



**No. 15**

**The EES between is and  
should be – An analysis of  
Member States compliance to  
the European Employment  
Strategy**

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**June 2007**

The CIS – Discussion Papers are published on an irregular basis by:

**Centre of International Studies**

University of Hamburg

Von-Melle-Park 9

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**Citation:**

CIS Papers, Centre of International Studies Hamburg

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# **The EES between Is and Should Be**

## **An Analysis of Member State Compliance to the European Employment Strategy**

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Group Assignment  
Academic Year 2006/ 2007, Summer Term

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### **I. Remarks and Acknowledgements**

This assignment was prepared by the above mentioned authors in the period of May till October 2006, under supervision of Prof. Dr. Mückenberger, at request of the Department of Economics and Political Science of the University of Hamburg.

Athanasios Boulasikis contributed subchapters 3.3, 5.2 and 7.2, i.e. all documents studying the performance of Greece and the input of the European Employment Strategy on Greece. Stefan Georgiev wrote parts 3.4, 5.3 and 7.3, indicating all documents providing country analysis and impact analysis of the EES related to Italy. Contributions of Stefan Gran are to be found under subchapters 3.2, 5.1 and 7.1, i.e. all country studies of Germany. Johannes M. Harding contributed chapters 4 and 6 with all related subchapters, outlining and analysing the European Employment Strategy and the Reform thereof, Furthermore chapters 8 and 9, providing the discussion of the findings and the conclusion. Contributions of Johannes M. Harding appear besides this in the transcription of the methodology part in chapter 2 and the description of the analysed policy field in chapter three. The introductory part was also written by Johannes M. Harding. The methodology, as well as the selection of policy fields were designed and selected by all four authors in co-operation.

The authors wish to thank the following persons and institutions for their support and contribution to this assignment: Prof. Dr. Ulrich Mückenberger, for his support and supervision. Mr. Franz Folker from Union des Industries de la Communauté Européenne, Mr. Esteban Lozan from the European Commission and Mr. Ronald Janssen from the European Trade Union Institute, for providing their expert knowledge in interviews. Furthermore the European Trade Union Institute for provision with valuable documents and access to their library facilities.

## List of Abbreviations

### II. List of Abbreviations

ABM	Employment-Creation Measures
ADEDY	Civil Servants Union
ALMP	Active Labour Market Policy
AQTIV	Activation, Qualification, Training, Investment and Convey
BDA	Bund Deutscher Arbeitgeber
BDI	Bund der Deutschen Industrie
BEPG	Broad Economic Policy Guidelines
CEC	Commission of the European Communities
CGIL	Confederazione Generale Italiana del Lavoro
CISL	Confederazione Italiana Sindacati Lavoratori
CSF	Community Supporting Framework
DGB	Deutscher Gewerkschaftsbund
DIHK	Deutsche Industrie und Handelskammer
DPEF	Documento di Politica Economica e Finanziaria
DYA	Public Employment Services
ECF	European Community Fund
EES	European Employment Strategy
EGL	Employment Guidelines
EMCO	Employment Committee
EP	European Parliament
EPEAEK	Operation Program for Education and Initial Vocational Training
EU	European Union
GDP	Gross Domestic Product
GSEE	Union of Greek Workers and Employees
GSEVEE	Medium Sized Enterprises of Greece
HC	Hartz Commission
INPS	National Institute of Social Insurance
ISFOL	Institute for Labour and Training
ISTAT	Presidency of the Council, National Institute of Statistics
KPA	Centres for the Promotion of Employment
NAP	National Action Plan
ND	New Democracy
NGO	Non Governmental Organisation
MIS	Monitoring Information System

## List of Abbreviations

NPDD	Institutions of Public Law
OAED	Manpower Employment Organization
OECD	Organisation for Economic Cooperation and Development
OMC	Open Method of Coordination
OTA	Local Administration Organisation
PAEP	Employment Observatory Research Informatics Zation
PASOK	Pan Hellenic Socialist Movement
PLMP	Passive Labour Market Policies
PSA	Personal Service Agency
PMS	Post – Graduate Programs
RWI	Rheinisch Westfälisches Wirtschaftsinstitut
SEV	Union of Greek Industries
SGB	Social Security Code
SP	Social Partners
SPD	Social Democratic Party of Germany
TEC	Treaty of the European Communities
TWA	Temporary Work Agency
UIL	Unione Italiana del Lavoro
UNICE	Union des Industries de la Communauté Européenne

### **III. Abstract**

This paper seeks to analyse the impact of the European Employment Strategy on three selected Member States of the European Union, namely Germany, Greece and Italy. It furthermore analyses the consequences of the Reform of the EES in 2002, in that it tries to outline the extent, to which the EES in its original and reformed version had an impact on Germany's, Greece's and Italy's performance in the field of employment and activation policy in the expected way. By outlining the reform as such, as well as the difference which occur in the performance of the Member States in the respective policy fields, the extent to which the EES, as well as the reform thereof, satisfied the expectations which have been put on it, shall be displayed.

The paper comes to ambivalent findings. Indicating that the expectations of the Commission, i.e. the European sphere were as such, that full Member States compliance with the strategy was expected, dissatisfaction of expectations must be assumed. However, the EES did fairly contribute to the diffusion of social policy as a European matter, as well as a certain overall terminology and respective agenda.

## Table of Contents

### IV. Table of Contents

I. Remarks and Acknowledgements .....	3
II. List of Abbreviations .....	4
III. Abstract.....	6
IV. Table of Contents .....	7
V. Table of Figures .....	9
1. Introduction .....	10
2. Methodological Presuppositions.....	11
2.1 Assessment Methodology .....	11
2.2 The Selection of Countries and the Means of Comparison.....	13
3. The Assessed Policy Fields in Germany, Greece and Italy.....	15
3.1 The Status of the Policy Fields in the EES .....	15
3.1.1 Employment.....	15
3.1.2 Education and Investment in Human Capital .....	16
3.1.3 Empirical Indicators for Member State Assessment.....	17
3.2 The Performance of Germany .....	18
3.3 The Performance of Greece.....	23
3.4 The Performance of Italy.....	29
4. The European Employment Strategy.....	35
4.1 Institutional Overview.....	35
4.2 Administrative Patterns .....	36
4.2.1 Benchmarking.....	37
4.2.2. Policy Transfer.....	38
4.3 Reasoning and Expectations.....	39
5. The Impact of the EES on the Countries .....	40
5.1 The Impact of the EES on Germany .....	40
5.1.1 Institutional Setting.....	40
5.1.2 Impact on Germany's Labour Market Policy 1997 – 2002 .....	42
5.2 The Impact of the EES on Greece.....	51
5.2.1 Institutional Setting.....	51
5.2.2 Impact on Greece's Labour Market Policy 1997 – 2002.....	53
5.3 The Impact of the EES on Italy.....	57
5.3.1 Institutional Setting.....	57
5.3.2 Impact on Italy's Labour Market Policy 1997 – 2002.....	59



## Table of Contents

6. The Reform of the EES in 2002 – A Change of Pattern?.....	63
6.1 The Reformed Administrative Pattern .....	63
6.2 The New Contents .....	65
6.3 Rationale for the Reform and New Expectations.....	65
7. The Impact of the EES on the Countries after the Reform.....	66
7.1 Impact on Germany's Labour Market Policy after 2002.....	66
7.2 Impact on Greece's Labour Market Policy after 2002.....	69
7.3 Impact on Italy's Labour Market Policy after 2002.....	74
8. Discussion of the Findings .....	78
8.1 Pre-Reform Effects of the EES in Germany, Greece and Italy .....	78
8.2 Post-Reform Effects of the EES in Germany, Greece and Italy .....	81
8.3 Satisfaction of Expectations .....	83
9. Conclusion.....	85
VI. References .....	88

## Table of Figures

### V. Table of Figures

Figure 2.1: Means of Analysis.....	14
Figure 3.2.1: Employment Rate, Employment Growth and GDP Growth Rate of Germany (1993-2005) .....	19
Figure 3.2.2: Unemployment Rate, Youth Unemployment Rate, Long Term Unemployment Rate and GDP Growth Rate of Germany (1993 – 2005),.....	20
Figure 3.2.3: Youth Education Attainment Level (20-24 Years Old With at least Upper Secondary Education Level) in Germany (1996 – 2005).....	21
Figure 3.2.4: Life-Long Learning in Germany (1996-2005).....	22
Figure 3.2.5: Spending in Human Resources in Germany (1995 – 2003) .....	23
Figure 3.3.1: Employment Rate, Employment Growth and GDP Growth Rate of Greece (1992-2005).....	25
Figure 3.3.2: Unemployment Rate, Youth Unemployment Rate, Long Term Unemployment Rate and GDP Growth Rate of Greece (1990 – 2005) .....	26
Figure 3.3.3: Youth Education Attainment Level (20-24 Years Old with at Least Upper Secondary Education Level) in Greece (1996 – 2005).....	27
Figure 3.3.4: Life-Long Learning in Greece (1994-2005), Source: Eurostat.....	28
Figure 3.3.5: Spending in Human Resources in Greece (1993 – 2003) .....	28
Figure 3.4.1: Employment Rate, Employment Growth and GDP Growth Rate of Italy (1994-2005) .....	30
Figure 3.4.2: Unemployment rate, Youth unemployment rate, Long-term unemployment rate and GDP growth rate of Italy (1993 – 2005).....	31
Figure 3.4.3: Youth Education Attainment Level (20-24 Years Old with at Least Upper Secondary Education Level) in Italy (1994 – 2005).....	32
Figure 3.4.4: Life-Long Learning in Italy (1994-2005) .....	33
Figure 4.1: The European Employment Strategy Cycle, 1997 – 2002.....	37
Figure 5.1: German policy network with a view to the EES (since 2002/3).....	41
Figure 6.1: The Streamlined Policy Coordination Cycle .....	64
Figure 7.1: ECF actions within the operational projects of the 3 <sup>rd</sup> CSF 00 – 06.....	71
Figure 7.2: Actions concerning education and training programs .....	73

### 1. Introduction

Even though the Luxembourg process was inaugurated already in 1997, analytical research with the aim of analysing the degree to which it has an impact on the member states remains limited<sup>1</sup>. This might possibly be due to the inconsistency of the topic, which is outlined later on.

The same holds true for analysis outlining the impact of the 2002 reform of the process, which nowadays is better-known as the European Employment Strategy (EES). Apart from few publications<sup>2</sup>, this turning point in European social policies has not been highlighted extensively.

Over the next pages, this assignment seeks to integrate the two topics, in that it tries to outline the impact of the EES in selected member states, in the policy fields of – Employment– and –Education and Investment in Human Capital –. In a second step, the extent to which the reform of 2002 has changed anything in this impact shall be evaluated. The overall research question therefore is: *Did the EES in its original and reformed version have an impact on Germany's, Greece's and Italy's performance in the field of employment and activation policy in the expected way?*

Activation policy shall in this respect refer to the aforementioned policy field of – Education and Investment in Human Capital–. The policy fields are considered to be of close relevance for each other wherefore these two policy field are chosen for analysis.

Obviously, the limited selection of only three countries, as also the fact that only two policy fields are chosen for analysis limits the scope of this assignment. The question to what extent the example allows for conclusions about the EES as a whole remains rather limited, a fact which foremost has to be assigned to limited time and resources. Nevertheless, the example shall give an overview about impact in certain fields and in certain policy fields, what should – also taking into account the profound methodology – lead to the possibility of concluding certain relevant aspects with regard to the overall functioning of the EES.

With regard to the sources of data, the authors refer to a large extent on European documents and statistics, these mainly geared from Eurostat. A large body of secondary literature, quoting authors dealing with the subject is furthermore being used. Besides, the assignment makes use of exclusive interviews with the Commission (CEC) and the social partner, undertaken in Brussels in the period of June 2006.

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<sup>1</sup> de la Porte/ Pochet, 2002, p. 285.

<sup>2</sup> compare for instance Watt, 2004

## 2. Methodological Presuppositions

### 2.1 Assessment Methodology

Attempting to analyse the influence of the EES on member states requires the focus on national legal output, as to determine the extent to which this output has been influenced by stimuli of the European sphere. However, one can not presuppose that compliance of member state's policies with European guidelines or recommendations necessarily is to be regarded as truly resulting in a European impetus. Extracting the extent to which European Union (EU) inputs actually have an effect on policies is a difficult undertaking, as three main remnants will always contribute to sources of flaws and inconsistencies.

Firstly, the EU guidelines and recommendations are kept very broad – as a response to the heterogeneity of member state's economic- and employment presuppositions<sup>3</sup>. This broadness increases the likeliness that similarities between the EU recommendations and guidelines and national policy making simply is a result of incidence, as referred to in Scharpf 2002<sup>4</sup>. In any way, the broadness of the guidelines complicates the assumption, that correspondence of national policies with the EES was actively envisaged by the member states<sup>5</sup>.

Secondly, according to Dolowitz assumptions concerning policy transfer, one can only assume policy transfer to have taken place, if the actors knew the guidelines and recommendations<sup>6</sup>. This criterion is of no excessive use, as one may assume that policy makers are aware of the EES, nevertheless they may not necessarily refer to it, as Büchs points out<sup>7</sup>, wherefore it might prove difficult to measure the extent to which they have actually been influenced by them.

Thirdly, it is very likely that there are further factors which influence policy making on the national level, apart from the EES or other EU stimuli, may this be election manifestos, economic situations or actor constellations. Therefore it will always be questionable, whether the final impetus for any given policy lay in the EES or whether

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<sup>3</sup> Hodson & Maher, 2001, p. 731.

<sup>4</sup> Scharpf, 2002, p. 654.

<sup>5</sup> This is one of the major methodological flaws underlying the impact analysis conducted on behalf of the German government by the Rheinisch Westfälisches Institut für Wirtschaftsforschung (RWI), (RWI/ISG, 2002). The RWI assumes an impact, whenever the policies correspond with the guidelines and recommendations conducted by the EU, "even in cases where regulations are obviously influenced mainly or exclusively by other factors." (Zohlnhöfer & Ostheim, 2004, p. 150.)

<sup>6</sup> Dolowitz, 1997, p. 24.

<sup>7</sup> Büchs assumes that „if a policy reform is widely accepted domestically, policy makers may have little incentive to make reference to EES guidelines or to policies [...], if however they are having difficulty in gaining support for a particular reform, they may find it advantageous to refer to the requirement to adapt policies in compliance with EES guidelines ...” (Büchs, 2003, p.33.)

## Methodological Presuppositions

it had been accelerated by other factors. These three basic flaws inevitably have to be taken into consideration whenever researching influence of any international body on national policy making, be it the EU, the OECD or further institutions.

However, one approach to tackle the problem proved useful in comparable studies. Zohlnhöfer et al. recently made use of an analytical three step in order to assess the impact of the EES on German labour market reforms<sup>8</sup>. They outlined three basic presuppositions as an ultimate requirement to be fulfilled once an EU influence is supposed to be assumed.

Firstly, obviously the concerned policy has to be in line with the EU recommendation. As mentioned earlier however, simple correspondence is not enough, as due to the broad nature of the guidelines and recommendations, correspondence is likely to occur out of incidence. Therefore secondly, an explicit reference of policy makers to the EU is required, in order to ensure, that the European stimuli really played a role. What is required thirdly, is security about the issue that the policy in question can at least not explicitly be ascribed to other influencing factors, such as election manifestos conducted earlier. If it is the case that such factors exist, the authors would still conclude an EU effect, which then however comes in the form of an intensifier effect, in contrast to a steering effect without such further factors.

The authors acknowledge the fact, that the selection of methodological criteria in itself is a source of flaws. For instance the existence or non-existence of an explicit reference, as also the insecurity concerning the absence of further influencing factors, bear the likeliness to result in inconsistencies. Absolute security in this case required counterchecking, at best in the forms of interviews. However, with regard to the limited scope of this assignment, this potential for inconsistency will have to be accepted. In any way, due to the rigidity of the applied criteria, the final examination will at worst lead to an underestimation of the potential of the EES.

The assignment makes use of a mixture of empirical and qualitative work. Empirical analysis is provided in particular with regard to the examination of member state's legal output. Various indicators will be analysed with regard to the question how the performance of the particular member state in the respective policy field is, as also to determine the extent to which its performance – or possibly a change in its performance – is arising from a European impetus. As far as the qualitative aspects are concerned, they mainly play a role in the description of the European Employment Strategy, as well as the reform of the process. Descriptions of the mentioned features are supposed to

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<sup>8</sup> Zohlnhöfer & Ostheim, 2004

## Methodological Presuppositions

lead to an overall impression of the presuppositions that underlie policy making at European level in the respective policy field and in the EES in general.

### **2.2 The Selection of Countries and the Means of Comparison**

It is the aim of this assignment to make use of a determined set of three countries in order to assess the potential impact of the EES. With regard to this research aim, the countries can be considered to be the dependent variable, serving as a basis for assessment of the EU strategy, which subsequently has to be regarded as the independent variable. The countries do only provide the ground on which the analysis takes place, in marked contrast to studies in which the different legal frameworks, or varieties of capitalism, or differences in the institutions governing the labour market are assessed with regard to their likeliness to adapt to EES recommendations and guidelines<sup>9</sup>.

In this assignment, the country's performance on the subsequently displayed policy field is assessed with regard to its commitment to the EES. In detail, this means that the respective country's performance is to be assessed empirically in a first step, making distinctions between the time when the EES had not been implemented, the phase between its implementation and reform and in the new version. The second step comprises an analysis, based on a review of the national action plans and further related documents giving hints at the respective national strategy of policy making, with the aim to figure out to what extent this strategy is possibly influenced by the EES. In the third step, the two analyses shall be compared, in order to evaluate the extent, to which the EES – in its old and its reformed version – really had an impact on the countries, in the means of policy formulation and implementation<sup>10</sup>.

Out of the general research rationale, the actual differences regarding the systems of capitalism in the countries can be considered to be of minor importance, as excessive cross-country evaluations and comparisons are not the main feature of this assignment. By choosing Germany, Greece and Italy as case study countries, the authors rather envisaged the aim of gathering countries, which inhabit comparable problems in terms

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<sup>9</sup> A remarkable example for a study in which two countries – here Great Britain and Germany – are assessed with regard to their likeliness to adapt to EES recommendations and guidelines is provided by Büchs, 2003.

<sup>10</sup> Compare Figure 2.1 for a visual display of the analytical steps.

## Methodological Presuppositions

of their labour market presuppositions and therefore should show comparable interest in certain Employment Guidelines (EGL).

All three of the countries do not meet the requirements concerning reduction of unemployment, in particular long-term unemployment. Neither do they score well with regard to activity rates. It may subsequently be assumed, that all three countries have comparable problems with regard to their labour markets<sup>11</sup>.

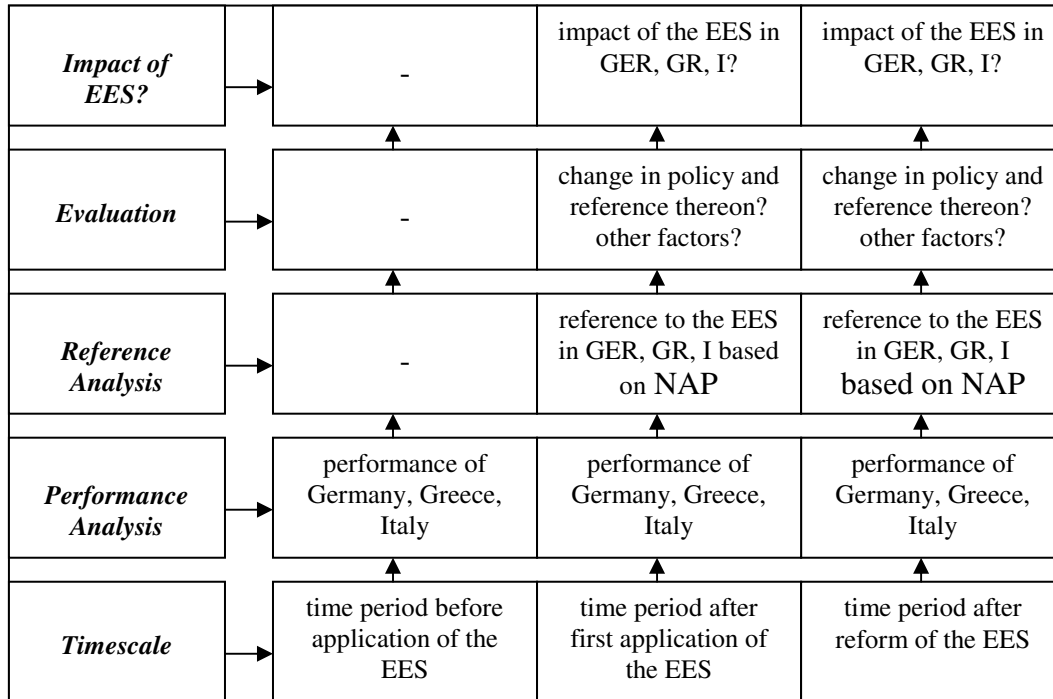


Figure 2.1: Means of Analysis

Out of this rationale, the general policy field “Employment” shall be one of the assessed policy fields. As one major remedy towards unemployment problems in the EES is investment in human capital and the aspect of lifelong learning, and furthermore, because these issues are of particular interest for Greece, the policy field of lifelong learning and investment in human capital is the second to be assessed.

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<sup>11</sup> For detailed information regarding the above mentioned labour market problems of the countries, refer to subchapters 2.2, 2.3 and 2.4.

### 3. The Assessed Policy Fields in Germany, Greece and Italy

As already outlined, the policy fields related to employment and education are in the main focus of interest in this assignment. Over the next sections, the status of these policy fields in the EES, meaning the way in which reference to them occurs in the Employment Guidelines, shall be analysed. Hereby the deep interconnectedness between the two policy fields becomes obvious once again, as the two of them tend to be included under equal headlines (or pillars in case of the pre- 2002 version). Furthermore, this subchapter comprises the first analytical step outlined in the methodology chapter, namely the empirical analysis with the aim of outlining the performance of the respective country from 1990 until the first impact of the EES in 1998.

#### 3.1 The Status of the Policy Fields in the EES

##### 3.1.1 Employment

Employment matters are outlined in the Employment Guidelines of 1998 until 2000 under the first pillar, which is named equally in all three documents: “Improving Employability”.<sup>12</sup> Therein the specific guidelines explicitly address measures to counter youth unemployment, activation policies, the relation between school and work and the partnership approach in handling the matter<sup>13</sup>.

In 2001 the first slight change in the EGL is recognisable, as the horizontal objectives are introduced for the first time<sup>14</sup>. In the horizontal objectives, employment matters are mentioned in objective A, furthermore, as also in the previous EGL, under pillar one<sup>15</sup>. This structure is being kept up for the 2002 version of the EGL<sup>16</sup>.

2003 displays the first application of the major reform underlying the EGL<sup>17</sup>. Therein employment matters are mentioned in the first overarching objective as well as in

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<sup>12</sup> Council of the European Union, 1998/ Council of the European Union, 1999/ Council of the European Union, 2000

<sup>13</sup> Council of the European Union, 1998/ Council of the European Union, 1999/ Council of the European Union, 2000

<sup>14</sup> For details concerning the specific reforms of the EGL and the changes brought about by modification of the matters, refer to subchapter six.

<sup>15</sup> Council of the European Union, 2001

<sup>16</sup> Council of the European Union, 2002

<sup>17</sup> The reform of the EGL shall be introduced also in subchapter six.



commandment one<sup>18</sup>. Guideline one (or commandment one) therein is comparable to the first pillar of the former structure, as most of the topics from this pillar are integrated under one guideline in the new structure<sup>19</sup>. In 2004, the guidelines remain unchanged as planned in the creation of the new system<sup>20</sup>.

2005 brought about the second reform of the strategy, in the form of an inclusion of the EES under the overall form of the Lisbon strategy. Therein employment matters are dealt with under integrated guideline 17, as well as under objective number one<sup>21</sup>.

### 3.1.2 Education and Investment in Human Capital

The somewhat broad description “education and investment in human capital”, includes any measure relating to the aspects of provision of training measures to young workless and (re)education of adolescents – as generally handled under the concept of “lifelong learning”. Furthermore activation measures are to be assessed under this headline, as long as they include any educational aspect.

In 1998, 1999 and 2000 the above mentioned concepts are to be found under pillar one, in compliance with general employment matters, as outlined in chapter 3.1.1<sup>22</sup>. 2001 furthermore also brings about the mentioning under a horizontal objective, as it is the case for employment matters. In the educational aspect this horizontal objective is B<sup>23</sup>. Also in this case, the 2002 version equals the 2001 version<sup>24</sup>.

The 2003 reformed structure underlines the importance of the aspect by placing it under overarching objective 2, as also by mentioning it in commandment four<sup>25</sup>. This structure also goes for the 2004 version<sup>26</sup>.

In 2005, after the adaptation of the EES explicitly into the Lisbon strategy, the topics appear under objective number 3 and integrated guideline number 23<sup>27</sup>.

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<sup>18</sup> Council of the European Union, 2003

<sup>19</sup> Watt, 2004 p. 126

<sup>20</sup> Council of the European Union, 2004

<sup>21</sup> Council of the European Union, 2005

<sup>22</sup> Council of the European Union, 1998, Council of the European Union, 1999, Council of the European Union, 2000

<sup>23</sup> Council of the European Union, 2001

<sup>24</sup> Council of the European Union, 2002

<sup>25</sup> Council of the European Union, 2003

<sup>26</sup> Council of the European Union, 2004

<sup>27</sup> Council of the European Union, 2005

### 3.1.3 Empirical Indicators for Member State Assessment

With regard to the broad nature of the guidelines, it proves difficult to establish suitable indicators in order to measure member states compliance. The ambiguity in interpretability decreases the likeliness to find suitable indicators that represent potentially achieved improvements in national policy making; this goes in particular for guidelines which are not accompanied with quantifiable targets and which are not implemented into quantifiable targets by the member states.

Nevertheless the authors have chosen six indicators which shall represent to a limited extent member states performance in sectors which are tackled by the two guidelines. The authors hereby acknowledge the fact that the choice of criteria, as also limitation of indicators, is a further source of inconsistencies. Nevertheless the indicators tackle the core of the respective guidelines and – in combination with the analysis of secondary material outlining national policy making – contribute to an overall analysis of the matter.

The aforementioned guidelines are:

- employment rates (of 16 to 65 old population)
- percentage rates of employment growth
- gross domestic product growth rates
- gross domestic product rates
- unemployment rates
- rate of long- term unemployment
- youth employment rates

These indicators particularly take up the employment issue. Nevertheless, long term unemployment-, youth employment- as well as activity rates also contribute to the second assessed policy field, “education and investment in human capital”. In order to assess this policy field, furthermore the following indicators shall be assessed:

- participation in education and training/ life-long learning
- investment in human resources
- education attainment of 20-24 year olds

These indicators should allow for an overall glimpse on the matter of educational

policies, together with the employment indicators the picture of policies which are comprised under pillar one of the old EES structure is nearly covered. Over the next sections, the performance of member states, with regard to the indicators shall be assessed.

### **3.2 The Performance of Germany**

With regard to the difficulties which occur by analysing the direct impact of the EES on national labour market policies this subchapter will outline the performance of Germany concerning the nine indicators as described above.

Since the Lisbon goals have found their way into the Employment Guidelines in 2001, the quantitative target of an overall employment rate of 67 per cent by 2005 and 70 per cent by 2001 have become a core issue<sup>28</sup>. Figure 3.2.1 shows the development of the annual employment rate, the annual employment growth rate and the GDP growth rate from 1993 until 2005. It is conspicuous that the employment rate was continuously declining between 1993 and 1997. Since the Luxembourg process has started in 1997, it can be observed that the trend has changed its direction. Henceforth the employment rate increased and reached its peak 2001 with 65,8 per cent, only 1,2 per cent below the reference value of the sub-ordinate target for 2005. However, after this peak the employment rate decreased, stabilised itself in 2003 by 65 per cent and increased slightly up to 65,8 per cent in 2005.

A first interpretation of this development would indicate an impact of the EES. It is obvious that simultaneous with the implementation of the EES in 1997 the direction of the employment rate started to increase. However, time compliance might be a hint for an impact but is not sufficient evidence. Furthermore the development of the GDP growth rate indicates a strong correlation with the employment rate. And in fact, the employment rate mostly follows the shift in direction of the GDP rate with a lag of one year. Due to this it is at least questionable if the EES is the dominating factor for the development of the employment rate. Furthermore it is unlikely that an impact of the EES would occur during the first year of implementation. Therefore other factors must be responsible for the shift in 1997. Nevertheless, the EES might have supported such a development.

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<sup>28</sup> Council of the European Union, 2001

## The Assessed Policy Fields in Germany, Greece and Italy

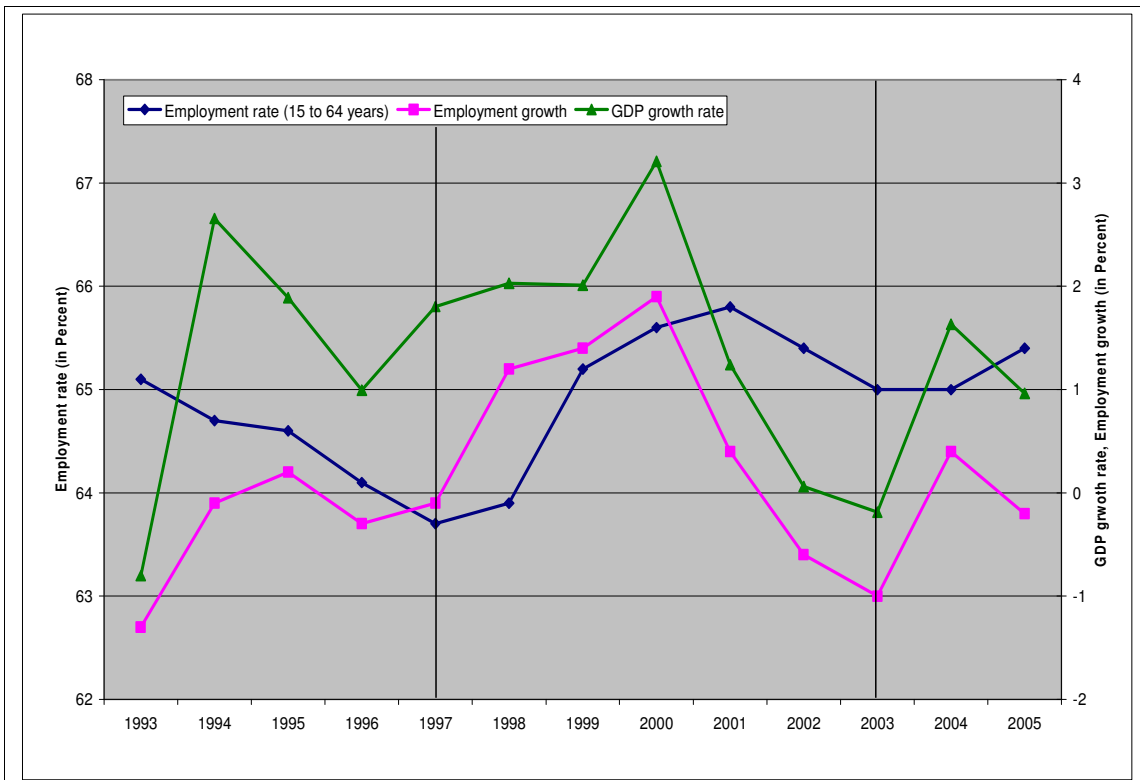


Figure 3.2.1: Employment Rate, Employment Growth and GDP Growth Rate of Germany (1993-2005), Source: Eurostat

There is a strong correlation between the employment- and the GDP growth rate noticeable. This is not surprising because of the causal relationship of job creation and economic growth. Therefore again, it is difficult to separate the economic development from the impact of the EES. In contrast to the employment rate, there is no turning point in the development of the employment growth rate, which increased from -1,5 per cent in 1993 to 1,9 per cent in 2000. After 2000, a decreasing trend is observable. The employment growth rate reached -0,2 per cent in 2005 and lies therewith 0,9 percentage points below the average of the EU-15.

Although the EES focuses on employment creation, the development of the unemployment rate is an indicator for impact of the EES. Figure 3.2.2 shows the development of the main unemployment indicators, the unemployment rate of 15 to 65 years old, the long-term unemployment rate and the youth unemployment rate. Germany's performances in those issues are sub optimal. Continuously increasing rates can be stated from 1993 to 2005. 1993 Germany's unemployment rate amounted 7,7 per cent, 2005 it reached 9,5 per cent. The years after the implementation of the EES in 1997 indicate a slight slow-down at the labour market. After a peak at 9,1 per cent in 1997 the unemployment rate decreased to 7,2 per cent in 2000.

## The Assessed Policy Fields in Germany, Greece and Italy

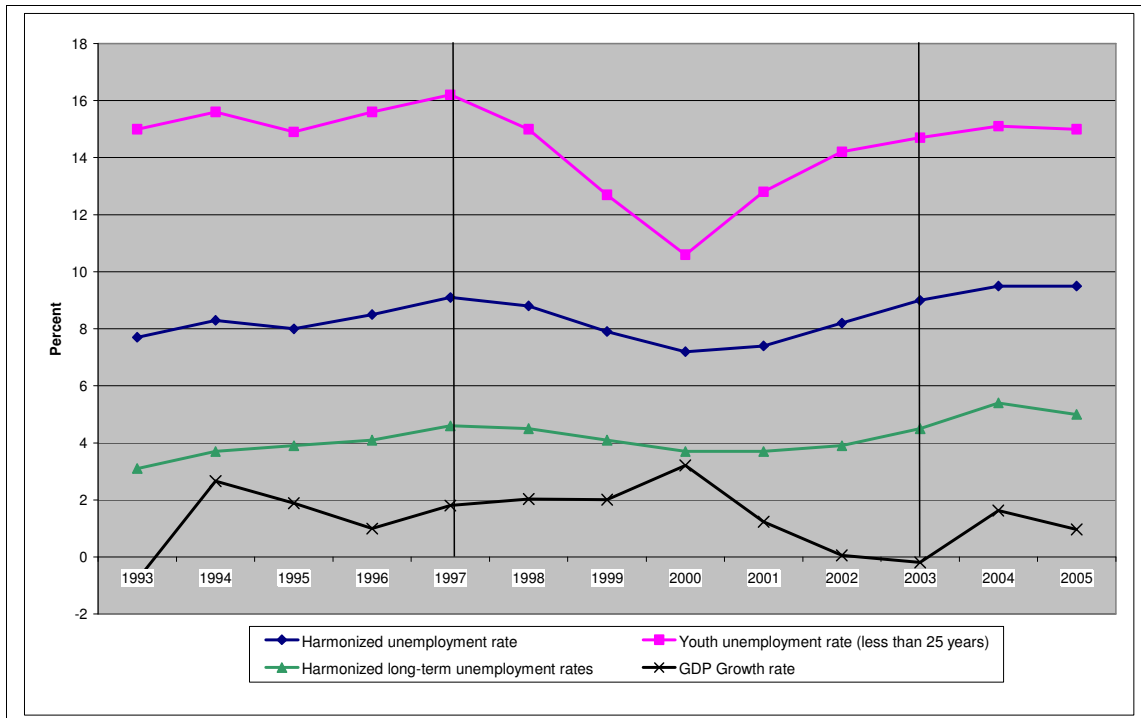


Figure 3.2.2: Unemployment Rate, Youth Unemployment Rate, Long Term Unemployment Rate and GDP Growth Rate of Germany (1993 – 2005), Source: Eurostat

However, the unemployment rate increased again after 2000 and reached its highest value with 9,5 per cent in 2004. Germany performs 1,6 percentage points inferior to EU-15 the average. As argued above, a comparison with the GDP growth rate shows a clear correlation between these two indicators. Hence it might be feasible that the economic development is the main influencing factor for the development of the unemployment rate. Nevertheless, the EES could an impact on the composition of unemployment.

As figure 3.3.2 shows, the long-term unemployment rate follows perfectly the development of the unemployment rate. The trend is also continually increasing from 3,1 per cent in 1993 to 5,0 per cent in 2005. Germany has therewith a 1,7 percentage point higher long-term unemployment rate than the average of the EU-15. The perfect parallel structure of the two lines indicates at least that no radical measure could change the relation between these two rates. If a program against the increasing long-term unemployment rate would have been successful, the two lines would have grown apart.

In the matter of youth unemployment, Germany starts with 15 per cent in 1993. After 1997, a strong decline of the youth unemployment rate reached its minimum in 2000 by 10,6 per cent. Nevertheless, after the strong slump an also strong increase of youth

## The Assessed Policy Fields in Germany, Greece and Italy

unemployment follows. In 2005, Germany has to state a youth unemployment rate of 15,0 per cent and has reached with it its value from 1993. However, in comparison to the EU-15 Germany performs quite well or at least not that bad as the average. It lies 1,6 percentage points below the average of the EU-15. Furthermore Germany is one of a few European countries where the youth unemployment ratio (unemployed people aged 15-24 years in relation to the population in the same age) is less than the general unemployment rate (2004: 6,0 per cent youth unemployment ratio and 9,5 per cent unemployment ratio).

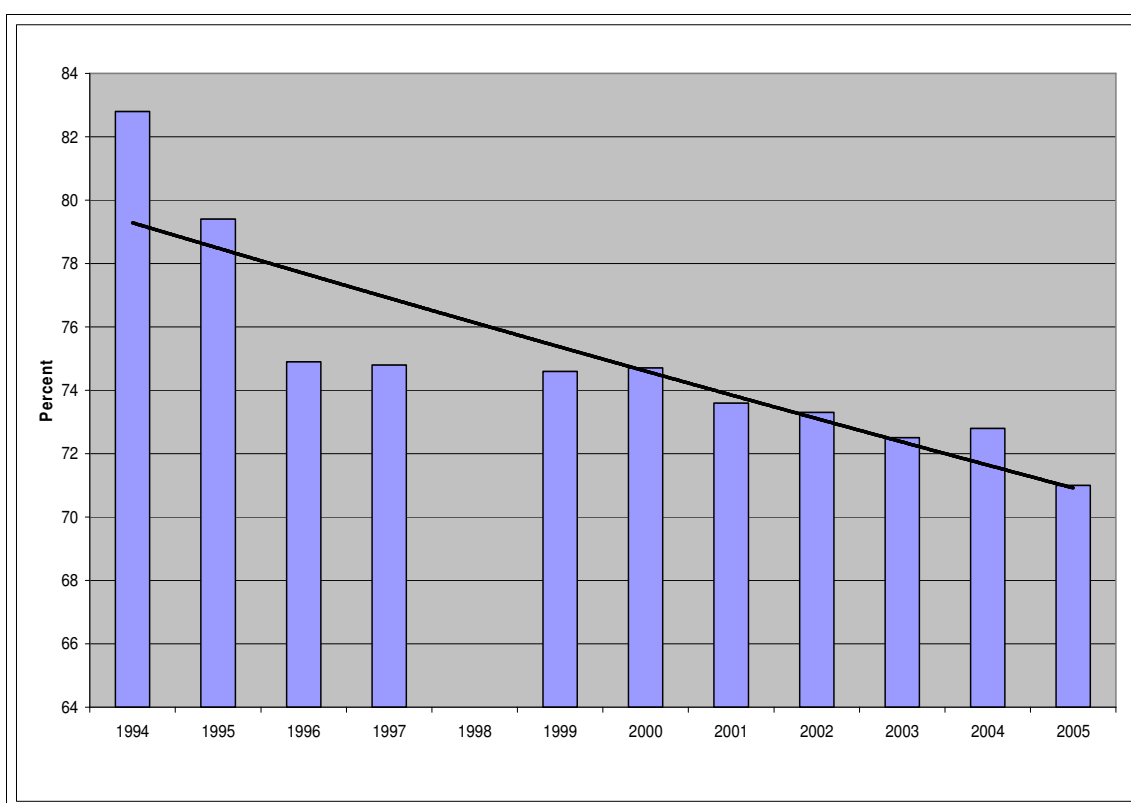


Figure 3.2.3: Youth Education Attainment Level (20-24 Years Old With at least Upper Secondary Education Level) in Germany (1996 – 2005), Source: Eurostat<sup>29</sup>

Whereas the performance of Germany in terms of employment is more or less in the middle field of the EU-15, it performs quite poorly in affairs of education. Figure 3.2.3 shows the indicator for the youth education attainment level. Since 1994 the share of 20-24 years old that having completed at least an upper secondary education is decreasing. It decreases from 82,8 per cent in 1994 to 71,0 per cent in 2005. Just to

<sup>29</sup> Data for 1998 is not available

### The Assessed Policy Fields in Germany, Greece and Italy

compare, in the EU-15, the youth education attainment level increased from 69,2 per cent in 1995<sup>30</sup> to 76,9 per cent in 2005. The EES target is 85 per cent by 2010.<sup>31</sup>

A better picture is drawn by regarding the percentage of the population (25-65 years) that participate in education and training. An increasing trend is obvious. Germany had started with 5,7 per cent in 1996 and reached 8,2 per cent in 2005. This is an increase of 2,5 percentage points. However, Germany still performs poorer than the EU-15. The EU-15 had started also 1996 with 5,7 per-cent but ended by 12.1 per cent in 2005. That indicates that Germany's effort concerning this policy field has been lesser than in other European countries.

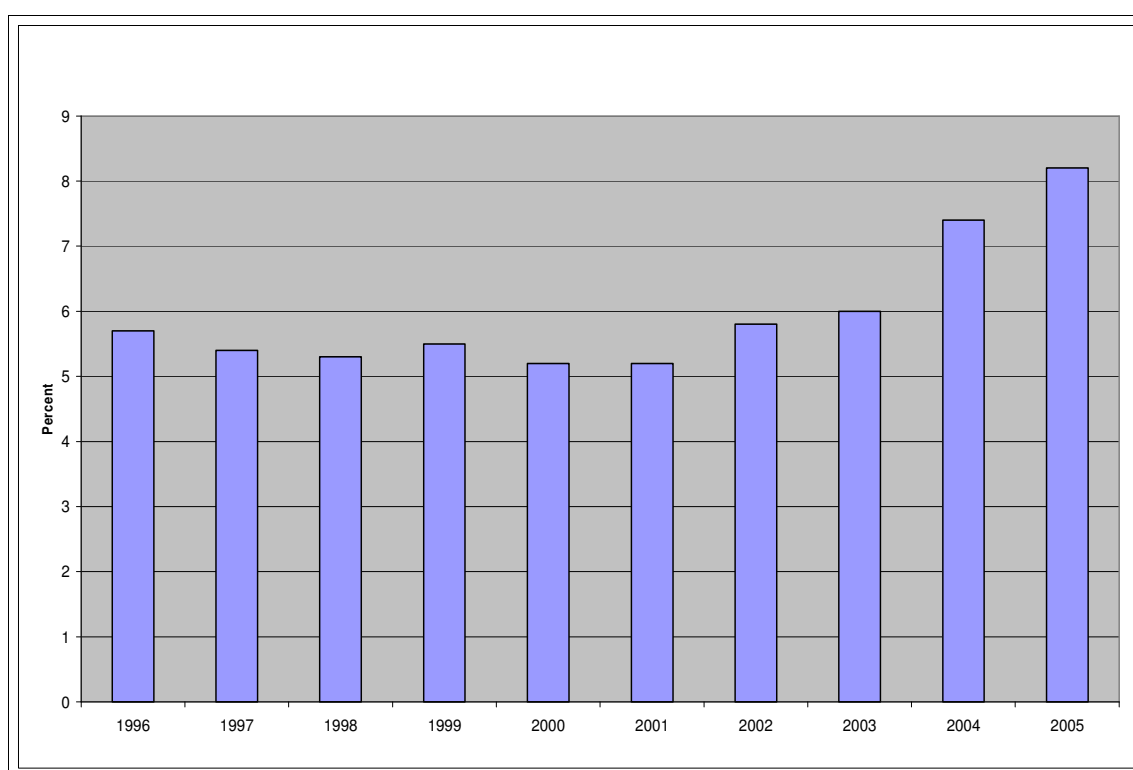


Figure 3.2.4: Life-Long Learning in Germany (1996-2005), Source: Eurostat

The indicator spending in human resources represents the total public expenditure on education as a percentage of the GDP. After a decline of the spending in human resources in Germany from 1995 (4,62 per cent) onwards reached it its minimum in 2000 (4.45 per cent). After 2000 follows a strong increase with its preliminary maximum of 4,71 per cent in 2003. Just for comparison does the average of the EU-15 reach 5,20 per cent.

<sup>30</sup> No Data for 1994 available

<sup>31</sup> Council of the European Union 2001, 2002, 2003

## The Assessed Policy Fields in Germany, Greece and Italy

According to the empirical data above Germany's performance in certain policy fields is more than sub optimal. Hence, a direct impact of the EES is not observable, at least not in the sense that the performance of Germany would significantly have improved since 1997. However, it was also not expected to be the case. Nevertheless the EES could have had an influence, which will be examined by a closer look to the policy changes in Germany in chapter 5.1 and 7.1.

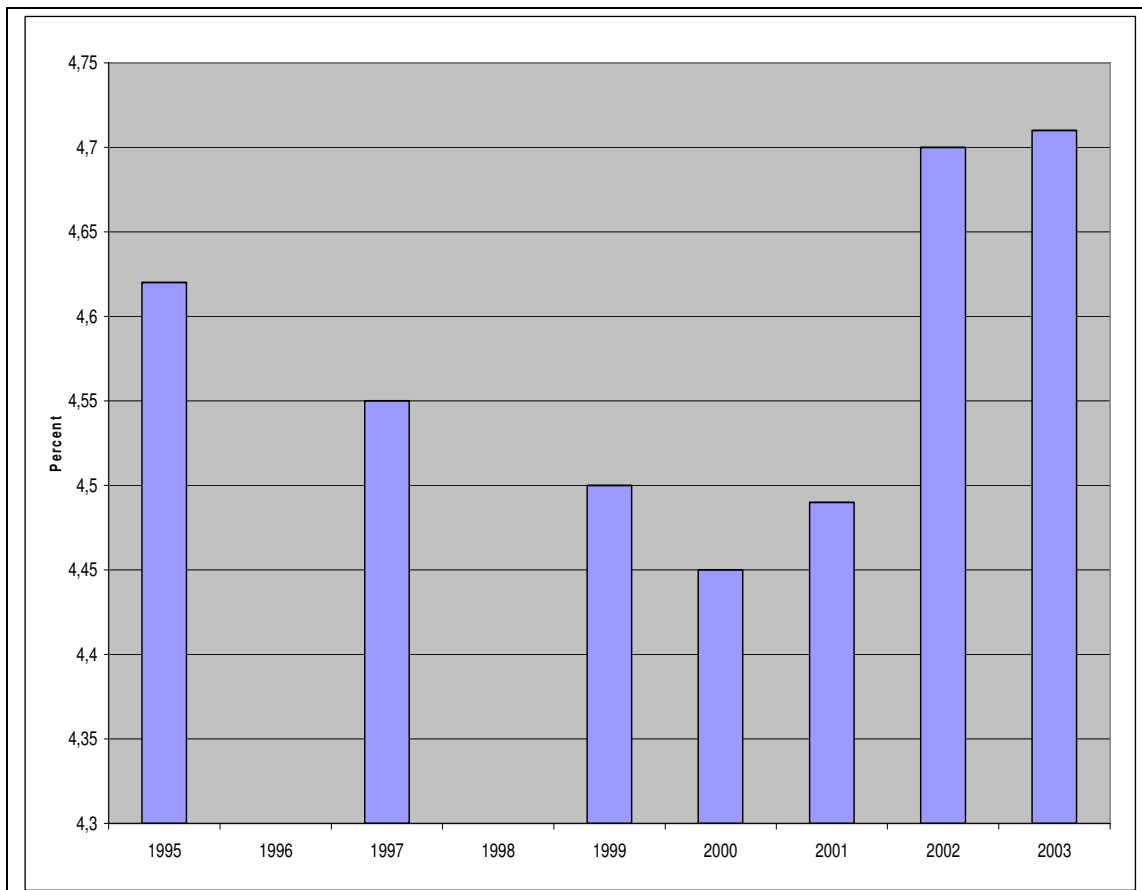


Figure 3.2.5: Spending in Human Resources in Germany (1995 – 2003), Source: Eurostat<sup>32</sup>

### 3.3 The Performance of Greece

The social model in Greece over the last two decades has been through several phases. Periods of certain “ups and downs” in economical as well as political circumstances have created a climate, under which social policy has been either neglected or dealt as a side issue, but never was it completely abandoned. A number of improvements as well

<sup>32</sup> No Data for 1996, 1998 and after 2003 available



## The Assessed Policy Fields in Germany, Greece and Italy

as set backs contributed to a certain type of social model as it is today in Greece. However the question for this study still remains whether this model is 100% Greek or “Greek-European”.

For the purpose of this analysis, the Greek social model, in particular the national employment policy will be further examined. Greece’s performance in the aforementioned indicators (see par.3.1.3.) during the last two decades reflects its evolution on employment issues and its compliance with the EU guidelines and recommendations, if there is any. Moreover, in order to analyse a possible impact of the European Employment Strategy (EES) on the Greek reality it is necessary to examine in parallel some basic economic and social characteristics from the 90’s and on. For that purpose, indicators like the Gross Domestic Product (GDP) and the percentage given to social policies, the involvement of social actors, the political system as well as the political parties that comprised the government in each given period and the way they handled employment issues are going to be examined in order to reach more concrete and explicit results.

On this subchapter the performance of Greece on the given indicators shall be examined. The performance itself shall provide the ground for a further analysis on whether there is an impact of the EES or not since, as it will be proved, the numbers themselves cannot provide a concrete result. On the contrary, other factors as well contribute to an overall qualitative criticism in order to extract better assumptions. On the following figure 3.3.1, the overall employment rate (15-64), the employment growth, as well as the GDP growth rate from 1992 until 2005 is presented.

On a first glance the most astonishing fact is the continuous ascend of the employment rate (15-64) with a slight set back between the years 1998-1999 and 2000-2001. So starting with 53,7% in 1992 we have a maximum 60,1% of employment by 2005. Although its promising scale, the target of an overall employment rate of 70% by 2010 seems still far reaching. However the question lies in whether this upstream trend would still be as such had there not been the Lisbon targets.

Taking a look at the employment growth rate one can observe two important peaks with a following descend; the first one in the year 1998 (2,9%) and the second in the year 2004 (3,4%). One could assume that the introduction of the EES in 1997 as well as its reform in 2003 provided a push to those numbers. But then again this is not enough to result a direct impact of the EES.

## The Assessed Policy Fields in Germany, Greece and Italy

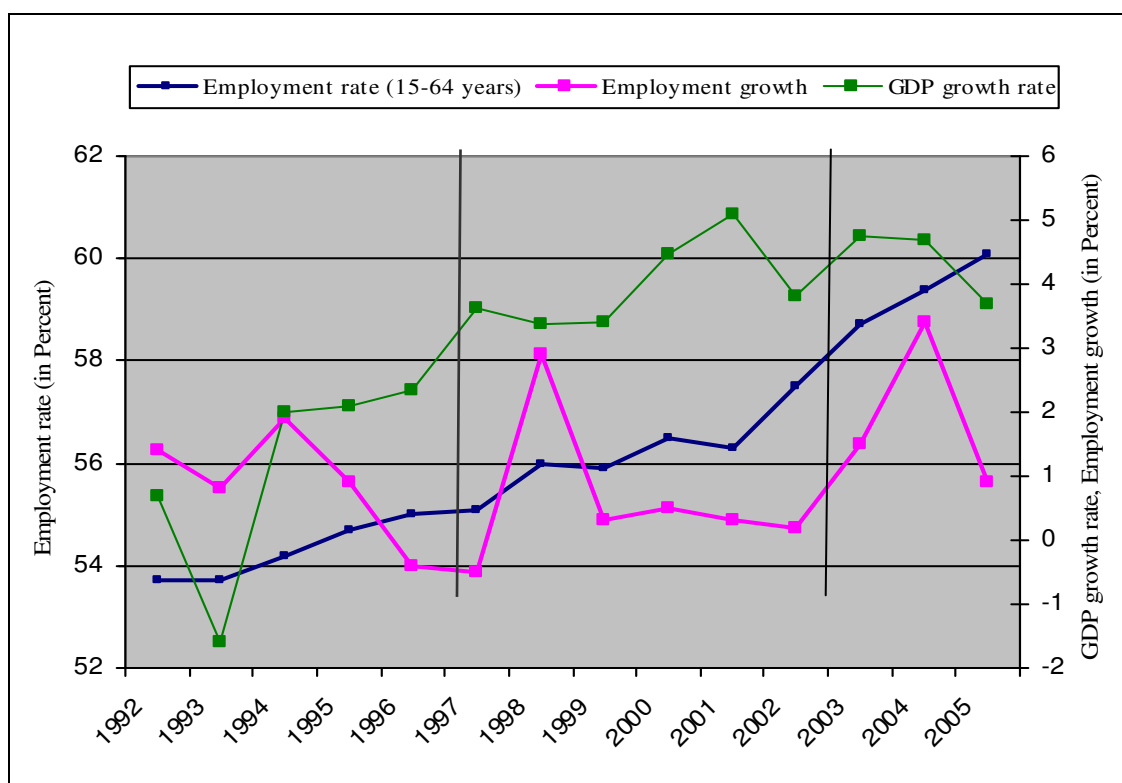


Figure 3.3.1: Employment Rate, Employment Growth and GDP Growth Rate of Greece (1992-2005), Source: Eurostat.

As far as the GDP rate is concerned, it is observable that it does not concur with the employment growth rate. This shows us that job creation is not particularly concurrent with economic development in Greece, which on its turn implies that other factors (be it the EES, national social pressure?) contributed to that direction.

On the next figure 3.3.2, the harmonized unemployment rate (15–64), the youth unemployment rate (less than 25 years old), the harmonized long term unemployment rate in combination again with the GDP growth rate is presented.

The harmonized unemployment rate in Greece has an upstream direction from 1992 (7,9%) onwards until 1999 (12,0%) when it reaches its peak. After that, labour market begun to show some potentials and the unemployment rate started to fall with a minor set back when after 2003 it went up again for one year. An obvious presupposition would be that the introduction of the EES in 1997 was a starting point for the descend of unemployment in Greece, whereas the need for a reform in 2003 invoked a small decline in numbers that easily improved again and from 2004 and on show a great deal of optimism.

## The Assessed Policy Fields in Germany, Greece and Italy

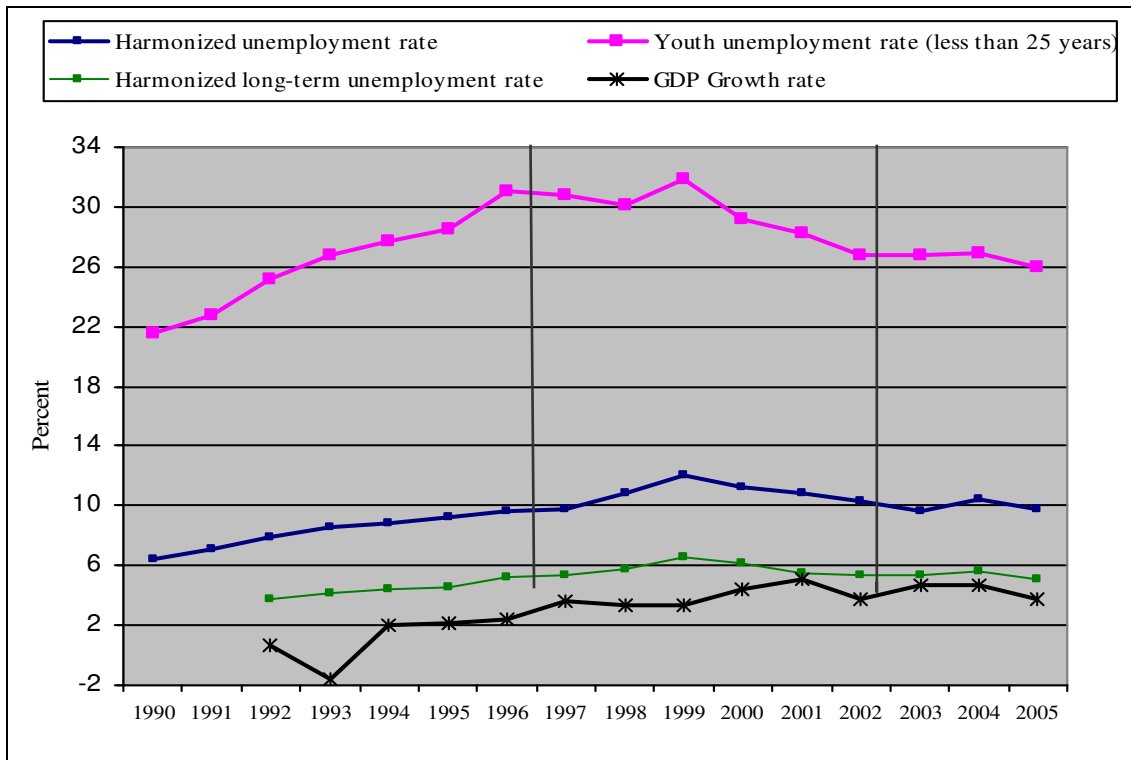


Figure 3.3.2: Unemployment Rate, Youth Unemployment Rate, Long Term Unemployment Rate and GDP Growth Rate of Greece (1990 – 2005), Source: Eurostat.

After a closer look at the harmonized long term unemployment rate, it is rather obvious that it shows a great deal of consistency with the overall unemployment rate. Both graphs reach a peak in 1999 and 2004 following the same pattern. This can somehow explain the relevance and dependence of the two indicators after any national employment policy.

As far as the unemployment of young people is concerned it also follows the same scheme with the two aforementioned indicators on a very higher level of course. In other words, it generally follows an upstream direction until it reaches a peak in 1999 (31,9%) and then it starts declining again and in the year 2005 it goes down again to 26%.

With reference to the GDP growth rate, all three indicators do not concur with the economic development of the country. Just as in the case of employment rates it simply implies that national fiscal policy alone is not enough to conduct employment to the required result but other factors contribute to that end as well.

On the next figure 3.3.3, the youth education attainment level of people among 20-24 years old that have attended at least the upper secondary education level is further presented.

## The Assessed Policy Fields in Germany, Greece and Italy

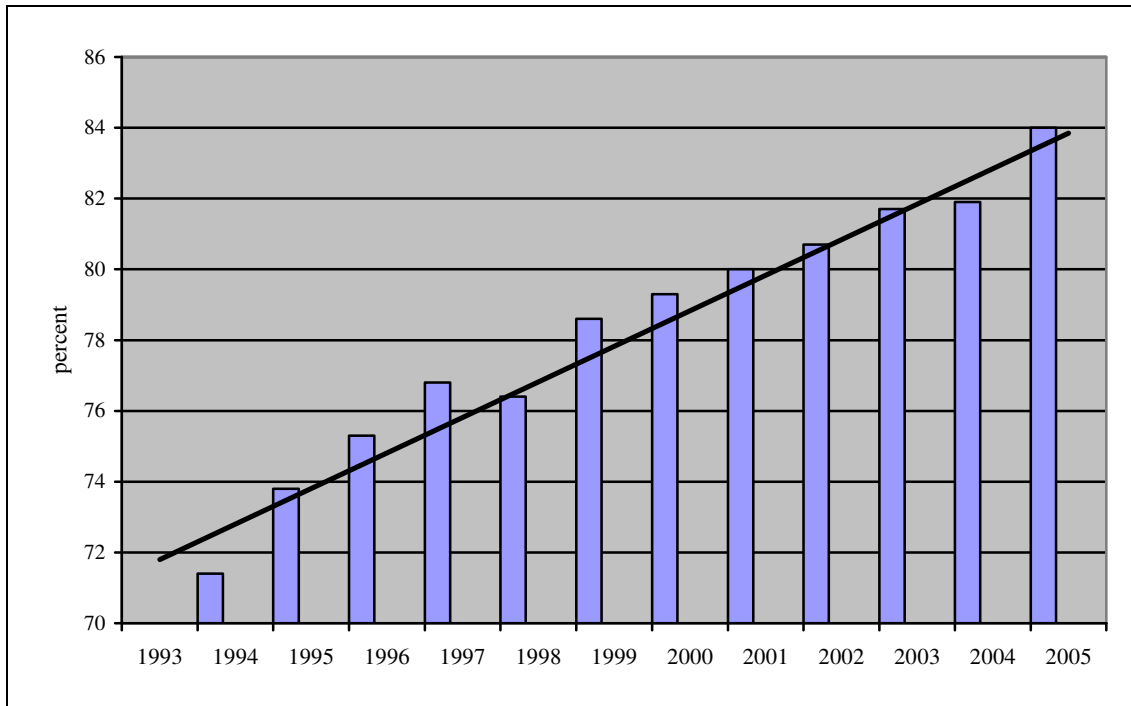


Figure 3.3.3: Youth Education Attainment Level (20-24 Years Old with at Least Upper Secondary Education Level) in Greece (1996 – 2005), Source: Eurostat.

As it is clear from figure 3.3.3, youth education attainment level in Greece is not only growing from year to year but it is also above the EU-average for all years from 1992 up until 2005. Moreover it is just 1% below the Lisbon target of 85% for 2010 with 84% in 2005 (fives years earlier). This good performance of Greece on the specific field reveals that activation policy particularly concerning education has always given good results regardless the EES.

On the next figure 3.3.4, life-long learning as a percentage of the people aged 25-64 participating in education and training from 1993 until 2005 is presented.

On a first glance one could easily extract a conclusion that this area is really problematic for the Greek society. In general terms it goes round 1% and 1,5% until 2002, while the EU average is round 6% in 1996 reaching a 12% by 2005. A sudden boost in numbers lifted the percentage up to 2,7% in 2003 and then it faded again ending with 1,8% in 2005. Greece's poor performance on this issue shows its incompetence in dealing with the matter and the need for stimuli to provide the appropriate push.

On the last figure 3.3.5, the spending in human resources in Greece as a percentage of the GDP for the years 1993-2003 is presented. Money spent by the Greek government to support the field of human resources is obviously ascending during this decade.

## The Assessed Policy Fields in Germany, Greece and Italy

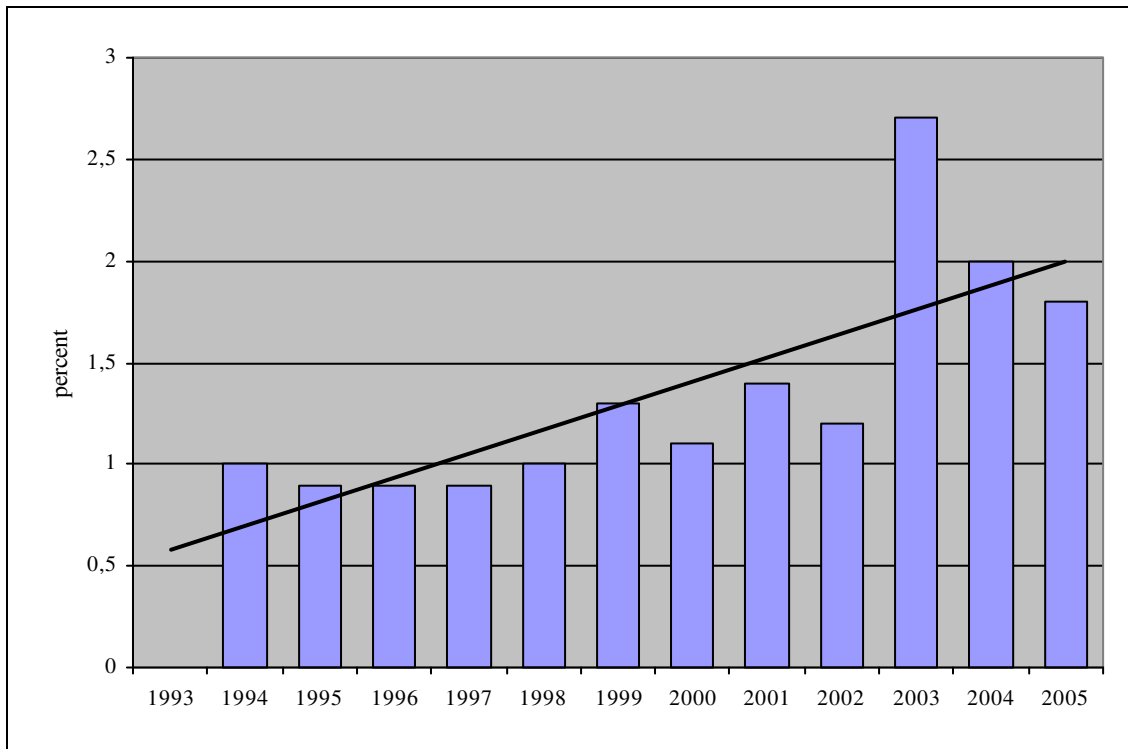


Figure 3.3.4: Life-Long Learning in Greece (1994-2005), Source: Eurostat.

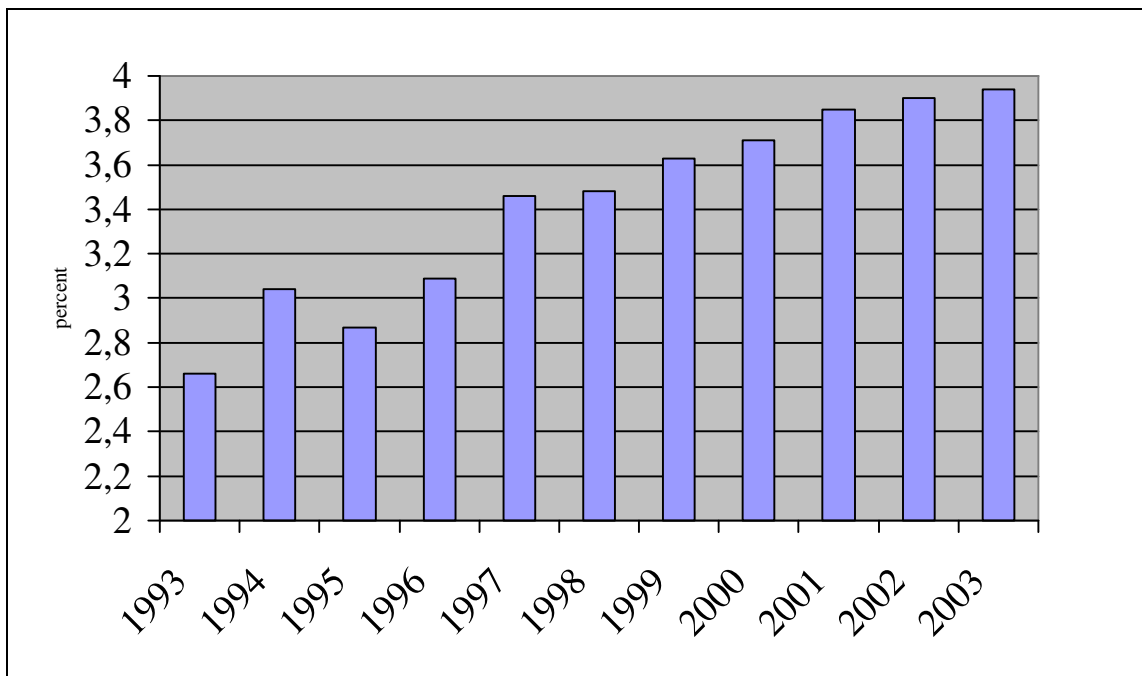


Figure 3.3.5: Spending in Human Resources in Greece (1993 – 2003), Source: Eurostat

## The Assessed Policy Fields in Germany, Greece and Italy

By the exception of the year 1995 (when it shortly declined) the percentage started from 2,6% in 1993 and climbed up to 3,9% in 2003. Still the performance of Greece on this indicator is far below the EU average which means that not only was there not enough attention to the matter but there is still a lot to be done.

As the indicators show, Greece has performed badly in some aspects of the national employment policy whereas in other aspects good enough. However two basic factors do not allow us to dare any conclusions so far as to whether there is an impact of the EES or not. Firstly, most graphics do not show any huge differences according to time scale with reference to some strategic points of the introduction of the EES (1997) and its reform (2002). Secondly, as far as employment indicators are concerned, any comparison to the GDP didn't give us the ability to conclude for certain that employment policies, in the meaning of job creation, and economic development in Greece follow a concurrent path. This gives us the incentive to search for deeper reasons for such a situation. To that end, further analysis will examine whether measures taken or appearing changes can be related to the EES.

### **3.4 The Performance of Italy**

Beginning with a brief overview of Italy's performance on the general economic indicators, this chapter aims to outline the key factors of the economy and the environment, which play considerable role for the economic development of the country and impact Italy's governmental policy in the area of employment and the labour market performance as a whole. The initial analysis describes the development and trends of Italy's economy in the last decade and serves as a foundation upon which a following examination for possible impact of the EES on the country's policymaking processes shall be based.

The implementation of the EES as an integral part of the Lisbon Strategy focused closer attention on the quantitative targets and henceforth confirmed their significance as a common benchmark tool for the Member States. The upward trend of the employment rate curve is a positive signal for the labour market development of the country. After a period of insignificant improvement in the mid 1990s the employment rate showed notable increase between 1997 (51.3 per cent) and 2004 when this stabilized at 57.6 per cent.

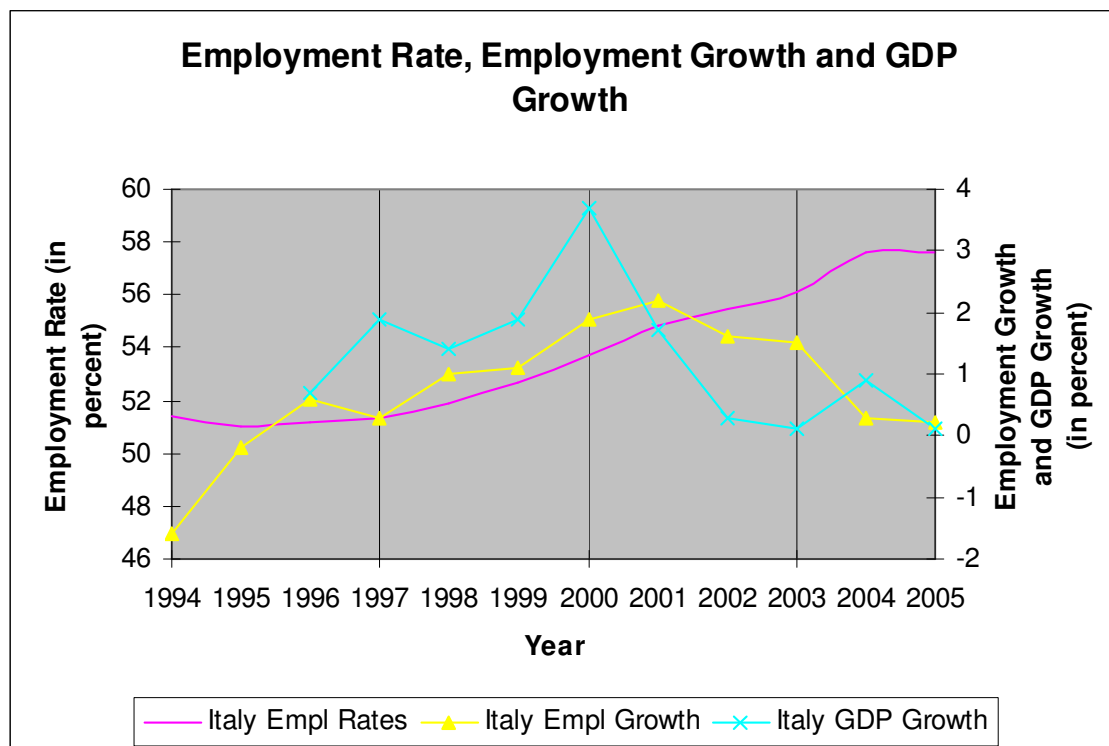


Figure 3.4.1: Employment Rate, Employment Growth and GDP Growth Rate of Italy (1994-2005), Source: Eurostat

However, in the spectrum of the goals set at the Lisbon Summit which comprise for instance the overall target to by and large achieve 67 per cent employment by 2005<sup>33</sup> this improvement is rather modest and lies far below the target level. This is expectable, considering the rather unpretentious or even negative employment growth results during most of the period. Despite this fact, the time compliance between the implementation of the Employment Strategy and the beginning of the improvement of the employment situation can lead to the assumption that there is clear impact of the EES. However, only this coincidence could not be sufficient to conclude that such an impact is real. Therefore, a further examination will be undertaken in an attempt to discover evidences for influence. At the same time, a strong correlation can be observed between the employment growth and the GDP growth in the examined period. In fact the employment growth follows the development of the economy (considering the GDP as a general, broad indicator for economic development) with a lag of one year. As mentioned above, this follow up of the employment growth is clearly noticeable in the period 2000-2001. After experiencing years of progress, the GDP growth dropped

<sup>33</sup> Indicators for monitoring the Employment guidelines, European Commission 2005

## The Assessed Policy Fields in Germany, Greece and Italy

between 2000 and 2002 from 3.7 to 0.3 per cent, followed by an employment growth decline since 2001.

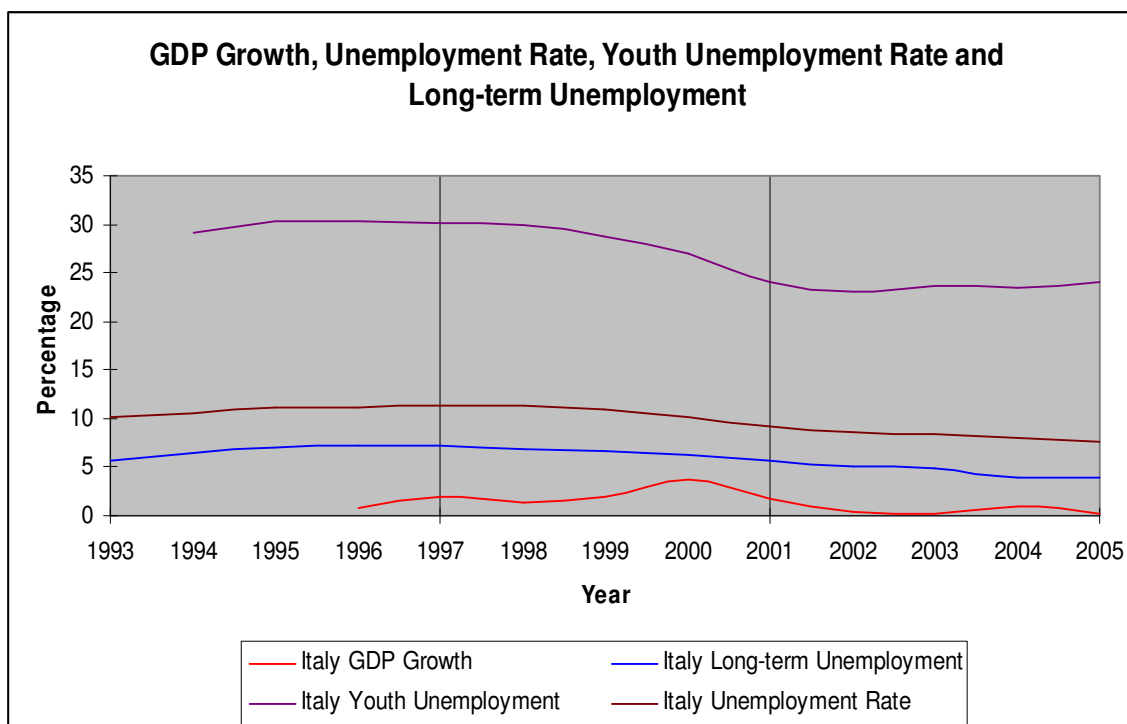


Figure 3.4.2: Unemployment rate, Youth unemployment rate, Long-term unemployment rate and GDP growth rate of Italy (1993 – 2005), Source: Eurostat

Particular attention deserves the following figure, which illustrates respectively the total, youth and long-term unemployment rates. Although, the country is amongst the founding members of the Community, the high levels of unemployment and accompanying structural problems have always been a characteristic of Italy's economy. Therefore, a close observation of the varieties of this indicator – youth unemployment, long-term unemployment and etc. – is needed. Italy's long-term unemployment rate follows the general tendency of the total unemployment, with observable upward trend until the beginning of the Luxembourg process 1997 when the direction shifted and both of the indicators reached their lowest levels in 2005 respectively at 3.9 per cent for the long-term unemployment and 7.7 per cent for the total unemployment. This is one more reason, although not enough on its own, to believe that there exist a substantial impact of the EES on Italy's development. The latter assumption is also supported by the fact that after experiencing a half-decade period of increase, the youth unemployment started to decrease since 1998 - the first years of the implementation of the EES – and stabilised around 24 per cent in the last



## The Assessed Policy Fields in Germany, Greece and Italy

years. Another fact attracting attention is the lack of correlation between the GDP and the unemployment, which is quite obvious in the period 2001-2003 and 2005, when significant decrease in the GDP is accompanied by a continuing decline of the unemployment. This could lead to the hypothesis that not the economic developments of the country, but other more influential factors determine the situation in the labour market. The youth unemployment, which was significantly reduced in the last years, through different kinds of policy measures, still remains at a level (around 24 per cent) which is among the highest levels in EU-15.

The youth education attainment level illustrated in Figure 3.4.3, which indicates the share of 20-24 years old that have completed at least an upper secondary education, could partly explain the improvement of Italy's labour market situation. Starting at a level of 56.3 per cent in 1994, this indicator follows a positive development during the whole time period until 2005 with only one exception, when in 2001 it slightly decreased. In this policy matter Italy demonstrates a remarkable progress achieving a level of almost 73 per cent, which is only 0.8 percentage points behind the EU-15 level.

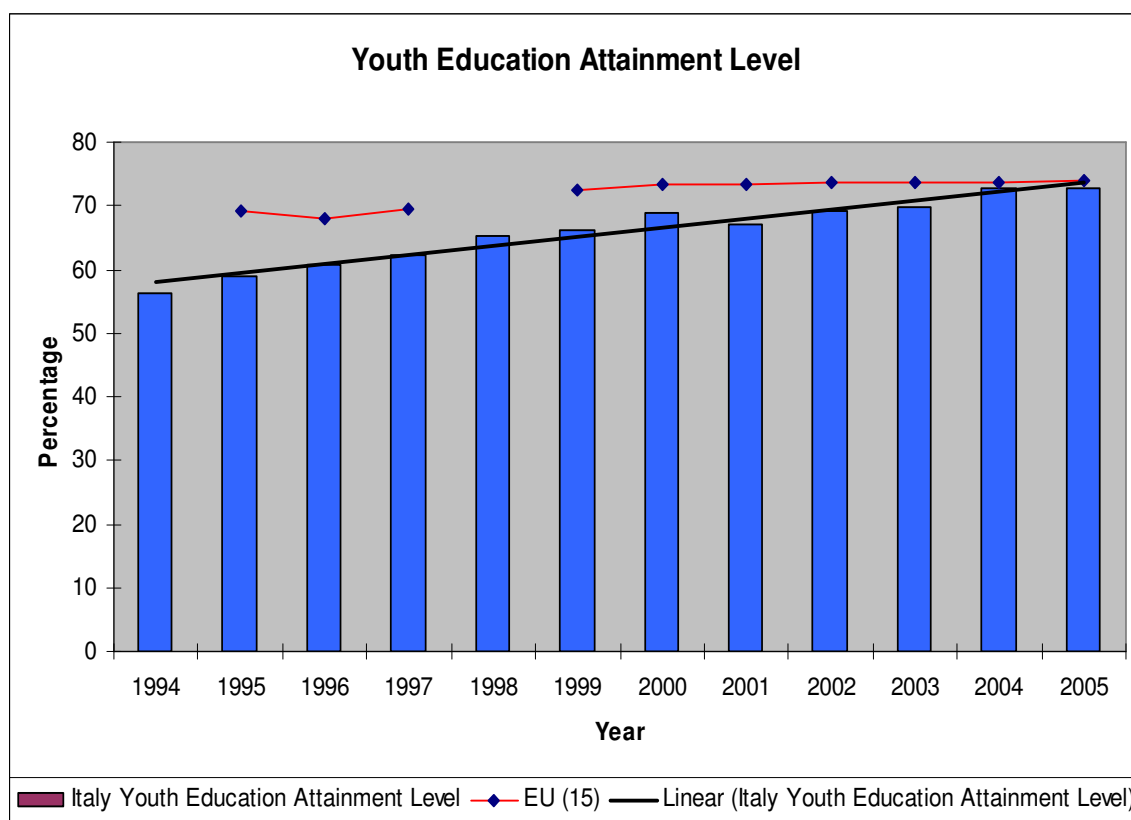


Figure 3.4.3: Youth Education Attainment Level (20-24 Years Old with at Least Upper Secondary Education Level) in Italy (1994 – 2005), Source: Eurostat

Taking into account this improvement one may expect that in the coming years Italy will probably reach the EU average. Considering the fact that the beginning of this positive trend lay back in 1994, an association with EES is not probable, although the possibility that the Strategy had a catalyst or intensifier effect<sup>34</sup> should not be excluded.

The performance of Italy in the area of life-long learning is ambiguous. The percentage of the population that participate in education and training doubled between 1994 (3.4 %) and 2004 (6.8 %). One may nevertheless distinguish periods of considerable declines: 2001 - 2002, 2005.

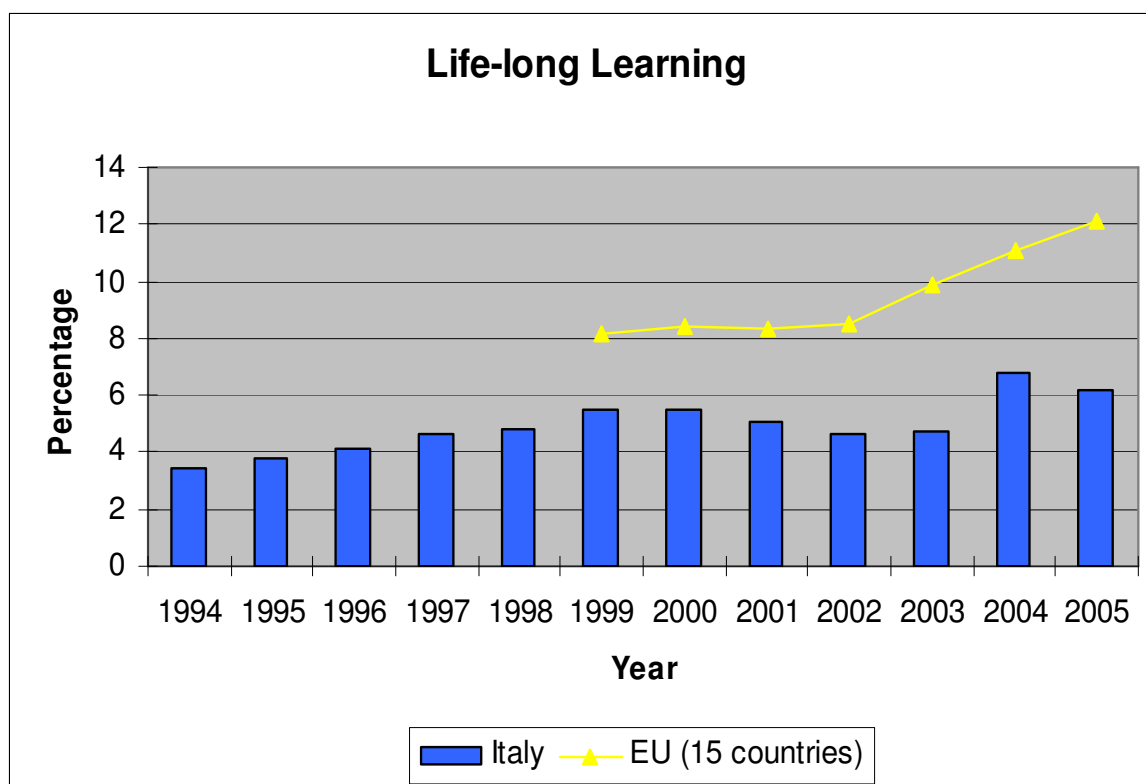


Figure 3.4.4: Life-Long Learning in Italy (1994-2005), Source: Eurostat

Furthermore, Italy's development in this policy area falls behind the EU-15. Apparently, the impact of the EES in this field is either insufficient or does not exist at all. Nevertheless, a further examination shall be undertaken in attempt to confirm this assumption.

In the following graph, the total public expenditure on education as a percentage of the GDP is illustrated. As it is clearly noticeable Italy's performance on this indicator is

<sup>34</sup> Zohlhoefer & Ostheim, 2004, p. 151. Zohlhoefer offers the distinction between catalyst effect called also "intensifier effect" and "steering effect" when a change in policies is mainly initiated by the guidelines or the recommendations.

### The Assessed Policy Fields in Germany, Greece and Italy

rather hesitant. After 1992 -1993 when the indicator has achieved EU-15 level from recent years, it started to decline and reached its lowest point at 4.46 per cent in 1997. Followed by periods of up- and down trends the indicator achieve a level of 4.72 per cent, which is a significant reduction compared to the beginning of 1990s and lay still behind the EU average. It is worth noting that after 1999 and 2001 when significant improvements on this indicator have been reached, the widening of the gap between Italy and EU-15 in 2002 and 2003 give rise to new concerns.

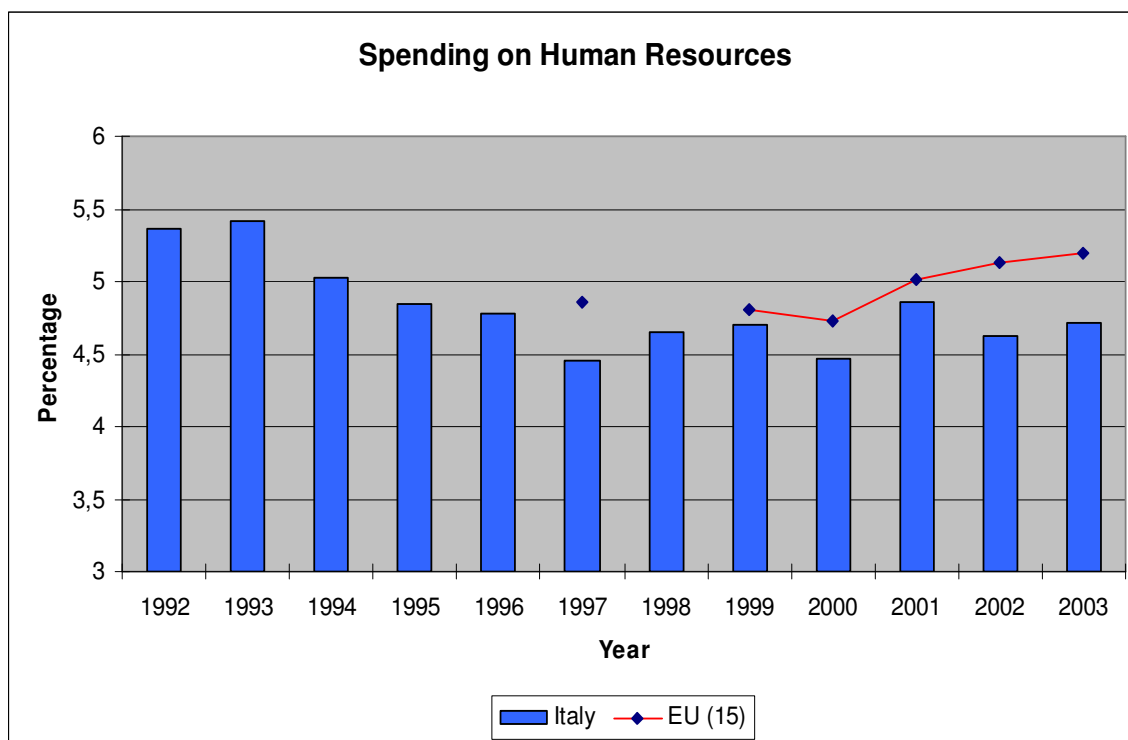


Figure 3.4.5: Spending in Human Resources in Italy (1992 – 2003), Source: Eurostat<sup>35</sup>

The above analysis demonstrates Italy's rather moderate performance. Even if a positive development is observed, the country lags behind the average result for the Union on almost all key indicators. Nevertheless, the existence of supporting influence of the EES is a positive sign. A further examination in the following subchapters shall outline whether this influence exists.

<sup>35</sup> No Data for 1998 (EU-15) available

#### **4. The European Employment Strategy**

In 1997, the heads of state and government at a special “Jobs Summit” in Luxembourg lay the ground for an EU role in co-ordinating Member State’s labour market policies<sup>36</sup>. Thereby it was declared, that employment was a matter of common concern for the Union, a finding which took up the fact that in the Amsterdam treaty earlier, a new Employment Title was included in the revised treaty, while already the passage of the Single European Act in 1986 had marked the beginning of an institutional change in the EU’s treatment of social issues and policies<sup>37</sup>.

Subsequently, the EES shall be outlined in detail, comprising the involved actors, its basis in the treaty, the underlying administrative patterns – comprising in particular the so called Open Method of Co-Ordination (OMC) – and the rationale for the process in which the expectations of the strategy shall become obvious.

##### **4.1 Institutional Overview**

The legal basis for the EES is to be found in title VIII, articles 125 till 130 of the Treaty of the European Community (TEC). The articles set out the aims of the strategy, they formulate employment – and a high level thereof – as a matter of common concern, thereby however acknowledge Member State’s competence in the sector. The articles furthermore regulate the procedure, by describing the actions supposed to be undertaken and distributing responsibilities<sup>38</sup>.

There is no transfer of sovereignty foreseen in the Employment Chapter of the TEC. Art. 128 is aimed at the harmonization of employment policies, the process includes guidelines as a means to achieve common goals and targets, as well as a formulated strategy, of which implementation is however completely up to the Member States.

From the start, the treaty emphasises, that the European Employment Strategy has to be in line with the Broad Economic Policy Guidelines (BEPG), the co-ordination method – the above mentioned OMC – therefore somewhat reflects the processes which are undertaken in relation to the pursuit of economic stability. An elaboration on the process until the first revision in 2002 shall be provided subsequently.

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<sup>36</sup> Watt, 2004, p. 118.

<sup>37</sup> López-Santana, 2003, p. 2.

<sup>38</sup> The roles and actions of the respective bodies of the Member States and the Community shall be elaborated on when describing the administrative patterns of the EES.

## 4.2 Administrative Patterns

The EES until 2002 followed an annual circle, commencing with a contribution of the Commission. The Commission set up a composition of round 20 guidelines onto which the National Action Plans (NAP) had to be adjusted. A basis for these guidelines were consultations with European as well as national actors. The guidelines were thus endorsed by the European Council of Heads of State and Government and subsequently adopted by the Council of Labour Ministers. The Employment Committee (EMCO), has the broadest responsibility on the side of the Council of Labour Ministers, it consists of two representatives of each Member State and two representatives of the Commission.

The above mentioned NAP were on Member State level set up with the contributions of trade unions and employers associations, the so called Social Partners (SP), the degree of their inclusion however varies<sup>39</sup>. NAP are not to be understood as plans in the usual sense, they do not report on issues which are to be undertaken in the future, but display policies which are implemented to date or have been implemented recently.

The Commission then reviews the NAP and draws recommendations on the basis of this assessment. The SP and the European Parliament (EP) are invited to comment on the assessment of the NAP. The CEC thus sets out the so called “Employment Package”, covering these recommendations along with a proposal, submitted to the European Council for new guidelines, thereby the cycle recommences<sup>40</sup>.

As far as the content of the guidelines and recommendations, issued by the Commission is concerned, there are few relevant changes to be reported upon. In 2001, six “horizontal objectives” were introduced, of which the most important for this analysis are objectives A and B, covering the issues which are researched upon in this analysis. Furthermore noteworthy is the aforementioned pillar structure, covering the most important aspects of European employment policy, the connection of which with this research has been outset in chapter 3.1.

Two distinct features of the administrative processes underlying the EES are Benchmarking and Policy Transfer. They gain their particular importance from the intergovernmental nature of the strategy. By undertaking a closer look on these features, many characteristic aspects of the EES become obvious, wherefore a deeper insight on the aspects shall be provided.

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<sup>39</sup> Watt, 2004. p. 120.

<sup>40</sup> Compare figure 4.1 for a graphical outline of the administrative process of the EES

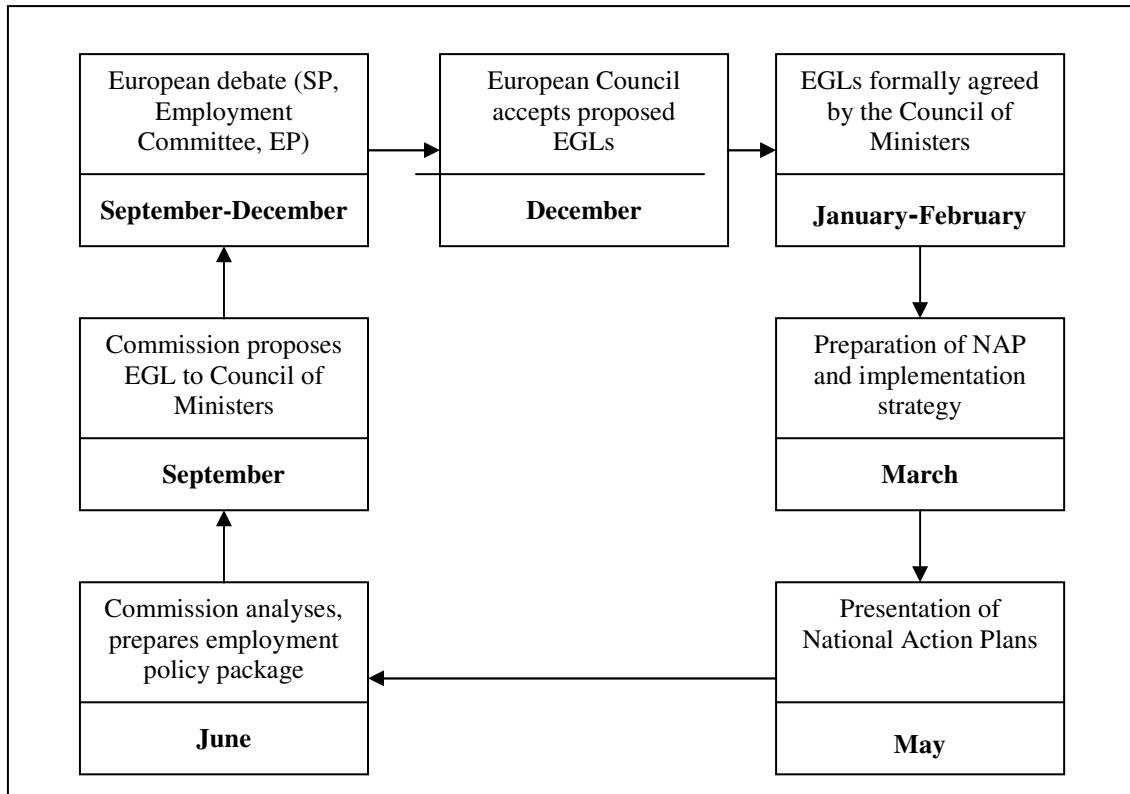


Figure 4.1: The European Employment Strategy Cycle, 1997 – 2002, Source: ETUI, based on Watt, 2004

#### 4.2.1 Benchmarking

Benchmarking is the most important tool underlying the OMC, in fact the whole process depends to a large extent on this measure<sup>41</sup>. Establishing a common definition of Benchmarking is difficult, due to the various different applications of the tool<sup>42</sup>, nevertheless it always comprises a standard or point of reference against which things may be compared or assessed. Benchmarking was inaugurated into the Union’s modes of policy making with the Communication “Benchmarking the Competitiveness of European Industry”<sup>43</sup>. Since then, Benchmarking has made its way into key fields of social policy, such as income distribution, working time, social protection, education, social infrastructure, regional cohesion, poverty, social inclusion and – most important for this assignment – employment and education and lifelong learning<sup>44</sup>.

<sup>41</sup> Groenendijk, 2004, p. 5.

<sup>42</sup> Schütz, Speckesser, Schmid, 1998, p. 27.ff

<sup>43</sup> CEC, 1996

<sup>44</sup> de la Porte/ Pochet/ Room, 2001, p. 4.

Benchmarking in the EU is used as a means in order to achieve best practice, cohesion and knowledge transfer, as well as a means of conversion by allowing for the principle of “naming and shaming”, i.e. outnumbering badly performing countries and thereby forcing them via “soft persuasion” and “moral suasion”<sup>45</sup>, to try and achieve better – or more converging – results in the future. This in principle outlines as well the role, benchmarking plays in the Luxembourg- Process. Here Benchmarking is used in order to enable comparisons to be made, as one of the key tool in combination with quantified targets, which are being benchmarked against each other. Benchmarking is furthermore utilized as in the form of the mentioned sanction mechanism and learning mechanism which shall lead to the achievement of best practice<sup>46</sup>. The mentioned learning mechanism has been subject to extensive debate under the framework of policy transfer<sup>47</sup>.

#### 4.2.2. Policy Transfer

Dolowitz and Marsh identified three types of policy transfer<sup>48</sup>. Voluntary policy transfer, which is transfer arising directly from policy makers dissatisfaction with the existing situation, leading to the adaptation of other countries strategies. This means is described as “lesson drawing”, extensively analysed for instance by Richard Rose<sup>49</sup>. Direct coercive transfer – the second type – is the situation in which one government forces another government to undertake certain policies. Indirect coercive transfer as the third feature arises, once a certain set of external effects or functional interdependencies require joint actions on side of policy makers.

Direct coercive transfer in the European arena occurs once the EU regulates a certain topic by direct legislation, this is not the case in the EES. The EES therefore has to be settled somewhere in between the two other options. Policy transfer in the EES can arise voluntarily, through lesson drawing and the implementation of certain best practice<sup>50</sup>, it

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<sup>45</sup> Borrás/ Jacobsson, 2004, p. 189. ff. outline a more detailed explanation of those terms.

<sup>46</sup> Borrás/ Jacobsson, 2004, p.193. ff.

<sup>47</sup> Concerning the discussion of policy transfer see for instance: Casey/ Gold, 2005; Strassheim, 2001 as well as Rose, 1991 and Zängle, 2004

<sup>48</sup> Dolowitz/ Marsh, 2000, p. 7. ff.

<sup>49</sup> Rose, 1991

<sup>50</sup> This is the situation, Groenendijk describes as interconnected with benchmarking of a voluntary, cooperative type (Groenendijk, 2004, p. 12. ff.)

can also become a necessary task, steered through external effects – in this case negative integration – as a response to the common market etc<sup>51</sup>.

### 4.3 Reasoning and Expectations

The EES reflects a common difficulty of the European Union: how to deal with problems that are to a certain extent brought about by European integration, without extending competences at the European sphere, which would potentially lack democratic legitimacy in dealing with the matter or generally appear unfeasible for national policy makers<sup>52</sup>.

The negative integration, brought about by the creation of a common market required a stronger commitment towards social policy, nevertheless the mood in the early 1990s among mostly conservative governments in Europe left little space for further integration of competencies towards the European level<sup>53</sup>. The OMC in general, and the EES in particular therefore can be regarded as an attempt to deal with matters, on which a common interest is clearly expressed in the treaties, without delegating sovereignty in any form from the Member States level to the Community.

The varieties of capitalism approach, put forward by various researchers in the last decade, contributes to a better understanding of the reasons, why a harmonised policy on Employment, undertaken by the European Union is not feasible for the Member States at this point<sup>54</sup>. The divergence of approaches towards an approach of what can be considered to be necessary and feasible in terms of social security is of a very differential type throughout Europe, a factor which makes harmonisation on those matters very difficult and brings new co-ordination methods such as the OMC and the EES in the game.

One may therefore assume, that the general expectation of policy makers on the European sphere is that a large degree of convergence shall be achieved with the above mentioned tasks, by which no transfer of sovereignty is required and the general

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<sup>51</sup> Heise provides a useful analysis concerning the necessity of a common European approach to social policy, due to the aspect that distribution of public goods is increasingly complicated through the existence of the common market. (Heise, 2004)

<sup>52</sup> Scharpf describes the difficulty in dealing with problem oriented policies in any way on the European sphere. (Schapf, 2000)

<sup>53</sup> The extent to which this would nowadays be possible imposes a major point of debate among officials from the Commission, Member States and the Social Partners. The trade unions therein are the only actor, who actually considers it possible – and feasible – to arrive at a situation where employment matters would completely be dealt with at the European level. (Compare Harding 2006, Gran 2006)

<sup>54</sup> compare for instance: Albert, 1991/ Hoffmann, 2005/ Hall and Soskice, 2001



feasibility of the policies is acknowledged mutually. As an extension of this idea it has always proved inevitable, that increased competences of the Union on sensitive matters of national policy making such as the welfare states, in the form of “intrusive European employment strategy, based on a single blueprint would almost certainly be a non-starter politically.”<sup>55</sup> Expectations thus have to remain limited as to the degree of good Member States compliance.

## **5. The Impact of the EES on the Countries**

In the following, a further set of three country-studies is provided, in order to conclude the impact of the European Employment Strategy on the Member States. Furthermore, brief overview about the institutional setting in charge of employment policy in the respective country is provided, to support better understanding of the causal relationships underlying the respective policies.

### **5.1 The Impact of the EES on Germany**

#### **5.1.1 Institutional Setting**

By examining the impact of the EES on the German labour market policy, it is essential to pay attention to Germany’s federal system. The German states, the so- called Länder, have substantial autonomy rights and share competencies in legislation and administration of labour market policies with the federal level (Bund).<sup>56</sup> Furthermore does a third level, the local authorities, play additionally a crucial role regarding the implementation of those policies. Hence, several levels of government and actors are involved in the NAP preparation process. An additional aspect has its origin in the German “Rhenish Model”<sup>57</sup>. This model of a co-ordinated, “social” market economy leads to an involvement of a broad number of other actors, especially the social partners. Figure 5.1 indicates exemplarily the complexity of the German coordination procedure by showing the coordination process for 2002/3.

The NAP process is led by one ministry. Since the implementation of the EES, this leadership changes from government to government. Under Chancellor Helmut Kohl

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<sup>55</sup> Watt, 2004, p. 120.

<sup>56</sup> Thiel, 2004, p. 2

<sup>57</sup> For specifications on the Rhenish Model see Hoffmann, 2004

and his Christian-liberal coalition, the Ministry of Economics and Technology was responsible. After Chancellor Gerhard Schröder had won the election in 1998, the Ministry of Finance took over the responsibility because of the transfer of the unit for general affairs (*Grundsatzabteilung*) to this Ministry. After the 2002 election the Ministry of Economics and Labour and since 2005 the Ministry of Labour and social affairs has taken charge of the process.<sup>58</sup>

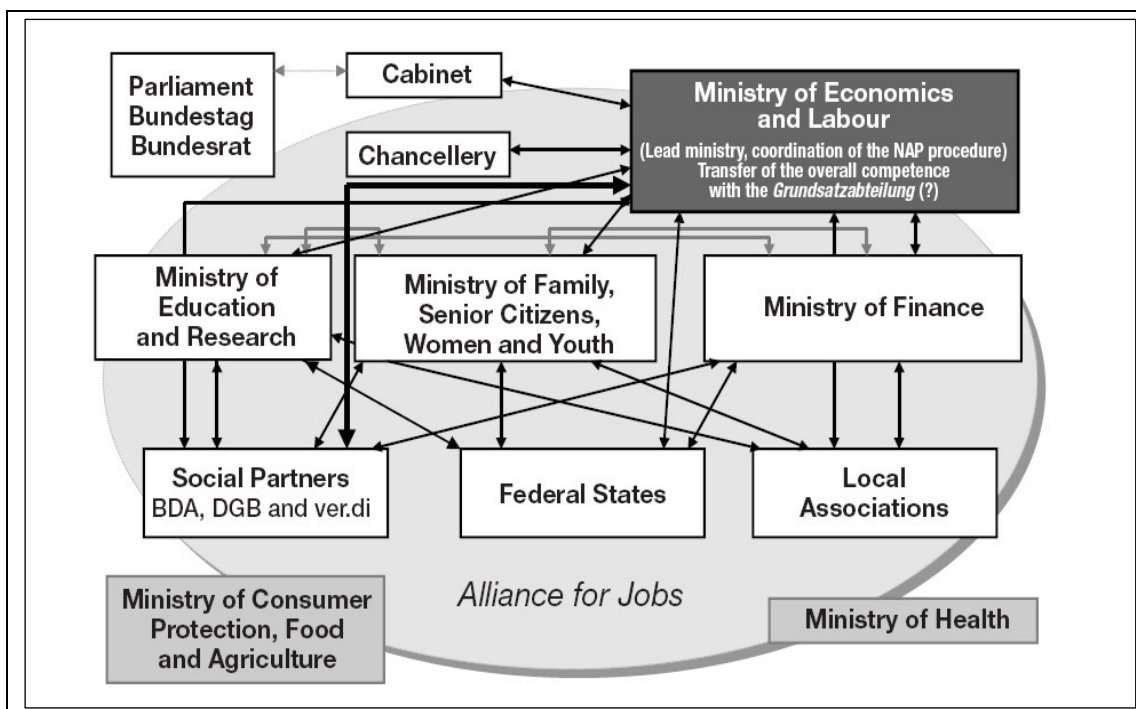


Figure 5.1: German policy network with a view to the EES (since 2002/3), Source: Ardy/Umbach 2004, p. 9

Other in the NAP preparation process participating federal Ministries draft sections of the NAP and transfer them with requested data to the responsible Ministry. After the NAP is compiled it will be transferred back to the participating ministries and the social partners. The Länder are fully integrated in the process through regular meetings at the working level. They submit statistical data and report their activities in issues concerning labour market policies. Since 2002 they write short reports which are attached separately on the NAP. Although the Länder involved in the policy-making process through the Bundesrat they never took officially a decision on the NAP.<sup>59</sup>

As outlined in chapter four, the social partners are an integral part of the OMC within the EES. Germany has a long tradition in involving social partners in questions of

<sup>58</sup> Umbach, 2003, pp. 61 ff.

<sup>59</sup> Büchs / Friedrich, 2005, pp. 254 ff.

labour market policies. Concerning the NAP process, the federal bodies of the social partners like the DGB or BDA<sup>60</sup> are asked to comment the draft texts of the Ministry and to report on their own activities. They are involved at federal as well as Länder level.<sup>61</sup> However, other groups like Non Governmental Organisations (NGO) are not involved. According to Büchs and Friedrich (2005), who interviewed civil servants in responsible positions at ministry level, this is due to the fact that the coordination process is already rather complicated and the close timetable prevents thus a further involvement of those actors.<sup>62</sup>

Beside the national coordination process several meetings between the federal level and the European Commission and the Employment Committee (EMCO) take place on a regular basis. The draft NAP is finalized by a decision of the cabinet on the text. The final NAP will afterwards be transferred to the Bundestag and Bundesrat for the main discussions in the responsible committees. As pointed out above, the Bundesrat has never taken decisions on the NAP. A quite similar picture can be drawn for the Bundestag. Discussions are rare. The committees decide usually only to “take notice” of the NAP without any discussions.<sup>63</sup> However, there are some noticeable exceptions from this rule which will be examined in detail in the following part of this elaboration.

The broad outline of the national coordination process shows clearly that a huge amount of different actors are involved. It is easy to assume that these actors have mostly different views and that coordination in a one year cycle would be difficult. And in fact, Büchs and Friedrich pointed out that their interview partner claim that the time slot would be too small for intensive political debates. This view is supported by interviews made by Gran and Harding with the social partners at European level. They support the view that the whole process is characterized through day to day work at the civil servant level without any political involvement.<sup>64</sup>

### **5.1.2 Impact on Germany’s Labour Market Policy 1997 – 2002**

Chapter 3.2 has shown that the employment rates and other EES-indicators are far behind their final targets. Nevertheless they do evolve in the right direction. As

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<sup>60</sup> DGB (Deutscher Gewerkschaftsbund), BDA (Bund deutscher Arbeitgeber), BDI (Bund der deutschen Industrie), DIHK (Deutsche Industrie und Handelskammer)

<sup>61</sup> Büchs /Friedrich, 2005, p. 256

<sup>62</sup> Ibid.

<sup>63</sup> Ibid., pp. 257

<sup>64</sup> Gran, 2006, Apendix A, L. 256 ff

mentioned above, it is at least questionable if those developments are explicable only through the EES but rather economic trends and national structural reforms are the main influencing factor. The national impact study of the Rheinisch Westfälische Wirtschaftsinstitut (RWI) in Essen states an impact of the EES always then if the measurements are in line with the Guidelines of the EES.<sup>65</sup> However, due to our methodology this would be not sufficient for stating a direct impact. It will be rather interesting to examine if there is an indirect or direct connection between the EES and the labour market policy in Germany.

In April 1998, the Christian-liberal coalition presented its first NAP. Within this NAP there is hardly to find any influence of the European Employment Guidelines at all.<sup>66</sup> That is not further remarkable if one considers that the coalition was at the end of its legislation period and that they already implemented basic reforms in the employment promotion during the year 1997. To mention only one example, did they for instance adopt new instruments to avoid long-term unemployment through a more preventive approach.<sup>67</sup> Although this reform was in line with the preventive approach of the EES, it is obvious that, due to the time point of implementation, an influence of the EES was impossible. However, the government referred by 8 of the 19 guidelines through these reforms. Finally, the government was only highlighting their activities in the field of employment during the ending legislation period.

Zollnhöfer and Ostheim<sup>68</sup> mention two additional points for the non-existence of an explicit connection between the EES and the policies formulated in the NAP 1998. First of all it was the first NAP, therefore it can be not surprising that the Luxembourg process had no direct impact. The procedures were new and had to be internalised. On the other hand, the Christian-liberal coalition was always sceptical and reluctant towards the project of and European Employment Policy and showed this also during the negotiations on the Amsterdam treaty. The coalition tried to intervene against any qualitative target which led the opposition, headed by the SPD (German Social Democratic Party), threatened to reject the treaty, which was possible because of SPD's majority in the Bundesrat.<sup>69</sup>

The second NAP 1999 was prepared by the new red-green coalition between the SPD and the Green Party (Bündnis90 /Die Grünen). The SPD and the Greens were in favour of European perspective in affairs of Employment policy. In their election manifest, the

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<sup>65</sup> RWI/ISG, 2002, pp. 2 ff.

<sup>66</sup> NAP, 1998

<sup>67</sup> Zollnhöfer, 2001, pp. 292 ff.

<sup>68</sup> Ostheim/ Zollnhöfer, 2002, pp.18f.

<sup>69</sup> Aust, 1997, pp.758 ff..

SPD asked for a European Employment Pact and binding targets to reduce unemployment on the European level.<sup>70</sup> The same can be found in the election manifest of the Greens from 1998. They also asked for a European Employment Pact with binding obligations for the Member States.<sup>71</sup> Consequently, there can be assumed that a shift in the assessment of the necessity for a coordinated European approach concerning employment policy took place after the ruling parties had changed. The question now arises if that had an impact on the influence of the EES on the national policy actors.

As Zollnhöfer and Ostheim indicate, the change in government did not coercively lead to a change in the National Action Plans<sup>72</sup>. For instance, the formulation at the second guideline concerning the prevention of long-term unemployment in the NAP 1999 was almost the same as in the NAP 1998.<sup>73</sup> However, during its first period of office the new red-green government implemented several labour market reforms which were in line with the Employment Guidelines.

Already in its first NAP in June 1999, the new government mentioned at least three important projects which are adopted directly after the assumption of office, firstly the Emergency Programme for Reduction of Youth Unemployment, secondly the programme Women at Work and thirdly the Alliance for Jobs, Training and Competitiveness.<sup>74</sup> The government had referred to these points several times in the following NAPs 2000 – 2002. Although these crucial projects are in line with the employment guidelines it is unlikely that the EES played a major role by their implementation. This can be stated due to the fact that all three projects were already mentioned in the prior election manifesto of the SPD.<sup>75</sup> Therefore it can be assumed that those projects are directly motivated through the political environment of the SPD. An impact of the EES on the preparation process of the election manifesto can be neglected because of the timing framework.

It is remarkable that several reforms and projects at the labour market did not appear in the NAP at all. There is the withdrawal of reforms of the Christian-liberal coalition or the new arrangement of short-time employment. Perhaps the actors did not, or did not want to associate these reforms with the EES because of the circumstance that these were mainly compliances of prior election pledges. Zollnhöfer and Ostheim conclude that such a behaviour, to mention only those projects which are perfectly fit with the

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<sup>70</sup> SPD, 1998, p. 73

<sup>71</sup> Bündnis90 /Die Grünen, 1998, p. 50

<sup>72</sup> Ostheim/ Zollnhöfer, 2002, p. 20

<sup>73</sup> NAP 1998, 11ff and NAP 1999, pp. 18 ff.

<sup>74</sup> NAP 1999, pp. 7 ff.

<sup>75</sup> SPD, 1998, pp. 11, 47ff., 51

Employment Guidelines and to hide those who are not in line or do not fit with the guidelines, would be a hint that the EES had only a minimal impact on those actors. The obligation to fulfil the promises out of the election campaign was obviously greater than the willingness to be in line with the EES.<sup>76</sup>

Despite above-mentioned doubts, there are clear hints for a direct impact of the EES on policy-making. In 1999 the red-green government introduced a bill to change the third book of the Social Security Code (SGB)<sup>77</sup>. This law should lead to an easier application of new measures to people who are endangered to become long-term unemployed. This contains for instance employment-creation measures (ABM) or recruitment subsidies (Einstellungszuschüsse). For older unemployed people, the waiting time for integration subsidies (Eingliederungszuschüsse) was reduced from 12 to 6 months.<sup>78</sup> This bill should pave the way for pervasive employment promotion reforms which came two years later with the Job-AQTIV law.<sup>79</sup> The main purpose of the Job-AQTIV law and the previous law to change the SGB III was to strengthen the thoughts of activation and prevention. Thereby the main focus lies on prevention.<sup>80</sup>

The Job-AQTIV law was the first time where employment policies out of the EES found their way into German labour market laws. In accordance to the first guideline for every unemployed adult a new start in career terms should become possible through a strengthened support after six months of unemployment. Better profiling, integration commitments (Eingliederungsvereinbarungen) and a call for a closer cooperation with other private employment services to improve the job placement for unemployed people were also targets of the first guideline. To improve the employability of young people, several active measurements were implemented (e.g. premium for a premature transfer from an out-firm training to an in-firm training or promotion to make up the CSE<sup>81</sup>). Although guideline two asked for such kind of instruments, there were only a few arrangements to support older and disabled people.<sup>82</sup>

It is obvious that the new laws are guided by the thought of prevention by focusing mainly on employability and the improvement of job placement. In spite of vacancies, this thought and therefore the implemented laws are totally in line with the EES. However, there exists a long tradition of preventive and activating labour market

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<sup>76</sup> Ostheim/ Zollenhöfer, 2002, pp. 20 f.

<sup>77</sup> SGB = Sozialgesetzbuch

<sup>78</sup> RWI/ISG, 2002, pp. 21 ff.

<sup>79</sup> AQTIV stands for Activation, Qualification, Training, Investment and Convey

<sup>80</sup> Siskos, 2004, p. 77

<sup>81</sup> CSE stands for Certificate of Secondary Education and is the Anglo-Saxon equivalent to the German Hauptschulabschluss

<sup>82</sup> Siskos, 2004, pp.77ff.

policies in Germany. Hence, the Job-AQTIV law was in line with former German labour laws. Furthermore, the SPD was always in favour of such kind of policies. Nevertheless found the RWI in its national impact study a new quality of reforms as it stated that the transfer from the former employment promotion law (AFG / Arbeitsförderungsgesetz) to the SGB III and the succeeding employment reforms demonstrate a caesura in the German active labour market policy<sup>83</sup>. As emphasised before it is hard to distinguish between reasons and impact. But in case of these labour market reforms another hint for an direct impact of the EES is remarkable, the direct references to the employment guidelines in the justifications of the new bills. Without any doubt, this showed a new quality and the first time ever that the common employment policy of the EU found its way into German labour laws.

In their description of the targets of the bill for the change of the SGB III the government refers explicitly to the EES as it states that this law would be a contribution to implement the Employment guidelines of the European Union<sup>84</sup>. They referred to the guidelines of the EES particularly in matters concerning the prevention of long-term unemployment<sup>85</sup>. Furthermore, the red-green government quoted the full text of the first two guidelines by justifying the concentration of promotion possibilities on young, disabled or older unemployed people or such unemployed who are endangered to become long-term unemployed<sup>86</sup>.

There are quite a lot similarities by the justification of the Job-AQTIV law two years later. Already on the first page of the bill, a first clear reference to the EES can be found. It is stated that the law considers the preventive approach of the ESS.<sup>87</sup> The main reference, however, can be found on page 24: “The new conceptualised right of labour promotion picks up actively the current employment guidelines of the European Union and therefore locates itself in the framework of the European Employment Strategy which were introduced by the council of Luxembourg in 1997.”<sup>88</sup> Furthermore almost all key terms of the EES, like lifelong learning, prevention of youth and long-term

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<sup>83</sup> RWI/ISG, 2002, p. 27

<sup>84</sup> BT-Drs. 14/873, p. 1

<sup>85</sup> Ibid., pp. 10, 15, 16

<sup>86</sup> Ibid., p. 19

<sup>87</sup> BT-Drs. 14/6944, p. 1

<sup>88</sup> Ibid., p.24 „Das neu konzipierte Recht der Arbeitsförderung greift die derzeitigen beschäftigungspolitischen Leitlinien der Europäischen Union aktiv auf und bewegt sich damit im Rahmen der auf dem Europäischen Rat in Luxemburg 1997 begründeten gemeinsamen Europäischen Beschäftigungsstrategie.“

unemployment, promoting of participation of older persons and gender mainstreaming are mentioned during the justification of the Job-AQTIV law.<sup>89</sup>

These direct references to the European employment guidelines are absolutely remarkable and therewith until now the strongest link to an impact of the EES on Germany's labour policies. It is by no means common that a government refers to international organisations during their own justification of new laws. On the other side, these are only two examples, whereas the discussions in the Bundestag showed that at least the legislator had not internalised the EES. During the discussions of the first law, only representatives of the ministry of labour were mentioning quite shortly the connection to the EES, while during the discussion of the later Job-AQTIV law, the EES was not mentioned at all. Zollenhöfer and Ostheim ascribe this behaviour as credit claiming by the government. They try to reap the benefits of their work and do not want to share this glory with other actors like the EU.<sup>90</sup> But if the described behaviour would be the dominant strategy it is questionable why they mentioned the EES during law preparation process at all. Hence, it might be possible that the EES is indeed known by the actors but not totally internalised and therefore not used in a consequently manner.

Another remarkable finding is that other laws like partial retirement or the fight against unemployment of severely disabled people fit perfectly with the employment guidelines but no references were made to them within the law.<sup>91</sup> The same problem arises during the debates or better during the lack of debates of the NAP in the Bundestag. Beside the first discussion on the implementation of the EES in 1998 the NAP was only discussed twice in the Bundestag. This was 1999 and 2000. In 2000 it was only in combination with the announcement of the Job-AQTIV law. However, the Bundestag decided only to take notice of the NAP. In all other cases, the plenum decided to refrain from reporting.<sup>92</sup> This abstinence of discussions at the Bundestag could be a hint that the EES does not play any role at all for the work of the legislator. In combination with the references in crucial labour laws, this would support the opinion of Franz Folker from Union des Industries de la Communauté Européenne (UNICE). He states that the OMC would be handled at a very technical level, a civil servant level. On the other hand, the targets would be set at a high political level (head of government level). There would be a discrepancy between these two levels which finally lead to the outcome that the heads of government set the goals at their summits

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<sup>89</sup> Ibid., pp. 24, 26, 39; compare also Zollenhoefer/ Umbach 2005, pp. 156 f.

<sup>90</sup> Ostheim/ Zollenhöfer, 2002, p. 23

<sup>91</sup> Ibid., p.23

<sup>92</sup> Büchs / Friedrich, 2005, p. 257



without any discussions in the national political arenas whereas the civil servants level has to administrate the decision. The problem lies therein that the political sphere below the head of government level would not participate at all.<sup>93</sup> The findings up to now would support such an approach. Obviously, the EES found its way into the drafts of crucial labour laws but not into the debates about these laws.

To examine the real impact of the EES on the strategically policy making in Germany, it would be essential to accomplish qualitative interviews with actors who are involved in the NAP preparation process. Regarding to our methodology and the time constraints, this was not possible in the context of this elaboration. However, Büchs and Friedrich interviewed in the framework of their study several actors such as civil servants at the Federal and Länder level and social partners.<sup>94</sup> The result is unambiguous, almost all interviewees came to the conclusion that the NAP process did not deliver any incentive to formulate new politics. It would be seen as a mainly governmental product where many actors are involved. Hence, the government uses it mainly to report its own activities related to the EES. Furthermore, the EES played no crucial role for the work of these actors because the NAP preparation procedure was only a small part of their day-to-day work and was seen only as an additional report under many other reports which have to be written for the European Union.<sup>95</sup> The actors claimed further that the process would be too bureaucratic and they would have not enough time for formulating their parts effectively.

The social partners on the other hand did not have anything to complain about their involvement. The NAP preparation procedure is in line with other national procedures concerning similar matters. As mentioned before, Germany has a long tradition of involving social partners. The Trade Unions are in favour of the whole EES process concerning the strengthening of Europe's social dimension and measurements like active labour market policy or gender equality. On the other hand, they are in opposition to certain employment guidelines which are in their opinion too neo-liberal. In contrast to the Trade Unions, the employers' federations are against any deeper involvement of the European Union in issues concerning social and labour affairs but highly satisfied with certain guidelines.<sup>96</sup> These perceptions are in line with interviews at the European level made by Gran and Harding.<sup>97</sup> However, the question arises if these different views of the social partners are reflected by the NAP. The answer will be a simple denial. As

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<sup>93</sup> Gran 2006, Apendix A, L. 256 ff.

<sup>94</sup> Büchs / Friedrich, 2005, p. 257

<sup>95</sup> Ibit., pp. 258 f.

<sup>96</sup> Ibit., 2005, p. 258

<sup>97</sup> Gran, 2006 and Harding 2006

the NAP is only a report to present the governments own policy strategies they do not express any viewpoint of the social partners.

As the NAPs have no or at least little impact on the policy making process it could be assumed that at least the recommendations would do. No government is amused by getting denounced by an international organisation like the EU. It has to be afraid that the opposition and the press will make use of these recommendations to blame the government for their poor performance at this policy field. Due to this, an impact should be observable.

The first recommendations were issued by the European Council in 2000. These include five tasks for Germany. The government should (1) intensify its effort to tackle long-term unemployment and (2) make better use of the employment potential of the service sector by undertaking legal, tax and other measures in order to reduce the obstacles for setting up new enterprises. Furthermore, the council recommended (3) to demonstrate more effort to increase the labour market participation rate of all groups but especially of older people, and to (4) reduce taxes and social security contributions and (5) adopt statistical measurements that are in line with the European one.<sup>98</sup> The recommendations 1, 3 and 4 were re-adopted in 2001. Whereas the government adopted the statistical system after it was recommended by the council the second recommendation was simply dropped. Instead, the council adopted a new recommendation for a call for a strengthened effort concerning gender-mainstreaming and lifelong learning.<sup>99</sup> These recommendations were kept by only a few modifications also for the year 2002.<sup>100</sup>

To find out if there is an impact of the recommendations it is necessary to have a closer look at the reactions of the government to these recommendations. In the NAP 2000, the government referred only to measures that had been implemented already in the NAP 1999. Therefore, it could not rate as a response of these recommendations.<sup>101</sup> However, as pointed out above, the Job-AQTIV law had taken up a more ambitious goal for tackling long-term unemployment. The Employment guidelines as well as the recommendation influenced the formulations of this law.

If an impact is to be found, then it can be found in the fight against early retirement. At the beginning of the red-green government the government had been in favour of early retirement and had searched together with Trade Unions and Employer for new

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<sup>98</sup> Council Recommendation, 2000, p. 30

<sup>99</sup> Council Recommendation, 2001, p. p. 30

<sup>100</sup> Council Recommendation, 2002, p. 73

<sup>101</sup> Compare NAP 1999, pp. 12ff. and NAP 2000, pp. 43 ff.

arrangements. However, during 2001 it changed its paradigm and from then on it was seeking for new ways to prevent early retirement.<sup>102</sup> It can be assumed that this radical change in German labour market policy arises from the EES and its recommendations.

In its response to the recommendations concerning tax cuts and lifelong learning, the government introduced nothing new. It announced in the following NAPs only measures that were either implemented or planned before the year 2000 or can be only hardly bring in combination with the recommendations (e.g. Reforms of income and business taxation, ecological tax reform, pension reform).<sup>103</sup>

The recommendation concerning gender mainstreaming influenced ditto the Job-AQTIV law. According to Zollenhöfer and Ostheim, the term 'gender-mainstreaming' could find its way only through the EES into the German debate.<sup>104</sup> This might be the second evidence for an impact of the recommendations on the German labour market policy.

Thus it appears that the analysis of the recommendations draws a diverse picture. There are at least two indications for an impact of the recommendations but the majority of recommendations had obviously no impact at all. This again is in line with findings by Büchs and Friedrich. They emphasise that the political elite was aware of the recommendations at the beginning because of the fear of the presentation of weak points of their policies to the public but they have become used to it and take it less serious as they did in the beginning.<sup>105</sup> The reason for this attitude towards the recommendations is due to the total absence of any public pressure concerning these advices. According to Umbach and Ardy, the EES has a totally low public profile and the references in newspaper are still decreasing. Between 1998 and 2002 decreased the number of articles concerning the EES in selected German newspapers from 47 to 22.<sup>106</sup> This might give an answer to the absence of any awareness of the recommendations.

Anyway, although it is not simple to associate policy changes directly with the EES, several indirect impacts are evident. The NAP constitutes a new form of policy presentation concerning labour market policies. It is presented and interpreted in the light of the EES. Furthermore, the NAP led to the production of new statistical data which are comparable with other data from all European Member states. Hence, it has become easier to compare one country with another and to discuss best practice examples. Beyond this, terms of the EES like employability, adaptability, flexicurity,

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<sup>102</sup> Ostheim/ Zollenhöfer, 2002, pp. 28f.

<sup>103</sup> Zollenhöfer/ Ostheim, 2005, p. 161

<sup>104</sup> Ostheim/ Zollenhöfer, 2002, p. 29

<sup>105</sup> Büchs /Friedrich, 2005, p. 263

<sup>106</sup> Ardy/ Umbach, 2004, pp. 10f.

gender mainstreaming etc. have taken place in the German debate. These terms as well as the guidelines and recommendations of the EES stimulate discussions in Germany and influence therewith the outcome at least indirectly.<sup>107</sup> However, “[...] the EES did not have the power to introduce policies which were not supported previously or which would not be coherent with policy developments taking place anyway [... it] seems to provide a cognitive framework that strengthens the position of policy actors supporting this kind of strategy and, at the same time, limits the space for negotiation and discussion of policy alternatives.”<sup>108</sup>

## **5.2 The Impact of the EES on Greece**

Labour market in Greece has evolved through the last two decades and especially from 1985 and onwards. A lot of structural changes, as well as introduction of new laws and specific employment policies contributed to this evolution. However, in the forthcoming subchapter the authors are going to analyse which of those steps are due to the introduction of the European Employment Strategy. The functioning of the Greek social system, in the matters regarding employment, and the role of social partners as well as their relations with the government will be examined firstly. This shall serve, in order to describe the framework under which employment policies are adopted. Further on, we are going to analyse any kind of policies or innovations in policies which were introduced as a result of EU guidelines and recommendations before and after the reform of 2002.

### **5.2.1 Institutional Setting**

Social partnership in Greece, during the 80's and 90's, is generally characterized by a lack of autonomy from the state. The core association is the Union of Greek Workers and Employees (GSEE). Smaller businesses are represented by the Confederation of Small and Medium Sized Enterprises of Greece (GSEVEE). Finally the Civil Servants Union (ADEDY) is the most powerful white-collar union and it includes teachers and public servants. It is worth mentioning that even though there is a big amount of

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<sup>107</sup> Büchs /Friedrich, 2005, pp. 263 ff.

<sup>108</sup> Ibid., p. 265

centralization within the Unions, there is a lack of concentration between businesses (SEV) and unions (GSEE, ADEDY), while they both keep closer connections with the state than with each other. This weak social environment becomes worse due to the high percentage of self-employed persons (32.5% in 1998), and the small number of large firms<sup>109</sup>.

Nevertheless, it is worth noting that before the introduction of the EES in 1997, Greece did not possess a coherent employment policy nor was the level of social partners' participation extremely high and effective<sup>110</sup>. By the beginning of the EES and the introduction of the NAPs their opinion is gradually being taken into consideration. During the first years 1998,1999,2000 there were many complains that social partners were not fairly treated and have asked for more timing on the submission for their opinion concerning the NAPs<sup>111</sup>. It is however observable that year by year the state is indeed heading towards a more cooperative environment and even in the NAP of 2004 it is clearly stated that although the steps made so far are considerably significant, there still remain significant margins for further activity and participation<sup>112</sup>.

As to the preparation of the National Action Plans themselves, the procedure involves other actors as well. The text is prepared by a Committee set up by the Minister of Labour including independent experts and civil servants. This committee works in cooperation with representatives from other Ministries like Development, Education, Economy, Culture, Merchant Marine, Welfare, Agriculture, Land Planning and Environment. Moreover regional authorities also have a say giving opinions that represent a local interest. Further on, the social partners contribute under their associations and Unions. Finally certain Organizations, Parliamentary Agencies, Secretaries and NGO's<sup>113</sup> provide their own contribution and opinion.

With regard to political parties forming the Greek government during the last two decades it is worth mentioning that since 1981 and until 2004 the "socialists" with the Pan Hellenic Socialist Movement (PASOK) have been heading the government with a short brake of three years (1989-1992), when the "conservatives" with the political party New Democracy (ND) took charge. Since October 2004 and until today ND heads again the Greek government. Even though it is generally argued that both parties do not reflect extremely different perceptions as to their social "face", it is a fact that the first 7

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<sup>109</sup> Johnson, 2002, p: 2

<sup>110</sup> Nakos, 2005, p: 2

<sup>111</sup> EIROOnline, 2000, no page

<sup>112</sup> NAP 2004, p: 53

<sup>113</sup> Equality, Employment Agency-OAED, National Office of Statistics, National Confederation of Individuals with Disabilities

years of implementation of the EES were handled in Greece by the “socialists”. Whether such a political orientation is reflected however to labour policies or not is quite indifferent at the moment since the focus of this study is been given on the stimulation provided by the European level upon national policies.

The extent to which such institutional setting in Greece affected labour market policies given the implementation of the EES and the introduction of the NAPs is analysed further on, commencing with the first period before the reform of 2002.

### **5.2.2 Impact on Greece’s Labour Market Policy 1997 – 2002**

Labour market policies in Greece during the period 1997-2002 have been extremely weak, with the most astonishing characteristic of spending more for passive labour market policies (PLMPs) than active labour market policies (ALMPs)<sup>114</sup>. For that cause, Greece used the lower share Europe wide (Europe 15) of the GDP in ALMPs in 1999 (0,29%)<sup>115</sup> while these expenditures were reduced between the period 1999-2003. It is worth mentioning that a few years before the introduction of the EES and particularly in the beginning of the 90’s, the social political party PASOK, which was in the government, introduced the Manpower Employment Organization (OAED), under the authority of the Ministry of Labour and Social Affairs in its attempt to strengthen employment issues by designing and carrying out labour market policies (mostly ALMPs) and vocational training as well as distributing unemployment benefits<sup>116</sup>. Later on in 1996 a new law (2434/1996) on the restructuring of the OAED was not enough for a true turn in favour of ALMPs.

One year later the EES is launched. According to a publication on the evaluation of the labour market in Greece and the influence of the EES provided by the Ministry of Labour and Social Affairs in 2002, in the period 1997-2002, just before the reform of the EES, one can identify some influence of the guidelines on the Greek labour market. This impact can be traced in four aspects:

- a) national policy targets
- b) legislation and means of policy implementation

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<sup>114</sup> For the purpose of this paper we are mostly interested in ALMPs since they cover policies like fighting unemployment by job creation or adopting measures for life-long learning and investment in education and training

<sup>115</sup> Source: Eurostat LMP database

<sup>116</sup> Johnson, 2002, p: 3

- c) funding for new policy measures and targets
- d) improvement of institutions and processes for policy design and implementation<sup>117</sup>

For the purpose of this paper however (as referred in chapter one) we are going to focus on employment and activation policy issues. The first group of recommendations was published in 2000. Those recommendations were divided into two main parts. The first one consisted of general comments and the second referred to particular notices for each Member State. With respect to Greece the following issues were covered:

- a) Youth and long-term unemployment
- b) Equal opportunities, in particular women
- c) Improvement of the quality of education and vocational training
- d) Reduction of the administrative burden for setting up a new enterprise
- e) Partnership between governments and social partners
- f) Upgrade of the statistical monitoring system<sup>118</sup>

In other words a), c) and f) are of particular interest for our study.

As it is clear by figure 3.3.1, the employment rate had a considerable push upwards in the year 2001 and it is climbing ever since. According to the National Action Plan of 2002, the state has reacted positively in some EU recommendations as far as employability is concerned and specifically some steps are taken by the Employment Agency towards qualitative and institutional changes to strengthen active forms of employment in general, and youth employment in particular. To be more precise:

- a) The establishment of the Employment Promotion Centres as a linking point between Training and Employment for the benefit of the unemployed
- b) The upgrading of procedures and criteria in the Young Entrepreneurs and “stage” programs, as well as similar preparation for the New Jobs program, with a direct impact on validity and usefulness both for the Employment Agency and for the unemployed and businesses.
- c) The restructuring of the Employment Agency<sup>119</sup> by the adoption of a new law on

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<sup>117</sup> Report of the Ministry of Labor and Social Affairs, 2002, p:6

<sup>118</sup> Council Recommendations, 2000, 2001

the founding of three subsidiary public limited companies.<sup>120</sup>

Reactions to recommendations however existed also regarding life long learning. It is also clear by figure 3.3.4 that Greece has a bad performance in this field until 2002 (1,2%) while the percentage of people participating in education and training in 2003 (2,7%) is suddenly grown. After examining the NAPs until 2002 the following situation is concluded. The three systems of Initial, Secondary and Ongoing Vocational Training have shown tremendous development during the last decade while the first NAPs indicated the lack of the appropriate linkage between the existing systems and employment<sup>121</sup>. In other words new structures and systems did not need to be introduced, but instead the existing ones needed to be somehow connected to the offering of new jobs. For that reason, a joint committee of the Ministries of National Education and Religion and of Labour and Social Security was established in 2000 in order to examine the operational promotion of the relative policy decision, so as to draw up a certain plan by the end of 2001<sup>122</sup>.

As far as investment in education is concerned, the main concern of the state is to upgrade quality in learning. As it is shown by figure 3.3.3 education attainment level of 20-24 years old is quite satisfactory. For that reason there was a need to focus firstly on the improvement of quality in education in order for more people to be drag into the labour market and hence raise employment and secondly on the non drop out of students in order to keep the attainment youth education level high. To be more precise, The Operational Program for Education and Initial Vocational Training (EPEAEK) of the Ministry of Education raised the budget for new policies like Information Society, High Technology under a timeline until 2003 with the full equipment of schools and training of teachers<sup>123</sup>.

Another important aspect of investing in human capital is the utilization of the European Fund for Lisbon priorities. To be more precise, the 3<sup>rd</sup> Community Supporting Framework (CSF) provided to Greece, consists of the highest share among EU 15 for support to human capital development (15%) during the period 1999-2003<sup>124</sup>. These financial sources go mostly, as mentioned, to education and training. It is worth

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<sup>119</sup> The Employment Agency response to the whole range of its commitments for the National Action Plan 2001 exceeds 90%.

<sup>120</sup> NAP 2002, p: 33

<sup>121</sup> NAPs 1998,1999,2000

<sup>122</sup> NAP 2002, p: 34

<sup>123</sup> *ibid*, p: 85

<sup>124</sup> Report of European Commission' s Directorate-General for Regional Policy, 2005, p: 132



mentioning at this point that positive results on the matter have already appeared. The percentage of early school leavers has been reduced from 19,8% in 1998 to 15,3% in 2003<sup>125</sup>. Taking a look at figure 3.3.3 the percentage of young people aged 20-24 years having attained at least upper secondary education level is increased from 76,4% in 1998 to 81,7 in 2003. Finally the proportion of the adult population aged 25 to 64 participating in education and training follows an upstream scale, even if from a very low level indeed<sup>126</sup>.

Out of the above it can be assumed that some sort of progress is distinguishable in the Greek social system with respect to the indicators in question. However this assumption is not enough to presuppose a direct effect of the EES itself. Instead other factors could as well lead to the same result had there not been for the EU guidelines and recommendations. Nevertheless the first NAPs (1997-2000) were rather structurally poor and negatively reviewed by the Commission. A lot of criticism as to this puts the blame on the fact that political resources and expertise in Greece during the period 1995-2000 were devoted almost exclusively to entering EMU<sup>127</sup>. Moreover political parliamentary debate for the same period was mainly focused more on the allocation of the money from the Fund than on the structure of the NAPs given the goals to be achieved. The broad nature of the targets left enough space of flexibility as to the distribution of the money from the ECF which led to some sort of “clientelism” between government and electors<sup>128</sup>.

A quite important characteristic of the OMC is the benchmarking process and the exchange of information. In the case of Greece, this is one of the weakest points. Greece has not even one emulation policy and there was no political willingness to participate in a forum of a review process while being at the bottom of measurement tables. For that reason Greek government ended up with neglecting the process and abstaining from the benefits of learning from others<sup>129</sup>.

To sum up, the concentration on EMU, the “clientelistic” behaviour of the Government as to the distribution of the money of the Fund and the ignorance towards benchmarking process during the first years of implementation of the EES are token of

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<sup>125</sup> *ibid*, p:133

<sup>126</sup> *ibid*<sup>126</sup> NAP 2002, p: 34

<sup>126</sup> *ibid*, p: 85

<sup>126</sup> Report of European Commission´s Directorate-General for Regional Policy, 2005, p: 132

<sup>126</sup> *ibid*, p:133

<sup>126</sup> *ibid*

<sup>127</sup> Johnson, 2002, p: 10

<sup>128</sup> *ibid*, p: 13

<sup>129</sup> Nakos, 2005, p: 11 and Johnson, 2002, p: 12

non influence of the EES. On the other hand, reaction to EU recommendations by the direct implementation of policies concerning mostly employability and life long learning that led to change in performance upwards since 2001 are indications for the opposite.

### **5.3 The Impact of the EES on Italy**

#### **5.3.1 Institutional Setting**

The Italian system of policy planning could be described as multi-level, multi-actor, multi-sector planning.<sup>130</sup> The multi-level character of the planning process consisted in a rather detailed division of tasks between the responsibilities of the central government, the regions and the municipalities. Its multi-actor character rests on the involvement of social partners and NGOs in the identification of priorities as well as the actual implementation of measures. Finally, the multi-sector character of Italy's social planning lies in the parallel presence of several action plans at various levels – main plans being the Social Plan (every three years), the National Action Plan on Employment, the Education Plan (2000-2006) and series of others. However, the reform that has taken place on EU level and the following inauguration of the EES, found the country unprepared. Italy tried to compensate its poor preparation for the realization of the EES by ad hoc establishment of a General Direction for Labour Market Observatory and a commission, which contributions due to weak political and material support remained rather modest. In addition, the pressure coming from the EU combined with domestic reforms and in particular with the launching of administrative decentralization, whose consequences for the Ministry was the gradual loss of important competencies and responsibilities: the reform foresaw for the Ministry only a role of general orientation, control, supervision and international representation.

In order to draw up the first NAPs of 1998 and 1999, an ad hoc commission composed of a small group of external experts was set up inside the Ministry. However, the lack of any direct involvement of the Ministry's staff indeed reflected in various bureaucratic obstacles to this new initiative.

The turning point for Italy's participation to the Luxembourg Process came in 2000. A new unit called Monitoring Group was established within the Ministry's cabinet with

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<sup>130</sup> Ferrera & Sacchi, 2003; p. 11

the task of collecting an updating data set on labour market trends and policies<sup>131</sup>. The Group operated an inter-service committee of administrators belonging to various directorates and ministries (Presidency of the Council, National Institute of Statistics (ISTAT), National Institute of Social Insurance – (INPS), Institute for Labour and Training (ISFOL), etc.). This was indeed a relevant step in the overall reorganization of the policy making process: a new actor capable of providing empirical data and technical knowledge on the real dynamics of the labour market appeared on the scene. Compared with the 1997 status quo situation, the progress made by Italy in terms of capacity building can be considered remarkable.

Also the elaboration of the 2001 NAP was assigned to an ad hoc committee, but this time the expert committee worked in close contact with the Monitoring Group. The May elections and the change of government (from Amato to Berlusconi) produced a disturbing effect for Italy's participation to the 2001 round of the EES. At the end of the summer the new government submitted to Brussels an addendum to the NAP, putting greater emphasis on flexibility. That same addendum also included for the first time some quantitative targets based on scenarios elaborated by the Monitoring Group.

The social partners in Italy have traditionally strong positions and are usually involved in the process of decision making. The three largest trade union organizations - the communist and socialist Confederazione Generale Italiana del Lavoro (CGIL), the Christian democrat Confederazione Italiana Sindacati Lavoratori (CISL) and the socialist republican Unione Italiana del Lavoro (UIL) are united in a single confederation to work towards common objectives. The FNDAI and FNDAC represent managers. Other smaller unions include the UGIL and CISAL. Furthermore, there are small organizations that are very active in the public utilities sector. The employers are represented by three main organisations: Confindustria (industry), Confcommercio (trade) and Confragricoltura (agriculture). Confindustria coordinates employer's actions at regional and local level. It represents the interests of small companies and represents private sector industry at a national level.

Since 2004, a working group chaired by the Undersecretary of Labour and Social Policies is responsible for drafting the National Action Plan, whereas the whole process is co-coordinated by the Ministry of Labour and Social Policies. The Ministries of Economics and Finance, Education, Higher Education and Research and Production as well as the Department of Public Duties, Innovation and Technology and Equal Opportunities are all involved in drafting the plan. The plan then is discussed and

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<sup>131</sup> Ferrera & Sacchi, 2003; p. 6

approved on a meeting of the Cabinet. Positive contributions in drafting the plan can also be assigned to the regions and the autonomous provinces and their interregional coordination body.

The social partners are continuously consulted and referred to while preparing the NAP. In the spirit of the European Social Dialog, the social partners are stimulated to draw up a joint document added in full to the NAP (in NAP 2004 for the first time), in which they express their opinions. They also make observations and comments in the policy-drafting process which are regarded carefully.<sup>132</sup>

### **5.3.2 Impact on Italy's Labour Market Policy 1997 – 2002**

For Italy, responding to the demands of the EES has not been an uncomplicated task. The Strategy represents the Anglo-Saxon and Northern-European policy paradigms and values, resting on the primacy of prevention, active labour market measures and efficient public employment services<sup>133</sup>. On the contrary, the Italian model of labour policy has been traditionally connected with passive policy measures, characterized by highly-bureaucratic system of placement and by lack of evaluation and monitoring capabilities.

In each of the policy areas covered in this paper (employment and education), Italy has suffered of twofold handicap. On the one hand, initial congruence of Italy's policymaking process with the process objectives was low as regard both the EES and life-long learning and educational policies. On the other hand, in both fields of employment and education policies there have been endogenous dynamics of change which have significantly interacted with the exogenous push related to the EES and concept of life-long learning and attainment policies at the EU level. In the area of employment these have been the process of devolution of administrative powers to the regional and local levels of government in the field of employment services and active labour market policies, the introduction of negotiated planning policies for local development and the emergence of conservative arrangements and practices at various levels of governance. In the field of education this has been the education reform of 2000-2006.

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<sup>132</sup> NAP, 2004b, p. 2

<sup>133</sup> Ferrera & Sacchi, 2003, p. 5

The influence of the Strategy on Italy's policy processes can not be unquestionably established. Nevertheless, a detailed overview of the policy measures undertaken in this period will aim to represent the country's activities and contribution to the processes of economic and social development. A comparative review of the Italy's policy answer to the Commission's recommendations between 2000 and 2002 is aiming to discover possible impact.

In the time period between 2000 and 2002 encompassing three annual recommendation releases of the Commission a reference to the following issues come across: Improvement of the Employment Policy Mix; Reform of the Pension System; decentralization of the public employment services, with thereby expected increase of the importance of regional and local activities as well as involvement of private employment agencies; improvement of the female labour market performance; speeding up the introduction of Employment Information System and continuing the efforts to upgrade the statistical monitoring system; greater participation in educational activities for young people and adoption and implementation of a coherent strategy on life-long learning<sup>134</sup>.

Various legislative measures have been undertaken in this period, some of them directly addressing the prescriptions of the EU Commission. In 1997, the Treu Package<sup>135</sup> (also known as Treu Law 196/1997) has been adopted, aiming to increase the job opportunities for young people looking for their first job, for a new job or a training scheme. Another target group for the new introduced law was adults trying to re-enter the labour market. More flexible labour relations and a structural reorganization of the vocational training were the concrete actions taken within the framework of the Treu Package, to tackle these problems. In this respect, Italy represents a good example of the trend toward flexibility of working contracts, reached through the introduction of this legislative measure, which also liberalized and regulated the supply of temporary workers by authorized agencies – the so called Temporary Work Agencies (TWA)<sup>136</sup>. The implementation of this law was followed by a rapid increase of temporary work contracts, especially in the North and in the manufacturing sector. Another example for reforms in the area of employment policy making was the Legislative Decree no. 469 (from December 1997), following Art. 1 of Delegated Law no. 59/1997 on

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<sup>134</sup> Council Recommendation on the implementation of Member States' employment policies 2000, 2001, 2002 and Italy's NAP, 2001, p. 3-6

<sup>135</sup> NAP, 1998, p. 37

<sup>136</sup> Ichino, Mealli & Nannichini, 2004; p. 3

administrative decentralization<sup>137</sup>, provided for three main changes: institutional decentralization (transfer of administrative powers from the Ministry to the regional and local governments); the promotion of a preventive approach to placement instead of the old bureaucratic one and the entry of private organizations into the field of provision of employment services (after fifty years of state monopoly).

Localism and territorial autonomy were also the goals of new local development policies provided for in Law 662/1996 following the Employment Agreement signed by Prime Minister Prodi, unions and business associations. Under the heading “negotiated planning”<sup>138</sup> (*programmazione negoziata*) a wide range of policy measures have been adopted, designed to foster local entrepreneurship, strengthen local institution’s capabilities and create new jobs. The most widespread measures are territorial pacts and area contracts<sup>139</sup>. Both of them are designed to encourage employability in depressed areas. Under the Territorial Pacts bargaining does not rely upon the traditional triangle of unions, employers and the government, but on a wider network of public and private actors (such as banks, chambers of commerce, non-profit-making associations and etc.), who are to share common policy problems and jointly fund the various measures. Area contracts have the same goal as the territorial pacts, but they differ in that they cover areas where industry already exists. Their assignment is to avoid mass redundancies.

Furthermore, Decree 469/1997 set up two important bodies for integration and concerted action: the Tripartite Regional Commissions (*Commissioni regionali tripartite*) and the Inter-institutional Co-ordination Committees (*Comitati interistituzionali di coordinamento*). While the former include representatives of regional public institutions, trade unions and employers’ organizations, the latter include representatives of the various levels of local government (regional, provincial and municipal).

Between 1998 and 1999, Italian regional governments were involved in passing regional laws to implement the national prescriptions. Job centres were set up throughout the country at province level, thus giving back the provinces their political and administrative status. This has been further reinforced after the revision of Heading V of the Constitution in March 2001 (Constitutional Law 3/2001) assigning broader competences to the regions. At regional level a new body governing and coordinating employment policies has been created under a variety of different names (Labour

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<sup>137</sup> Ferrera & Sacchi, 2003; p. 8

<sup>138</sup> Ferrera & Sacchi, 2003; p. 9 / for more information on ‘negotiated planning’ see also NAP ’99; p. 6 and NAP, 2000, p. 14

<sup>139</sup> NAP, 1999b, p. 80

Agency, Employment Authority, etc.). Alongside, these Labour Agencies also provided a technical support for the provinces implementing the reform through the coordination of the Computerized Employment Information System.

A turning point in the process of policymaking in the area appears on 17<sup>th</sup> April 1998 by the Cabinet adopting the Documento di Politica Economica e Finanziaria<sup>140</sup> (DPEF), which for the first time determined the employment measures in the context of a comprehensive and integrated national economic and financial policy. Domestically, Italy has derived due consequences of the integrated approach adopted at the EU level, combining at the same time employment, economic and financial actions.

In sum, between 1997 and 2002 the Luxemburg Process has been fully incorporated within Italy's policy making system and there can be little doubt that this incorporation has prompted a marked upgrading of crucial institutional capabilities. At the same time some problems have occurred in the process of implementation of the recommendations as well as concerning the realization of the EES and the co-ordination with the NAPs. The lack of coordination between employment and macro-economic policy implementation pointed out by Foden<sup>141</sup> is evident if we come back to the analysis of the main economic indicators (Fig. 3.4.2, subchapter 3.4). The insufficiently developed links with the ESF and with individual policies and programs<sup>142</sup>, which is observable in the first years after 1997 especially on regional and local level, the lack of appropriate indicators<sup>143</sup> illustrating the quantitative parameters of the reforms as well as the fact that in the first years after the beginning of the Luxemburg Process the poor understanding of the objectives and instruments of this process lead to the paradox that first NAPs tend to reflect national employment plans already adopted or planned.<sup>144</sup> Taking into account the fact that in the period covering the first five years after the introduction of the EES, the legislative documents dating mostly from 1997 and 1998 it's quite improbable that their adoption in one way or another could have been triggered by the Strategy or respectively the annual recommendations of the Commission. Nevertheless, the above mentioned examples of policy measures fully comply with the objectives set in the ESS and although there are no clear evidences that their adoption can be assigned to any document adopted on EU level, the fact that in the following years most of the measures undertaken on regional or local levels of government were further leading the reforms in the same direction demonstrates that

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<sup>140</sup> For further inf. on DPEF (Document of Economic and Financial Policy) see NAP, 1998b, p. 6

<sup>141</sup> Foden, 1999; p. 199 - 216

<sup>142</sup> Foden, 1999; p. 199 - 216 / Goetschy, 2000; p.2 -7

<sup>143</sup> Goetschy, 1999; p. 117 - 138

<sup>144</sup> Goetschy, 2000; p.2 -7

Italy is on the right way regarding the implementation of the EES. Another hypothesis can be that the Italian authorities have been aware of the Luxemburg Process well in advance and adopted these legislative acts beforehand, which is however rather improbable. However, without clear evidence for impact it can not be concluded that the reforms in Italy have been triggered by the EES in the first five years of its existence; neither can a possible influence be denied at all.

## **6. The Reform of the EES in 2002 – A Change of Pattern?**

The reform of the EES in 2002 brought about some significant changes to the strategy, as well in terms of its legal structure, as also with regard to the content of the strategy. These changes and novelties shall be introduced over the next pages. In 2005 the strategy has been subject to reform ones again, in the overall attempt to converge European strategies and subsuming them under the Lisbon agenda. The processes thereby were re-assessed and integrated under the overall framework of the Lisbon guidelines. This last reform however added limited novelties to the actual content. This is one of two aspects, because of which the latest reform of the process shall not be subject of this assignment. The second is the fact, that at the current stage, assumptions towards the improved quality of the guidelines – in terms of its impact after the reform – inevitably remain limited, due to the short time period which would be subject to evaluation. Subsequently however, the reform of 2002 and the respective novelties shall be described.

### **6.1 The Reformed Administrative Pattern**

One of the major aims of the 2002 reform was to streamline the process and enhance its visibility in face of the other – interrelated – co-ordination processes at the European sphere, here in particular the BEPG.

The employment and economic policy guidelines, from 2003 onwards will usually remain unchanged over a period of three years, while the annual assessment of compliance goes on. This means, that practically only every three years, new EGL are supposed to be released, while Member States compliance is still assessed annually.



This leads to a reduction of the administrative burden lying on Member States shoulders and allows for a more long-term oriented employment- and overall economic policy. Furthermore, does the EES process now inhabit the same procedural time frame as the BEPG process. This time frame also covers the Cardiff process (which deals with product and capital market reforms, the so called meritoric goods) as well as the internal market strategy, and the nascent open method of co-ordination on pensions and social inclusion<sup>145</sup>. This procedural modification brings about the aspect, that the spring summit of the European Council is now the main decision making forum, with regard to the economic and social policies for the forthcoming year.

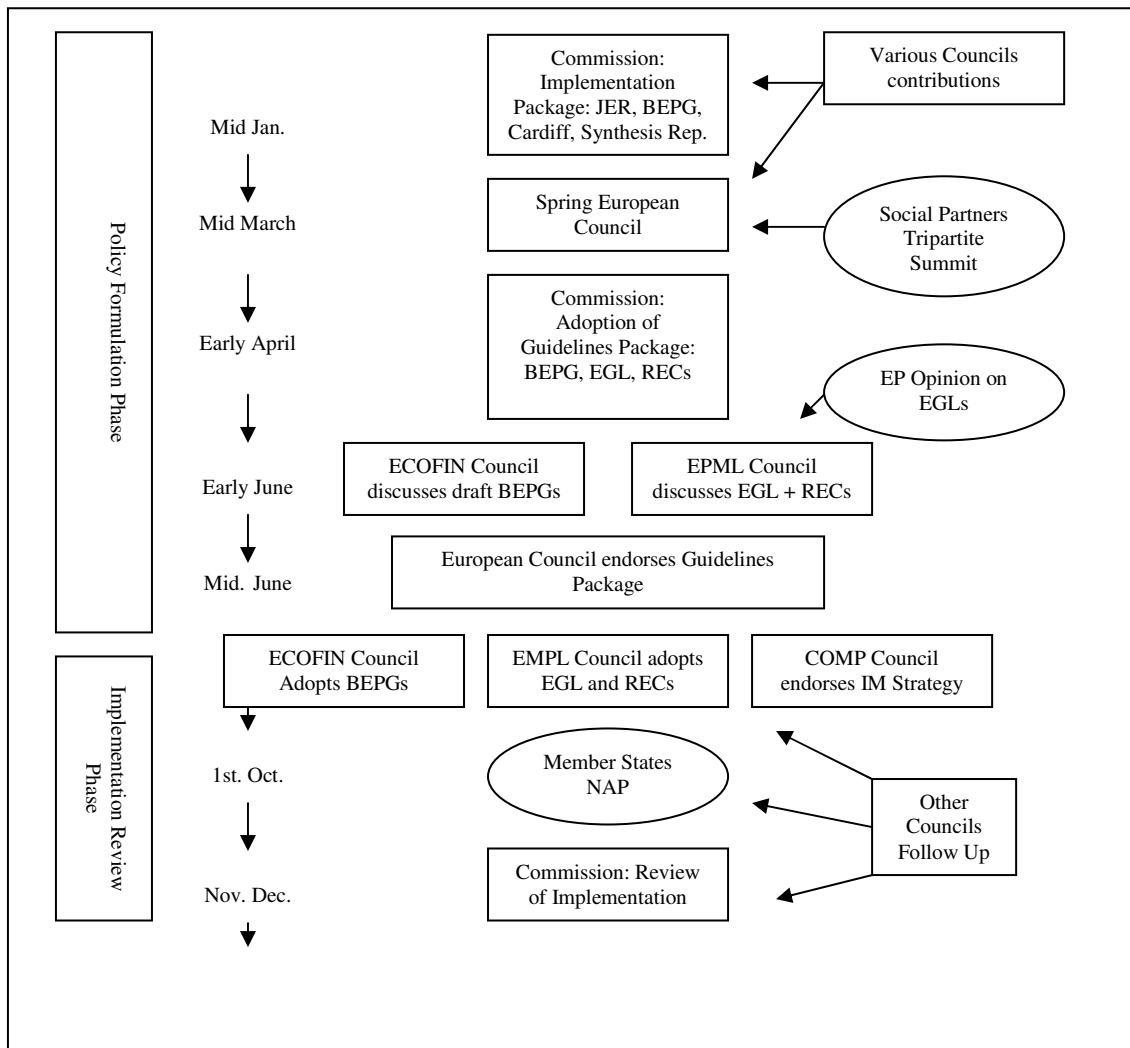


Figure 6.1: The Streamlined Policy Coordination Cycle, Source: Watt, 2004

<sup>145</sup> Watt, 2004, p. 121.

## 6.2 The New Contents

With the new version, the employment guidelines (EGL) take the form of ten commandments, which are preceded by three “overarching and interrelated objectives” and some procedural points, dealing with the way in which the process shall be undertaken in the future<sup>146</sup>. The three main objectives are full employment, quality and productivity at work, and social cohesion and inclusion<sup>147</sup>. The three objectives together with the procedural points at the end primarily reiterate the former horizontal objectives<sup>148</sup>, the formally round twenty single EGL have been revised into Ten Commandments, which brings about an increased concreteness<sup>149</sup>. Procedural implications regarding such aspects as inclusion of the European Parliament and the social partners, as well as on aspects of financing follow the main guidelines.

With regard to the guidelines relevant for this analysis, the following modifications are of importance. Guideline one adds a new quantified target, emphasising the need to ensure that by 2010, 25 percent of the unemployed receive activation measures<sup>150</sup>. Guideline four brings up more quantified targets with regard to educational measures, training and lifelong learning<sup>151</sup>.

## 6.3 Rationale for the Reform and New Expectations

In 2002, the European Commission conducted an evaluation of the EES. The final report<sup>152</sup> covered assessments of the Member States, which were conducted by research institutes chosen by the Member States. The quality of the reports varied considerably, however they all appeared at the same overall finding – the EES was considered to be a success<sup>153</sup>.

The Commission by then identified four main reform needs, consisting of clear objectives, simpler guidelines, improved execution of the strategy, by involving actors

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<sup>146</sup> EC, 200b, p. 47.

<sup>147</sup> *ib.* p. 48.

<sup>148</sup> Watt, 2004, p. 121.

<sup>149</sup> Watt provides a useful elaboration of the new structure of the EGL. He compares the new structure of the guidelines with the old one, introducing the argument, that the new structure brings about an increased concreteness, as for instance aspects like “promote active ageing” are more clearly a request for action, than such aspects like employability are. (Watt, 2004)

<sup>150</sup> Council of the European Union, 2003 p. 4.

<sup>151</sup> *ib.* p. 4.

<sup>152</sup> CEC, 2002a

<sup>153</sup> Watt, 2004, p. 123

more closely and a greater consistency with other EU processes, in particular the BEPG<sup>154</sup>.

These aims got along with a requirement to reduce the administrative burden, laying on national policy makers in formulating the NAP. The hope among European policy makers was to enhance Member States likeliness to achieve more influence on medium term policies, instead of refocusing annually on new EGL. A further aspect lies on the fact, that by implementing all existing processes under one framework, the respective visibility of the processes should become enhanced, by achieving greater media coverage and an overall higher public awareness.

The scrapping of all processes under one framework was expected to lead to a greater convergence of the processes also with regard to possible greater and more collective exchange of information among Member States – thereby influencing the above mentioned process policy transfer<sup>155</sup>. Some commentators emphasised the expectation, that employment matters could become a subject of higher importance in face of the BEPG<sup>156</sup>.

## **7. The Impact of the EES on the Countries after the Reform**

Subsequently, a last set of country-studies shall be provided, in order to provide a benchmark serving to conclude the extent to which the reform of the European Employment Strategy in 2002 achieved any positive impulses for the overall impact of the strategy on the Member States

### **7.1 Impact on Germany's Labour Market Policy after 2002**

In August 2002, the so-called Hartz-Commission (HC) presented its report “Modern services on the labour market” and planted therewith the cornerstone for a substantial reform of the German labour market policy which led finally to the collapse of the red-green government in 2005. In 2002, the EES had existed for five years. Therefore it

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<sup>154</sup> CEC, 2002a, furthermore comments by Watt (Watt, 2004, p. 123) also confirmation of the main targets via expert interview in Harding, 2006.

<sup>155</sup> See Harding, 2006, p. 8 for a justification of a Commission official on this matter.

<sup>156</sup> This goes in particular for analysts from side of TUs and related subjects. In particular also with the expectation, that deficit spending, or an overall depreciation of the high standard, fiscal stability has in the EU could become adhere.

might be assumed that the EES had influence on the outcome of such a substantial reform.

And in fact, a European reference is made 22 times during the 300 pages report. However, not all references are in a causal relationship to the EES. At the end there are only 9 explicit and 4 indirect references to the EES. The 4 indirect references are mainly country comparisons and therefore in line with the EES thought of benchmarking and learning from best-practice examples.<sup>157</sup>

But the most significant reference is made on the last three pages of the report which is headed “Outlook: The European dimension of labour market policy”.<sup>158</sup> It is remarkable how the report refers to the EES. It emphasises the principles of the EES and the integration of the German labour market policy in a European-wide benchmarking process. The report states that the HC was aware of the EES and did therefore several country studies and the chair of the HC Peter Hartz visited and discussed the planned reform with the European Employment Commissioner Diamatopoulou.

The HC refers to five for their work most relevant chapters out of the 2002 guidelines:

- 1) Decentralisation and the role of the Public Employment Service (PES)
- 2) Improving employability
- 3) More employment-friendly tax and contribution system
- 4) Better matching between supply and demand
- 5) Modernising work organisation
- 6) Anticipating and managing change<sup>159</sup>

Whereas the points 2 to 4 are earnestly correspond with guidelines of the NAP 2002 do point 1 and 5 not refer to an exiting guideline. Even though the first Guideline calls for a modernisation of the PES, “in particular by monitoring progress, setting clear deadlines and providing adequate retraining of their staff”<sup>160</sup>, there is no call at all for an decentralization of the PES. The same problem arises by the 'anticipating and managing of change' as there is also no reference in the EES at all to this policy field.

In sum, the reference to the EES is more than sketchy. On the other hand, a large number of arrangements which were proposed during the report would perfectly fit with

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<sup>157</sup> Watt, 2003, pp. 2 f.

<sup>158</sup> HC, 2002, pp. 341 ff.

<sup>159</sup> Ibid. , p. 342

<sup>160</sup> Council of the European Union, 2002, p. 64

one of the European guidelines but no reference to them is been made (e.g. Life-long learning, active ageing, Me.inc, etc.).<sup>161</sup> This supports the conclusion that the HC might have been interested in the European approach but did not completely understand its scope.

Another interesting mode of influence of the EES can be observed by the adoption of the EES terms and definitions. The HC refers repeatedly to the terms prevention, activation and employability. Furthermore do those terms build the basement and play therefore a crucial role during the report. As mentioned in previous chapter could this be one of the major influences on national policies. Watt states that “the HC report draws on the same intellectual and political source as the EES: a line of causation from the later to the former is conceivable, but difficult to prove.”<sup>162</sup>

In contrast to the EES, the HC emphasises more on reducing unemployment than increasing employment rates. This is clearly in contradiction to the European approach. Whereas another focus of the HC lay in the reform of the PES, the EES does not focus on this issue as explicitly. On the other hand, the employability plays a crucial role within the HC as well as the EES. However, a reference to gender issues is in the same way missing as a clear reference to the quantitative targets of the EES.<sup>163</sup> If there any linkages between the EES and the HC, the recommendations must play a crucial role. By implementation of such a substantial reform, the HC must have the recommendation at least in mind. As written before, the Council identifies in its recommendations 2001 Germany’s labour market problems as: long-term unemployment, substantial regional differences in employment trends, falling participation rates along older people, skill deficits, high labour taxes, a gender pay gap and poor childcare facilities.<sup>164</sup> While the HC considers the problem of long-term unemployment, especially through new approaches in placement and a reorganisation of the PSA, it pays no attention to other subjects out of the recommendations. Another example might show that the policy actors were rather influences by national constraints as by those which coming from the European sphere. Although Germany’s youth unemployment rates (compare chapter 3.2) is lower than the European average and therefore no major problem stressed by the EES it is on the foci of the HC.<sup>165</sup>

These findings lead to the conclusion that the national actors within the HC were aware of the EES but did not internalise it. The adoption of the formal language of the

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<sup>161</sup> Watt, 2003, p. 4

<sup>162</sup> Ibid., p. 6

<sup>163</sup> Ibid., pp. 7 ff.

<sup>164</sup> Council Recommendation, 2001, p. 30

<sup>165</sup> Watt, 2003, p. 12

EES might be a hint of an impact but could be also be only due to a reflection of a common pool of conventional wisdom.

The NAP 2003 and 2004 refer in wide parts to the initiated reforms of the Agenda 2010 where the Hartz-laws were a major part of. However, the recommendations of the Council stressed, with slightly different foci, still certain policy fields. In 2002, 2003 and 2004 they asked for a remove of disincentives to labour market participation of the elderly, the make of greater use of flexible employment contracts and work organisation, the improve of training, the reduction of taxes, the address of the gender pay gap and the impact of tax and benefit systems on women employment. In response to the recommendation, the government referred mainly to the implemented Hartz laws and additionally to an omnium gatherum of different other measures<sup>166</sup>. It is hard to assume that these measures are based on a European impetus. However, since 2003 one important recommendation is missing. It is more than remarkable that the Council dropped its advice to tackle long-term unemployment. As figure 3.2.2 indicates, the long-term unemployment rate increased since 2003. Hence, no process in fighting long-term unemployment is made. But why does the council withdraw in such a situation its advice, which has otherwise been steadily repeated since 2000? There are two possible answers to this phenomenon. Rather the Council ignores the increase of the rates or it believes in the recently implemented measurements by the German government.

Finally it is too early to say anything about the administrative change of the 2003 reform. Therefore further studies with interviews of officials which deal with the EES have to be held. So far as it concerns the initiated policies since 2003 it can be assumed, that there is no change of the situation as to before and after the reform. The EES might have an indirect influence on the German labour market policy in terms of steering debates, introducing new terminology and supporting certain opinions. A direct impact could not be found. The mentioned reforms are predominantly influenced through national events and debates.

## **7.2 Impact on Greece's Labour Market Policy after 2002**

The reform of the EES in 2002 has brought some changes to the planning and re-evaluating of employment policies on behalf of Member States through their NAPs. The most important aspect however was the introduction of the quantified targets for the

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<sup>166</sup> Compare NAP 2004, p. 45 ff.

years to come under the new structure of the guidelines. As it is mentioned in subchapter 6.2, guidelines 1 and 4 are of particular interest for this study, since they refer to the activation of the unemployed as well as to training and life long learning respectively. On the next paragraphs an analysis on Greece's reactions to those new reforms as well as to certain recommendations will be described with reference to the NAPs of 2003 and 2004.

After a closer look to figure 3.3.1 one could observe an ascend of the employment rates after 2003 with a peak of 60,1% in 2005, but still far below the target of 70% by 2010. Nevertheless it is important to see what measures adopted by the Greek state under EU pressure are reflected into this evolution.

A first big step towards this direction, with respect to guideline 1 (employability), was the restructuring of the Manpower Employment Organization (OAED) and the creation of 71 Centres for the Promotion of Employment, employing 471 labour advisers who provide the unemployed with a personalized approach<sup>167</sup>. Moreover, in response to a recommendation concerning the "statistical monitoring system for the unemployed"<sup>168</sup>, a Monitoring Information System (MIS) was developed, in order to provide better conditions for the progress and effectiveness of the implemented actions to activate the unemployed<sup>169</sup>. The restructuring of OAED and its performance on activation policies brought further measures into surface during the period 2003-2004. Many new projects are introduced. Some examples are the Stage project in the health sector, the Stage project for the Olympic Games, training projects for the unemployed in basic and specialized new technology skills, in the environmental and cultural sector, a project for individuals who are close to retirement, regional projects, as well as projects of integrated interventions in prefectures with high unemployment rates<sup>170</sup>.

Finally as a response to recommendations of "increasing the level and the effectiveness of active policies for the work market, in order to cover a larger percentage of unemployed people"<sup>171</sup> two institutions were reinforced for the period 2004-2006: the Public Employment Services (DYA) and the Manpower Employment Organization (OAED). Of particular interest are measures adopted by the upgraded

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<sup>167</sup> NAP 2004, p: 17

<sup>168</sup> Council Recommendation, 2004

<sup>169</sup> NAP 2004, p: 17-18

<sup>170</sup> The Employment Observatory Research-Informatics (PAEP) published some data on 31/8/2004, which indicated that 17% of the registered unemployed had benefited from personalized services. Moreover, the Centres for the Promotion of Employment (KPA), have given the opportunity to 56,644 unemployed people to partake of working experience measures, subsidised employment or self-employment and training (ibid, p: 19).

<sup>171</sup> Council Recommendation, 2004

OAED integrated to a new policy package that included regulations concerning subsidies to the amount of the employer's contribution for businesses employing young unemployed people as well as long term unemployed people<sup>172</sup>. In addition to that, two specific laws were put into force: Law 3227/04 "Measures for the remedy of unemployment and other provisions" according to which the subsidised unemployed can be engaged or placed in a workplace of full-time or part-time employment for as long as the unemployment subsidy lasts and Law 3250/04 "Part-time employment in the Public Sector, the Local Administration Organizations (OTA) and in the Institutions of Public Law (NPDD)"<sup>173</sup> according to which Local Administration Organizations and Institutions of Public Law can hire personnel on a part time occupation for social services to the citizens.

Last but not least, as far as supporting from the European Community Fund (ECF) is concerned, relevant measures have been implemented with respect to the 3rd Community Support Framework (CSF). These actions are addressed to the activation of 56.450 unemployed individuals<sup>174</sup>. At this point it seems useful to state the official report of the financed actions by the CSF for Lisbon Targets and especially Guideline 1 and 4, for the period 2000-2006, as it is referred to in Appendix 1 of the NAP 2004. On the next figure 7.1, the amount of Euros for the relative actions is presented:

	GUIDELINE 1	GUIDELINE 4
Employment & Vocational Training	825.000.000	53.000.000
Education & Initial Vocational Training	0	1.260.603
Information Society	201.450.000	220.150.000
Health & Welfare	0	70.071.397
Competitiveness	0	589.066.667
Regional Operational Projects	157.578.505	0

Figure 7.1: ECF actions within the operational projects of the 3<sup>rd</sup> CSF 00 – 06

Source: Special ESF Coordination and Actions Monitoring Service<sup>175</sup>

<sup>172</sup> NAP 2004, p: 20

<sup>173</sup> The present Law replaces Law 3174/2003, "Part-time employment and services of social character" by widening and upgrading its function.

<sup>174</sup> NAP 2004, p: 21

<sup>175</sup> General Notation: Wherever a zero (0) appears it means that the action in question is not included among the financed actions of the European Social Fund (ESF)



With regard to guideline 4 and the issue of training and life long learning a number of measures are also implemented by the Greek government as a result of European stimuli. By a closer look at figure 3.3.3, education attainment level in Greece is quite satisfying with a percentage of 84% in 2005 while the quantitative target for 2010 is 85%. On the other hand performance in life long learning is rather problematic as it is clear by figure 3.3.4. However, in the year 2003 it reached its peak with 2,7% and it is kept in relatively high levels for the next two years compared to earlier times. Nevertheless it is still far behind the target of 12,5% for participation in education and vocational training activities by 2010.

As it is mentioned for the period 1997-2003, the same target of focusing on the quality of education remains as such with a better effort to ensure early drop out from school, as well as connection of training and life long learning to the offering of new jobs. To be more precise the most important steps towards this direction were:

- a) 81.668 educators have been trained to date
- b) 75 new departments within institutions of higher education were created
- c) 30 new post-graduate programmes (PMS) have been introduced
- d) 4.256 scholarships have been awarded
- e) Emphasis has been given to the diffusion of information and communication technologies <sup>176</sup>

As it is mentioned, in order to increase workforce participation in education and training programs, but also to ensure high quality and direct connection to job creation, both Centres for the Promotion of Employment (KPA) as well as the Employment Observatory Research-Informatics S.A. (PAEP S.A.) in diagnosing education and vocational training requirements are actively promoting such measures. In figure 7.2, a number of actions with reference to their costs, number of people to be benefited and the announcement dates is presented.

Once again the second period of the EES did not give us any satisfying results within the Greek society with respect to obtaining the quantified targets set by the guidelines. However one could easily distinguish some sort of improvement to the aforementioned indicators. Most certainly was there a remarkable activation on policies, especially under the training and life long learning issue, after a considerable amount of pressure

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<sup>176</sup> NAP 2004, p: 35

by the EU Commission through the relative recommendations. In that sense, an impact of the EES can be attributed.

No	Action	Cost	Number of those who benefit	Date of Announce
1	Training of educators	€18 m	12.000	September 2004
2	Comprehensive interventions to disabled and former substance abusers	€44,2 m	5.695	October 2004
3	Comprehensive interventions to long term unemployed (over 45), prisoners and seropositive individuals	€15,7 m	2.130	October 2004
4	Greek language courses (2 <sup>nd</sup> round) Addressed to repatriates, refugees and immigrants	€28 m	7.600	October 2004
5	Activities promoting employment by NGO's. For the creation and evaluation of new employment possibilities	€31,6 m	To be defined following submission of plans by NGO's	January 2005
6	Programs for the provision of Accompanying Support Services (2 <sup>nd</sup> round)	€29,3 m	22.000	October 2004
7	Vocational training for the unemployed by Certified Centres for Vocational Training (KEK)	€60 m	14.000	1 <sup>st</sup> Quarter 2005

Figure 7.2: Actions concerning education and training programs

Source: NAP 2004, p: 37

At this point it is however important to spot the difference between an impact of the EES in a whole (1997-2005) and the impact of the reform itself on re-evaluation of national policies after 2002. The fact that new policies and laws were adopted during the full period of the EES as a respond to recommendations reveals a continuity of progress that can not reflect any change in course. The only substantial difference comparing the first NAPs with the latest ones was the more involvement of social partners and the more mature structure of the texts, which can easily be attributed to a logical evolution of internal practices and political debate instead.

Given some independent variables, like the non change of political party in government for the whole period<sup>177</sup>, it is easier to seek for other influencing factors. Even if the overall target of 2010 is still a challenge to be met, the whole process shows a certain dynamic that previously didn't exist. Employment policies became more mature and often referring to European targets more effective. On the other hand, the already achieved target of entering the EMU for Greece gave the opportunity to focus more on social policies than before. In that sense a pure impact of the EES only upon national policies can not be attributed.

### **7.3 Impact on Italy's Labour Market Policy after 2002**

Starting from 2002, the whole NAP process at national level has been internalised within the executive machine. External experts have lost their prominence, and the process is now managed by the Labour Ministry, thus incorporating all actors and actions under the authority of the government. This resulted in improving the coordination and enabling the participants in the creation of NAPs to focus on the most relevant issues.

The annual recommendations of the EU Commission gained importance as starting point for the planned measures and policy development. Although, Italy has made a significant progress on the employment issues pointed out in previous Commission's reports, there still remain questions not yet addressed, or adopted measures proved to be insufficient (regional disparities remain significant; female employment rate remains among the lowest in the EU; continuing wide gender gaps regarding employment). In 2003 and 2004 the main problems before the Italian government pointed out in the annual Commission references were the adoption and implementation of coherent

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<sup>177</sup> except for the last year 2004 which is quite too soon to affect a political line held for 7 years

strategy on life-long learning, including national targets and social partners. In this respect the focus has been put on searching for more active measures and providing more training opportunities for the work force. Other important points in the Commission's reviews were the implementation of national computerized labour market data system available for all the operators and better use of all appropriate actions for job creation, including assistance from structural funds as well as strengthening of the policy mix to reduce the undeclared work. The involvement of different social partners has been strongly encouraged especially when it comes to socially sensitive topics as increasing the effective exit age from the labour market and widening the offer of continuing training opportunities (aiming to raise the older workers employment rate); further increase of the labour market flexibility where appropriate, promoting synergy between flexibility and security, narrowing the gender gap by providing women with more and better job opportunities.

In response to the Commission's prescriptions some action policies have been adopted by the Italian Government during the period 2003-2004 to support the positive labour market trend, to increase employment levels and to pull the section excluded from the labour market into that market: women, over 50s, young people from South Italy<sup>178</sup>. Secondly these measures were aimed at reducing the time spent looking for a new employment or being unemployed. The process of passing the regulatory and administrative acts needed to fully implement the Biagi Law – which affects the labour market and the employment contract types and aims to ensure greater transparency in matching supply and demand – was speeded up and is now almost completed. The essence of the Biagi Law is that it sets the objectives of promoting regular, non precarious, properly regulated employment. In particular: intermittent work (non-continuous or job-on-call services, at employer's request); job sharing; project work; casual and extra work (sporadic work performed by individuals at risk of social exclusion, or still not inside the labour market). This law and the Legislative Decree No. 276/03 increased the number of the authorized employment placement bodies, public and private, (these can supply professional workers, carry out mediations and staff search and selection procedures and provide support for professional re-placement) and served as a legal basis for establishment of citizen's training record book, where all formal and informal skills acquired during training and while working will be entered provided these are acknowledged and certified.

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<sup>178</sup> NAP, 2004b, p. 5

At the same time the Government undertook procedures to enforce Law No. 53/03 to reform the school and training system<sup>179</sup>, supported by Legislative decree no. 59 from Feb. 2004 regarding primary schooling and the first cycle of education.

In co-operation with the ESF and based on Law No. 236/93, as well as the new Joint Inter-professional Funds the start-up phase of new training policies initiatives has been fully completed in 2003. These funds allow for the businesses to allocate the income from the social security contribution, equal to 0.30 of the wages, to ongoing training for their employees. Moreover, a long-time-expected Law No. 80/03 concerning the reform of the state tax system<sup>180</sup> has been finally adopted and proper actions to its enforcement have been taken. In July 2004, a new law reforming the social security system and aiming to achieve the main objectives has been approved by the parliament. This law is based on approaches shared at a European level. The first step foresaw a gradual increase in the retirement age considering the demographic trends, followed by development of complementary insurance and pension schemes alongside the state system so as to ensure better system sustainability. The reform, which has to be fully enforced as of 2008, provides for financial incentives during the 2004 -2007 period for the employees in the private sector who wish to continue working, even though they have the years of service requisites needed for retirement. They will receive increase in their pay packet, equal to the amount of social security contributions which should be paid to the social security institutions, which can amount to 45 % of the total salary. This increase will be except from taxes.

Furthermore, with regard to direct and indirect activities undertaken by the Department of Equal Opportunities, the start-up of an Equal Opportunities Network in 2004 should be noted. This Network offers technical assistance in order to encourage the circulation of information and exchange of experience with the aim of improving the quality of programming, design and assessment of community activities and policies from a gender viewpoint.

Finally, as a proof of the government commitment to the reforms, additional measures, among others a project called IES – Initiatives for Emergence of Undeclared Work<sup>181</sup> – reinforcing the effective functioning of Law No. 328/2001 (the main legislative source governing the combat against undeclared work) and Law No. 383/01 (introducing emergence incentives and increased strictness with regard to curbing undeclared work) have been launched.

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<sup>179</sup> NAP, 2004b, p. 16

<sup>180</sup> NAP, 2004b, p. 24

<sup>181</sup> NAP, 2004b, p. 26

As it can be observed in the above analysis the Italian Governments has been very active in producing and implementing different legislative documents in attempt to foster the reforms in the labour market and to increase the employment. Most of these measures comply with previously undertaken transformations, but there are also some new initiatives dating from the last years, after the reform of the EES have taken place. In some cases, a direct connection between Commission's recommendations and followed up measures on national, regional and local level can be observed, whereas in others these measures go far beyond the references made by the EU authorities. However, in both situations, there is no clear evidence for impact or influence. Still it should be taken into consideration that Italy as a country has some peculiarities, which distinguish it from the other EU Member States. First, the huge discrepancies between the North and the South, regarding economic development as a whole and the participation in the labour market, social inclusion and employment gender discrepancies in particular have strong historical roots. Second, Italy is well known for its often changing political landscape. Between 1996 and 2001 a series of centre-left coalitions have politically dominated the country. The national elections from April 1996 led to the victory of a centre-left coalition (the Olive Tree) under the leadership of Romano Prodi. Prodi's government became the second-longest to stay in power before he narrowly lost a vote of confidence (by three votes) in October 1998. A new government was formed by Democratic Party of the Left leader and former-communist Massimo D'Alema. In April 2000, following a poor showing by his coalition in regional elections, D'Alema resigned. The succeeding centre-left government, including most of the same parties, was headed by Giuliano Amato, who previously served as Prime Minister in 1992-93. National elections, held on May 13, 2001, returned Berlusconi to power at the head of the five-party centre-right Freedom House coalition, comprising the prime minister's own party, Forza Italia, the National Alliance, the Northern League, the Christian Democratic Centre, and the United Christian Democrats. In national elections held April 9-10, 2006, Romano Prodi's centre-left Union coalition won a narrow victory, which returned Prodi back into office as Prime Minister. During the last ten years five governments changed on the ruling. This political uncertainty has left its traces in Italy's economic and social reforms particularly in the area of employment, education and social inclusion. Concerning the impact of the EES on Italy's reform measures, it therefore could be expected that these often changes in the government produce certain inconsistency, thus explaining Italy's lag behind the EES targets.

## **8. Discussion of the Findings**

What becomes apparent immediately, when comparing the examinations dealing with the general economic presuppositions in the respective countries is, that the authors' assumption concerning the general equality of problems prevalent in the three countries is fulfilled. Even though the figures are somewhat fluctuating, we can state that Germany, Greece and Italy suffer from a certain degree of underemployment, also with regard to long-term unemployment and youth unemployment, even though Germany scores little better than the EU-average in this matter. Investment in human capital also lies behind EU-average in all three countries, with Germany short behind the graph, but behind anyway.

The situation is slightly different with regard to youth education attainment, where Italy and Greece meet quite impressive figures, while Germany lacks behind. Nevertheless, in an overall synopsis, one may consider the situation to be somewhat equally distributed, at least to the extent, that the overall problem distribution allows for an analysis of these three countries in one document.

The forthcoming subchapter shall discuss, to what extent the EES has led to remarkable change in these fields, it therefore serves as a concluding part of this assignment, cumulating the findings of the respective country-studies.

### **8.1 Pre-Reform Effects of the EES in Germany, Greece and Italy**

The situation in Italy appears to be somewhat peculiar. The time period between late 1996 and 2001, in particular between 1996 and 1997, proves various measures dealing with aspects requested in the EES. Nevertheless, clear reference to the strategy is almost generally absent and can partly not be concluded at all, with regard to the 1996, 1997 and partly also 1998 measures, due to the fact that by the time, the strategy had not been in charge long enough to develop a comprehensive impact.

In particular three legislative measures are of broader interest for this study, the Treu Package tackling youth unemployment and Legislative Decree No. 469 – even though it does not directly contribute to the research variables brought forward in this study, but rather generally reforms the administrative system of unemployment aid in Italy. The same goes for Law 662 and Decree No. 469, which also rather reform the overall system than tackle the aspects highlighted in this study, but nevertheless obviously are

supposed to develop an impact on unemployment in Italy.

What is particularly interesting about these four measures is, that they all were implemented during the years 1996 and 1997, so an impact of the EES can most definitely be excluded, while nevertheless on a first glimpse, the actual political measures which have been undertaken somewhat reflect the key aims of the EES. With regard to the relevant figures provided in this assignment, the overall assumption remains intact. Yet, the figures point in the right direction they also do show improvement in both mentioned sectors, however, no particular influence resulting in the EES can be observed.

In the Greek case, the story is quite comparable. The general direction of policies implemented can be considered to follow the path of the EES, while on the other hand, a clear proof of impact is missing. In the sphere of employment policies, in particular institutional changes have taken place, with the establishment of promotion centres, stage programs and the restructuring of the employment agency<sup>182</sup>. It could however – due to inconsistencies in terms of literature and time constraints – not finally be concluded, to what extent these measures have really been stimulated by the EES, or whether they were planned already in advance, or incidentally converge with the EES. Nevertheless the reference to the NAPs exists, so a general influence could at least be assumed.

The same goes for investment in human capital. The performance of Greece in this sector can be considered ambivalent. While the educational attainment of youngsters is satisfying, life-long learning performs rather poor. In terms of educational attainment, the Commission particularly criticized the limited relationship between the measures and employment aspects. This was somewhat tackled in the Greek political agenda, while nevertheless verification as to the extent to which this was stimulated by the EES, according to the methodology set out for this assignment can not be provided. Striking arguments against an influence of the EES are the facts that Greece did not actively participate in benchmarking processes, and even considered a possible participation in the measure as negative, due to its lack behind in European comparisons.

In conclusion for the Greece case it is more or less the same image as in Italy, the figures point in the right direction – with a larger degree of inconsistency in particular in terms of employment – and the policies somewhat reflect the general direction of the EES. A true impact – with regard to the utilized methodology – can however not be

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<sup>182</sup> Compare chapter “The impact on Greece’s Labour Market Policies before the Reform” for further details concerning the mentioned measures.



definitely proved. With regard to the arguments mentioned, in some aspects it has to be neglected.

For Germany, the case is not fairly different. The first NAPs, still undertaken by the Christian-Democrat/ Liberal coalition headed by chancellor Kohl, provided one NAP in which the impact however has to remain limited, due to the limited time. The SPD/Green coalition under Schröder came up with NAPs which somewhat reflect European ideas, which however have to be attributed to election manifestos already existent beforehand.

Some aspects are a bit particular with regard to the German case. Some reforms and projects, which are fairly in line with the EES, do not appear in the NAPs, probably mainly out of the rationale that it proved more interesting for the respective government, to reap the benefits for themselves and thus appear as complying to election pledges. Furthermore, there are also hints which state an impact of the EES are visible in Germany. The process of implementation of the Job-AQTIV law allows for the strong assumption, that the EES played a role therein. Regarding the complete fulfilment of the criteria set out in the methodology, in the legislation of this law, i.e. awareness, reference, and to a large extent excludability of other factors, an impact of the EES seems probable.

In an overall conclusion concerning Germany, however, apart from little impact as mentioned in the above case and in particular in the respective subchapter, the impact of the EES in Germany before the reform in 2002 must be considered as being low. Even though in some cases reference to the EES is provided, an overall impact – with regard to the methodology – can be concluded only seldom. This assumption is underlined by the facts, that – as mentioned – the EES does not appear, or does appear more than randomly, in parliamentary discussions, what means that the legislator does not take extended notice of the strategy. Also the mentioned interviews undertaken by Büchs and Friedrich<sup>183</sup> mention that the NAP hardly play a role in formulation of policies, due to the fact that it is generally considered to be too bureaucratic and time-consuming<sup>184</sup>.

Besides, in marked contrast to particularly Italy, but also to Greece the figures in Germany – both with regard to employment as also to investment in human capital – must be considered as being strongly fluctuating. So finally, even if full coherence with the EES could have been assumed, no marked change in performance would have been

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<sup>183</sup> Büchs / Friedrich, 2005, p. 257

<sup>184</sup> The aspects of time constraints and bureaucracy in formulation and implementation of the National Action Plans were two of the major aspects, which underlay the rationale for the reform of the EES in 2002.

obvious.

It becomes apparent, when comparing the performance of the three countries that assessing the degree of impact of the EES until its reform in 2002 is a relatively complicated task. Even when considering profound methodological presuppositions, one must consider the outcomes to remain unclear. A variety of factors are simply not assessable, without undertaking interviews, and even with this measure, a lot remains blurred. One conclusion however is most likely to be drawn from the assignment of the pre-reform impacts, the EES did not have a major impact in any of the assessed countries. The parallels in dealing with the strategy in the three countries are limited, which means that the extent to which one particular problem could be identified as the main obstacle in the way to sufficient European policy recommendation-fulfilment, while however this would not have been the task in this assignment anyway. So in either way, the overall conclusion remains the same, the EES does not establish a fruitful impact.

## **8.2 Post-Reform Effects of the EES in Germany, Greece and Italy**

The reformed version of the EES left little more traces in Italy than the non-reformed version did. The main problems addressed by the Commission in 2003 and 2004 were the non-existence of a coherent strategy for life-long learning, as well as the absence of a comprehensive system of labour market data evaluation. Actions of the Italian government pointing in the direction of these recommendations were undertaken in the first place with the establishment of the Biagi- Law. The aspect of training and life-long learning has been tackled with a couple of other laws, while here it remains absolutely unclear to what extent the actual legislation of the laws has been steered by EU-incentives<sup>185</sup>.

The legislation which probably established the largest gravity with regard to labour market effects in Italy was the long awaited tax reform<sup>186</sup>. Also here, the extent to which it has been influenced by the EES remains unclear. A greater impact, however, must be considered as improbable, as actual references to the EES are non-existent. In conclusion, one may state that the Italian government has been far from being inactive with regard to the combat against unemployment in the time between 2002 till 2005.

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<sup>185</sup> For an outline of the laws – in particular Law No. 53/03 and Law 236/93 – their effects and significance compare the respective part of this assignment “Impact of the EES on Italy after the reform”

<sup>186</sup> Law No. 80/83

The extent to which these actions however have been stimulated by the EES is questionable. A true impact of the EES on Italy after the reform must be neglected.

The picture in Greece is – if at all – only slightly better. Greece somewhat responded to EU-recommendations with the aforementioned establishment of the monitoring information system, and the restructuring of the manpower employment organisation. Also slight progress with regard to the issue of investment in human capital, can be observed, the extent to which EU- stimuli played a role therein, however, is also questionable. It is generally not completely improbable, that EU stimuli did play a role on this matter, because of the extended EU pressure which has been performed, as outlined above<sup>187</sup>.

Little impact of the EES can furthermore be concluded with regard to the above mentioned aspect of the slightly improved – in the sense of a broader inclusion of the social partners – NAPs, which could, however, also be attributed to a logical evolution in terms of routine in dealing with the matter.

In conclusion one must state, that even though reference to the EU appears more frequent in justifications of a bill, and a certain gravity appeared with regard to the utilization of a pan-European terminology, such as flexicurity, employability, gender mainstreaming etc. a true impact of the EES on national policy making can not be assumed.

The pre-reform analysis of Germany predominantly examines the extent as to which the Hartz- reform in Germany is to be regarded as being in line with the EES. The authors come to a rather disappointing conclusion in this case.

The HC refers – if only – very sketchy to the recommendations provided in the EES, they show a certain degree of interest for a European dimension, but rather leave the impression that they were not completely aware of the full dimension of the strategy. The Hartz-reforms are rather based on a national impetus than on international, i.e. European stimuli, this overwhelmingly becomes obvious when studying the proposal itself, as also the related secondary literature<sup>188</sup>. A possibly existing relationship between the Hartz-proposal and the EES – as outlined in the non-existence of the recommendation concerning the long-term unemployment rate – has to be verified in a later assignment, as it can not be satisfactorily answered at the current moment in time.

In terms of change between the pre- and post-reformed version of the EES in Germany, the image is roughly the same as in the other two countries. The EES has a

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<sup>187</sup> compare the respective chapter, “The Impact of the EES on Greece’s Labour Market Policies after the Reform

<sup>188</sup> compare for instance Watt, 2003

slight, indirect impact, as to the extent that it allows for a common body of terminology, might steer debates<sup>189</sup>, or support certain opinions. Nevertheless, a true impact is not visible, neither before nor after the reform in 2002.

### 8.3 Satisfaction of Expectations

While the question of the overall impact of the EES before and after the Reform of 2002 has generally been answered in the preceding subchapters, the second question outlined in the general research agenda, the question about the extent of expectation-satisfaction from the European perspective, shall be the subject in this part. The question in this rationale, must be considered as twofold. In the first part, the question concerning the overall satisfaction with the impact of the EES – in particular before, but also after the reform – is pending, secondly also the question concerning the satisfaction with the reform itself shall be attempted to be answered.

As already outlined in chapter 4.3 and confirmed by the analysis of an expert interview with a Commission official<sup>190</sup>, the EES can be considered as an intergovernmental approach to problems, if not brought about, than at least increased by European Integration. The question which must be posed at this time, however, is to what extent full convergence of Member States to the EES is a desire of the Commission, or to what extent is the European sphere aware about the possibility that Member States might only comply randomly to European stimuli because of their different domestic presuppositions<sup>191</sup>.

In general one might tend to the assumption, that full compliance would be an expectation of the Commission, if this is the case, we can state that the expectations have not been fulfilled. Even though, we can note an increased performance in some policy fields in some countries. Particularly Greece and Italy show increased performance in the policy fields of employment and educational attainment of youngsters. Germany however proves only to show limited improvement and appears to have more fluctuating graphs in all policy fields. Even if the EES would thus have been a significant stimulation for the domestic policy formulation process in Germany, we would still have to consider the effects as being rather dissatisfying. To the extent to

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<sup>189</sup> while however the aspect of public awareness in terms of media coverage and parliamentary debates, is far from being satisfactorily, as further outlined in Harding, 2006 and Ardy/ Umbach, 2004

<sup>190</sup> Harding, 2006

<sup>191</sup> as outlined in the varieties of capitalism approach, quoted earlier in this assignment

which a compliance of the Member States and an improvement of their respective performance in the particular policy fields were the expectation of the Commission, one must consider to be the expectation as not fulfilled.

Indicating however, that also less direct compliance, accompanied nevertheless by a package of other benefits, such as a steering of national debate, the evolution of a common language terminology in Europe or the support of the general opinion that social aspects inhabit gravity for the European model, the conclusion might appear to be somewhat more positive.

As became obvious during the preceding country studies, in all three countries, the authors could state that a terminology evolved and that the topic was being dealt with more extensively and with a broader involvement of different actors at the national sphere. To this extent, the expectations of the Commission – be it that they are of this kind – can be considered to be fulfilled.

There are no fundamental changes in this conclusion for the pre- and the post-reformed version of the European Employment Strategy, meaning that as far as the impact analyses and also the performance indications of the Member States is concerned, there is no explicit change before and after 2002 visible. This leads directly to the question to what extent the expectations concerning the reform can be considered to be fulfilled.

The impact analyses of Germany, Greece and Italy can be considered to be rather contrary. While the German impact analysis is relatively positive about the extent of impact of the European stimulus on German policy-making<sup>192</sup>, the Italian analysis considers the impact of the EES as limited, due to the fact that the specific approach of the EES is not suitable for the peculiar problems in Italy<sup>193</sup>. Besides, the papers reflect parts of what became the reform priorities of the Commission later on, the already in chapter 6.3 mentioned aspects to achieve clearer objectives, simpler guidelines, an improved execution of the strategy by involving actors more closely and a greater consistency with other EU processes. As mentioned, the four priorities were accompanied by a set of other factors which were also described in 6.3.

To what extent can these expectations now be considered to be fulfilled? With regard to simplification of the processes and lowering of the administrative burden, the fact that the recommendations nowadays only appear every three years obviously lowers the administrative burden laying on the Member States shoulders. Also the clearer

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<sup>192</sup> RWI/ISG, 2002

<sup>193</sup> Ministry of Labor and Social Policies, Italy, 2001; Compare also the country studies dealing with Italy, provided in this assignment for a more detailed explanation and analysis of the matter.

objectives probably were achieved, in particular in 2005, when the EES was implemented in the overall framework of the Lisbon strategy. As far as actor inclusion is concerned, in particular the Greece example allows for a quite positive conclusion, as becomes obvious in the respective country-study in subchapter 7.2. Also the German study shows a broader involvement of the social partners, while however the interview with the ETUI official outlined the general problem of lack of finance on the trade unions side, which prevents some trade unions from actively participating in the process<sup>194</sup>. The greater consistency with other EU- processes, such as the BEPG is probably also given, due to the streamlined application of the processes. On the other hand, the greater media coverage and the thus resulting enhanced self-esteem of social policy on the European sphere in face of macroeconomic policy is still missing<sup>195</sup>.

There are various other aspects which play a significant role in judging the extent to which the reform of the EES can be considered a success. Some of them can be found in Harding, 2006. Apart from these factors, however, a judgement which is only based on the extent to which the reform has enhanced Member States compliance, must come to the conclusion, that the reform was a failure. The performance of the Member States has not significantly changed, neither has the reference to European stimuli significantly been enhanced.

## 9. Conclusion

It is difficult to measure the impact of the European Employment Strategy, “[...] there are always also global trends which could lead to differences. The economic cycles also play a big role. So it is very difficult to say, to what extent one particular policy has had an impact”<sup>196</sup>. The Commission official' quotation points in exactly the direction which imposed the severest difficulty for this assignment: How to isolate the extent to which particular EU- recommendations have led to changes in national policy. All in all, more expert interview would have been required in order to fully estimate the extent to which the assumptions based on the methodology can be considered correctly. However, limited time and resources made this undertaking impossible.

In conclusion at the current stage one may consider the EES not to have developed its full potential. As outlined, Member States compliance is relatively poor before and after

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<sup>194</sup> Gran, 2006

<sup>195</sup> compare Harding 2006, Gran 2006

<sup>196</sup> Quoted from an interview with an official from the European Commission. see Harding, 2006

the reform. Even though, the figures sometimes point in the right direction, a true compliance with European recommendation can not be attested.

With regard to the fulfilment of the overall Lisbon criteria, the whole agenda as such, as also the EES in particular can be considered as a failure. The countries – even though some achieve progresses – can generally be considered to be far from reaching the Lisbon targets, what particularly became obvious when reading the country-studies and is more or less clear acknowledged by the Commission. In that relationship, also the fulfilment of the quantitative criteria set out in the EES can be considered poor.

A further research would be required in order to examine the factor “Why” the EES is insufficient in performance. Is the failure to be found on member states level, must the EES be regarded as more suitable for a certain set of countries – as brought forward by Italy – is it the general unwillingness of Member States to have their social policy dictated by a supranational body, or rather the administrative burden as well as financial- and time constraints which make a decent application of the strategy impossible? Is there furthermore a causal relationship between the institutional settings and the overall varieties of capitalism approach and the fulfilment of EU-recommendations? If so which one? All these questions could not be answered in this assignment.

This assignment was a group work, which means four contributions by four authors formed the final product. Different approaches and strategies are reflected in the final versions, accompanied by the fact that the situation – for instance concerning already available, comparable analyses and overall literature – was very different for the respective countries. This leads to a situation in which the single country-studies are of a different kind in their application and thus has to be noted by the reader.

Finally, the EES is the most important European approach to social policies currently existing. An integrated market, with open borders and freedom for trade requires a strong commitment to a social agenda in order to avoid a race to the bottom in terms of social security. The extent to which this approach is considerably a success or not lies somewhat in between, as it is often the case in European politics. If it is considered to be a success, that the EES has evolved a general, European terminology, comprising such aspects as flexicurity, gender mainstreaming or employability and overall added the social dimension on the European agenda, the EES is a success. Assuming, that more was to be expected, in the sense that true Member States compliance to social aspects, employment, education and overall investment in human capital form the expectations towards the European Employment Strategy, the performance has to be

## Conclusion

graded as being poor, indicating that the European Employment Strategy is the most important aspect of European social politics.



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