



RESEARCH PAPERS

from the Department of Social Sciences

Institut for Samfundsvidenskab og Erhvervsøkonomi

Research Paper no. 7/01

**Labour Market Issues in the European
Community**

Jean Monnet Professor Bent Greve

**Jean Monnet Center of Excellence,
2001, Roskilde University, Denmark**

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Research Papers from the Department of Social Sciences, Roskilde University, Denmark.

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ISSN 1399-1396

Abstract

The research paper describes the empirical development on the labour markets in EU including employment, unemployment, public expenditures and inflows into labour market programmes. The analysis is set in a welfare state framework, and, uses welfare states clustering as a device for the comparison.

Furthermore, the research paper analyses the development of labour market policy at the supranational level. It discusses further the relation between supranational and national labour market policy historically and in the future. This analysis includes also the relation with the EU employment guidelines, and, the attempts in recent years to have a continuous development of labour market policy in EU and EU-member states.

Keywords: EU, labour market, labour market policy

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1. Introduction

The intention of this paper is, firstly, to present an empirical description of the trends in European labour market policy, mainly by focussing on eight countries: the UK, France, Germany, Ireland, Italy, Portugal, Sweden and Denmark. It will concentrate on the developments in active and passive labour market policies, and try to explain reasons for these developments. The empirical description will especially deal with trends in employment, unemployment, inflows into labour market programmes and public expenditures on different programmes. The paper will also present the main economic data, which describe the general trends in the eight countries, and their varying economic performances. The reason for choosing the eight countries is that they represent different approaches to the welfare state, and, further both large and small countries. In several of the tables, additional countries are included in order to compare the diverse economic patterns what and types of labour market policies involved, and often data for the EU as whole will be used for reference.

Secondly, the paper will discuss the results - if any - of the active labour market policy. This will be done in relation to different economic contexts, and within different types of welfare state regimes in Europe. The rationality behind the linkage to welfare state regimes is that one could expect different tendencies in the different types, and would expect the Scandinavian type of welfare state to be the one where active labour market policy will be most developed. It will, further, be discussed how, and to what extent, different welfare regimes' perception of labour market policy might have had an impact on formulation of the supranational labour market policy by transmission from national to supranational level decision-making.

Thirdly unemployment's impact on income distribution in different countries will briefly be highlighted, by investigating the trend towards a dual society with social exclusion, marginalised people, and poverty.

There will be a theoretical discussion concerning active labour market policy in relation to the degree and extent it will have an impact on supply and demand in the labour market. The existing theoretical knowledge about structural adjustments and rigidities in the labour market will be confronted with and discussed in the light of more open economies in Europe. The thesis being that traditional demand management's possibilities of success have been changed due to the internal market's pressure in breaking down barriers between the EU countries. On the other hand, if traditional demand management is no longer possible, then the question is: What impact will there be on the labour market with the change towards flexible specialisation and a service society? The emphasis on life-long learning, as example of human-capital approach impact on labour market policy, will be discussed.

Moving from a national to a supranational scene, the debate will concern, how the EU-commission tries to influence the national development of labour market policy. This section will also include a discussion of how the commitment to labour market policy has changed after the Amsterdam Treaty. It will also include a debate about the guidelines for national action plans, including the EU member states responses to them, and the feedback process, which has been initiated.

The paper ends with a discussion concerning the relation between nation states and development in the EU, and the relation's impact on traditional national labour market policy. Furthermore, I will discuss whether we are witnessing a supranational labour market policy in embryo, or whether we are mainly hearing rhetoric at the supranational level without any real impact on national labour market policy.

2. Trends in European Labour Market Policy

Since the first oil-crisis in 1973, there has been a long-term trend of growing unemployment rates, and an increase in the numbers of long-term unemployed. This has led to increased focus on active labour market policies. In 1973, the unemployment rate was around 3 % and most countries still considered this as close as possible to full employment. In 1980, the unemployment rate was on average 6.3 % for EU-countries (OECD, Economic Outlook). By the middle of the eighties this had nearly doubled to 11.2 % (at highest level in 1986). It then felled back a little, before starting to rise again in the beginning of the nineties. In 1999 the level was 9.2 %, with a forecast of falling levels in 2000 and 2001 (OECD, Employment Outlook, 2000).

At the same time, employment growth in the OECD area was remarkably stronger in both North America and Japan than in EU throughout the period from 1960 to 1995 (OECD, Job Study, 1994). In Europe, the worry was that employment growth was stronger in both the US and Japan and this was one of the core arguments for creating the internal market as a countervailing force to these markets. It was hoped to increase the employment growth rate. This difference between the EU and its nearest competitors also indicates why labour market policy has received more attention in the EU than in the US and Japan. However, the data indicates that the ability to create jobs has been more in line with Japan and US since the mid-eighties. From 1987 to 1997 the average growth in employment was 1 % in the EU and Japan. In US, the growth was 1.4 %. In the period from 1998 and until 2001 the forecast is that the growth will be stronger in the EU than in Japan, and around the same in the US (OECD, Employment Outlook, 2000).

In many countries, unemployment trends, and, at times, seemingly persistent high level of unemployment, has resulted in an increased understanding of the connections between changes in economic policy and labour market policy, and a need for combining employment policy and labour market policy. A strategy to combat social exclusion and increasing active labour market policy can therefore be found in most European countries (Room, 1993, Greve, 1992). In a special report (Journal of European Social Policy, number 3, 1994) it was called a "tendency to place greater emphasis on active unemployment policy", still the result is the same: A shift away from a passive to a more active labour market strategy, which can also be witnessed in many of the EU documents.

Before providing the overall level of expenditures on active and passive policy, I will present a short description of the eight countries involved in this study - mainly from an empirical point of view.

In table 1 the major changes in macroeconomic indicators since 1975 in production as measured by growth in GDP, productivity and labour costs are shown.

Table 1 Change in GDP growth measured as annual average % change in the eight countries.

	1975-1985	1985-1990	1990-1999
Denmark	2,6	1,3	2,2
Germany	2,2	3,4	1,8
France	2,3	3,2	1,6
Ireland	3,5	4,6	6,5
Italy	3,0	2,9	1,4
Portugal	3,0	5,5	2,4
Sweden	1,5	2,3	1,4
UK	1,9	3,3	2,0
EU	2,3	3,2	1,8

Source: Employment in Europe, 2000, EU.

The period from 1975-1985 was in general a troublesome period with slow growth in the different economies and even negative growth was seen in some years. The period is also characterised with still and continuous high level of unemployment, and even until the mid-nineties there was an increase in unemployment. From 1985 to 1990, there was a general, excepting Denmark, a higher average increase in GDP. The nineties have been characterised by slower overall growth, but being stronger in the last four to five years than in the early nineties. Ireland has been a remarkable exception from the other EU member states with an average growth in GDP of 6.5 % in the nineties, and in 1996/1997 10.7 %. The changes in unemployment for the eight countries and the EU as a whole are shown in table 2.

Table 2. Unemployment rate and activity rate since 1975

	1975		1985		1990		1998		1999	
	unempl oyed	Activi ty rate	Unem plo yed	activit y rate	unem plove d	activity rate	Unempl oyed	activi- ty rate	Unem plove d	activit y rate
Denmark	3.9	76.9	7.2	82.5	7.7	82.2	5.2	80.4	5.2	81.1
Germany	3.5	68.8	7.2	69.2	4.8	70.7	9.4	71.8	8.7	71.7
France	3.9	71	10.2	69.2	9	68.3	9.1	68.2	8.2	68.4
Ireland	7.2	67.3	16.8	64.9	13.4	64.7	7.6	66.9	5.7	67.7
Italy	4.7	56.6	8.3	57.2	9	59.2	11.7	59.9	11.3	60.2
Portugal	4.6	71.8	9.2	73.3	4.8	71.3	5.2	74.2	4.5	74.7
Sweden	1.7	78.2	3	81.6	1.7	83	8.3	76.6	7.2	77.2
UK	3.2	73.7	11.5	74.8	7.7	77.3	6.3	76	6.1	76.3
EU	3.7	66.7	9.9	66.4	7.7	67.8	9.9	68.9	9.2	69.2

Source. Employment in Europe, 2000

Table 2 shows clearly that from the mid seventies and until the mid eighties the unemployment rate rose sharply, doubled or near doubled, and in the UK, it more than trebled. Since then the rate in the EU has, on average, remained at that level. From 1985 and onwards, there have been very diverse developments between the countries, with Denmark, France, Ireland, Portugal and the UK seeing declining levels of unemployment, and, an increase in Germany, Italy and Sweden. The figures for Germany are not directly comparable as the 1999 figures include the new länder. Sweden is an indication of the more global impact on labour market and unemployment in the EU countries. The data also indicates, see later, that use of the traditional welfare state regime typology does not necessarily indicate in which direction the level of unemployment will be moving. The two Nordic welfare states have witnessed diverse developments; the two from southern Europe have also seen very diverse trends. Finally, the tendencies in the two central European countries are also very different. If Ireland is considered as a liberal country, then it is only in the Atlantic model where the trend is the same.

Table 3 Development in Active and Passive Labour Market Policies spending as a proportion of GDP in EU-member states since 1985.

Active	1985	1989	1993	1997	1998	1999	Change 1985-1999
Austria	0,28	0,28	0,32	0,45	0,44	0,52	0,24
Belgium	1,23	1,18	1,26	1,23	1,34		0,11
Denmark	1,06	1,35	1,95	1,66	1,67	1,77	0,71
Finland	0,91	0,97	1,73	1,54	1,39	1,22	0,31
France	0,67	0,73	1,21	1,35	1,33		0,66
Germany	0,81	1,02	1,58	1,23	1,26	1,3	0,49
Greece	0,21	0,47	0,31	0,35			0,14
Ireland	1,51	1,44	1,58	1,66			0,15
Italy	0,45	0,7	1,88	1	1,12	1,1	0,65
Luxembourg	0,58	0,46	0,24	0,3			-0,28
Netherlands	1,09	1,08	1,24	1,6	1,74	1,8	0,71
Portugal	0,41	0,5	0,95	0,85	..		0,44
Spain	0,34	0,79	0,59	0,52	0,68	0,81	0,47
Sweden	2,11	1,54	2,97	2,04	1,97	1,84	-0,27
UK	0,72	0,87	0,57	0,41	0,37		-0,35
Average	0,86	0,94	1,29	1,12	1,29	1,41	0,55
St. Dev.	0,51	0,35	0,74	0,56	0,48	0,40	-0,11
Coef. Of.variation	0,70	0,41	0,70	0,59	0,41	0,30	-0,40
Passive							
Austria	0,96	0,95	1,45	1,28	1,27	1,2	0,24
Belgium	3,43	3,03	3,07	2,66	2,51		-0,92
Denmark	3,9	4,49	4,89	3,84	3,37	3,12	-0,78
Finland	1,34	1,16	5,03	3,14	2,57	2,33	0,99
France	2,41	1,92	2,11	1,83	1,8		-0,61
Greece	0,43	0,41	0,41	0,5			0,07
Germany	1,41	1,22	2,56	2,52	2,28	2,12	0,71
Ireland	3,69	2,95	2,93	2,42			-1,27
Italy	1,04	0,84	1,16	0,78	0,71	0,64	-0,4
Luxembourg	1,06	0,78	0,69	0,67			-0,39
Netherlands	3,24	2,42	3,29	3,53	2,97	2,81	-0,43
Portugal	0,41	0,42	0,94	0,85	0,83		0,42
Spain	2,89	2,41	3,09	1,8	1,56	1,41	-1,48
Sweden	0,87	0,64	2,76	2,11	1,94	1,7	0,83
UK	2,06	0,84	1,6	1,03	0,82		-1,24
Average	2,01	1,68	2,47	1,98	1,94	2,02	-0,01
St. Dev.	1,24	1,22	1,43	1,10	0,90	0,85	-0,39
Coef. Of.variation	0,77	0,94	0,71	0,67	0,52	0,47	-0,30

Source: OECD Employment Outlook different years and own calculations

The regime typology can only be used as an indicator of differences in policy approach and instruments used to combat unemployment, as the data indicates no direct link with how the labour market actually develops.

Table 3 shows the figures describing the EU countries spending on active and passive labour market policy. These indicate, as will be discussed later, a shift in the spending patterns.

During the period, the countries have increased expenditure as a percentage of GDP on active purposes (retraining, vocational training, support for new jobs etc.). Countries now on average spend more than 1 % of GDP on active labour market policy. This trend should be seen in relation not only to the level of unemployment, although that has an impact, but also that life-long learning has come more into focus in recent years.

One interpretation of this could be that it is especially remarkable when at the same time there has been a standstill in spending on passive labour market activities around 2 %. However, one could also interpret this as a nearly standstill as the share of expenditures on active measures compared to passive measures have only moved from 1/3 to 0,39 %, if we do not use the data for 1999 as this is only for a limited number of countries. The OECD has called this disappointing (OECD, 1998).

It is clear from the figures that after a period of slow growth in labour market expenditures they were rising again from the beginning of the nineties where unemployment began to grow again. Interestingly is it, however, that the cost of active labour market policy was also growing between 1985 and 1990 when the average level of unemployment dropped throughout the EU, and in 11 out of the 12 then member states, the expenditure measured in relation to the number of unemployed on active labour market policy rose (Employment in Europe, 1993). There was in this period no connection between expenditures and the development of unemployment, although countries with higher unemployment rates tend to spend relatively more on passive programs (Employment in Europe, 1992). The change in programs can also be underlined by the way programs in different countries have developed. The increased emphasis on active labour market policy is even more remarkable in the sense that first in the nineties OECD, EU and others pointed more directly to make the labour market more flexible and with fewer rigidities and to the use of active labour market policy. It is although also striking that the expansion of active labour market policy began before policy at the supranational level became important, and, before many were arguing that the societies were moving towards a work-fare society. This seemingly reflects that, historically, activation has been an important issue in labour market policy.

The trends vary from country to country, cf. table 3 and 4.

In Germany there was a very sharp increase in spending which presumably has to be explained by the reunification of Germany. There was a slower and more stable development in France, and, in UK first a slight increase, but then a turn around to a lower level. In general, the Nordic countries are the high spenders, France and Germany in between and UK a low spender.

The specific trends and differences between the countries are further seen in table 4.

Table 4. Spending on active labour market policy as a percentage of total public spending on labour market policy in 1985 and latest available year.

%	1985	Year in brackets
Denmark	21.4	36.1 (1999)
France	21.8	42.5 (1998)
Ireland	29	40.8 (1996)
Italy	30.2	63.2 (1999)
Portugal	50	48.9 (1996)
Germany	36.5	38.0 (1999)
Sweden	70.8	52.0 (1999)
UK	25.9	31.1 (1997/98)

Source: OECD, Employment Outlook 2000 and own calculations based hereupon.

This table clearly indicates national differences with greater emphasis, on average, on active labour market policy than passive in only two of the eight countries. There has especially in Sweden been a remarkable drop. Sweden still being the country where spending on active labour market policy is very high, but it is no longer the highest in the OECD area. This shows how Sweden's economy has been more and clearly integrated in the international economic environment making it even more difficult just to make own national decisions. Again table 4 does not show any clear connection to welfare regime typologies. The highest proportion, spend on active labour market policy, can be found in Sweden and Italy (although Italy with a very low level of spending in total), and, the lowest level in the UK and Denmark (in Denmark the explanation seemingly being compared to other countries a high level of unemployment benefit). However, one has to take into account the developments in the overall level of unemployment as this also have an impact on the spending on active policies in comparison with total spending. The figures in table 4 can thus both reflect generous unemployment benefit systems, and, a high emphasis on active labour market policy, but also a mix in these and a change over time.

To sum up, these different explanations indicate that one should make the comparison with due caution, as the data can be influenced by the following parameters:

- a) The overall level of spending
- b) The change in unemployment level
- c) The level of unemployment benefits
- d) Change in economic production level (GDP)

It is a very diverse picture of new initiatives, which has emerged (cf. overview of best practices in the EU reports on the national action programs for 1998 and 1999.)

Job training programs and a better education are just two examples of how labour market policy appears to have become more active in most countries. Furthermore, there has been a shift in expenditures towards mobility and the long-term unemployed. More detailed information concerning expenditure on various programs can be found in the OECD's Employment Outlook - various years.

One reason for the general increased understanding of the link between social and labour market policy in all the European countries can be that what in many countries seemed to be a persistently high level of unemployment created a high pressure on the social security systems, and that a way to reduce expenditure in this area only is possible if unemployment rates can be brought down. Furthermore, the public sector deficit in many countries and the need to revitalize economic growth created increased pressure on the governments to find new ways to cope with labour market problems.

Finally, the increase in poverty and deprivation due to long-term unemployment seems to be of growing concern in Europe. This is reflected in the importance placed on dealing with social exclusion, which is part of social policy at the EU level. This has resulted in the introduction of new schemes over and above traditional income support schemes in order to activate people. Keeping people in the labour market prevents the development of sub-groups develop. Furthermore, the lack of manpower in certain sectors of the economy makes it necessary to ensure that those who are unemployed will have possibilities to fill job-openings. This risk can be seen as a major reason for the common use of training and education as central elements of labour market policy.

All in all, this has shifted the emphasis from traditional economic policy, dealing with unemployment, towards more active labour market policy. At the same time we have seen pressure on spending on passive income support by use of tighter regulations of unemployment benefit. This is not a clear tendency in all the countries, but the overall direction is identifiable.

A subtle explanation for the expansion of active labour market policy in some countries (cf. table 3) might be that part of the expenditures which are calculated as active labour market policies, are paid for by the EU commission in the form of regional support to selected areas. This might be the reason for the increase in expenditures in Southern Europe, as the EU pays 65 % of the costs in many regional programs (OECD, Employment Outlook, 1992). In the national action programs on unemployment, the commission has also clearly stated that the link to the European Social Fund should be made.

Another possible explanation might be that participants in the active labour market programs are not calculated as being unemployed, thus the unemployment rate will be lower than otherwise. If unemployment is high on the political agenda, then this might be of interest for the political parties.

The participant inflows as proportion of the labour force are shown in table 5. This clearly displays a continuous expansion of the proportion of the labour force actively involved in a labour market programme in most countries. On the one hand these figures are pictures of trends in spending on labour market policy, but they indicate some variations in the number involved in labour market programmes varies considerably. However, there is a problem in that the data do not directly reveal the length of activity in those programs, but only the number who have entered one or another kind of active measure. The measures includes both the employed and unemployed, and, therefore, for example, different traditions for, the training of employed people have an impact. For example, approximate one third of the inflow into active labour market programs in Denmark is due to the training of employed people.

Table 5. Inflows as percentages labour force to active measures

	1995	1996	1997	1998	1999
Austria		1,8	2,6	2,2	3,8
Belgium	13,5	15,8	14,4	16,3	
Denmark		22,4	23,4	25,7	25,8
Finland		12,8	13,3	11,4	10,3
France	11,1	10,6	10,2	10	
Greece					
Germany		4,2	3,5	4,7	4,3
Ireland	11,9	11,3			
Italy					
Luxembourg					
Netherlands		5,4	5,3	5,2	
Portugal	8,3	10			
Spain		10,7	13,9	13,5	15,1
Sweden		13,8	13,7	12,3	8,8
UK		2,3	2,3	2,1	
Average	11,20	10,85	11,11	11,24	12,86
Standard deviation	2,18	5,64	6,63	7,12	8,20
Coefficient of variation	0,20	0,70	0,84	0,91	0,90

Source: OECD, Employment Outlook, 2000 and own calculations. No data available for Greece, Italy and Luxembourg - therefore blank space. For the other countries data as available.

The data on inflow seems, in contradiction to the other data, to indicate an increase in diversity as the coefficient of variation increases. The figures for 1995 and 1999 can, however, not be compared with other years due to the fact that fewer countries provided information.

At the same time, nearly all countries have experienced a dramatic increase in female participation in the labour market. This has, in some countries, especially the Nordic countries, implied an increase in public expenditure, e.g. child care facilities. Furthermore, as I will come back to later, the increase in female participation has been reflected in the EU labour market strategy. This can be seen by the higher emphasis on reconciliation of work and family life being integrated as one of the guidelines, and, also been argued as part of the need for growing labour force in Europe.

The higher participation rate, especially for women, has also resulted in a growing number of people looking for a job and, therefore, an increase in labour supply in Europe. In the next 10-15 years, this will no longer be the case, as women will have the same participation rate as men but still some implications for the labour market can be expected. The stronger growth in some countries participation rate than in others has also implied a tendency towards convergence in the labour force participation rate in EU. In order to avoid this, and thereby possible bottlenecks in the labour market, active labour market policy can increase the number of persons who will be able to take up jobs at the labour market and increase the human capital at the same time. It has to be remarked that the level of female unemployment is higher than that of male unemployment (Commission, Equal Opportunities, Annual Report, 1997, OECD-employment Outlook, 1999). This means that there is still some room for the expansion of the labour force in the years to come.

Furthermore, an increase in human capital, as a result of more training, will improve the flexibility of the labour force, and this might indirectly imply a pressure on the insiders of the labour market. In the longer run this can reduce the hysteresis problem.

To summarize the developments over the last 10-15 years, growth in active labour market policy in EU has been due to:

- a) High unemployment and pressure on social security systems
- b) Public sector deficit - economic growth needed
- c) Poverty and deprivation as driving factor
- d) In Southern Europe the support from the EU-commission
- e) Activated people not part of the unemployment figures
- f) Increase in labour supply (female participation) increases the need for training etc.
- g) Active labour market policy can increase flexibility and human capital
- h) Increases the pressure on the insiders by more competition from outsiders
- I) Keep in the longer run labour supply intact.

No information is available showing which factors might have been the most important in the different countries. But a combination of the points mentioned above might be the reason if it can be proved or at least indicated that there will be positive feed-backs from the active labour market policy to other economic and labour market policy. The next section will deal with an evaluation of what. Furthermore, there is an indication that the changes on the supranational level which have resulted in measures to combat unemployment being brought back into focus might have had an impact on national labour market policy or will at least have in the coming year. This issue will be discussed later.

3. Active labour market policies - is there a difference between different welfare states?

It is difficult to measure effects and impacts of labour market policies, but some indications can be given, This paper will focus on the relation between labour market policies and welfare regimes.

The discussion here will concentrate on the trends in different types of welfare state.. The literature concerning typologies is overwhelming (Esping Andersen 1990, Mishra 1990, Flora 1986, Roebrook 1991, Walker 1984, Alber 1988, Alber 1988 A, Jallade 1988, Parry 1990, Klein and O'Higgins 1988, Titmuss 1974, Leibfried 1992, Greve, 1998). I am aware of the many difficulties in making typologies (Baldwin in Greve, 1996) and that they can give rise to problems when using them in a comparative framework, but as the typologies are only meant as a guide for structuring of the data, using typologies seems appropriate.

Based on the many different typologies and their interaction, differences and similarities, a distinction between liberal, conservative, social democratic and Latin rim types of welfare state will be used. This division enables a discussion about trends in central Europe (traditionally conservative corporatist models, such as Germany and France), southern Europe (Latin rim, for example Italy and Portugal), the Atlantic countries' more liberal tradition (as is the case with the UK and Ireland), and Northern Europe (for instance Sweden and Denmark).

Regimes and their relation to labour market policy can be understood in different ways. In Scheme 1 one interpretation is offered.

Scheme 1 Welfare Regimes and labour market policy - active as well as passive

Regime:	Coverage unemployment benefit	Active policy	Aim of labour market policy	Ideological underpinnings
Scandinavian	Comprehensive	Central issue	Integration, full employment	Equality, Keynesian intervention
Corporatist	Variable	Relatively central	Reduce pressure public sector	State-centred through integrating social partners
Liberal	Weak	Against	If any, to support business development	Efficiency, liberal non intervention use of market
Latin	Very incomplete	Only weak developed	To avoid use of benefit system	Subsidiarity, emphasis on civil society

Source: Inspired by Gallie and Paugam, 2000

The scheme tries to integrate social policy studies with labour market analysis and ideological underpinning the welfare states, and, especially, its historical development. The typology can only be taken to be indicative, and, does not clearly categorise the individual country. In the corporatist model, for example, Germany and France have different approaches to the reconciliation of work and family life. The emphasis on either the use of market forces, as in the liberal model, the state as in the Scandinavian model, or the state and social partners in the corporatist model can be seen as an indicator of how they can be expected to use or develop the different labour market guidelines – as will be discussed later.

The scheme does not try to be a complete systematization of the labour market policies which belong to the individual welfare regimes, but it can be indicative of how, and to what degree, they spend public sector income on the different approach to labour market issues. The scheme is also useful when trying to understand the development of employment guidelines and national action plans.

Clustered in this way, as in scheme 1, it seems that the following, cf. scheme 2, can be derived from the figures in table 3.

Scheme 2: Emphasis on active or passive labour market policy and the development in spending on active and passive measures since 1985 in different types of welfare state.

	Emphasis		Change since 1985	
	passive	active	active	passive
Corporatist	Middle	Middle	+	+
Latin	Low	Low	+	0
Liberal	High	Middle	-	-
Scandinavian	High	High	+	+

+ indicates increased spending as percentage of GDP, - fall and zero unchanged. Low emphasis is when spending is below one percentage point of GDP, whereas middle is seen as been between one and two, and high above 2 percentages point. Source. Own based upon interpretation of the figures in the previous tables.

Scheme 1 shows a clear difference between the different types of welfare states. The Scandinavian social democratic model ranks high in both active and passive policies. Since 1985, there has been greater spending in both areas, although there has been a decline in the level of Denmark's passive expenditure due to a fall in unemployment rates in the nineties. The Swedish trend with falling, but still high, reliance on active labour market policy, could indicate that it should not be a plus, however the other trends are clearly positive. The Latin countries, on the other hand, spend little on both passive and active labour market policies, although with a growing tendency to do so especially in Italy. The conservative countries ranking in the middle with, the liberal high on passive and middle on active. But whereas the other segments have witnessed increased spending on active labour market policies, this is not the case within the liberal model. The classification has been difficult as the two countries chosen for each typology have had, in several cases, diverse tendencies, but here the average between the two has been used. Still, it shows that regimes can only be used as indicative, and that they do not present the full story.

In general, the picture in Europe can be described as the following: There is increased emphasis on active labour market policy and national initiative to reduce unemployment. This is attempted by using many different labour market measures including job-training, vocational training, support to reintegration of the long-term unemployed and so on. The emphasis is further underlined by the tendency towards convergence on labour market policy, although the trends between 1985 and 1989, and 1989 to 1993 are inconclusive.

To conclude this section it seems that there is a difference between different types of welfare state in terms of their emphasis on active labour market policy, and also therefore that ideological emphasis on regulation versus non-regulation of the markets has an impact, but clearly witnessing movements in a more convergent way.

4. Evaluation of labour market policies

Returning to the question of the evaluation of labour market policies, some of the central questions relate to the *ceteris paribus* assumption. What would have happened to the unemployed without the policy which was implemented? Will the impact be of long-term importance, or will it only be related to the present economic situation? Some estimations and evaluations tend also to show a positive view of how labour market policies' work (cf. Jackman et al., 1990 and Layard, 1991). More recent studies and overviews (Scarpetta, 1996, Nickell, 1997, Martin, 2000) seem to be more inconclusive.

One major methodological problem concerns how to answer the question: What would have happened without the active policy? In the case of the use of subsidies a core problem is whether or not some of the jobs would have been created anyway. The OECD (1994) points out that a very general job-creation with subsidies might not be useful, whereas more specified programmes might work. This can also be understood within the theoretical framework relating to targeting. According to this view, recipients of targeted subsidies should be those who are more marginalised and who have less probability of re-entering the labour market. General support, on the other hand, should also go to those who would have a high chance of re-entering the labour market without public support, as this can help the labour market functioning in general.

In the EU (OECD, 1994) once one has become unemployed, the risk of being long term unemployed is high compared with North America. This fact stresses why there is a need of public programs. The most recent figures concerning long term unemployment are shown in table 6 (OECD, Employment Outlook, 2000).

Table 6 Incidence of long term unemployment in the EU, selected EU countries and the OECD as a whole in 1990, 1996 and 1999.

% of total unemployment	1990		1996		1999	
	6 months	12 months	6 months	12 months	6 months	12 months
Denmark	53.2	29.9	44.4	26.5	38.5	20.5
France	55.5	38	61.5	39.5	55.5	40.3
Germany	64.7	46.8	65.3	47.8	67.2	51.7
Ireland	81	66	75.7	59.5
Italy	85.2	69.8	80.8	65.6	77.2	61.4
Portugal	62.4	44.8	66.7	53.1	63.8	41.2
Sweden	22.2	12.1	48.4	30.1	49.2	33.5
UK	50.3	34.4	58.1	39.8	45.7	29.8
USA	10	5.5	17.5	9.5	12.3	6.8
EU	65.3	48.6	67.4	49.3	63.7	47.5
OECD	44.6	30.9	50.3	34.2	46.2	31.2

Source: OECD, Employment Outlook, 2000

Despite the fact that the figures, which are based on surveys, are not necessarily perfect they indicate two things. Firstly, that the labour-markets functions differently, especially when we compare the EU with the US. Secondly, that the figures are very highly dependent on the overall economic development, and change in level of unemployment. This, presumably, has a time lag as the latest year has shown a slight decrease in unemployment.

The change in the Swedish situation has been dramatic, it clearly indicates a new trend where Sweden is no longer able to have a continuously low level of unemployment.

The different effect of activities is shown in several analyses. One example being an evaluation of the ERGO program - which was intended to reintegrate the long term unemployed or others excluded from the labour market. The evaluation showed (Farling, 1993) that it should "encompass employment needs of employers, personal needs of individuals and the needs of communities". This is a broad target, but the study also showed that even the concept of 'long-term unemployed' might be too broad and that a distinction could be made between job-ready, training ready, and not-ready. This emphasises the need for a broad range of instruments where specific local needs have to be taken into consideration. It also indicates why the spell of unemployment has consequences for the possibilities of returning to the labour market.

Frequently evaluations of programs in different countries in the EU take place. Consequently, programs change and are reformulated (cf. Employment in Europe various years).

The constant increase in unemployment rates until 1994, with the exception of a period in the late eighties where there was a slight decline, has naturally had an impact on the number of long term unemployed. In 1979, for example, the share of long term unemployed of all unemployed in the European Community was around 35% and in 1990 nearly 65%. Since then, as shown in table 6, the figure has been more than 60 % throughout the nineties. This shows that when one has first become unemployed in the European Community, there is a high risk of continuing to be so, and a lower chance to returning to the labour market than in North America or Japan.

Furthermore, this indicates a structural unemployment problem in Europe where there is too little flexibility in the labour market. The OECD (1998) estimates that, since 1986, the levels of structural unemployment have been growing in countries like France, Germany and Sweden, stable in Denmark and decreasing in the UK. In the OECD as a whole it has remained unchanged. The figures are based on the so-called NAWRU (Non accelerating wage rate of unemployment). This is often interpreted as the non-acceleration inflation rate of unemployment (NAIRU). An increase in the NAIRU could, in a classical framework, give rise to hysteresis, which is the case when the real wage level will not be effected by changes in unemployment rate (Blanchard and Summers, 1987). Thus the labour market will not clear by itself and therefore there is a need for active intervention. This is not the argument of neo-classical economics, instead economists from this perspective argue for a more flexible labour market where the unemployed are able to move both geographically and in relation to their job-qualifications.

There seem to be some methodological problems with the OECD figures. This is because the structural unemployment figures for some years are *above* the actual level of unemployment, and, as there is at least some voluntary short time unemployment (moving from one job to another, unemployment due to weather, inflow of raw-material, seasonal aspects), the figures must be over exaggerated. It should also be pointed out that, in Europe there has generally not been an extraordinary increase in the wage level in recent years.

Combined with the more open economies and, the perhaps less flexible labour markets, there has been scope for intervention in order to increase the possibilities of creating jobs and reducing periods individuals spend searching for a job. Different emphasis on classical or Keynesian economic policy has an impact on the beliefs in these types of instruments. Thus, labour market theory thus gives rise to different answers. The one points to higher flexibility on the labour market, and an increase human - capital, as one explanation for an increase in long-term unemployed has to do with a fall in human-capital value for the individual and thereby reduced possibility of returning to the labour market as an insider. A way to increase human-capital can be active labour market policy in relation to training and education.

5. The impact of unemployment on income distribution - is there a trend towards a dual society?

Unemployment has a clear effect on income distribution (Greve, 1988, Gardiner 1993, European Economic Report, 1994). This can be seen from that the net coverage rates of unemployment benefit in the EU countries are on average 48 % for men and 58 % for women. Greece, the UK and Italy are below average, Germany, Belgium and Spain around the 50 % mark and Denmark, France and Ireland between 60 and 70 % (Employment in Europe, 2000). In most European countries the value of unemployment benefit has declined and the conditions for receiving benefits have been tightened (Greve, 1992, Elmeskov, 1993, Meager, 1998). The length of unemployment benefit varies also considerably from country to country.

It is obvious that a fall in income when being unemployed implies that the income distribution will be more skewed than without unemployment and people living on unemployment benefit will have lower incomes than those in jobs. A central theoretical argument invoked to justify this is that the lower level provides an incentive to the unemployed to find work (for an overview see Nickell, 1990). However, it is not always money which is the basis for the individuals' choice, problems in relation to the household's income, child-rearing etc. can also play a role (cf. Millar, 1994).

The risk of having a low income can also be described as the percentage of different households having an income in the bottom quintiles. In the EU the risk of low income was 38.2 % for all workless households, and 11.8 for all households with at least someone in work (OECD, 1998).

Those outside the labour market will, in many European countries, not only have a lower income but will also have less coverage in terms of sickness and incapacity for work, and lower pensions. Consequently, the long-term unemployed tend to be both economically and socially marginalised and this creates what has been termed a dual-society.

The welfare states' ability to transfer resources from those with high incomes to those with low income seems in accordance with the data from LIS (cf. Bradshaw, 1993) to be high. There is although a clear difference between the different welfare states in their ability to reduce inequality by use of transfers and taxes (EU, 2001). Redistribution - vertical as well as horizontal - seems, therefore, to be on the agenda in most countries. There was however some change in the eighties (Gardiner, 1993) which, combined with the development in the nineties indicates that in many countries redistribution has been reduced, Greve (2000).

Therefore, there has been a trend towards a dual society in many European countries. In this situation those aged between 15 and 64 who are more permanently on the labour market (insiders) in general have a stable income and are actively involved in society. Whereas those who are more or less permanently outside the labour market (outsiders) have unstable incomes and are not to the same degree integrated in society.

6. Summing up the comparison

Table 7 attempts to summarise the position of the eight countries by ranking them in accordance with central criteria in relation to labour market policy:

Economic performance measured as the growth in GDP pr. year 1990-99

Unemployment level in 1999 (lowest 1, highest 8)

Activity rate in 1999

Spending on active labour market policy as percentage of GDP

Spending on passive labour market policy as percentage of GDP

Incidence of long-term unemployment (lowest 1, highest 8)

For the other indicators the highest value is 1 and the lowest 8.

Table 7: Ranking of the eight countries based on 6 indicators

	Economic Growth	Unemployment	Activity rate	Spending on active	Spending on passive	Incidence of long term unemployment	Total Ranking
Denmark	3	2	1	2	1	1	1 (10)
Germany	5	7	5	5	3	6	7 (31)
France	6	6	6	4	4	4	6 (30)
Ireland	1	3	7	3	2	7	2 (23)
Italy	7	8	8	6	8	8	8 (45)
Portugal	2	1	4	7	6	5	4 (25)
Sweden	7	5	2	1	5	3	2 (23)
UK	4	4	3	8	7	2	5 (28)

Note. The ranking is based on the information in the previous tables. The data in brackets are the sum of the ranking of the 6 indicators.

Such a way of systematising the data has some methodological drawbacks. It indicates, to give one example, that all 6 indicators are equally important and furthermore we do not have data for the same year for all countries. Some of the indicators are further correlated in such a way that it can be problematic to use them together. Growth in the economy and level of unemployment are examples of this.

Despite these problems, it seems clear that the Scandinavian model is a prime example of a more active labour market policy than the corporatist or Latin regimes. The liberal, as a result of Ireland, comes in between. The UK seems to use direct active labour market policy to a lesser degree.

Portugal is also a counter example to the typical clustering of welfare regimes, but this only clearly indicates that it is necessary to use the regime typology with due caution.

7. The end of demand management?

The Keynesian approach to unemployment departs in the belief in demand management. Unemployment is then due to a lack of demand in the economy (Adnett, 1996). This means that an increase in the overall demand could increase employment and also (depending on the development in the labour force) decrease unemployment rates. Ireland and Denmark's labour market developments indicate this. Counter to the above type of argument has especially been that high pressure on the labour market could increase inflation and thereby in the longer run undermine the development in employment.

Furthermore, interventionist policy is no longer, to the same degree, a possibility for just one country - unless it has very sound economic basis. In the beginning of the 1980s, France tried unilaterally to expand her economy. As a result there was strong pressure on the French Franc resulting in a negative balance of payments. This showed that a single country would have difficulties in increasing domestic demand. This is because external demand will also be affected. Changes in external demand will then give rise to increased import, and i.e. export and employment growth in other countries.

With the introduction of the internal market and the free mobility of capital, the possibility of running an economic policy independently of other countries has been reduced. In particular, increased capital mobility has increased the possibility of a movement of capital and productions to areas where the wages are lower and the expectations of profit are higher. In contrast with the policies in the seventies, there has been less emphasis on state regulated income policy. The trend has been to uniformity, nevertheless there still a high degree of geographical variation - southern Europe having areas with the cheapest labour cost and the northern part with the highest costs (Employment in Europe, 1997). The costs will also have to be seen in relation to output per capita, where Germany and Denmark have the highest among the 8 countries, and Sweden and Portugal the lowest (Employment in Europe, 2000). This doesn't change the fact that the labour market will be expected to develop in line with broader macroeconomic considerations and developments within the European Union.

The trend towards a more flexible labour market (cf. OECD and EU publications on labour market and labour market policy different years) goes hand in hand with the trend towards more flexible specialisation and a service society (Jessop, 1992). It indicates further why, and how, the specific national development strategies have and will be changed in the future. The scope for national solutions will still be there, but it will be in a framework of a European development where the overall frame will be set by international standards, but the specific rules etc. will be decided nationally by subsidiarity principles. The ability to improve human -capital by education will therefore have a far more central role in the future than today.

This also indicates that although fine-tuning of economic policy, and therefore some type of demand management is still possible, it will not be so central as has been the case. This is further strengthened by the development of the economic and monetary union. The locking of most member states currency to the Euro and acceptance of the criteria for being a member of the economic and monetary union, including the prospects of deposit money without interest, and even fines, will naturally reduce the ability to implement specific national economic policies.

8. The supranational development.

8.a. Until the Amsterdam treaty

The development or revival of a Social Dialogue in the EU - starting with Val Duchesse in 1985 - was also a signal that the EU should be more inclined to active social policy including employment policy. This was the idea behind the French Government's memorandum and the intention further to counteract the tendencies towards Euroschlerosis (Wise and Gibb, 1993).

On the other hand, one can argue that they have only been intentions, and at the supranational level only few instruments are available - regional funds can be seen as an exception - with a direct effect on employment policy. It is, for example, striking that many books on employment policy and the Social Dimension and the EU concentrate, not on direct employment creation or reduction in unemployment, but upon equal treatment, equality of access to jobs, vocational training and the European Social Fund (Wise and Gibb, 1993, Gold, 1993). In recent years, as will be discussed later, the new impetus of the Amsterdam treaty has also resulted in an increased number of publications within the area, (for example, Gallie and Pagnam (2000)).

Liberal economic opinions in the liberal and conservative/corporatist types of welfare state have been against a European development, which included public sector intervention. Instead proponents have put forward the argument that the market should be left to clear itself and that left to itself the market would be able to restore full employment by lowering the real wage (Thatcher, 1993), cf. also scheme 1. Furthermore, it has been argued that a more flexible labour market with as few restrictions as possibly would be the best guarantee for full employment. On the other hand, in Northern Europe, and especially countries within the Scandinavian model, the emphasis and arguments have pointed more towards an interventionist and active labour market policy combined with demand management.

These differences in standpoints have been at the core in the European debate concerning labour market policy and to a certain degree has been the reason why the EU has had great difficulty in agreeing upon an active labour market policy and an expansion of the national economies.

In the seventies, there were attempts to a co-ordinated economic growth strategy, but the advantages of free rider were too high. This prevented real growth despite it being the intention of the 1974 Social Action Program and of the tripartite

discussion on a European Level. In 1979, an agreement was in fact made, but most countries' contribution was too small to really boost their economies. The strange thing was that, in general, it was already accepted at that time that a co-ordinated economic strategy was the best way to a recovery.

The economic growth from the middle of the eighties, and the resistance from liberal governments are central factors in explaining why the EU countries, both together and individually, were slow to create an elaborated and fully-fledged employment policy in the eighties. In fact, the labour market and social policy was seen to be a byproduct when creating the internal market (Cf. Cecchini, 1988). First, after the growing unemployment in the beginning of nineties and the consequent change in economic policy emphasis was the EU-commission asked to produce a report with the aim of creating more and new employment. This took place at the Summit in Copenhagen in June 1993. The White Paper, (5th December 1993: Kom (93) 700 Final Version: Growth, Competitiveness, Employment), was without many concrete proposals, and was merely as a first stepping stone for the development of employment policy in the EU. The central concrete proposal was to increase EU investment in information technology and a trans-European improvement of the infrastructure. Part of the rhetoric of the white paper was to continue the demand for a more flexible and deregulated labour market.

Furthermore, the report argued for a more decentralized labour market combined with more active labour market strategy including job-offers, vocational training, and a more flexible labour market. Employment in the service sector via economic incentives was also argued for—(including the use of tax-incentives). Furthermore, and this was new on the European agenda, it was argued that the tax-system should be changed in order to reduce taxation on labour and increase on environment-duties and duties on consumption.

The decisions of the summit in Edinburgh in 1992 and Copenhagen in 1993 had a more direct impact on employment policy by allocating specific amounts to infrastructure. Despite the small budget allocated (3 billion ECUS to loans for the infrastructure), and later also the cohesion fund as a first step after Maastricht with 1500 million ECUS, this could be expected to have had an impact on the development in employment and employment policy. This especially being the case in Southern Europe with its relatively high share of means from these funds.

But employment policy and its development have to be seen in the light of gradual changes and the setting of the scene for a European employment policy. The White Paper from 1993 was followed up at the Essen Summit in December 1994. This emphasised:

- 1) Promotion of Human Resources
- 2) Intensive Employment Growth
- 3) Reducing Indirect Costs of Labour
- 4) Increasing the effectiveness of labour market policy
- 5) Help to disadvantaged groups

In these five areas all member states were expected to take action. Vocational training seems to be the area where most action was taking. These debates on summits, and the introduction of action plans to combat unemployment, display a growing concern to take action in relation to unemployment at the European level.

It also reflects a change in attitude and more emphasis on Social Europe as understood in Delors terms. Finally, it indicates that other aspects of the policy process had come into focus, i.e. more than traditional economic policy and especially the tight fiscal policy as described in the economic and monetary union.

The use of the labour market as a central element in many policies has been the underlying rationale of European social policy. In this way, the Amsterdam treaty can be seen as a natural continuation of previous policy, but before embarking upon an analysis of it, I will provide a short description of how the analysis and the comparing of labour market policy and welfare state models will be carried out.

8.b. How is the supranational labour market policy linked to welfare state models?

In scheme 1 attempted to integrate welfare regime types with labour market policy, both active and passive labour market policy. It is the intention in this section to briefly illustrate whether it is possible to find some common characteristics linking the supranational development of a labour market policy to these different ideological underpinnings.

It is obvious that the areas chosen (pillars and guidelines) and the rhetoric used emphasize various ideological and theoretical points of view.

Arguments, for example, which revolves around greater flexibility of the labour force, as in the employability pillar, have thus at the same time an argumentation steaming from liberal welfare state arguments as from the social democratic Scandinavian welfare state. The liberals market approach, and the emphasis on in Scandinavia, that the upgrading of skills are important to ensure integration at the labour market.

The wish to ensure that social dialogue is important, can be ascribed to the corporatist/continental welfare state model, but it has also been greatly emphasised in the Scandinavian welfare state model.

The idea on giving incentives to work can be seen as a liberal, but it is also present in the latin model.

The setup of a European labour market policy with many different instruments, cf. the next section, thus illustrates that it has been a process of compromise which implies that it is not only one ideologically embedded element of labour market policy which are included. In this respect, it can be argued that we are seeing a conglomerate of labour market policy in the different welfare regimes. Consequently, a new European labour market policy model is being born. It tries to combine different historical and ideological understandings of labour market policy.

At the same time, the strategy can be seen to have changed from an emphasis on harmonization to a “softer” approach by focussing on the “open coordination method” (COM 2000) 379). In this way we have an emerging supranational model, which is not a formal model as the method to implement it is based upon national member states own free will in the area.

The commission has the option and possibility to comment on national action plans and so set the scene for the debate. Thus it is possible to develop benchmarking methods, such as the radar chart approach (Mosley and Mayer, 1998) it can also push the development in the direction it so wishes.

In the next section there will be a more specific and closer look at the Amsterdam treaty. This will include the development of national action plans, EU guidelines and an evaluation of national action plans.

8.c. The Amsterdam treaty

The Amsterdam treaty placed even greater focus on employment, and job creation. Several articles in the treaty dealt specifically with these issues. In the treaty, the goal for the European Union is described by also encompassing a high level of employment besides the traditional goals of economic and social progress in a sustainable way. In article 2 it is thus stated: “a harmonious, balanced and sustainable development of economic activities, a high level of employment and of social protection ...”. In article 109n the objectives of the strategy are described as follows: “developing a coordinated strategy for employment and particularly for promoting a skilled, trained and adaptable workforce”. Employment has thus become a central issue - at least in the formulation of objectives and principles. The development of these policies, it is emphasized, shall respect national traditions and the competence of the individual member states.

Besides this, the council will have to make guidelines for national employment policies every year. They will also present a yearly report on the progress. This is still weak in the sense that the EU has little power to take action against a country not fulfilling the aims. Furthermore, it has to be seen how a potential conflict between the goals of the economic and monetary union on price stability, low public sector deficits and stable monetary policy will be solved.

In December 1997 the council accepted the first guidelines for 1998. They contained the following four elements:

- 1) Improving employability
- 2) Developing entrepreneurship
- 3) Encouraging adaptability in business
- 4) Equal opportunities.

These four pillars, which contained 21 guidelines, have been, with some yearly amendments, the core element in the national action plans and the subsequent reports from the commission. From 2001 these pillars has been coupled with horizontal objectives, cf. later.

The emphasis in the guidelines was on a more active line in employment policy. This could be combined with a more partner-based approach, a better combination of work and family life making it easier to return to the labour market. Still, these guidelines are, with a few exceptions, cf. below, very broad and they reflect the ongoing debate on how to manage and develop European labour market policy.

Guidelines 1-3 have been more precise, and, with added concrete measure which the individual member states will have to describe how they have fulfilled them.

Guideline one sets as a target that every young person before having being unemployed for 6 months should be offered either training, retraining, work-practice or other measures to increase employability.

Guideline two sets the same target, with the exception that it is 12 months for adults. Vocational guidance is also mentioned as an element here.

The third guideline emphasizes that at least 20 % of the unemployed should be offered training or similar measures, and, gradually the member states should achieve the average of the three best countries.

By having these more concrete measures and guidelines the commission seems gradually, with the support of the council, to have been able to make it possible to create a higher pressure on the countries in order to have a more coherent and active labour market policy in all member states. It can be argued that these measures are not ambitious, but they indicate that concrete measures and benchmarking have come more in focus.

The new ambition decided in 2000 was that before the end of the year 2010 full employment should be achieved in all member states, and, the employment rate should be at least 70 % for men and 60 % for women. The midterm ambition being 67 % for men and 57 % for women to be reached in 2005.

The stronger emphasis on employment policy will therefore, presumably, have an impact on the way, different member states will act in the future.

In the first evaluation of the different national action plans (Commission, 1998), the Commission tries to balance things between the positive elements in the plans and some of the doubts they raise.

Among the positive elements they list:
comprehensive and multi annual program
inclusive strategy
commitment to active employment policy
modernising public employment service
recognition of importance of improving knowledge and skills level
enhanced involvement of social partners

They are naturally also aware of several shortcomings. Primarily the fact, that the national reports are mainly focussing on the first two elements in the guidelines (employability and entrepreneurship). Furthermore, they are vague, the resources allocated to actions are not specified, they deal more with insertion than with prevention, and, finally there is not a clear indication of appropriate indicators of the outcome of the plans.

Despite this, it has clearly been a development with stronger supranational influence with regard to how to deal with employment and employment policy, which has been witnessed over the last 10 years. From the vague setting, and the social dialogue in the eighties to national plans and a yearly dialogue in the nineties. This indicates that the EU has become an important actor.

Despite the criticism of the national action plans from the EU, the guidelines have, in the following years, been made along the same line and the same vein as the guidelines for 1998. The EU, by continuing at the same track, has thus indicated that the emphasis on active labour market policy is still at the center of the development.

In 2001 (Council Decision of 19th January, 2001 on Guidelines for Member States Employment Policies for the year 2001) the 4 pillars have been linked with a horizontal top - or overarching objective. These are elements, which are expected to be integrated in the debate of all four pillars.

Briefly, these objectives are:

- A) Enhanced job opportunities and incentives
- B) Comprehensive and coherent strategy for lifelong learning
- C) Comprehensive partnerships with social partners
- D) Balanced priorities
- E) Developing of common indicators

This also includes setting flexible targets for active measures to spend on education, training or similar means. At the same time ways of avoiding marginalization and creating a working poor - in contrast to the US model - are central.

The new employment policy includes open coordination (Social Policy Agenda, COM (2000) 379 Final) which includes the policy guidelines in the employment policy, setting benchmark, as the radar chart approach, concrete targets, as the number of activated in the employment guidelines and monitoring of progress within the systems etc..

This, it is expected, will be complemented by legislation - especially if this is based upon agreement of the social partners on the European level. Social dialogue is thus still perceived as a central element in the development of a European employment policy. Reforms of the structural funds, including the social fund are still perceived as important strategically as a way of ensuring consistency and underpinning of the policy elements in the European strategies.

Targets, and ways of measuring and comparing outcome across the member states are gradually developing, and this indicates greater emphasis and impact from the supranational level of the way and developing of common set of understanding and use of policy measures throughout Europe.

The commission and the councils of ministers are using recommendations as a new element in the European employment strategy. It also changes the recommendations from year to year, but at the same time it keeps the pressure on the member states by indicating what is good or where there is scope for improvement. In 2000 (COM(2000), yyy final: Recommendations for a council recommendation of member states employment policies) they have listed in total 58 new proposed recommendations in relation to member states labour market policy.

In general the employment strategies are not seen as sufficiently coherent strategies, tackling all issues, and including all aspects of labour market policy. The presentation of compliance tables can further be used by the commission as an element in grading the quality of national action plans.

Changes in regional policy, including new economic support through the regional fund for the period 2002-2006, is also an important regional element in the labour market policy.

The European Union has also, as a new instrument, given recommendations for further action and improvement of the national action plan. Despite the fact that this is still rather vague in its way of criticizing national plans. It shows that the EU has gradually been able to move forward to become a central player in relation to labour market policy. The EU has thus continued to set the agenda. The new diamond measure, despite the fact that it is merely a graphical presentation of core issues in relation to unemployment and employment, it will presumably set the scene for the development and structure of national labour market policies in the years to come.

The development of measures, which can show the performance of a member state, and the EU as a whole, will place further pressure on those countries where the performance is lacking behind. Still, labour market policies in its direct application and choice of specific plans and instruments are within the scope of domestic decisions.

Seen in this light, the European development on the supranational level - although still not strong in its direct application - seems to create an indirect pressure. Consequently it enforces negative integration on the European social security systems. Creating a more uniform system and a more active employment policy.

The EU can therefore in this way be looked upon as a player influencing developments in the individual countries by putting certain issues on the European agenda.

9 Some conclusions.

The Amsterdam Treaty can be seen as a marked change in the EU's emphasis, but it can also be interpreted as a slowly changed developmental style from harmonization to open coordination. The EU has embarked on the, in a sense, risky business of trying to include many new elements in the labour market policy. It has done so by integrating and discussing elements such as the overall economic framework and policy, family policy, educational policy etc. This has been coupled with what has been labeled a scoreboard on implementing the social policy agenda (Com (2001) 104 Final). By having the option of making scoreboards within the defined areas of the social policy agenda the commission has a new option in implementing and marking national policies which indirectly can have effects, creating spillovers.

Besides the change in policy approach, the economic environment and growing unemployment in the nineties have paved the way for a more active approach. Investment in human-capital, training and retraining has been given greater emphasis in many European countries. This has lately been combined with a tendency to have more active involvement in the overall management of demand.

Furthermore, there has been a change in the overall framework when discussing and analyzing labour market policies in Europe, although it can be difficult to separate what can be attributed to EU involvement and what can be interpreted as national policy. At the same time, as the EU sometimes is used as a scapegoat for unpopular national decisions, the EU will not be given the same credit for popular decisions. Asymmetric blame-avoidance can thus be witnessed.

Whether we therefore have witnessed a sea-change or standstill, to use Faulkner's (2000) approach to the social policy development, will have to be seen in the years to come. First when we will be witnessing a decline in the GNP and growth in unemployment again the active labour market policies standing effort, or real impact on the long term level of unemployment will have to be seen.

From a period where passive labour market policy was central, active labour market policy seems to have come more into focus and with a wish to reduce long-term unemployment with its negative consequences on distribution and well being for many families.

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