adaptability and mobility, social dialogue and corporate social responsibility</li> <li>4. promotion of the development of human capital, education and lifelong learning</li> <li>5. promotion of active ageing</li> <li>6. promotion of gender equality by reducing gender gaps in employment rates, unemployment rates and pay</li> <li>7. integration of and combating discrimination against people at a disadvantage on the labour market,</li> <li>8. tax and financial incentives to enhance work attractiveness</li> <li>9. transformation of undeclared work into regular employment</li> <li>10. addressing regional employment disparities</li> </ol> <p>- the Member States must include, by 2010, to ensure that at least 85 % of 22-year olds in the European Union should have completed upper secondary education and that the European Union average level of participation in lifelong learning should be at least 12,5 % of the adult working-age population (25 to 64 age group).</p> <p>- the Member States will aim to achieve an increase by five years of the effective average exit age from the labour market (estimated at 59,9 in 2001)</p> <p>- increasing the number of childcare facilities so as to provide childcare by 2010 to at least 90% of children between three years and the mandatory school-leaving age and at least 33% of children under three years of age</p> <p>- the objective of the Member States will be to reduce by 2010 the proportion of early school leavers to 10% (maximum average for the EU) and to reduce the unemployment gaps for people at a disadvantage and for third country nationals, according to any national targets</p> <p>- 25 % of the long-term unemployed in an active measure in the form of training, retraining, work practice, or other employability measure</p> |

Note: Guidelines only presented in short form

### Annex C – Draft and adopted employment guidelines, 2005

|   |  |
|---|--|
| Draft EG<br>and targets<br>April 2005     | <p>16. Implement employment policies aiming at achieving full employment, improving quality and productivity at work, and strengthening social and territorial cohesion.</p> <p>17. Promote a lifecycle approach to work</p> <p>18. Ensure a lifecycle labour markets</p> <p>19. Improve matching of labour market needs</p> <p>20. Promote flexibility combined with employment security and reduce labour market segmentation</p> <p>21. Ensure employment-friendly wage and other labour cost development</p> <p>22. Expand and improve investment in human capital</p> <p>23. Adapt education and training systems in response to new competence requirements</p>  |
| Adopted<br>EG<br>and targets<br>July 2005 | <p>17. Implement employment policies aiming at achieving full employment, improving quality and productivity at work, and strengthening social and territorial cohesion</p> <p>18. Promote a lifecycle approach to work</p> <p>19. Ensure inclusive labour markets, enhance work attractiveness, and make work pay for job-seekers, including disadvantaged people and the inactive</p> <p>20. Improve matching of labour market needs through</p> <p>21. Promote flexibility combined with employment security and reduce labour market segmentation, having regards to the role of the social partners</p> <p>22. Ensure employment-friendly labour cost development and wage-setting mechanisms</p> <p>23. Expand and improve investment in human capital</p> <p>24. Adapt education and training systems in response to new competence requirements</p> <ul style="list-style-type: none"> <li>- that every unemployed person is offered a new start before reaching 6 months of unemployment in the case of young people and 12 months in the case of adults in the form of training, retraining, work practice, a job or other employability measure, combined where appropriate with on-going job search assistance</li> <li>- that 25 % of long-term unemployment should participate by 2010 in an active measure in the form of training, retraining, work practice, or other employability measure, with the aim of achieving the average of the three most advanced Member States</li> <li>- that jobseekers throughout the EU are able to consult all job vacancies advertised through Member States' employment services</li> <li>- an increase by five years, at EU level, of the effective average exit age from the labour market by 2010 (compared to 59,9 in 2001)</li> <li>- the provision of 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</li> <li>- an EU average rate of no more than 10 % early school leavers</li> <li>- at least 85 % of 22-year olds in the EU should have completed upper secondary education by 2010</li> <li>- that the EU average level of participation in lifelong learning should be at least 12,5 % of the adult working-age population (25 to 64 age group).</li> </ul> |

Note: Guidelines only presented in short form

### Annex D – Draft and adopted joint flexicurity principles, 2007

|                           |  |
|---------------------------|--|
| Draft common principles   | <ol style="list-style-type: none"> <li>1. Flexicurity involves flexible and reliable contractual arrangements (from the perspective of the employer and the employee, of insiders and outsiders); comprehensive lifelong learning strategies; effective active labour market policies; and modern social security systems.</li> <li>2. Flexicurity implies a balance between rights and responsibilities for employers, workers, jobseekers and public authorities.</li> <li>3. Flexicurity should be adapted to the specific circumstances, labour markets and industrial relations of the Member States. Flexicurity is not about one single labour market model or a single policy strategy.</li> <li>4. Flexicurity should reduce the divide between insiders and outsiders on the labour market.</li> <li>5. Internal (within the enterprise) as well as external (from one enterprise to another) flexicurity should be promoted.</li> <li>6. Flexicurity should support gender equality by promoting equal access to quality employment for women and men, and by offering possibilities to reconcile work and family life as well as providing equal opportunities to migrants, young, disabled and older workers.</li> <li>7. Flexicurity requires a climate of trust and dialogue between public authorities and social partners, where all are prepared to take responsibility for change, and produce balanced policy packages.</li> <li>8. Flexicurity policies have budgetary costs and should be pursued also with a view to contribute to sound and financially sustainable budgetary policies.</li> </ol>   |
| Adopted common principles | <ol style="list-style-type: none"> <li>1. Flexicurity is a means to reinforce the implementation of the Lisbon Strategy, create more and better jobs, modernise labour markets, and promote good work through new forms of flexibility and security to increase adaptability, employment and social cohesion.</li> <li>2. Flexicurity involves the deliberate combination of flexible and reliable contractual arrangements, comprehensive lifelong learning strategies, effective active labour market policies, and modern, adequate and sustainable social protection systems.</li> <li>3. Flexicurity approaches are not about one single labour market or working life model, nor about a single policy strategy: they should be tailored to the specific circumstances of each Member State.</li> <li>4. Flexicurity should promote more open, responsive and inclusive labour markets overcoming segmentation.</li> <li>5. Internal (within the enterprise) as well as external flexicurity are equally important and should be promoted.</li> <li>6. Flexicurity should support gender equality, by promoting equal access to quality employment for women and men and offering measures to reconcile work, family and private life.</li> <li>7. Flexicurity requires a climate of trust and broadly-based dialogue among all stakeholders</li> <li>8. Flexicurity requires a cost effective allocation of resources and should remain fully compatible with sound and financially sustainable public budgets. It should also aim at a fair distribution of costs and benefits, especially between businesses, public authorities and individuals, with particular attention to the specific situation of SMEs.</li> </ol> |

Note! Common principles only presented in short form.

## Annex E - Adopted employment guidelines 2007 and 2010

|                                    |  |
|------------------------------------|--|
| <p>Adopted EG 2007 and targets</p> | <p>17. Implement employment policies aiming at achieving full employment, improving quality and productivity</p> <p>18. Promote a lifecycle approach to work</p> <p>19. Ensure inclusive labour markets, enhance work attractiveness, and make work pay for job-seekers</p> <p>20. Improve matching of labour market needs</p> <p>21. Promote flexibility combined with employment security and reduce labourmarket segmentation</p> <p>22. Ensure employment-friendly labour cost developments and wage-setting mechanisms</p> <p>23. Expand and improve investment in human capital</p> <p>24. Adapt education and training systems in response to new competence requirements</p> <p>- policies should contribute to achieving an average employment rate for the European Union (EU) of 70 % overall, of at least 60 % for women and of 50 % for older workers (55 to 64) by 2010, and to reduce unemployment and inactivity</p> <p>- every unemployed person is offered a job, apprenticeship, additional training or other employability measure; in the case of young persons who have left school within no more than 4 months by 2010 and in the case of adults within no more than 12 months</p> <p>- 25 % of long-term unemployment should participate by 2010 in an active measure in the form of training retraining, work practice, or other employability measure, with the aim of achieving the average of the three most advanced Member States</p> <p>- jobseekers throughout the EU are able to consult all job vacancies advertised through Member States' employment services</p> <p>- increase by five years, at EU level, of the effective average exit age from the labour market by 2010 compared to 2001</p> <p>- provision of 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</p> <p>- EU average rate of no more than 10 % early school leavers</p> <p>- at least 85 % of 22-year olds in the EU should have completed upper secondary education by 2010</p> <p>- the EU average level of participation in lifelong learning should be at least 12,5 % of the adult working-age population (25 to 64 age group)</p> |
| <p>Adopted EG 2010 and targets</p> | <p>7. Increasing labour market participation and reducing structural unemployment</p> <p>8. Develop a skilled workforce responding to labour market needs, promoting job quality and lifelong learning</p> <p>9. Improving the performance of education and training systems at all levels and increasing participation in tertiary education</p> <p>10. Promoting social inclusion and combating poverty</p> <p>- by 2020 75 % of employment rate for men and women aged 20-64, including the through the greater participation of youth, older workers and low skilled workers and better integration of legal migrants</p> <p>- to reduce the drop out 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</p> <p>- to reduce by 25 % the number of Europeans living below the national poverty lines, lifting over 20 people out of poverty</p>   |

Note: Guidelines only presented in short form