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**The OECD Jobs Strategy and the European Employment Strategy:
two views of the labour market and of the welfare state**

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The OECD Jobs Strategy and the European Employment Strategy: two views of the labour market and of the welfare state

Although unemployment fell across most of the OECD and, thus, the EU world in the second half of the 1980s, in 1990 it started to rise again. In the following two years, unemployment reached new heights and had taken a central place on policy makers' agendas. Individual governments developed their own responses. Also, unemployment reduction and employment promotion took on a new importance for multilateral bodies and particularly of the OECD and the European Union. This paper looks at the "strategies" both bodies adopted. It seeks to illustrate the presumptions upon which these strategies were based and how these presumptions influenced recommendations made. It also seeks to show how presumptions influenced the assessments made of the impact of recommendations made on individual countries labour market performance.

The paper is divided into five parts. The **first part** gives a summary of the two organisations, their competences and their guiding principles. It also describes the origins of the two strategies, their formulation and dissemination, and the procedures to set up to monitor and review them. The **second part** looks at more detail at the strategies themselves. It discusses the recommendations made by the two organisations with respect both to the overall economic environment and to the labour market. Especial attention is paid to the role given to active labour market policies. It points to many similarities between the two strategies, despite the apparent difference in the presumptions and principles that seem to guide the two organisations. **Part three**, however, concentrates upon differences in approaches and priorities. It shows how the European strategy is much more explicit than the OECD strategy about the link between employment and social policy and how success in the first facilitates success in the latter. Equally, it shows how the European strategy seeks to integrate employers and unions in a way that the OECD strategy does not. In **part four**, the results of evaluations undertaken by the two organisations are presented. Each claims success for its strategy. The OECD's evaluation, however, is more concerned with outcomes; that of the European Commission, more concerned with processes. The paper suggests that care should be taken in accepting all the results. The **last part** of the paper draws some general conclusion – about how the two bodies view the labour market – much the same – the welfare state – rather differently – and evaluation – opportunistically.

1. The OECD and the European Union

The two organisations are generally agreed to have rather different interpretations if not of the end of economic policy then, at least, of means. The OECD tends to stress the primacy of

markets and, thus, of market-based solutions. Institutions are generally viewed as hindrances rather than aides, and deregulation is favoured over regulation. The EU is viewed as rather the opposite. It accords a greater role to governments in guiding markets and overcoming market failures, and it recognises the importance of intermediate bodies in achieving successful performance. Thus, the OECD would tend to present the welfare state as a potential brake upon necessary flexibility and a burden both to individual employers and to public finances. The EU, on the other hand, would tend to advocate a welfare state as a productive factor that, by increasing security, encourages the acceptance of change and so enhances growth. The *pros* and *cons* of the two approaches are often captured in “USA versus Europe” comparisons. The former is characterised as having a relatively unregulated labour market and limited social protection and, at the same time, as exhibiting low levels of unemployment and high levels of employment growth. The latter is characterised as having relatively regulated labour market and generous social protection but, at the same time, as exhibiting high levels of unemployment and low levels of employment growth. Individual European countries might or might not match such a summary of institutions and performance, nor might the USA be as without elements of a welfare state always show such labour market success as is often claimed, but the two “models” that are used in discussion have considerable didactic power (see Casey and Gold, 2000).

The OECD and the EU are not directly comparable organisations, in so far as the first operates only as a coordinating body or think-tank and has no budgetary power and no power of sanction. Its authority rests upon the credibility of its analysis. The EU has political and budgetary powers, although their exercise is sometimes subject to unanimity amongst the member states. It also has an authority that it can base upon scientific analysis. Thus, with respect to economic policy in the broadest sense, their competences differ. Both can issue recommendations, and these recommendations can have more or less moral authority, but those of the EU can be enforced by law and supported by resources from its own budget.

... and the two strategies

Both organisations developed their strategies in the form of recommendations. In both cases, the process started at about the same time, although, in the case of the EU, the overall process was considerably more attenuated and can better be described as “organic” – the strategy is under more or less continuous improvement and alteration. The roots of the OECD strategy can be traced to meetings of Labour Ministers in early 1992 and of Economic and Finance Ministers in the late spring of the same year. The strategy itself was published in 1994 (OECD, 1994). It was backed by two volumes of research containing “evidence and explanations” that analysed employment developments and justified the positions taken and

the actions advocated. The roots of the EU strategy have been traced back at least to the publication of a “new strategy of cooperation for growth and employment” in mid 1992, a document that inspired the “Delors growth initiative” at the Edinburgh Summit of 1992 and the subsequent White Paper on *Growth, Competitiveness and Employment* (CEU, 1993). The Essen Summit of end 1994 issued a series of employment recommendations, but the strategy was crystallised in the Amsterdam Treaty of 1997. This gave the Council competence to set out recommendations upon which member states were required to act, whilst a special “jobs summit” in Luxembourg at end 1997 developed the first set of recommendations or “employment guidelines”. In each succeeding year, the end of year summit has added to or amended these.

Both organisations constructed a review process. In the case of the OECD, each of the member countries was subject to a review of “progress towards implementing the jobs strategy” as part of its annual (or biannual) *Economic Survey*. Over and above this, a number of specialised reviews, each covering a particular dimension of the strategy across a wide spread of member countries, have been carried out by the Organisation. This process is ongoing, but the review process reached a high point in 1999 when an overall assessment of the extent to which member countries had carried recommendations through, and whether this was associated with better performance, was published (OECD, 1999). In the case of the EU, the Amsterdam Treaty required member countries to report annually on labour market developments and actions taken in line with the recommendations and gave the Commission and Council the authority to evaluate and publish an assessment of progress as part of the process of improving on the guidelines. In 2002, an overall evaluation of the first five years experience was conducted (CEU, 2002a).

Evaluation, in both cases, has essentially been internal. In the case of the OECD, the evaluation work has been the work of the secretariat. In the case of the EU, annual reports are submitted by the member states, and the synthetic evaluation is the work of the Commission. Elements of “peer review” have been built in. Part of the OECD *Economic Survey* procedure involves the country subject to survey being “reviewed” by two other member countries that comment upon the draft produced by the secretariat. Moreover, all OECD publications are also approved, and so, at least formally, discussed by member governments via the Organisation’s “committee” and “working party” structure. “Peer review” was seen as an important part of the EU strategy, not only because the annual review was subject to Council discussion, but also because individual country reports were made public for circulation. Individual member states were encouraged to make particular initiatives available for appraisal by other, interested member countries.

Although the EU strategy has a legal basis, failure to carry out recommendations is not subject to sanction, and here the “employment guidelines” differ from the “broad economic policy guidelines” issued under the *Stability and Growth Pact*. The annual and other evaluation reports can give praise to individual countries and can suggest that developments in some member states, or in some policy areas, are less than satisfactory. In this respect, the EU is in a situation little different from the OECD. Both aspire to disseminate good practice, and both hope to find support for their initial presumptions. Although neither organisation is afraid to ask for more action on a particular point, both prefer to operate on the basis of consensus, and criticism is usually relatively veiled. The EU guidelines themselves can be drawn up on the basis of “qualified majority voting”, but this process has never been invoked. EU member countries might employ “European structural fund” money to finance some of the initiatives taken under the strategy, but the structural fund budget is distributed independently of it.

2. The recommendations made

The nature of the recommendations made by each of the strategies was predicated upon the diagnosis of the problem. Both the OECD and the EU were conscious not only that unemployment, but also structural unemployment, was high (OECD, 1994; CEU, 1993). Both also shared the view that this was symptomatic of an insufficient ability to adapt to change. Moreover, although an employment strategy implies a focus upon policies concerned with labour, both recognised that the achievement of flexibility had been hindered by the instability of the macro-economic environment and inappropriate macro-economic policies. In addition, both recognised a reluctance to carry further reductions in barriers to free international trade and a failure to embrace the full potential of new technologies and to create an environment that encouraged enterprise and the foundation of new businesses.

A summary of the two strategies, using that of the OECD as a reference point, is given in Table 1.

< Table 1 here >

... with respect to macro-economic policy

The first broad recommendation of the OECD is that member countries:

Set macroeconomic policy such that it will both encourage growth and, in conjunction with good structural policies, make it sustainable, i.e. non-inflationary.

But such sentiments were expressed in the *Growth, Competitiveness and Employment White Paper*, the *Stability and Growth Pact* and the associated “broad economic policy guidelines”. Moreover, the conclusions of the Luxembourg jobs summit, stated, before laying out the details of any “employment guidelines” that

There is no real, lasting prospect of expanding employment without a favourable economic environment, which requires a sound macro-economic framework With regard to the macro-economic context, it is essential for the Union to pursue a policy of growth geared to stability, sound public finances, ... and structural reform.

The macro-economic framework was recognised as likely to be sounder, and appropriate policies more likely to be pursued, and more effective when they were pursued, if they were coordinated. The EU’s *Growth and Stability Pact* was concluded precisely to help ensure this.

Moreover, both organisations gave primacy to “appropriate” economic policies. The OECD regarded these as necessary, if not a sufficient condition for successful employment performance, arguing that “[w]hile bad macroeconomic policy always results in bad economic performance, good macroeconomic policy does not, by itself, guarantee good overall economic performance”. The European strategy went this far, if not further. The Treaty of Amsterdam required that the “employment guidelines”, although their objective was “to promote ... a high level of employment”, had to be “consistent with the broad guidelines of the economic policies” (Art 126). Moreover, the guidelines together with the annual assessments were to be drawn up not by the Employment and Social Committee alone, but by that in conjunction with the Economic and Financial Committee (ECOFIN).

This is the first, and critical, point where, despite the fact that the two organisations often appear to differ from each other in their view of means, they actually coincide. Such an outcome seems at odds with the way in which the European strategy was developed, at least in its initial stages. Discussion about the need to concentrate on reducing unemployment had taken place in the wake of promotion of the “single market” and alongside preparations for an economic and monetary union. The former had been evaluated as, in the short run, likely to lead to jobs cuts (see the *Cecchini Report* of 1998); the latter, through the *Stability and Growth Pact* and the EMU “convergence criteria”, with their limitations on public deficit and debt levels, was regarded as potentially deflationary. The 1993 White Paper was seen as trying to compensate for this by integrating fiscal and monetary policy with employment and social policy – i.e., to give a “social dimension” to the European project (Goetschy, 1999). It sought to move the debate about how higher employment levels could be reached away from

a negative plane – and which the OECD could be said to represent when it claimed that “flexible and efficient labour markets are key to achieving non-inflationary economic and employment growth” – to a positive plane.

The White Paper envisaged major publicly-financed improvements of the physical infrastructure (the “trans-European network”), gave active labour market policy an important role, and stressed a welfare state the job of which was to ensure that those who lost their jobs, who could not work, or were too old to work, were well protected. In the words of one commentator, the European strategy tried to link “Keynesian and supply-side measures” (Goetschy, 1999, p). However, plans for the “trans-European network” of road, railway, energy and telecommunications links were never properly pursued. Equally, neither the Council nor the Commission has been prepared to accept other than the strictest interpretation of the deficit targets of the “basic economic policy guidelines”, ruling out adjustments to take account of cyclically induced deficits or of borrowing to finance investment rather than consumption.

... with respect to wage setting

Turning from the macro-economic environment to the labour market itself, the OECD saw two areas in which the introduction of greater flexibility should enhance employment growth – wages and employment protection. The OECD strategy refers explicitly to both. On wages, its fourth broad recommendation is that member states should:

Make wages and labour costs more flexible by removing restrictions that prevent wages from reflecting local conditions and individual skill levels, in particular of younger workers.

The OECD clearly saw the wage setting arrangements prevailing in Europe as much more detrimental to employment growth than those prevailing in the USA. This is clear from Figure 1, which shows the intensity of recommendations according to the type of country – welfare state “world” – concerned. At the start of the 1990s seven of the EU countries had minimum wage laws, and two more added them by the end of the decade, but the USA had minimum wage legislation too. In each case, the OECD advised weakening protection – its only wage-setting recommendation to the United States covered this point.

< Figure 1 here >

The European employment strategy made no reference to minimum wages – either to reduce them or increase them. The closest it had come any statement about wage **levels** was in the *Social Chapter* where it had proclaimed that employees should be “fairly remunerated”, but

without defining “fair”. Both the OECD and the EU recognized that wage fixing was, in the first instance, the responsibility of labour unions and employers or, in EU-parlance, the “social partners”, but this did not inhibit the Commission or Council from issuing calls for moderation in wage **increases**. Thus, the 1993 White Paper contained a recommendation that, in line with wider “stability objectives” and “to increase investment profitability” wages should, on average increase in coming years at one percentage point less than productivity. The preamble to the first “employment guidelines” not only mentioned “sound public finances”, but also “pay restraint” as a *sine qua non* for the achievement of expanding employment. In this respect, but consistent with much of the principles of a “European social model”, the EU went further than the OECD. The latter restricted its comments to wage **flexibility**, commenting that “links between wage moderation and overall labour market performance are complex and conditional on many other factors [than wage moderation]” (OECD, 1999, p33).

... with respect to employment protection

The fifth broad recommendation of the OECD strategy calls upon member governments to:

Reform employment security provisions that inhibit the expansion of employment in the private sector.

Such provisions included not only those regulating dismissals and redundancies but also those governing temporary employment contracts. Once again, the need for such reform was seen as much greater in the continental European countries. Figure 2, which shows the intensity of OECD recommendations in this area, illustrates this clearly. In line with its more “social” orientation, the European strategy has steered relatively clear of this issue. At best, and under its “guidelines” for enhancing labour market “adaptability”, it requires member states to:

examine proposals for new provisions and incentives to make sure they will contribute to reducing barriers to employment,... [and] taking in to account the fact that forms of employment are increasingly diverse, examine the possibility of incorporating in national law more flexible types of contract.

Reforms in this direction, however, should

ensure that those working under new flexible contracts enjoy adequate security

< Figure 2 here >

... with respect to benefit systems and taxes

Rules that restrict the workings of the labour market by limiting pay flexibility and reducing incentives to hire are potentially detrimental to employment growth; so to are tax and benefit

systems that make it is not worthwhile to work at all, or to work more hours or to move to higher paying work. The OECD strategy, makes reference both to the “wedge” generated by tax and social security systems and to the disincentives to work contained in unemployment and related compensation systems. Its broad recommendation nine of the OECD calls on member countries to:

Reform unemployment and related benefit systems – and their interactions with the tax system – such that societies' fundamental equity goals are achieved in ways that impinge far less on the efficient functioning of labour markets.

With respect to the work disincentives contained in unemployment and early retirement benefit systems, the OECD again sees the problem as far greater in countries typified by the European social model than elsewhere. Figure 3 shows this.

< Figure 3 here >

However, the OECD’s recommendation is closely paralleled in the European strategy. The 1993 White Paper pointed to trends in implicit taxes on “employed labour” relative to those on capital, self-employment, land and energy. Equally, the 1997 communication on *Modernising Social Protection* is replete with calls to make social protection systems “more employment friendly”. Under the EU “guidelines” for improving “employability”, member states are asked to:

review and, where appropriate, reform [their] benefit and tax system to reduce poverty traps, and provide incentives for unemployed or inactive people to seek and take up work or measures to enhance their employability and for employers to create new jobs.

The OECD makes these recommendations more specific, and, when it does so, it talks in terms of cutting unemployment benefit levels and durations of payment, on tightening eligibility and enforcing work requirements, and on restricting entry to and the generosity of early pensions. The five year review of the European strategy considers reforms undertaken rather than recommendations made, but it classifies these in much the same way. Both organisations recognise that benefit cuts cannot be pursued without limit, since there is some level of “poverty” below which people cannot be allowed to fall, but neither are very specific about what this means (see also Stanton, 2002).

... with respect to active labour market policies

In order to overcome the negative implications of an approach that is based upon reducing benefits, both strategies give a role to active labour market policies. The OECD accepts that

“In Europe, and particularly in the Nordic countries, there is a widespread and deeply-held conviction that a policy of widening differentials as a means to increase employment is unacceptable” (p 34) and recognizes that “countries which reject a widening of wage dispersions as a means to increase employment will have to rely particularly heavily on active labour market, education and training policies” (p36). However, the OECD is also able to offer a much more traditional “supply side justification for their pursuit. Thus (p36):

Active labour market policies improve access to the labour market and jobs; develop job-related skills; and promote more efficient labour markets. Active policies can strengthen the links between the growth of aggregate demand, job creation and the supply of qualified labour. And higher public spending on active measures [including intensified job placement and counselling programmes] may lead to wage moderation by strengthening the ability of "outsiders", particularly the long-term unemployed and first-time job-seekers, to compete more effectively for jobs.

Recommendation seven of the OECD strategy urges member countries to;

Strengthen the emphasis on active labour market policies and reinforce their effectiveness

Whilst recommendation eight urges them to

Improve labour force skills and competencies through wide-ranging changes in education and training systems.

The European strategy is often presented as little more than an advocacy of more intensive pursuit of active labour market programmes. Whilst many of the actual “employment guidelines” do concern such policies, they are prefaced by statements emphasising the importance of “activation” of those who are not working, and of “prevention” of job loss leading to exit from the workforce, in reducing structural unemployment. That most of the “guidelines” are couched in terms of measures to improve the “employability” and “adaptability” of the population, underlines the way in which “supply side” perspectives are at the fore.

Guidelines bearing upon preparation for work retraining and life-long learning are found under the “adaptability” as well as the “employability” heading. Under the former heading are also found “guidelines” concerning re-arrangements of working time that will enhance labour market flexibility. The OECD strategy also urges more flexibility at work – in its third recommendation, which is to

Increase flexibility of working-time ... voluntarily sought by workers and employers.

The European strategy, however, goes further. It refers to work organisation changes that promote the introduction of new technologies and in so far as it seeks facilitate such changes by linking them to its recommendations for working time flexibility.

3. The points of difference

If there are profound similarities between the two strategies, there are also two aspects of the European strategy that are scarcely replicated in the OECD strategy. The European strategy bears testament to its roots in the “European social model”, and it does so in two ways.

... the relationship between employment and social protection policies

The influence of a “social model” can be seen in the way in which the European strategy is much more thorough going in its attempts to link employment performance with the welfare state. In a 1999 communication, the Commission makes clear that “increasing the employment rate can help ensure the sustainability of social protection”. The strategy has further reasons for increasing labour supply than simply because this dampens inflation and promotes growth, it also generates social insurance contributions. Thus, benefits can be maintained and contributions held in check. For this reason, the 2000 Lisbon council set a target of a 70 per cent employment rate, and a 60 per cent employment rate for women, to be achieved by the Union in 2010.¹ The European strategy makes repeated reference to battles against “exclusion” and the importance of bringing groups on the margin of the labour force, or even outside the labour force back into work. Therefore, under guidelines to increase “employability”, it concerns itself explicitly with older people, people with disabilities, ethnic minorities and migrants, whilst under guidelines to increase “equal opportunities” it concerns itself with making full productive potential of women.

The OECD strategy makes only a passing reference to social exclusion in so far as it recognises that it “risks creating social tensions that could carry high human and economic costs” (p5). Its active labour market recommendation talks of the need for increased targeting on “the long-term unemployed and disadvantaged groups”, but no specific mention is made of ethnic minorities or women. Older workers are mentioned only in so far as one recommendation suggests that working time might be adjusted to encourage their participation rather than early retirement. The feed back to financing social protection is not mentioned at all, except in brief references to demographic ageing having potential deleterious consequences for public finances.

¹ The current rates were 61 per cent and 51 per cent.

... and the role of employers and unions

Second, the European strategy places much more weight on the contribution of the “social partners” to policy formulation, execution and evaluation – a contribution that was re-emphasised at the 2000 Santa Maria da Feira summit. With respect to formulation, the Ministerial that first discussed the OECD strategy did involve prior consultations with the Trade Union and the Business and Industry advisory committees (TUAC and BIAC), but there seems to have been little further input from these bodies. By contrast, the EU sees social partner involvement as contributing to the legitimacy of its social and economic policy making. Building upon an earlier history of sponsored “social dialogue”, the 1992 Maastricht Treaty gave the “social partners” the right to reach European collective agreements that could be translated into directives, and so far three, covering parental leave, part-time working and temporary work have been concluded. The Luxembourg “jobs summit” received submissions not only from governments and the Commission but also from the “social partners”, and it was on the basis of these that the first set of guidelines was drawn up. This process of submission has continued. Lastly, the 1999 Cologne summit, and the associated *European Employment Pact*, sought to encourage dialogue between governments, the Commission, the European Central Bank and the “social partners” to help “flesh out the economic policy mix” and strengthen mutual confidence in strategies for growth and job creation. (see Current Situation and Outlook)

The preamble to the OECD strategy contains the statement that its recommendations “do not apply to governments alone. In many cases responsibility for action to improve employment performance lies most directly with employers, trade unions and individual workers” (p45), but it specifies neither about which recommendations this applies to nor about what employers or unions might do. The European strategy gives the social partners a number of specific tasks. They are adjured, in the interest of promoting “employability”, to assist in the identification of skills bottlenecks and barriers to occupational and geographical mobility; in the interest of promoting “entrepreneurship”, to participate in efforts to transform undeclared work into regular employment and to help identify potential for local employment initiatives; and, in the interest of promoting equal opportunities, to assist in policies that contribute to a less segregated labour market and the creation of “family-friendly” employment relationships. However, their most important contribution is envisaged with respect to promoting “adaptability”. Here, the “social partners” are invited to

to negotiate and implement at all appropriate levels agreements to modernise the organisation of work, including flexible working arrangements, with the aim of making undertakings productive and competitive, achieving the required balance between flexibility and security, and increasing the quality of jobs.

and

to conclude agreements, where appropriate, on lifelong learning to facilitate adaptability and innovation, particularly in the field of information and communication technologies.

Lastly, the “social partners” have been drawn further into the evaluation process. Beyond their annual participation in the regular process of monitoring and revision of the strategy, the most recent guidelines explicitly require them to

report annually on which aspects of the modernisation of the organisation of work have been covered by the negotiations as well as the status of their implementation and impact on employment and labour market functioning.

European level “social partner” organisations are invited make any contributions that might assist national “social partners” carry out this function.

4. The evaluations

The five year evaluations of the two strategies produced, satisfaction with the results that had been achieved. Given the internal nature of the evaluation – in the case of the OECD, it was carried out by the secretariat, in the case of the EU by the commission using reports conducted by national contractors whose work was paid for by the commission together with the relevant government – this is scarcely surprising. The OECD’s assessments contains at an early stage, the claim that

*Countries that have done best in achieving (or maintaining) good labour market conditions are those that have undertaken the most comprehensive reforms in line with the **Jobs Strategy**. (1999, p11)*

The Commission is a little more restrained, in so far as it can state

In recent years, the EU labour market performance has visibly improved, ...

but admits that

It is obviously difficult to establish how much of the overall improvement ... can be attributed to the introduction of the EES [the European Employment Strategy] and how much to the economic improvement.

Others have been less restrained, so that one of the national representatives on the Social Protection Committee, commenting on the fall in unemployment in Europe from over 18m to just over 13m between May 97 and March 2001, felt able to argue that “the new coordination possibilities in the field of employment policy established by the Treaty of Amsterdam have certainly contributed to this development” (Ohndorf, 2002, p17).

In fact, effective evaluation was not easy. The Commission's report recognizes that a many items of its strategy were "already on the political agenda in Member States before the Luxembourg process was launched", whilst the OECD includes in its evaluation "important reforms [in line with the strategy] ... made by a number of countries before the recommendations were formulated" (p180). Moreover, both organizations recognised that there was insufficient time see what impact recommendations might have, since any impact would be seen only in the longer run. Accordingly, the OECD evaluation limits itself to examining some of the relationships between macro-economic stability and labour market performance, and between its labour market specific recommendations and the labour market performance. It does not seek to assess the impact of its recommendations with respect to education systems in general or to the business environment. The Commission's evaluation is restricted to the "employment guidelines" themselves, and thus covers much the same area as the second part of the OECD' evaluation. However, even here, the Commission admits that

a full impact evaluation of the EES remains difficult, considering the relatively short period under review as compared to the long-term nature of certain structural reforms. (Tech rept, p2)

Lastly, the Commission points to the relatively short time available for making the evaluation – some six months for the individual national studies – and defends the lack of a deeper assessment on these grounds (ibid)

... the OECD's assessment

The OECD finds that

Those countries that managed to contain macro-economic fluctuations – proxied by the variability of unemployment changes – have generally avoided strong increases in estimated structural unemployment

and *vice versa* (p44). Actual evidence was presented in a scattegram, reproduced in Figure 4 panel A below. The supposed relationship is significant, but only if two countries – Finland and Sweden – are included (see Panel B). Yet it is for these two countries that, on the Secretariat's own admission, the estimate of structural unemployment is weakest.² The relationship between reductions in structural deficits – a sign of fiscal rectitude – and changes in structural unemployment is not tested in the evaluation, although using the Secretariat's own data it can be shown to be insignificant, if correctly signed.

² The OECD conceded, albeit in a footnote, that "it is ... difficult to assess the evolution of structural unemployment in Finland, and to a lesser extent in Sweden, in the 1990s given the abruptness of the rise in actual unemployment. The OECD estimates of the NAWRU for these two countries are, therefore, subject to greater uncertainties than those for other countries" p18 fn2

The OECD evaluation implies relationship between the intensity with which member countries followed through recommendations concerning the labour market and the extent of falls in structural unemployment is positive. This is shown in figure 5.

< Figure 5 here >

However, the actual relationship is not significant. More pertinent might be tests on sub-groups within the overall set of labour market recommendations. The results can be summarised as follows:

Recommendations concerning	Sign	Significance
active labour market policies	incorrect	insignificant
unemployment benefits	correct	insignificant
employment protection laws	correct	insignificant
wage setting	correct	insignificant

This is hardly sufficient to justify the rather confident assertion of success quoted above.

... the Commission's assessment

The Commission's evaluation does not even go so far as that of the OECD. It does not comment upon the effectiveness of policies other than observing that, in the five years covered, there has been a "job rich growth and [a] rising responsiveness of employment ... to improvements in the economy" – outcomes which accord with the overall objectives of the strategy. In so far as it attributes this outcome to any specific developments, it cites "wage moderation ... as one key factor. With EMU providing a macro-economic framework in which nominal wage restraint became meaningful, the social partners pursued employment-friendly wage agreements over a long period thereby contributing to the improved employment performance" (p8). However, whilst wage moderation might be an element of the wider strategy, it was something of which the "employment guidelines" themselves steered clear.

Unlike the OECD strategy, the European strategy does contain "targets" although these are rather few. In pursuit of improving "employability", the "guidelines" contained an "activation" target whereby "20% of the unemployed [are] to benefit from active measures, involving education, training or similar measures...". This target was "generally reached" whilst "the three most advanced Member States" were recognised to have met, in recent years, a coverage of about 50%. The "guidelines" also contained a target whereby "all unemployed [are] to be offered a new start before 6/12 months of unemployment". The

evaluation notes that this “has been interpreted in very different ways between Member States, ranging from intensive counselling to early enrolment into an intensive active measure”. No specific attempt is made to measure whether in meeting such targets the “employability” of those assisted was improved, and if it was, whether the assistance was cost effective. As far as such questions are concerned, the Commission defers to work that had been carried out by the OECD (especially as reported in Martin, XXXX) that showed that that “the effects of large scale, non-personalised programmes (such as for youth) are less convincing, reflecting the fact that larger programmes may suffer from inadequate targeting” (p10). On the other hand, the evaluation did, if only briefly, introduce a further dimension according to which active labour market programmes might be evaluated. Although large scale programmes have been criticised for their ineffectiveness and even counter-productiveness,³ the Commission implied that they might be worthwhile in so far as they had “positive longer-term effects on the social inclusion of beneficiaries” (p10).

Rather than evaluating outcomes, the Commission concentrates upon evaluating processes. Thus, at an early stage, the review states

Despite marked differences between Member States and the difficulty of establishing clear causal relationships between overall performance and specific policies, over the same period a significant degree of convergence of national employment policies towards the objectives and the guidelines defined under the EES can be discerned”.(p7)

Thus, it claims “strengthened national employment *policy coherence*” whereby “employment priorities were mainstreamed into other policy areas like taxation and social security” and “a gradual change in priority from managing unemployment to managing employment growth ... has become gradually embedded in national policy formulation” (p9). Such enhanced coherence was also said to be observable at European level. Equally, it argues that the strategy has “fostered a recognition of the key role played by the *social partners* in a wide range of areas related to employment” (by fn22). In respect of both of these broad objectives, it concedes that more could and should be done. In particular, involvement of the “social partners” at local – or workplace – level was generally limited, and participation of other “partners” groups in local initiatives was almost non-existent. Nor did it seem as if the “peer review” fed back significantly into the review and development of guidelines. However, overall, the evaluation – including its repeated reference to the complementarity of the

³ Not only temporary job-creation programmes but also training programmes have been argued not only to have not added to the “employability” of participants but also, by taking these out of unemployment, to have reduced labour supply and, increased “insider” power and thus had an inflationary impact (see, especially, the analyses of Calmfors, cited in Martin, xxxx).

employment strategy” and the “social inclusion strategy” – can be seen as confirming the European strategy as contribution to the realisation of the “European social model”. Some have even described the general principles of “open coordination” as being an important means by which such a model can be “concretised” (Vandenbrouke, 2002, p 9).

A further sign of the way in which the evaluation sought to ensure conformity to “social model” principles is seen in the doubts expressed that part of the evaluation concerning the promotion of “entrepreneurship”. Although national studies reported these only “in the margin”, these did express some concerns concerning “quality in work, job security and social inclusion”, “the existence of fictitious self-employment, and the right to benefits if self-employed return to unemployment after bankruptcy” (p17). Such issues were nowhere touched upon in the OECD’s evaluation of its strategy.

... and some shared views

The OECD’s evaluation is not without its surprises. Commenting on wage setting arrangements, it noted that the Netherlands and Ireland “improved co-ordination ... via tripartite agreements between trade unions, employers and the government”. These agreements “resulted in a period of wage moderation but were accompanied by macro economic stabilisation measures (eventually to be followed by tax cuts) and reforms of the product market”. They also “set the framework for tripartite decisions concerning labour market policies, including working-time arrangements and part-time work”. The evaluation continues by describing how “other countries, including Italy, Finland, Norway, Portugal and Sweden, have moved to different forms of income-policy agreements in the 1990s, which often go beyond setting national wage guidelines and involve reforms of other aspects of the labour market” (p57). Although the evaluation is not directly laudatory, its tone is one of approval. Yet these were the countries whose policies can best be described as conforming to a “European” rather than a “classical OECD” approach to economic and social policy making.

Conclusions

The OECD jobs strategy and the European employment strategy do have different antecedents. The former is predicated upon neo-classical perceptions, whereby market solutions predominate; the latter owes much more to “social market” theories, whereby the state intervenes to moderate negative effects of market relationships and to enhance the efficiency of market performance. The former makes little reference to welfare states, and generally regards them as impediments; the latter sees them potentially productive. The latter takes a much more integrated view of what needs to be taken into account if successful employment performance is to be achieved. As well as stressing the importance of macro-

economic stability and a favourable business environment, it relates high levels of employment directly to the achievement of economic goals. The OECD shows concern for employment rates, and particularly older people's employment rates, when considering the economic, and particularly the fiscal consequences of societal ageing (see for example, OECD 2001; 2002). However, it does not manage to bring its discussions of the interrelationship between employment and social protection policy together in the way in which the EU manages to do. Nor, does the OECD manage to merge an interest in reducing social exclusion with an interest in employment promotion – or social protection – in as wide-ranging a fashion as do the EU. To say this does not mean the elements of the European strategy are adequate, or always appropriate. It is only to say that any strategy has to be comprehensive and cognisant of all, and not merely some, inter-connections.

This is not to deny that there are some similarities in diagnoses, and some similarities in recommendations. This paper has illustrated the extent of these. There is little that the OECD recommends that Europe has not recommended. The difference is that the European strategy is more aware of the potentially negative outcomes that can result from following through some of its recommendations. Accordingly, it is more willing to counsel caution, and more willing to suggest the need for compensatory actions. That it does so is a corollary of it being influenced by a “social model” in a way that the OECD strategy is not.

Lastly, it is necessary to recognise that the European strategy owes a debt to the OECD strategy. This is not only because the EU might have felt under a political obligation to match the OECD, albeit with a strategy that accords more closely with its principles. Rather, it is because the OECD strategy was the first to be evaluated and the way in which it was evaluated cannot but have had a major influence on the way in which Commission carried out its own evaluation. This is to be seen in the way in which the latter made use the level of structural unemployment as a benchmark. It is also to be seen in the way in which OECD data is used to illustrate points. And it is to be seen in the way in which the Commission cites the OECD's analysis of the efficacy of active labour market programmes, which are at the core of many of the “employment guidelines”, when it seeks a guide for conduct of its own assessments.

Thus, it is possible to conclude by suggesting that there is closer to “one view of the labour market” but there are very clearly “two views of the welfare state”. Whether there is one view of evaluation is open to dispute. Both organisations attempt to undertake evaluation, but both have a long way to go before they can evaluate in a way that is effective and convincing.

In so far as both use evaluation to buttress their particular presumptions, there can be said to be one view, that it can be used to show what the evaluator wants to show.

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Table 1: Comparing Jobs Strategies

OECD Jobs Strategy	EU Employment Strategy (broadly defined)
Set macroeconomic policy such that it will both encourage growth and, in conjunction with good structural policies, make it sustainable, <i>i.e.</i> non-inflationary.	Stability and Growth Pact "Broad Economic Policy Guidelines"
Enhance the creation and diffusion of technological know-how by improving frameworks for its development.	1993 White Paper on Growth, Competitiveness and Employment, Cardiff Declaration (products and capital market flexibility), Lisbon Declaration; "entrepreneurship pillar" of Luxembourg guidelines
Increase flexibility of working-time (both short-	"adaptability pillar" of Luxembourg guidelines

term and lifetime) voluntarily sought by workers and employers.	
Nurture an entrepreneurial climate by eliminating impediments to, and restrictions on, the creation and expansion of enterprise.	“entrepreneurship pillar” of Luxembourg guidelines also BEST (diffusion of practice) and SLIM (simplified legislation for the internal market) programmes and programmes for enterprise and entrepreneurship etc
Make wages and labour costs more flexible by removing restrictions that prevent wages from reflecting local conditions and individual skill levels, in particular of younger workers.	NO, except pay restraint essential for growth and so a favourable econ environment according to 1993 White Paper and Luxembourg conclusions – prior to spelling out guidelines
Reform employment security provisions that inhibit the expansion of employment in the private sector.	“adaptability pillar” of Luxembourg guidelines, with special reference to FTCs and “atypical” work contracts
Strengthen the emphasis on active labour market policies and reinforce their effectiveness.	“employability pillar” of Luxembourg guidelines
Improve labour force skills and competencies through wide-ranging changes in education and training systems.	“employability pillar” of Luxembourg guidelines, “entrepreneurship pillar” of Luxembourg guidelines, “adaptability pillar” of Luxembourg guidelines
Reform unemployment and related benefit systems – and their interactions with the tax system – such that societies' fundamental equity goals are achieved in ways that impinge far less on the efficient functioning of labour markets.	“employability pillar” of Luxembourg guidelines (review tax and benefit systems to remove poverty traps and make it easier for unemployed people to enter work)
Enhance product market competition so as to reduce monopolistic tendencies and weaken insider-outsider mechanisms while also contributing to a more innovative and dynamic economy.	Cardiff Declaration Lisbon Declaration “Broad Economic Policy Guidelines”