The European Employment Strategy in the Light of Globalisation: Its Origins and Effectiveness

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Introduction

Over the past thirty years the European Union (EU) has experienced a slowdown in growth and a high level of unemployment. If globalisation[1] of the world economy is not directly responsible for this lack of growth and this persistent unemployment (these latter are usually linked to the lack of competitiveness and misjudgements about economic policies (Modigliani et al., 1998)), globalisation is affecting the EU. As international trade and financial markets become more and more integrated, the influence of globalisation is felt throughout the EU in terms not only of consumption, investment, and employment (Lasselle et al., 2004), but also, as we will argue in this chapter, by its influence on policies agenda. The EU first identified the phenomenon of globalisation in March 1996 at the Turin Economic Council as one of the major challenges facing the EU at the end of the 20th century. In the EU glossary, economic globalisation refers to a process of growing economic integration worldwide, and the main driving forces behind it are the liberalisation of international trade and capital movements, accelerating technological progress and the advent of the information society, and deregulation.[2] This qualification follows the usual

Dr. Laurence Lasselle; University of St. Andrews Economics, St. Andrews, Fife, KY16 9AL Scotland, U.K. E-mail : LL5@st-andrews.ac.uk
Serge Svizzero; University of La Reunion, St. Denis, France.
Clem Tisdell; University of Queensland, Brisbane, Australia.

view that international trade and technological progress enhance one another and deregulation facilitates the development of trade and new technologies. From March 1996, as we shall see, economic globalisation will be regularly mentioned in the different reports of the European Commission or agreements reached by the European Council or voted on by the European Parliament.[3]

Unemployment rose throughout the EU in the 1980s and the 1990s, [see Figure 1] but this rate has declined somewhat since 1997. There was a previous improvement at the end of the 1980s, but it quickly ended as the recession felt throughout the world at the beginning of the 1990s and deeply hit the EU from 1993 onwards. As a first remedy, the policy-makers of the 15 Member States[4] of the EU tried to implement different economic policies at a national level in order to stimulate growth that would itself favour job creation. While some countries (mainly the United Kingdom and the Netherlands) obtained successful results, most countries (like France,

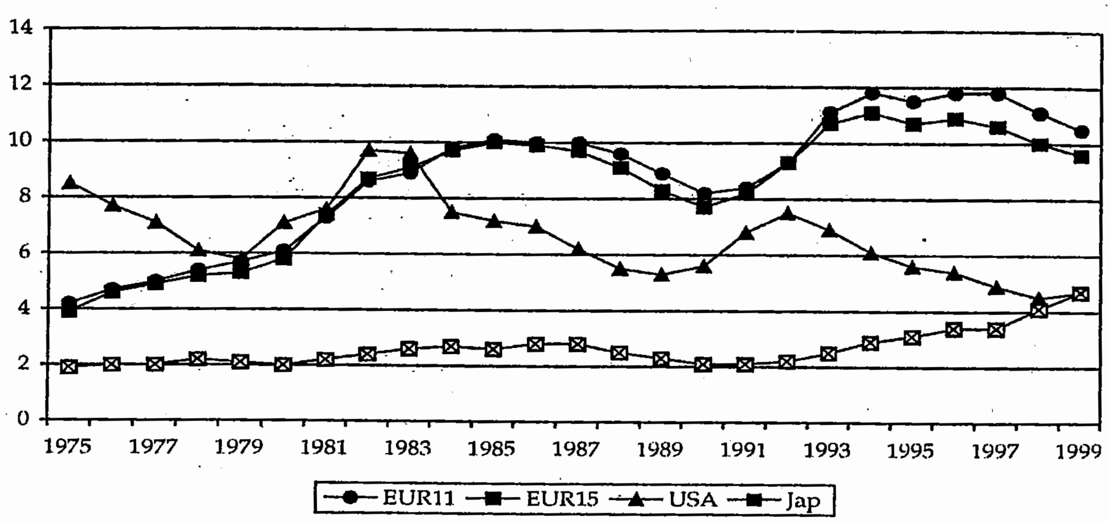

Figure 1 : Evolution of the Unemployment Rate in the European Union, the United States, and Japan between 1975 and 1999.

Notes : EUR15 = Belgium, Denmark, Germany, Greece, Spain, France, Ireland, Italy, the Netherlands, Luxembourg, Austria, Portugal, Finland, Sweden, the United Kingdom.

EUR11 = EUR15 - Denmark, Greece, Sweden, and the United Kingdom Jap: Japan.

Source : Based on OECD data and Eurostats.

Germany, and Spain) experienced failure. In 1997, the unemployment rate[5] in the EU almost reached 11% compared to 5% in the United States or 3.4% in Japan.

An effective (and hopefully efficient) coordinated approach of economic policies among the Member States then appeared to be more appropriate and it was felt it would bring better results than an individual country approach. This idea[6] of co-ordination was first discussed in Amsterdam in June 1997 and effectively implemented in November 1997. It gave birth to three different strategies over the next eight years. In November 1997, the Heads of State and Government of the 15 EU Member States agreed on the implementation of the first European Employment Strategy (EES) with the aim of reaching an unemployment rate of 7% and a level of employment of 65% within five years (i.e. by 2003). As we shall see, its first results were positive (growth started to speed up and the unemployment rate in the EU fell to 8% within two years). This encouraged the European leaders to launch the "Lisbon Strategy" in 2000. This second strategy aimed to make the EU the world's most dynamic and competitive economy, and rested on a series of economic, social, and environmental policies that would foster jobs creation, sustainable development, and social inclusion. Two targets in terms of employment were set: raising the employment rate from an average of 61% in 2000 to as close as possible to 70% by 2010; increasing the number of women in employment from an average of 51% in 2000 to more than 60% by 2010. The following year, the European leaders refined this strategy: they set intermediate targets on their two first targets and added a third one. The employment rates across the Union should be 67% overall and 57% for women by 2005. The third target was to reach an employment rate for older workers (aged 55-64) of 50% by 2010.

But the first signs of not meeting these intermediate targets appeared very quickly. The European leaders thus decided to re-assess the EES and implemented a third strategy: the New European Employment Strategy.

Our chapter briefly reviews the influence of economic globalisation on the European Employment Strategy over the past eight years. We attempt to assess this economic policy agenda in the light of the findings of Tisdell et al. (2004, pp. 82-83). They argued that economic globalisation has different effects on promoting growth depending on the stage of its development. They agreed that it could be a major force promoting economic growth initially but wondered if it would continue to be. They explained that economic globalisation could be a strong growth force in its initial stages when considerable economic inequality existed between those nations able to participate effectively in globalisation. As this inequality decreased, economic globalisation might become less effective as a force of growth. In the mature globalisation phase, when opportunities for earning high returns from making 'catching up' foreign direct investments in developing countries might well have disappeared; economic growth would then depend heavily on the ability of firms to innovate. They also pointed out that "a fully liberalised world economy with free labour movements [might] not be conducive to long-term economic growth and is unlikely to promote resource allocation globally that is economically optimal." (Tisdell et al., 2004, p. 71).

Let us adapt these arguments to the EU. A few regions[7] within the EU already are in the mature phase of globalisation and their economic growth depends heavily on innovation. But a policy aiming at promoting growth only through innovation might not be sufficient in the EU, as there are at least three thresholds. First, there exist some disparities between regions. One could expect that there still exist possibilities of investment in some relatively poorer regions that would or could bring the needed growth. It is usually thought that such opportunities can be found in the EU, especially since the integration in May 2004 of the 10 new countries[8] (mainly countries belonging to the former Soviet bloc). Second, the level of unemployment within the EU has remained high in comparison to other countries such as the United States. The European labour markets are far from being fully liberalised[9] and its labour input is far from being fully mobile.[10] Finally, the European demographic trends seem rather bleak as there is a declining rate of growth of population. So overall it is obvious that the EU needs not only innovation to foster growth, but also an active economic policy agenda to take fully advantage of the economic globalisation in order to be a serious rival of the United States in the world economy.

This chapter is organised as follows. In the second section, we provide a general overview of the unemployment situation in the European Union in 1997, that year being crucial in terms of policy co-ordination as we emphasise in the following section. In the third section, we outline the first coordinated EU action, the so-called European Employment Strategy, agreed to in 1997. We explain how this strategy evolved in the light of economic globalisation until the Barcelona Summit in 2002. We take a special interest in its integration within the Lisbon Strategy set in 2000. In the fourth section, we show how the first European Employment Strategy was re-assessed in 2003 in order to maintain the Lisbon Strategy's objectives of full employment by 2010.

A General Overview of the Unemployment in the European Union in 1997

At the eve of the first European Jobs Summit, the European situation with regard to employment was rather weak. In 1997, the average unemployment rate in the 15 states of the EU was 10.6% (for details, see Figures 1 and 2). If Denmark, Greece, Sweden, and the United Kingdom are excluded, it reached 11.8%, compared to a rate of 4.9% in the United States or 3.4% in Japan. Of course, the situation differed from one country to another country: peak levels were registered in Finland (12.7%), France (11.8%), Spain (17%); low levels were known in Luxembourg (2.8%), the United Kingdom (6.9%) or Austria (4.4%). 1997 was one of the worst years for the EU in terms of unemployment. But the employment situation had been quite poor for years. Throughout the 1990s structural unemployment increased in most European countries including Germany, France, or Sweden. There were a few exceptions like the Netherlands, the United Kingdom or Ireland (see Table 1). It has remained fairly stable in the OECD countries, especially in the United States, Japan, or Spain. As recalled in the Employment Rates Report (Commission, 1998), "twenty years ago, the Union's employment rate was 64%, whereas that of the United States was 62%. However, in 1997, the Union's employment rate had dropped to 60.5%, whereas the United States' rate had risen to 74%, a spread of almost 14 percentage points, equivalent to some 34 million jobs."[12]

Table 1 : Evolution of the Structural Unemployment in the 1990s in Selected OECD Countries

In the 1990s the structural unemployment has...	*Average 1981-83*	*1990*	*1997*
...increased:			
Sweden	—	3.2	6.7
Germany	4.3	6.9	9.6
France	5.7	9.3	10.2
Italy	7.0	9.7	10.6
... remained fairly stable:			
Japan	2.0	2.5	2.8
United States	5.8	5.8	5.6
Spain	8.8	19.8	19.9
Portugal	6.1	5.9	5.6
... decreased:			
Denmark	5.8	9.2	8.6
United Kingdom	5.3	8.5	7.2
Netherlands	5.7	7.0	5.5
Ireland	13.0	14.6	11.0
OECD	5.2	6.8	7.1
OECD actual unemployment rate		6.0	7.5

Sources *:* OECD (1998), OECD (2003, Table 23).

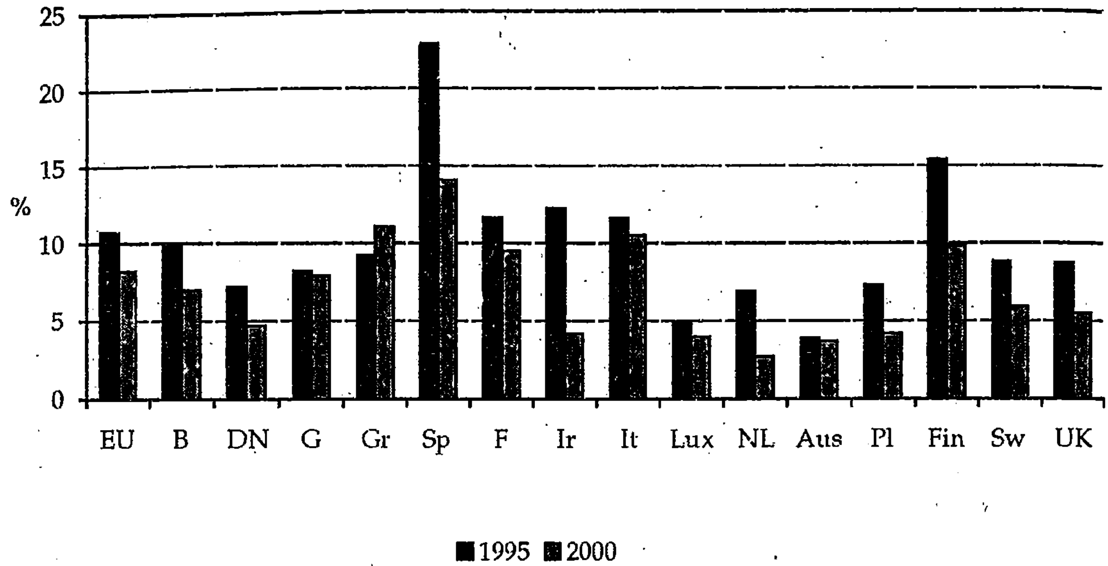

Figure 2 : Unemployment Rate in the 15 Member States of the EU in 1995 and 2000.

Notes : EU: European Union

B: Belgium, DN: Denmark, G: Germany, Gr: Greece, Sp: Spain, F: France, Ir: Ireland, It: Italy, Lux: Luxembourg, NL: Netherlands, Aus: Austria, Pl: Portugal, Fin: Finland, Sw: Sweden, UK: United Kingdom.

It is nowadays commonly acknowledged that the level of unemployment depends on four features: gender, age, skills and length of the unemployed period (see Tables 2, 3 and Figures 3, 4 and 5). In summary, female unemployment in the EU tends to be higher than male unemployment, young people are more likely to be out-of-work than the average population, a low education level and the length of the unemployment period seem to be important factors to explain the level of unemployment.

The European Employment Strategy - The First Co-ordinated Economic Policy in Europe

As noted in the previous section, unemployment reached unprecedented levels in the second half of the 1990s. Each country tried individually to fight this high and persistent unemployment. Some experienced success (the United Kingdom and the Netherlands), most failure (France, Germany or Spain). As this individual approach seemed to fail, the Heads of State and Government of the 15 EU Member States decided to call for common action in Amsterdam in June 1997. When they met in the Dutch capital, the European leaders put the final touches to the new Treaty establishing the European Union. They then wanted to make sure that employment was seen to be as important as other economic and monetary matters and they all agreed to reach a high level of

Table 2 : Unemployment Rates in the 15 Member States of the European Union, a Comparison Between 1995 and 2000 in Terms of Gender, Period of Unemployment, and Age

Country	*Un 1995*	*Un 2000*	*UnM 1995*	*UnM 2000*	*UnF 1995*	*UnF 2000*	*L-T 1995*	*L-T 2000*	*Youth 1995*	*Youth 2000*
EU-15	10.7	8.2	9.4	7	12.5	9.7	5.2	3.6	10.2	7.8
B	9.9	7	7.7	5.7	12.9	8.8	6.1	3.8	8.4	6.5
DN	7.2	4.7	5.8	4.2	8.9	5.3	2	1	7.8	5.3
G	8.2	7.9	7.1	7.6	9.6	8.3	3.9	4	4.6	4.6
Gr	9.2	11.1	6.2	7.3	14.1	16.7	.	.	.	.
Sp	22.9	14.1	18.2	9.8	30.5	20.6	12.4	5.9	17.7	11.4
F	11.7	9.5	8.3	9.5	14	11.5	4.6	3.8	9.3	7.1
Ir	12.3	4.2	12.2	4.3	12.5	4.2	7.8	1.7	8.8	3.3
It	11.6	10.5	8.9	8	16.2	14.4	7.4	6.4	12.6	11.8
Lux	5	4	2.1	1.9	4.4	3.3	0.7	0.6	3.1	2.5
NL	6.9	2.7	5.8	2	8.6	3.7	3.3	0.8	7.6	3.6
Aus	3.9	3.7	3.1	4.8	5	4.3	1	1	3.4	2.9
Pl	7.3	4.2	6.5	3.4	18.5	11.5	3.7	1.7	7.1	4.2
Fin	15.4	9.8	15.7	9.1	15.1	10.6	5.6	2.8	13.2	11.2
Sw	8.8	5.9	9.7	6	7.8	5.8	2	1.3	9.7	5.5
UK	8.7	5.5	10.1	6	7	5.3	3.7	1.5	10.4	8.3

Notes : Un1995 : unemployment rate in 1995, Un 2000: unemployment rate in 2000.
UnM1995 : male unemployment rate in 1995, UnM2000: male unemployment rate in 2000.
UnF1995 : female unemployment rate in 1995, UnF2000: female unemployment rate in 2000.
L-T1995 : long-term unemployment rate in 1995, L-T2000: long-term unemployment rate in 2000 (by definition, the long-term unemployed are people who had been without a job for more than a year).
Youth1995 : youth unemployment rate in 1995, Youth2000: youth unemployment rate in 2000 (by definition, the youth unemployed are young people (15-24) who are without a job).

employment without undermining competitiveness. It was the first time in the EU history that a common social objective was set. Thus, the Amsterdam Treaty introduced two novelties. First, Article 2 of the Amsterdam Treaty introduces employment in the objectives of the Union. Indeed, it states that "The Community [the EU] shall have its task [...] to promote throughout the Community a harmonious, balanced and sustainable development of economic activities, *a high level of employment* and of social protection, equality between men an women, sustainable and non-inflationary growth, a high degree of competitiveness and convergence of economic performance, a high level of protection and improvement of the quality of environment, the raising of the standard

Table 3 : Unemployment Rate (% of the labour force) in the 15 Member States of the European Union by Education Levels in 2001 (age-group 15-24)

Men

	Men and Women				*Women*			*Men*		
	Total	*High*	*Medium*	*Low*	*High*	*Medium*	*Low*	*High*	*Medium*	*Low*
EUR15	7.6	4.5	7.2	10.8	5.4	8.2	13.2	3.7	6.3	9.3
Germany	7.8	4.2	8.1	11.7	4.9	8.0	10.2	3.8	8.2	13.1
Spain	13.0	10.2	13.5	14.3	14.1	19.7	22.0	6.7	8.7	10.1
France	8.6	4.9	7.6	13.3	5.5	10.2	15.6	4.3	5.6	11.3
UK	4.7	2.2	4.9	9.2	2.0	4.4	6.7	2.4	5.2	11.6

Notes : "High": individual has completed tertiary education.
"Medium": upper-secondary education.
"Low": less than upper-secondary education.

Source : Commission (2002a).

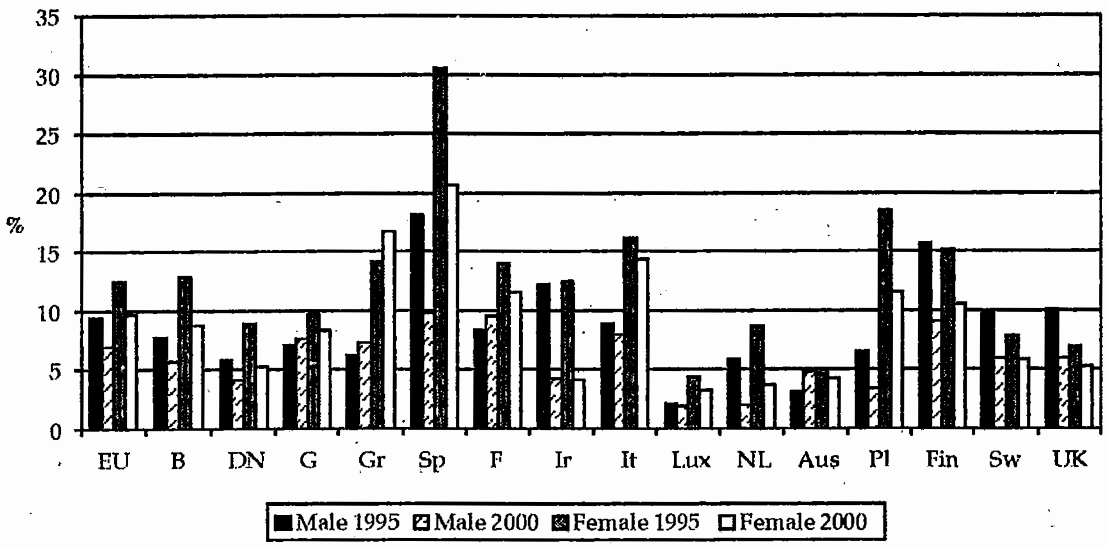

Figure 3 : Male and Female Unemployment Rates (% of the labour force 15+) in the 15 Member States of the European Union, a Comparison Between 1995 and 2000.

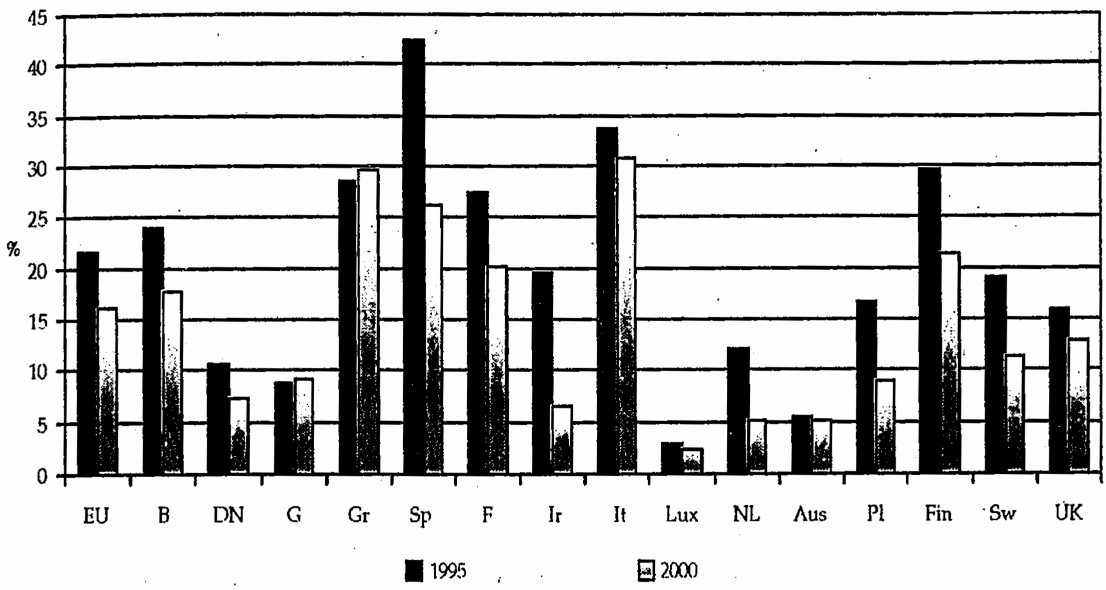

Figure 4 : Youth Unemployment Ratio (% of population aged 15-24) in the 15 Member States of the European Union, a Comparison Between 1995 and 2000.

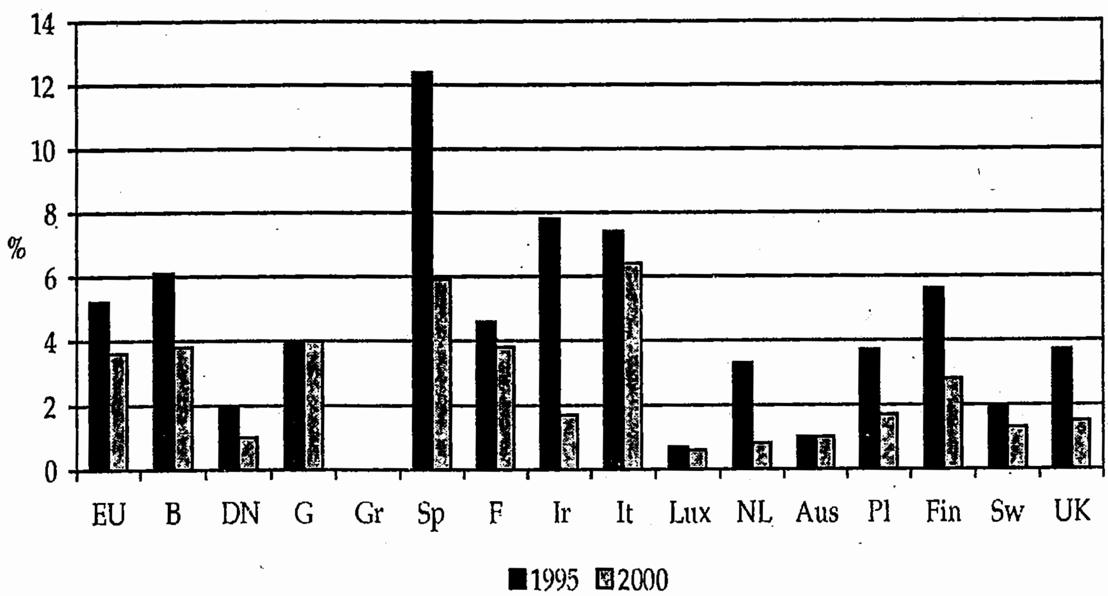

Figure 5 : Long-Term Unemployment Rates (% labour force) in the 15 Member States of the European Union, a Comparison Between 1995 and 2000.

of living and quality of life, and economic and social cohesion and solidarity among Member States". Second, the European leaders completed the Treaty by adding a new Title "Employment" (Title VIII, Articles 125-130). Article 125 states that "Member States and the Community shall, in accordance in this Title, work towards developing a co-ordinated strategy for employment and particularly for promoting a skilled, trained and adaptive workforce and labour markets responsive to economic change". As Commissioner Flynn said in October 1997 "Employment [was] a matter of common concern and the co-ordination of national policies is reinforced".[13] The following mechanism was implemented to ensure the effectiveness of this co-ordination.

First, there should be some common guidelines on employment. Second, there should be some recommendations to individual Member States. To speed up the process, the European leaders agreed to meet at a special European Council[14] in Luxembourg in November 1997 to discuss the matter. They also requested the European Commission to assemble the first set of guidelines as a framework for discussion at this Council. This mechanism gave birth to the European Employment Strategy (the EES). We shall see that the first results of the EES were positive and this encouraged the European leaders to become more ambitious. In 2000, they set up the Lisbon Strategy. Its aim was to make the European Union the most dynamic and knowledge-based region in the world by 2010.

The European Employment Strategy - The EES

In this section, we are going to present the main features of the EES and its first results. Then we will consider why the Lisbon Strategy was implemented and outline the evolution of the EES until the Barcelona Summit (2002). The discussion is relevant to the occurrence of growing economic globalisation.

Prior to the Luxembourg Summit, the Commission set up the basis of the forthcoming EES. This basis was inspired by the convergence process of the economic policies towards the Euro. It rested on annual assessments of the employment policies within the EU, on collaboration between Member States (i.e. share of best practices and peer-review), and a co-ordinated policy action. The Commission recommended that each Member State should draw up its own action plan (the so-called National Action Plan), adapted to its own circumstances, but within a common framework of objectives and guidelines. Then, each year, the Commission will have to report on the implementation by the Member States of the employment guidelines, to present updated guidelines and - if necessary - to propose recommendations to individual Member States. The aim was to achieve an employment rate of 65% and an unemployment rate of 7% within five years (i.e. by 2003). Commissioner Flynn considered these two goals as "ambitious but achievable, so long as the potential for stable growth [was] realised and [was] combined with forward looking structural reform".[15] The guidelines[16] were organised around four pillars: entrepreneurship, employability, adaptability, and equal opportunities. The idea behind the "entrepreneurship" pillar was to stimulate the creation of more jobs and better jobs within the EU by making it easier to start up and run businesses, by developing markets for venture capital, and by making the taxation system more employment friendly. The idea behind the "employability" pillar was to tackle the skill gap, by modernising education and training systems, and by strengthening their link to the workplace, so that all workers, especially jobseekers, were equipped to take new employment opportunities. The idea behind the "adaptability" pillar was to equip enterprises and the workforce to embrace new technologies and new market conditions by modernising work organisation or renewing skill levels within enterprises. Finally the idea behind the "equal opportunities" pillar was to modernise societies so that men and women could work on equal terms, with equal opportunities to develop the full growth capacity of the European economy. Policies should tackle gender gaps, reconcile work and family life and facilitate return to work. In Luxembourg, the European leaders refined each guideline.[17] At the end of the meeting, different points of view were noticeable. France saw the results of the Summit as a first step towards a full co-ordination of macroeconomic polices. The United Kingdom and Germany were more cautious. They stressed that employment policies should be controlled by national governments. Spain, whose unemployment rate was one of the highest in the EU - about 20% - insisted that it should not be forced to reach the target within five years. Some targets were indeed lowered. For instance, the proportion of unemployed offered training was not anymore 25% but 10%.

In our opinion, it is difficult to find a direct influence of globalisation in the guidelines of the first EES. The guidelines mainly are a list of desirable economic policies to fight a particular feature of European unemployment. The influence of globalisation on the Lisbon Strategy will be clearer. However, this idea is not shared by all. For instance, Velluti (2002) presented the first EES as "a product of globalisation". Note that her analysis reflected more a legal point of view than an economic point of view. Economists were rather cautious in general.[18] From an economic perspective, we can nevertheless point out that each pillar indirectly reflects one aspect of the impact of economic globalisation. This is so, for instance, in the promotion of training systems and the modernisation of education, Member States want to increase their number of skilled workers. By advocating markets for venture capital, they are taking steps to deregulate capital markets and to facilitate the creation of small firms specialised in the development of new technologies. In other words, behind each pillar, they recognise the need for structural reforms in the services and labour markets in order to stimulate growth and increase employment. It is worthwhile to note that a series of papers edited by Snower and de la Dehesa (1997) recommend such actions at about the same time.

Within three years, the unemployment rate dropped in the EU. In 2000, it respectively fell to 9.3% in France, 11.3% in Spain and 9.8% in Finland. Rates of unemployment in the Netherlands, Ireland, the United Kingdom, Portugal, and Austria reached low levels. These were respectively 2.9%, 4.3%, 5.4%, and 3.7%. The overall EU figure was 7.8%. It remained high compared to 4% achieved in the United States and 4.7% in Japan. However, these positive results strongly encouraged the European Commission and the Heads of State and Government of the 15 EU Member States to launch of a second strategy at the beginning of the new Millennium, partly due to their optimistic mood. Indeed, in addition to this improvement in the unemployment situation, the Euro's introduction[19] had been done without damage on January 1st, 1999 and the future of the EU seems promising with the integration of 10 new countries planned for May 1st, 2004. In February 2000, the President of the European Commission, Romano Prodi, declared that "with the launch of the Euro, we now have a completely united single market, enabling the EU to emerge as a world economic power capable of meeting the challenges of globalisation."[20] In March 2000, when the European leaders gathered in Lisbon, Portugal to discuss the state of employment, they were ready to set the new strategic goal for the EU with a view to making it 'the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion'. The outcome of the Lisbon meeting was to be called 'the Lisbon Strategy'.

The Lisbon Strategy - March 2000

On the eve of the Lisbon European Council, the economic indicators were not too bad. Inflation, public debts and deficits seemed under control, but unemployment rates and growth were not so favourable. The aim of the Council was to give a new impulse to the economic policies within the EU given the new economic environment faced by the EU. Ever-increasing economic globalisation meant greater competition in some sectors. The sudden increase in the use of information and communication technologies (denoted by ICT thereafter) exacerbated the relative lack of expertise of the EU in this domain. The European leaders wanted to make sure that their countries could benefit from these two factors, to stimulate growth and increase employment. So they launched the Lisbon Strategy. It was composed of a series of economic, social, and environmental policies that were intended to foster job creation, sustainable development, and social inclusion. The EES was then presented as a key component of that strategy. Indeed, the goal was to reach full-employment by 2010. The European leaders agreed on two targets: an overall employment target of 70% and employment target for women of 60% by 2010.[21]

If the Lisbon Strategy attained its objectives by 2010, this would mean for the EU economy would be the prime rival of the U.S. economy and would have met the challenges raised by growing globalisation. The idea was to boost the EU rate of growth to 3% per year and create millions of jobs. For that purpose, the European leaders were willing to spend on average 3% of their gross domestic product (GDP) on research and development, to liberalise the gas and electricity markets, to reform their different postal and transport services and to integrate their financial markets. They agreed to meet once a year at a "Spring Economic Summit" to review progress and launch further initiatives to reach the targets of the Lisbon Strategy. Subsequently, a year later, in Stockholm, a third target and intermediate targets were set: an employment rate for older people (aged 55-64) of 50% by 2010, the overall employment rate should reach 67% by 2005 and the female employment rate should reach 57% by 2005.

In other words, the European leaders were ready to make massive investment in education, research and development and to help spread new technologies throughout the EU. It was hoped these would foster economic growth, ensure the competitiveness of the European products in a globalised world, and create "quality" jobs.

The ability to innovate was therefore crucial in the Lisbon strategy, but it was not enough by itself to make the EU economy very effective because this economy suffered from specific weaknesses: a poor performance in the labour market, a lack of integration in financial markets and in some markets for services, despite a large integrated market for products. Therefore the European leaders decided to set a policy agenda to reform these markets with the objective of creating a new economic environment. That environment would be able to improve productivity and hopefully help the EU to regain the conditions required for full employment.

Note that the Lisbon strategy does not rely on direct market forces to make the EU a serious rival of the United States. It relies on a series of active economic policy reforms for some markets (with the ultimate goal of fully liberalising these). In addition, the EU by its enlargement could still benefit from the opportunities for earning high returns from making 'catching up' direct investment in the new members of the EU. One could then conclude that enlargement is necessary in order to maintain or enhance growth in the mature phase of globalisation. But this strategy could not bring immediate results.

The 2001 Employment report (the Commission released it on 12/09/2001) pointed out the positive and negative developments in the European labour markets for the year 2000. On the positive side, there was the strongest employment growth for ten years, i.e. three million jobs were created (60% of the job creation in the period 1995-2000 were associated with high technologies and knowledge-intensive sectors) and the number of unemployed fell by 1.5 million - the largest decrease in a decade - and the participation rate of women was increasing. Overall, the unemployment rate was at 8.2%, but it remained high compared with the rates in the United States and Japan. In addition, more than 16.3% of active young people were unemployed and the employment rate of older people was 37.7%. More importantly, the GDP growth was forecasted to slowdown. The following Joint Employment Report (Commission, 2002b) came out with no surprises. Despite a small drop (0.6%) in the level of unemployment and a small increase (0.6%) in the level of employment, the economic environment was not as "good" as before as the slowdown in economic growth was felt throughout the EU. The Commission recommended the Members States to intensify their efforts to reform their labour markets. At the Barcelona Summit in April 2002, the European leaders confirmed that full-employment was the overarching goal of the EU, and they asked the Commission to review the EES and to make a proposal with new (simpler) guidelines which could better integrate the Lisbon Strategy.

The New European Employment Strategy - Has Europe Been Able to Meet the Challenges of Globalisation?

In January 2003, the Commission released its new proposal. The Commission recognised that the EES had some positive effects on the labour markets in the EU (although it was difficult to establish by how much this improvement was effectively due to the EES). Then, it emphasised that the EES did not provide adequate policy actions to meet the challenges faced by the EU in terms of its demographic trends, globalisation, and its enlargement.

Indeed, the labour force is ageing and the level of population is declining in the EU. As a result, the EU's labour supply will soon be constrained. Hence, the EU's economic growth and its pension systems are at risk. Instead of using early retirement schemes to restructure businesses, the Member States should raise labour participation and comes to term, as soon as possible, with migration issues.

Second, as the investment of the EU in human capital and in new technologies has not been as high as expected, the objective of the EU becoming the most knowledge-based economy in the world by 2010 appears unlikely to be achieved. For instance, as noted by the Commission (2003b) in its report *The Future of the EES* published in January 2003, public expenditure on education (around 5%) and total expenditure in R&D (around 1.9%) as a share of GDP hardly changed in the second half of the 1990s in the EU. Although ICT spending rose significantly in the mid-1990s, it has remained below that in the United States and does not seem on its own to have given a uniform boost to the European productivity. If the EU is not able to catch up with the United States, it could then fall in a deeper economic slowdown.

Finally, the integration of the new EU members has to be achieved and there exist great disparities not only among them but also between them and the present Member States in terms of growth, employment, and foreign direct investments. For instance, most of the accession countries have a higher unemployment rate than the EU average. Most have experienced, in recent times, rapid growth due to economic reforms and investment. But this investment varies from €521 per person in Slovakia to €2,284 per person in the Czech Republic.

The Commission proposal was built on the key points of the Lisbon Strategy and identified three "overarching objectives" that were considered crucial for EU growth and for sustainability of social protection systems. These were: (1) full employment, by raising employment targets towards the Lisbon and Stockholm targets; (2) quality and productivity improvement at work to increase European competitiveness (e.g. improving working conditions), and; (3) a cohesive and an inclusive labour market to reduce existing disparities in access to the labour market, e.g. taking into account the problems faced by disadvantaged people.

It also adopted a medium-term horizon (2010 with a mid-term review in 2006) and tried to clarify the objectives with a stronger emphasis on results. Indeed, the new guidelines identified "10 commandments" for action and set 15 targets (see Tables 4 and 5). The Commission emphasised (again) the necessity of investment in human capital, including in training and education in order to reduce chronic long-term unemployment of individuals, to encourage people to remain in the labour market, and to enhance the skills of the workers.

Table 4 : The 10 Commandments for EU Employment Reform (2003)

1.	Help unemployed and inactive to find a job, prevent long-term unemployment
2.	Encourage entrepreneurship and improve climate for business start-ups
3.	Promote adaptability of workers and firms to change
4.	Provide more and better investment in human capital
5.	Increase labour supply and promote active ageing
6.	Promote gender equality in employment and pay
7.	Combat discrimination against disadvantaged groups
8.	Improve financial incentives to make work pay
9.	Reduce undeclared work substantially
10.	Promote occupational and geographical mobility

Source : Commission (2003a).

Table 5 : The 15 Targets at EU and National Levels (2003)

1.	Personalised job search plan for all unemployed before fourth month of unemployment by 2005
2.	Work experience or training for all unemployed before the twelfth month of unemployment (before six months for young and vulnerable) by 2005
3.	30% of long-term unemployed in work experience or training by 2010
4.	Reduction of 15% in rate of accidents at work, and a reduction of 25% for high-risk sectors by 2010
5.	80% of 25-64 year olds to have at least upper secondary education by 2010
6.	Increase rate of participation of adults in education and training to 15% on average in the EU, and to at least 10% in every Member State by 2010
7.	Increase investment by companies in training of adults from the existing level of the equivalent of 2.3% of labour costs up to 5% of labour costs on average in the EU by 2010
8.	An increase in the effective average exit age from the labour market from 60 to 65 years on average in the EU by 2010
9.	Elimination of gender gaps in employment and halving of gender pay gaps in each Member State by 2010
10.	Childcare places available for 33% of 0-3 year olds and 90% of those from 3 years to mandatory school age in each Member State by 2010
11.	Halving of the school drop-out rate in each Member State and reduction of E.U average drop-out rate to 10% by 2010
12.	Reduction by half in each Member State in the unemployment gaps for people defined as being at a disadvantage in accordance with national definitions by 2010.
13.	Reduction by heal in each Member State in the employment gap between non-EU and EU nationals by 2010
14.	All job vacancies advertised by national employment services should be accessible and be able to be consulted by anyone in the EU by 2005
15.	National targets to be set for: business training; reduction of red tape for state-ups; per capita increase if public and private investment in human resources; tax burden on low-paid workers; undeclared work.

Source : Commission (2003a).

A new agenda was also set up, re-organising the agenda agreed to in 1997. Every January, the Commission will present the conclusions from a review of the implementation of the EU policy guidelines. After the Spring European Council, every April, the Commission will define and present its proposals for future actions. It will then make some Employment Recommendations. In the second semester of the same year, each Member State will submit its National Action Plan that will be assessed.

As the signs of not reaching the intermediate targets of the Lisbon strategy are getting stronger and stronger, criticisms[22] are becoming louder and louder. Indeed, despite fast economic growth in some Member States, the EU's GDP per capita is about 70% of America's, the growth rate in productivity per employed person in the EU has been going down since the mid-1990s. It is now fluctuating between 0.5% and 1% in the EU as against 2% in the United States. The Sapir report[23] released in July 2003 proposed a package of economic policies for delivering faster growth together with stability and cohesion in the enlarged Union. The report recommended better use of microeconomic tools to encourage growth and innovation which in turn, it was believed, would improve the overall macroeconomic performance. It also encouraged the EU to improve its system of shared governance. Among its propositions, it argued that the "drive for sustained innovation should become a strategic priority". To achieve it, the EU should reform its tax and fiscal systems, facilitate the research funding, and give a high profile to European universities.

Other critics emphasise that since the common policy at the European level does not really work, it may be time to come back to policy actions at the national level. In addition, more and more often, the EU policies guidelines do not appear in the national policy agenda. The co-ordination process seems to have become too complicated, the guidelines too wordy, and collective leadership practically non-existent.

The answer of the Commission to these critics was the report of the Employment Task Force (created in April 2003) released in November 2003. The Task Force was supposed to deliver "concrete proposals for reform", but the report came out with no surprise results and was therefore a disappointment. Its report stated on page 8: "To boost employment and productivity, it is clear that success in Europe will depend on four key requirements: increasing adaptability of workers and enterprises, attracting more people to the labour market, investing more and more effectively in human capital, and ensuring effective implementation of reforms through better governance." They simply reformulate requirements which had been put forward eight years previously. They nevertheless emphasise in the first pages of the report that "globalisation and economic integration are increasingly affecting the way Europeans live and work and demanding rapid response to, and management of, change."

Concluding Comments

This chapter gave a brief review of the influence of economic globalisation on the European Employment Policies. We saw that it all began in 1997 with the Luxembourg process in which the indirect influence of globalisation was stressed. We showed that that influence became more direct with the formulation of the Lisbon Strategy in 2000 and thereafter. Indeed, as economic globalisation was presented as one of the main challenges of the EU, the European Commission and EU leaders strongly recommended, in 2000, better integration of the EU's services and labour markets to promote growth and innovation. The set targets of the Lisbon Strategy in terms of employment were ambitious, but seemed reachable at the beginning of the new Millennium. Unfortunately, international events counteracted that strategy and demonstrated by how much a large economy such as the EU was dependable on the state of the U.S. economy.

Almost four years after the euphoric launch of the Lisbon Strategy the European Commission came to the following conclusion in January 2004. "In the most important categories: growth, productivity, and employment, the EU is far from meeting its goals. With a GDP per head at 72% of the United States, Europe cannot catch up on the United States." In the same month, Romano Prodi declared that "Member States do not seem to realise that 2010 is around the corner. Four years after Lisbon, it is clear that we are going to miss our mid-term targets. This should be a strong enough message to serve as a wake-up call to governments."[24] Three new priorities were then set and Member States are required to act upon them quickly: (1) investment in knowledge and networks; (2) reinforcement of industrial competitiveness, and; (3) more measures to increase labour market participation particularly by promoting continuing participation in the workforce of those who are ageing.

These priorities have a familiar ring. They have not been satisfied since they were first adopted in 1997. However, these priorities can only realistically produce an impact in the long run. It is nevertheless worthwhile to add that Member States have not been fast and efficient in the implementation of the proposed economic policies. We can conclude that the political co-ordination problem in the EU is a barrier to its effective response to globalisation. This problem is going to become more difficult with the addition of new members. The United States does not have the same problem. So the EU seems more than ever to be on a slow economic track in the world economy despite its 370 millions inhabitants and having the largest single market in the world.

NOTES

1. We define economic globalisation as the process of extending and integrating markets and economies so they are no longer confined to a single region or nation but form part of an international global economic system.
2. http://europa.eu.int/scadplus/leg/en/cig/g4000g.htm#g2
3. The EU's decision-making process <http://europa.eu.int/institutions/decision-making/index_en.htm> in general involves three main institutions: the European Parliament <http://europa.eu.int/institutions/parliament/index_en.htm>, which represents the EU's citizens and is directly elected by them; the Council of the European Union <http://europa.eu.int/institutions/council/index_en.htm>, which represents the individual member states; the European Commission <http://europa.eu.int/institutions/comm/index_en.htm>, which seeks to uphold the interests of the Union as a whole.
4. Belgium, Denmark, Germany, Greece, Spain, France, Ireland, Italy, the Netherlands, Luxembourg, Austria, Portugal, Finland, Sweden, the United Kingdom.
5. Source: Eurostat 1997. Unemployed persons are those persons aged at least 15 years old not living in collective households, who are without work during the reference week; available to start work within the next two weeks; seeking work, i.e. have actively sought employment at some time during the previous four weeks or are not seeking a job because have found a job to start later.
6. There were some earlier examinations of a common policy (cf. the White Paper of J. Delors (1993), that was merely inspired by the Malinvaud-Drèze proposal (1993, but published in academic journals in 1994)), but there was no real following up.
7. Cf. the 2000 Agenda Reform, the Structural Fund and the Cohesion Fund or Commission (2000).
8. Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia.
9. Cf. Siebert (1997), Nickell (1997).
10. In 1995, about 0.5% of workers (600,000) were living in a country different from that they were working. In 2001, it was estimated that the mobility of workers between and within the EU was limited to 1.2% of the population.
11. The structural unemployment is the unemployment rate without the cyclical component.
12. http://europa.eu.int/scadplus/leg/en/cha/c10925.htm
13. http://europa.eu.int/comm/employment_social/elm/summit/en/papers/flynn.htm
14. It was the first Summit (later to the be-called the Jobs Summit) in the 40 year history of the EU exclusively devoted to jobs. It was then presented as a response to fears that the EU was more interested in economic and monetary concerns (the Euro for instance) than in social ones.
15. http://europa.eu.int/comm/employment_social/elm/summit/en/papers/flynn.htm

16. http://europa.eu.int/comm/employment_social/elm/summit/en/papers/guide.htm
17. http://europa.eu.int/comm/employment_social/elm/summit/en/papers/guide2.htm
18. Although some were quite reluctant with the idea (cf. Modigliani et al. (1998))
19. The Euro-zone countries are Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, and Spain.
20. Speech "2000-2005: Shaping the New Europe".
21. They were respectively 61% and 51% in 2000.
22. For instance, Blanchard (2004a, 2004b), Pelkmans and Casey (2004).
23. The President of the European Commission asked a group of independent experts (mainly academics) to survey the state of the European policies and its challenges ahead.
24. See Commission (2004b).

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