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# European Employment Strategy

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An Instrument of Convergence for the New Member States?

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## Executive Summary

- The European Employment Strategy (EES), introduced in 1997 to provide coordinated guidance of national employment policies, is touted for its capacity to reduce the unemployment rate and to stimulate growth in employment rates. Today it has been developed around three main objectives – full employment, improvement in quality and productivity at work, and reinforcement of social cohesion and inclusion – and has allowed convergence of national employment policies and certain characteristics of labour markets in the Europe of 15.
- The new Member States have fully participated in its implementation only recently, but their preparation started before their accession to the Union. Nevertheless, their rapprochement with the path traced by the members that had adopted the EES eight years earlier is still not clearly perceptible: the divergences in the field of employment and labour markets have not decreased on the whole. In fact, they seem to have grown in certain areas.
- This study analyses these divergences and asks what lies behind these results, in order to better understand the shortcomings of the EES and to identify avenues that could be taken. The idea is to take better advantage of this instrument in the Member States in Central Europe and in the Baltic States and to make it a more effective instrument for employment in the Europe of 25.
- The analysis is based on five countries (Estonia, Poland, Czech Republic, Slovakia, Slovenia) that illustrate the major trends found in the new member countries on the whole: low rates of employment, strong regional disparities, large long-term unemployment and the development of the informal economy.
- The analysis shows that, while a lack of time and technical and financial obstacles have played a role in the current situation, three other major reasons also explain the shortcomings:
  - The content of the EES itself: for a long time, several problems that are central for the new Member States were given little attention in the EES.
  - Insufficient training by the European Commission: its attitude during preparation for accession did not induce a relationship of mutual trust with the national governments, nor, as a consequence, facilitate better expression of the priorities and objectives of the EES.
  - The weakness of the social dialogue.

- Consequently, the EES was often perceived by the new Member States as an administrative exercise, and this has prevented it from reaching its objective of convergence in the Europe of 25.
- In view of this situation, the new Member States have a role to play in increasing the effectiveness of the EES. In fact, while they are more involved in its implementation, via the Council, they need to define guideline content that is more adapted to their national priorities.
  - It would be particularly helpful for them to put greater emphasis on training needs, regional variations of employment policies and reduction of the informal economy.
  - Finally, they could experiment more with their own tools, particularly for vocational reintegration and mobilisation of all economic and social players as well as those in civil society.



## Foreword

Over the past ten years, employment has remained the number one concern of Europeans, also in the new EU member states. According to the latest Eurobarometer opinion polls, EU citizens have more confidence in the European Union than in their own governments to improve the employment situation in their country.

European leaders do not seem to have grasped the full extent of this challenge, whether during the accession period of the new member states or since 2004, according to the analysis presented here by Catherine Palpant.

She notes that the major tool in this area, the European Employment Strategy, which aims since 1997 to boost the labour markets in and coordinate the national employment policies of the former 15 member states, has not yet delivered convincing results for the 10 new member states. She tries to establish why it has failed by reviewing the socio-economic characteristics of these countries, recent trends, the social policies implemented during the transition period, and the contents of the national action plans for employment.

Through an in-depth examination of five member states, she demonstrates how the European Employment Strategy, now fully incorporated into the integrated approach for Growth and Jobs of the revised Lisbon Strategy, has the potential to be an effective instrument of convergence for the EU 25 in terms of employment policy, working conditions and labour markets.

By following her advice, rather than grumble about the distance that separates old and new member states from the European social model, we should try to explain better to the new member states what the EES is about, by fostering a real partnership, by encouraging them to experiment with new policy instruments, and by defining common objectives better adapted to their national priorities.

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# Introduction

The report on Employment published in Europe last October underlined that “despite low economic growth the EU's employment rate doubled to 0.6% and its unemployment rate stabilised at around 9% in 2004”<sup>1</sup>. For Vladimir Spidla, European Commissioner for Employment, Social Affairs and Equal Opportunities, these encouraging results are to be attributed to “*major reforms that have been undertaken in application of the European Employment Strategy (EES)*”. Thus, in a sluggish economic context and at a time when the EES is undergoing a substantial review, it is again congratulated for its capacity to create a certain drive in the European Union and to have adjusted to the challenges encountered by the members of the Europe of 15 over the eight years of its existence.

The EES, introduced by the Luxembourg Summit in 1997 to provide coordinated guidelines for national employment policies, is based on four “pillars”: employability, entrepreneurship, adaptability of enterprises and employees, and equal opportunities for men and women<sup>2</sup>. These four axis in turn include guidelines reviewed annually by the European Commission. On the basis of these guidelines and specific recommendations formulated by the Commission, each Member State develops a national action plan for employment (NAP). These NAPs reflect the national strategies in the longer term with priorities, concrete measures and an assessment system.

Consequently, year after year, the EES traces a real European “path”<sup>3</sup>. By setting common objectives, exchanging good practices and organising peer reviews, it uses the means that are described in the “open method of coordination” the theory of which was drafted in 2000 during the Lisbon Council<sup>4</sup>.

As a “solution between two symmetrical pitfalls” - strictly national action and strictly Community action – the method allows for the organisation of “soft convergence”<sup>5</sup>. Because the term coordination is misleading here: the role of the EES is not to act as a constraint on national policies<sup>6</sup> but to give them additional legitimacy, while working toward their rapprochement and, eventually, harmony (if not harmonisation) of national labour markets.

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1 Report on employment 2005

2 Council of the European Union, 1997

3 Raveaud G., La stratégie européenne pour l'emploi : première évaluation, 2004

4 Conclusions of the Lisbon Council, 2000

5 Raveaud G., 2004

6 This is very different from the figures for convergence criteria found in the context of the EMU; moreover, the originality of this process is based on the “gradual” discovery of appropriate solutions, again unlike the EMU where the objectives and the instruments to be implemented were precise.

Revised in 2003<sup>7</sup>, the EES now includes more quantified objectives in the form of targets<sup>8</sup>. In addition, emphasis is placed on improving its implementation and its governance<sup>9</sup>. The new guidelines for employment are no longer developed around the four pillars, but are based on three main objectives which are full employment; improving quality and productivity at work; strengthening social cohesion and inclusion.

In 2005, to cope with deep-rooted structural problems and to give a new boost to the Lisbon Strategy<sup>10</sup>, a second major review of the EES was undertaken. It led to a new procedure, which targets improving coordination between Member States and European institutions on one hand, and, on the other, between employment policy and macro- and microeconomic policies of the European Union. So, since last July, the guidelines for employment<sup>11</sup> are presented integrated with those for the macro- and microeconomic policies on a three-year basis.

The study conducted in 2002 by the Commission to assess the five first years of the EES has shown the existence of a twofold convergence of results and employment policies for the Fifteen. It deals first with the importance given to "active" policies and the reduction of resources for "passive" expenditure<sup>12</sup>. It then corresponds to reforms of tax and social systems: a significant tendency to reduce non-wage costs has in fact been observed in the Union<sup>13</sup> and the fight against "inactivity traps" has been reinforced. Thus, Tony Blair's slogan "Make work pay" has become increasingly popular.

However, this observation does not yet hold for the ten new Member States. Although they have been preparing to fully implement the EES as from 1999 in the perspective of accession to the European Union, the divergences they have in the field of employment and labour markets with the countries in the Europe of 15 as well as among themselves, have not been ironed out; for certain points, they even seem to have grown (I).

Consequently, it is pertinent to ask the reasons for this relative failure, which seems to be related both to insufficient consideration of their initial situation and to the methods used by the European Commission (II).

With a better understanding of the current shortcomings of the EES, it may be possible to identify the levers that can and should mobilise the Member States in Central Europe and the

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7 European Commission Communication on the future of the European Employment strategy (EES), « A strategy for full employment and better jobs for all », COM (2003) 6 final, 2003

8 Until that time, the only objectives given in figures were for global employment rates, the rate of employment of women and the rate of employment of elder workers, set at respectively 70, 60 and 50%.

9 European Commission, Communication on the future of the European Employment Strategy, 14 January 2003

10 Because of these difficulties, the main objective of reaching a rate of employment of 70% by 2010 within the European Union is considered unachievable.

11 The eight guidelines adapt to three priorities: attracting and retaining a larger number of persons on the labour market, increasing the supply of labour and modernising social protection systems; improving adaptability of workers and enterprises; investing more in human capital and improving education and skills.

12 The active policies targeted promoting reintegration of jobseekers, whereas passive policies help guarantee resources by means of unemployment benefits.

13 Reluctance to move in this direction nevertheless subsists, particularly in Sweden.

Baltic States so that they can take better advantage of this instrument and use it as a more effective tool for employment in the Europe of 25.

This analysis will be based on five countries that illustrate a few major trends found on the whole in the countries in Central Europe and the Baltic States: Poland and Slovakia, for their very high unemployment rate and their large regional disparities; Estonia and the Czech Republic for the forms of deregulation of their labour markets and the major transformations in the field of social protection that they have undertaken, and finally Slovenia, for the way that social dialogue functions.

# I - Preparation of the new Member States to the European Employment Strategy: a preliminary cooperation process

## CHARACTERISTICS OF EMPLOYMENT AND WORKING CONDITIONS

The countries in Central Europe have undertaken major reforms as from the beginning of the transition. These have led to deep-rooted structural changes, concentrating on the almost total privatisation of the productive and financial apparatus, the development of services, attracting direct foreign investment, modernisation of the industrial sector and massive creation of small and medium-sized companies. These changes have unveiled the obsolescence of the traditional players and have led to the transformation of labour markets, employment characteristics, wage levels and working conditions.

## CHARACTERISTICS OF EMPLOYMENT SPECIFIC TO THE NEW MEMBER STATES

The low employment rates, sharp regional disparities, widespread unemployment and particularly long-term unemployment, the development of the informal economy and the gap between employer demand and employee skills: these are the main characteristics of labour markets in the countries in Central Europe. Although some of these are similar to those in members of the former Europe of 15, their evolution or their amplitude may differ considerably. As concerns statistics, 2003 is the last year in which the group of the ten new Member States can be identified, nevertheless data for 2004 shows the same trends and we will use the two sets of data alternatively.

Employment rate 1999 – 2004 (in %)

	1999	2000	2001	2002	2003	2004
<b>EU 15</b>	62.6	63.4	64.0	64.2	64.3	64.7
Estonia	61.5	60.4	61.0	62.0	62.9	63.0
Poland	57.6	55.0	53.4	51.5	51.2	51.7
Slovakia	58.1	56.8	56.8	56.8	57.7	57.0
Slovenia	62.2	62.8	63.8	63.4	62.6	65.3
Czech Rep.	65.6	65.0	65.0	65.4	64.7	64.2
<b>NMS-10</b>	61	59	58.8	55.9	55.8	-
<b>EU 25</b>	62.0	62.4	62.8	62.8	62.9	63.3

Source: Eurostat 2005

The employment rate in the Central European states is a good example of this: after fluctuating at the beginning of economic transition, rising above the Community average between 1994 and 1999, it dropped sharply, and continued to fall over the years. It was 55.8% in 2003, which is eight points below the average employment rate of the Europe of 15. Moreover, this rate clouds differences between the countries, as does the average rate in EU15: in fact, in 2004, the Slovenian and Czech employment rates were well above the Community average (respectively 65.3% and 64.2%, for an EU25 average of 63.3%), whereas the rate for Poland, which has been dropping continuously for several years, does not exceed 51.7%.

**Employment growth 1999-2004 (in %)**

	1999	2000	2001	2002	2003	2004
<b>EU 15</b>	1.7	2.4	1.4	0.7	0.3	0.7
Estonia	-4.4	-1.5	0.8	1.3	1.5	0.0
Poland	-2.7	-2.3	1.5	-1.9	-1.2	-0.3
Slovakia	-2.7	-1.8	0.6	-0.5	1.8	-0.3
Slovenia	1.5	0.8	0.4	-0.4	-0.3	0.1
Czech Rep.	-2.1	-0.7	-0.1	0.8	1.8	0.0
<b>EU 25</b>	1.2	1.7	1.2	0.5	0.3	0.6

Source: Eurostat 2005

The low employment rate in Central Europe is explained partially by the effects of transition and the slowing down of economic growth, but above all, it seems to reflect a certain breakdown in the creation of jobs in the newly acceding countries, as the system of production on the whole does not yet seem able to contribute. But an analysis of the trend for the five last years shows that the situation is gradually improving.

**Employment rate, by age group, in 1999 and 2004 (in %)**

	Total		15-24		55-64	
	1999	2004	1999	2004	1999	2004
<b>EU 15</b>	62.5	64.7	39.6	40.0	37.1	42.5
Estonia	61.5	63.0	30.1	27.2	47.5	52.4
Poland	57.6	51.7	25.9	21.7	31.9	26.2
Slovakia	58.1	57.0	31.0	26.3	22.3	26.8
Slovenia	62.2	65.3	34.0	33.8	22.0	29.0

Czech Rep.	65.6	64.2	38.3	27.8	37.5	42.7
<b>NMS-1014</b>	59.0	55.8	30.1	24.3	31.1	31.7
<b>EU 25</b>	61.9	63.3	37.8	36.8	36.2	41.0

Source: European Commission, Reports on employment 2004 and 2005

The perspective of reaching an employment rate of 70% by 2010 and bringing the rates of employment of women and elderly workers up to 60 and 50% respectively – these being the objectives set by the Lisbon Strategy – is therefore farther off, not just because of the poor progress observed in the EU15, but also because of the characteristics of the active populations of countries that acceded to the Union in 2004<sup>15</sup>. In fact, for the new Member States, the situation deteriorated significantly during transition, particularly for the most vulnerable categories of the population – youth, women, the elderly, minorities. There is a risk that this situation will last as long as these categories do not benefit from training programmes adapted to the new requirements of the market.

The employment situation in Central Europe is also marked by strong regional differences<sup>16</sup>, which result in an unequal redistribution of job opportunities. The regions bordering on the former Europe of 15 and the areas around the capital cities have a higher employment level than the national average, whereas the farming regions and areas where industry is declining are characterised by a relatively unskilled population and high unemployment. Poland is a good illustration of these regional disparities: in 2004, the region of Warsaw (Mazowieckie) had an unemployment rate (about 10%) that was much lower than the national average (18.8%), while in rural areas, in the northeast (Wraminsko-Mazurskie) or the west (Lubuskie), the unemployment rate is respectively 43% and 25%.

This situation is similar in all countries in Central Europe: in Slovakia, the unemployment rate was 7.1% in the Bratislava area (Bratislavsky) in 2003, but it was as high as 21.8% in Vychodné Slovensko, in the centre of the country. Similarly, in the Czech Republic the lowest unemployment rate is found in Prague (4.2%), and the highest rate in northern Moravia (Moravskoslezsko at 14.8%)<sup>17</sup>.

This tendency for labour markets to splinter in the new Member States seems likely to intensify in the future: worker mobility is indeed still fairly limited. Still, neither economic growth, nor the current development of the production system seem capable of reducing the disparities between regions, quite the contrary.

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14 The data for the new Member States used here dates from 2003, not from 2004.

15 [http://europa.eu.int/comm/employment\\_social/employment\\_strategy/eestm\\_en.htm](http://europa.eu.int/comm/employment_social/employment_strategy/eestm_en.htm)

16 Although the imbalances in Central Europe are large, they are smaller than those in southern Europe.

17 European Commission, Report on employment 2005

**Unemployment rate 1999 – 2004 (in %)**

	1999	2000	2001	2002	2003	2004
<b>EU 15</b>	8.5	7.6	7.2	7.6	7.9	8.1
Estonia	11.3	12.5	11.8	9.5	10.2	9.2
Poland	13.4	16.4	18.5	19.8	19.2	18.8
Slovakia	16.7	18.7	19.4	18.7	17.5	18.2
Slovenia	7.2	6.6	5.8	6.1	6.5	6.0
Czech Rep.	8.6	8.7	8.0	7.3	7.8	8.3
<b>NMS-10</b>	11.8	13.6	14.5	14.8	14.3	-
<b>EU 25</b>	9.1	8.6	8.4	8.7	9.0	9.0

Source: Eurostat 2005; European Commission, *Report on employment 2004*

The level of unemployment in Central Europe, with an average rate slightly above 10% in 2003, was significantly greater than the average for older members (7.9 %). Here too, there are large national disparities, even larger than in the EU15: in 2004, the maximum difference between the various national unemployment rates was about eight percentage points in the old Member States (from 4% in the Netherlands to 12% in Spain), as compared to 13 percentage points among the new members (about 6% in Hungary and nearly 19% in Poland and Slovakia).

**Long-term unemployment rate 1999 – 2004 (in %)**

	1999	2000	2001	2002	2003	2004
<b>EU 15</b>	3.9	3.4	3.1	3.1	3.3	3.3
Estonia	5.0	5.7	5.7	5.0	4.7	4.8
Poland	5.8	7.6	9.3	10.8	10.8	10.2
Slovakia	8.0	10.2	11.4	12.2	11.4	11.7
Slovenia	3.2	4.0	3.5	3.4	3.4	3.1
Czech Rep.	3.2	4.2	4.2	3.7	3.8	4.2
<b>NMS-10</b>	5.1	6.5	7.5	8.1	-	-
<b>EU 25</b>	4.1	3.9	3.8	3.9	4.0	4.0

Source: Eurostat 2005; European Commission, *Report on employment 2004*

But the importance of long-term unemployment, on the average 8.1% in 2002 (3.1% in the EU15) is what characterises the employment situation in the new Member States. This concerns more than half the jobseekers. And the real situations appear to be much more critical than the official figures show. In fact, a large portion of the long-term unemployed are

considered jobseekers for two or three years and then they are no longer included in the statistics. Yet, on considering the possibilities as to what becomes of them, the probability is that they will join the shadow economic sector<sup>18</sup>.

While some countries such as Poland and Slovakia have a long tradition of a informal economy, the sector has not stopped growing since the first years of transition, and now represents a considerable share of national GDP<sup>19</sup> ranging from 20% in Slovakia up to more than 40% in Estonia<sup>20</sup>. A conjunction of interests are behind this: the informal economy constitutes a source of additional income for workers or even an alternative to a declared job, and it enables employers to get around contractual restrictions, and particularly the social contributions associated with any regular employment. The difference with EU15 lies in the breakdown of economic activity by sector and in the processes that stimulate the development of the informal economy. Among the most marked phenomena are the importance of retail trade and hotel-restaurants, the presence of a subsistence economy concentrated on agriculture, a fairly high proportion of professional services and a fairly low proportion of undeclared work in the industry<sup>21</sup>.

But if the existence of such a large "grey area" could be understood at the beginning of the transition period because of the deep-rooted reorganisation going on and the time needed to adapt<sup>22</sup>, the fact that the phenomenon appears to be lasting becomes a cause for great concern from the economic and social standpoint<sup>23</sup>.

Finally, the noticeable gap between employers' needs and workers' skills and qualifications is the last major employment characteristic in the new Member States. This gap, revealing a strong structural imbalance, partially explains the increase in long-term unemployment and

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18 The informal economy: the expression appeared in the 1970s in a report by the LO on the world employment programme. It includes minor income-generating activities that are not recognised, recorded, protected or regulated by the authorities and that entail small amounts of capital and unsophisticated techniques and skills, while supplying low levels of income and unstable employment.

19 The vast majority of studies devoted to measuring the informal economy (OECD, European Commission), are based on an estimate of its share in national GDP, rather than an estimate of the number of people concerned.

20 Schneider F., The size and development of the shadow economies of 22 transition and 21 OECD countries, IZA discussion paper n°514, Bonn, June 2002, quoted in Vaughan-Whitehead D., L'Europe à 25, un défi social, La Documentation française, 2004

21 European Commission, Undeclared work in an enlarged Union, 2004, [http://europa.eu.int/comm/employment\\_social/employment\\_analysis/work/undecl\\_work\\_final\\_en.pdf](http://europa.eu.int/comm/employment_social/employment_analysis/work/undecl_work_final_en.pdf)

22 To describe the aspects of the informal economy in countries in Central Europe, particular focus must be put on the common usage of "wages in an envelope", where the under-declared income tends to become as high as the undeclared income. An analysis done by the Commission underlines three types of factors that explain undeclared work and Central Europe: social-economic factors, institutional factors and societal factors that include cultural traditions and relations between the individual, society and the State associated with the socialist past. «The institutional (and partly the economic) factors rather define the short-term developments of undeclared work. The legacy of the socialist administrative and economic culture may be described as a medium-term factor. Together with institutional factors, they may be considered to be part of the transition and therefore be of a temporary character. Historical factors connected with cultural traditions are the most stable long-term factors. The stability of undeclared work in EEC to a large extent depends upon the weight of societal (cultural) factors and the strength of the state and other democratic institutions ». (European Commission, Undeclared work in an enlarged Union, 2004)

23 In fact, for some, the question arises as to whether the informal economy corresponds to an ideological choice : it's powerful growth as an unregulated market could provide a sizable argument for those who favour maximum deregulation of the formal economy. See D. Vaughan-Whitehead, L'Europe à 25; un défi social, La documentation française, 2004



the growth in the informal economy. Upstream, this situation casts doubt on the suitability of vocational training and reconversion systems. On the other hand, the flow of emigrating young graduates points to certain delays in adaptation as concerns demand for labour.

#### DETERIORATION OF WORKING CONDITIONS AND EMPLOYMENT

The structural transformations and the introduction of the basic rules of a market economy have also had a very significant impact on the level of wages and working conditions, as well as on the types of employment.

Thus average wages dropped by nearly 50% in real terms in the first years of transition, notably under the influence of the recommendations by the International Monetary Fund that favoured policies to freeze incomes. In 2002, the average monthly wage in the countries of Central Europe was about €500. Estonia and Slovakia had the lowest levels, respectively €390 and €382, whereas average wage levels in Poland and the Czech Republic were slightly higher than the average. As for Slovenia, it was close to the level in Portugal, with an average salary of €95524. Alongside this general decrease, wage gaps grew wider<sup>25</sup>, leaving little room for the emergence of a middle-class that would support growth.

#### Number of hours worked per week by persons with a full-time job 2001 - 2005

	2001	2002	2003	2004	2005
<b>EU 15</b>	41.6	41.4	41.5	41.7	-
Estonia	42.0	41.6	41.6	41.6	41.4
Poland	43.0	43.4	43.4	43.4	43.3
Slovakia	42.6	42.2	41.0	41.2	41.4
Slovenia	43.2	43.1	42.6	42.9	42.9
Czech Rep.	42.5	42.7	43.1	42.9	42.9
<b>EU 25</b>	41.8	41.6	41.7	41.9	-

Source: Eurostat 2005

Working conditions also deteriorated during these years. In particular, the adaptation to the market economy led to lengthening the workweek in the new Member States. Although at times a reversal of this trend was observed in certain countries, the length of the workweek is at least equal to the Community average (41.4 hours in 2005<sup>26</sup>) but it is often higher,

<sup>24</sup> Eurostat, Statistics in focus, octobre 2004

<sup>25</sup> Disparities between the new Member States are much shaper than within the older Member States; the Gini coefficients shows that these coefficients vary between 30 and 42, whereas the average for the Europe of15 is 25.9.

<sup>26</sup> Eurostat, 2005

particularly in Slovakia, Slovenia and Poland (respectively 42.9, 42.9 and 43.3 hours)<sup>27</sup>. This increase in the number of hours in a week's work affects the balance between professional life and family life<sup>28</sup>.

Finally, to cope with their re-organisation, firms have gradually reduced the stability that characterised employment under the communist regime, turning massively to the most flexible types of employment and going so far as to sign several types of contracts for the same worker<sup>29</sup>. Actually, transforming an employment contract into a contract with a self-employed worker is an increasingly common practice; it is very common in the Czech banking sector, and in Poland this applies to up to one third of "employees". By this means, employers can get around legal requirements to a certain extent and avoid social contributions, as the worker is no longer covered by the Labour code but by the Civil code.

Consequently, during the last 15 years, rather than converging with the former Member States, the labour market and the working conditions in the new Member States have above all been transformed by the effects of the transition to a market economy. This is the particularly tense environment in which national governments have gradually developed their employment policies, first under the influence of the World Bank, and second under the now very watchful eye of the European Commission.

## **THE CONSTRUCTION OF EMPLOYMENT POLICIES UNDER COMMISSION SUPERVISION**

### **LIMITED SOCIAL AMBITION IN A CONTEXT OF REDUCED PUBLIC EXPENDITURES**

As from the beginning of transition, all of the governments in Central Europe were broadly encouraged by the World Bank to enact restrictive budget policies ("shock therapy") to recover a balanced national budget. Consequently, drastic cuts were made in all fields, and the social protection expenditure scheme was dismantled.<sup>30</sup> The Czech Republic is one of the countries that took these budget reductions the farthest: expenditures in this field dropped from 42% of the national budget in 1989 to 33% in 1994 and 18% in 2001. In addition, their value in real terms fell significantly during the transition years. Finally, they have lost their universal nature: the system of social protection has become very targeted, essentially to the field of family allowances, unemployment benefits and housing.

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27 These data do not integrate working hours provided in the context of the informal economy, either by those who have a declared job and an undeclared activity, and by those who only have an undeclared job.

28 The change in the employers' approach to the working relationship puts strong pressure on women, preventing many of them from working when they found a family. The practice that consists of adding a sheet to the employment contract stipulating that the employee undertakes to terminate her employment contract in the event of pregnancy is becoming increasingly common. See S. Portet, *Conditions de travail et d'emploi en Pologne*, report for ILO 2004

29 See S. Portet, 2004

30 Thus in Poland, all social benefits have been reduced. For example, retirement pensions, which provided employees with 63% of their average salary in 1992, were equal to only 47% in 1999 and today represent about 28% of this salary. In the Czech Republic, transport allowances to cover part of the costs of taking children to school are now subject to very strict controls associated with a series of many criteria.

In addition, beyond these restrictions of benefits, today less than 1% of the GDP of the new Member States, as compared to about 2.5% on the average for the Europe of the 15, is devoted to public labour market policies, despite the emergence of new needs and an increase in the number of individuals concerned.

In a context of rising unemployment and economic crisis, governments have chosen to limit the social dimension of their action in order to reduce expenditures. They have notably taken measures to tighten the conditions of eligibility for aids granted to job seekers and to reduce their level, in order to favour a rapid return to the labour market. These actions have discouraged job seekers from signing up with the newly created employment agencies, putting them in an even more precarious situation. They have helped to – artificially – reduce unemployment rates, thus justifying the choice that was made. The principle of universality, to which the countries of Central Europe were attached and thanks to which they maintained strong cohesion at national level, now seems long gone.

Moreover, while governments are paying more and more attention to basic training to better match the supply of skills to demand, very few measures are being taken to improve continuing education. Companies have little interest in the social dimension and therefore in the long-term future of their human resources. But the needs in this field are enormous.

Finally, although the employment situation is extremely variable from one region to another, few responses take account of these differences, even if regional policies are developing little by little, as governments are gradually stressing local development of infrastructures and an attractive real estate market.<sup>31</sup>.

#### **COOPERATION BETWEEN MEMBER STATES AND THE EUROPEAN COMMISSION, LATE BUT CLOSE**

The European Union kept its distance at the beginning of the transition, and let international financial institutions shape many national public policies, including employment. But the decision to open accession negotiations marked a turning point at the end of the 1990s, when the European Commission launched in 1999 a cooperation process on employment with the candidate countries. On one hand, this process targeted allowing the new Member States to implement the "employment" section of the Amsterdam Treaty already in 2004, and, on the other hand, ensuring adaptation of the national employment institutions and policies to the EES in order to reach a better situation for their employment market.

Then, with the European Commission, each candidate country analysed the main challenges it had to cope with and drafted "Joint Assessment Papers", abbreviated as "JAP". These documents served as a guideline for national employment policies. Certain countries, moreover, voluntarily chose to develop national employment plans, following the example of those States that were then members of the EU. Poland, the Czech Republic, Slovenia and Estonia thus signed their first JAP in 2000, while the other countries finalised their documents

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31 See notably for Poland a detailed analysis by S. Golinowska (Bundesanstalt für Arbeit)

in 2001 and 2002. Their accession then led them to present their first National Action Plans for Employment (NAP) in the autumn of 2004.

By analysing the NAPs, plus the employment plans made before accession, one can determine whether these plans do or do not meet the objectives set down in the EES and analyse the evolution of the employment policies of the new Member States in recent years.

#### **EMPLOYMENT POLICIES FORMALLY CORRESPONDING TO THE EES GUIDELINES**

First we will look back to the main measures taken before accession to the Union for the years 2000-2001<sup>32</sup>. These were presented by pillar as stipulated by the EES at that time.

As concerns the actions adopted in the context of the first pillar, devoted to vocational integration, all countries considered developed preventive and active employment policies, particularly to promote employability of young graduates. Estonia and Poland introduced individual action plans for young unemployed persons. Focus was also put on fighting long-term unemployment, but with less energy than for youth. Thus the Czech plan proposed no particular measure on this theme. The promotion of vocational training and lifelong learning also gained importance.

But basic education was what really received considerable attention: while Slovenia decided to target development of training related to the service sector for young people, the Czech Republic and Estonia gave priority to developing high-technology. Poland, for its part, adopted a specific approach by focusing on the development of vocational training in rural areas. Finally, Slovenia, Poland and the Czech Republic presented special programmes for ethnic minorities, Estonia choosing to work on this aspect more particularly at regional level.

Under the second pillar pertaining to the development of entrepreneurship, the countries tried to modernise their administration, whose procedures handicapped small business. Slovenia launched an "anti-red tape" policy in the administration and Estonia encouraged a multidimensional approach for the promotion of small business. Measures to help the creation of SMEs were announced in the reports of five countries. Promotion of employment at local level was also retained. But the plans did not refer at all to the question of the quality of jobs, nor did they integrate the objectives of reducing the tax burden on labour and the non-wage costs of labour.

For the third pillar, concerning adaptability of enterprises and workers, few initiatives were envisaged to modernise organisation and working time – certain action plans, particularly the Polish plan, interpreted this modernisation as economy restructuring. Only the Czech plan introduced proposals in keeping with those envisaged by the EES. For this pillar, the national plans studied essentially focused on creating a system of social protection appropriate to the

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<sup>32</sup> K.Gwozdz, *La SEE appliquée aux pays candidats, premier essai d'évaluation*, working document, Notre Europe, July 2002.

new conditions of employment, except for Poland, which rather envisaged limiting excessive protection of labour.

Finally, with regard to the fourth pillar on equal opportunity, the countries announced the introduction of specific measures and supervisory systems intended to eliminate all discrimination at the workplace. The Slovenian, Estonian and Polish plans developed a series of programmes to promote professional initiatives and to ensure equal participation of women in the labour market.

The NAPs presented in the fall of 2004 were drafted along lines that are formally close to those presented in 2000-2001: they all systematically followed the order of the guidelines, often presenting specific and general European recommendations and then explaining how they planned to respond to them. Most of them supplied a specific analysis of the national situation with regard to each guideline, sometimes coming back to details on measures already implemented on the theme referred to, and then mentioned the results obtained. This is the basis on which the orientations taken and anticipated results were announced, by and large in response to quantified objectives. Via these orientations, it can be seen that the major options chosen well before enlargement were generally maintained or even reinforced. No major change in orientation can be observed. Priority continues to go to the objective of an employment rate of 70% by 2010. An additional effort seems to be envisaged in all of the countries on behalf of continuing education, but there is still a long way to go on this point. This is also the case in other fields such as questions pertaining to the adaptability of enterprises and workers, reduction of regional disparities, or, even more so, the fight against the informal economy, undeclared work and long-term unemployment, even if a clear evolution can be seen as compared to the measures presented before accession (where, for example, the question of the informal economy was essentially not mentioned). In fact, these plans show the desire of these countries to comply with the guidelines set down in the EES to the point that at times they are almost an imitation: it is striking to see that the degree of priority retained at national level on a given aspect seems exactly proportional to that which is suggested by the EES, independently of national particularities which, as we have seen, are numerous as compared to the Fifteen.

One has the impression that the attention given to implementing the EES is formal, above all, although greater involvement is perceptible today as compared to previous years. However, the new Member States can now fully play a role via the Council to define guideline content that is more suitable to their national priorities, and it is less and less possible for them to argue that these guidelines were "imposed".

## II. Convergence hampered by little consideration for national diversity

The preparation of the EES was experienced as a relatively formal exercise. Today, while the new Member States are required to fully implement it, the EES still seems to be apprehended by the recent members more as an administrative exercise than as a lever to truly improve the situation of the labour markets in these countries. No doubt, financial obstacles and lack of time took their toll, but three other reasons explain this situation: the content of the EES, insufficient training by the Commission and the weakness of the social dialogue.

### GLOBAL OBJECTIVES RELATIVELY UNSUITED TO NATIONAL REALITIES

The first explanation concerns the content of the EES itself, and particularly the guidelines: this instrument developed for the Fifteen was transformed to better adjust to their situation, without really being concerned with that of the new Member States. Under these circumstances, it was rarely possible to take on the common objectives at national level in Central Europe.

Since 1997, the EES has aimed in priority at increasing employment levels. This entails promoting active employment policies and the gradual disappearance of so-called passive policies and retirement policies promoting an early exit from the labour market. However, were they relevant for the new Member States?

In the 1990s, retirement policies, consisting of early retirement schemes for elderly workers in sectors undergoing considerable change, have triggered the process of reorganising the active population. In Poland, they contributed to the successful reorganisation of companies by encouraging the labour force to rapidly adapt to the new economic conditions. They also helped achieve a compromise between the logic of industrial transformation and the desire to limit the social costs of reforms, thanks to institutional accompaniment. Stopping these policies in order to stress fully active measures could be a hindrance to continuing reorganisation in the industrial sector, as well as in the public sector and agriculture. In addition, the accent put on flexibility of the labour market, which is pertinent for most of the countries in the EU15, seems poorly suited to the Polish context, which is already marked by a very deregulated labour market and which pays the price in under employment.

In addition, the countries in Central Europe are less confronted than most of the older member states with the need to reduce a scheme of passive measures that is too costly and too highly developed: on the contrary, the reform of unemployment benefit systems (conditions for eligibility, level and duration of compensation) had already been underway for several years under the impetus of the World Bank. The consequence today is that in the new Member States, as in certain countries in Southern Europe, the low-level of unemployment benefits is such that it is not possible to live on them, even in the short run. It is therefore improper to consider that these benefits constitute a disincentive to work; on the contrary, their level creates an aversion for risk that is detrimental to the mobility of wage earners.

Consequently, the question that arises in Central Europe is not so much the question of activating employment policies, but one of the "quality" of jobs, which implies devoting sufficient resources to improve it. But in a very competitive context and one of reorienting economic activity, companies have focused their efforts on their adaptability<sup>33</sup> and have neglected any investments in the longer run that would contribute to increasing job quality by improving human resources and professional relations in the company.

The local and regional levels of the labour markets and employment services have not been taken sufficiently into account by the EES, although the review in 2003 included improvements on this point<sup>34</sup>. Yet the economies of the countries in Central Europe were strongly centralised under the Communist regime and are far from having acquired the means to implement the EES at local level<sup>35</sup>, as the various territorial authorities still have only limited autonomy. Moreover, this local implementation is particularly sensitive (but necessary) in an environment of considerable regional fragmentation of employment markets and the slow constitution of an employment administration.

As concerns the former pillar on adaptability on the basis of which the candidate countries developed their first plans, questions associated with flexibility of the labour market, which are crucial for the Fifteen, must be considered from an entirely different perspective in the new Member States where labour markets are deregulated to a large extent. Given the limited geographic and sectoral mobility of workers, the EES has proven insufficient.

On the other hand, several problems, which were mentioned little in the EES, are central for the new Member States. First of all, the question of reducing undeclared work, or, more accurately, stopping the growth of the informal economy, was only considered quite late, as from 2001 and more specifically beginning 2003. Secondly, long-term unemployment, which is a major concern in the countries of Central Europe, was only targeted quite marginally up until 2003, by overall measures for reducing unemployment<sup>36</sup>.

Thus several challenges facing the new Member States have not been taken into account by the EES, or only slightly so, in its annual guidelines. Some of them have been treated more directly since 2003: high unemployment rate, including long-term unemployment; too low a rate of employment; falling productivity; increase in regional disparities. The mid-term assessment of 2002 for the EU15 was an opportunity to propose a reorientation of the medium-term Strategy by stressing the need to meet structural challenges present in some of the older Member States, particularly among countries in the South, but which had been neglected in 1997. By redefining the main objectives of the EES – full employment, quality

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33 Or even survival: most of the new private companies created during the transition have an average life of less than two years.

34 In fact, the question of adapting the various territorial echelons for an effective implementation of EES at local level has arisen throughout the Union.

35 Jouen M., *la Stratégie européenne pour l'emploi local*, in Dehousse R. (sous la dir.), *L'Europe sans Bruxelles ? Une analyse de la méthode ouverte de coordination*, L'Harmattan 2004

36 Priority N°9 in 2003, Guideline n°21 of guidelines 2005-2008

and productivity of work, social cohesion and integration, by targeting priorities that are also those of the New Members and by seeking coherence and complementarity with other European processes, the European Union has made it possible to envisage better perspectives for the convergence of labour markets and national employment strategies of the new Member States with those of the EU15.

### **INSUFFICIENT INTERACTIVITY AND LACK OF ANTICIPATION BY THE EUROPEAN COMMISSION**

The method adopted by the European Commission for preparing the implementation of the EES probably played a major role in the poor convergence observed today<sup>37</sup>, both with regard to the interactivity between candidate States and the European Commission and in terms of anticipation of the challenges encountered by the future members. While it launched the cooperation process well beforehand in order to prepare for the implementation of the EES immediately after accession, it may not have succeeded in explaining the basic features of the strategy sufficiently to the governments and social partners for the improvement of their employment situation.

While the EES was developed in 1997 based on employment policies existing in the Member States and a certain interactivity continues to take place between the Union and the Member States<sup>38</sup>, the countries in Central Europe were handed the action of the European Commission as "top-down instructions".

A more open attitude of the Commission would have made it possible to develop a relationship of mutual confidence between the parties and would have promoted the indispensable political commitment that is needed for any effective implementation. It could therefore have favoured a better definition of priorities and objectives of the "new" EES, by adopting the positive and constructive contributions that the Central European countries could make to the Union as a whole<sup>39</sup>. Finally, it would also have contributed to "sending signals" to the new Member States, encouraging them to greater commitment to the idea of social Europe<sup>40</sup>. By focusing, on the contrary, on the adoption of the *Community acquis* in the 31 chapters and by letting the idea take hold that employment policy is mainly a national responsibility and is therefore a "soft *acquis*", the European Commission did little to counterbalance the orientations encouraged by the World Bank.

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37 Its unsuitability has been referred to in many empirical studies. Some of these actually consider that the unsuitability of the method used by the Union goes well beyond just the preparation of the Strategy and concerns the entire process of preparing for accession (see particularly Bafoil F. (dir.), *Les instruments de l'élargissement de l'Union européenne*, Critique internationale, N°25, October 2004)

38 Some Member States say that they were inspired by the spirit of the EES (Sweden, France) or are ahead of its objectives and targets (Denmark). The European Commission, for its part, adds legitimacy to national policies via the EES as it orients them.

39 For example, all the new Member States have a minimum income set at national level, which is not the case of a large share of the older Member States.

40 Jouen M. et Palpant C., *L'Europe sociale à l'épreuve de l'élargissement*, Notre Europe, Policy Paper 15, juin 2005



Finally, the assessments that the European Commission did for the EU15 of the implementation of the EES could have contributed to better anticipating the future application of the Strategy to the new members. The assessment done in 2000 showed a widening performance gap from one region to another, the emergence of shortages associated with poorly adapted skills, slow progress in facilitating adaptation to economic change and too little involvement of local levels of administration and the social partners. Despite that, five years later, the same weak points can be identified in the new Member States. They had to wait for the mid-term assessment in 2003 and a more thorough revision of the EES for it to be adjusted to the needs of the least advanced States and, consequently, also to the needs of the new Member States<sup>41</sup>.

#### THE SOCIAL DIALOGUE AS A MAJOR OBSTACLE TO EFFECTIVELY IMPLEMENTING THE EES

The transition process led the new Member States to adopt all of the institutional and legal provisions required for the existence of a social dialogue. The unitary organisations from the Soviet era gave way, not without a hitch, to a certain pluralism by the creation of independent business federations and trade unions. But, while this diversity can only be beneficial, the implementation of the EES suffers from the weakness of the social partners, the inefficacy of the tripartite practice, and the breakdown of an autonomous social dialogue. The governments have their share of responsibility in this situation: their decision to orient their actions more towards creating jobs and growth than towards adherence to the European social model and protection of workers has contributed to this. Greater attention paid to the real implementation of the *Community acquis* would have led to more positive results in this field.

#### THE BREAKDOWN OF THE SOCIAL DIALOGUE

While employers' organisations are experiencing their first years of existence, they still suffer from a serious lack of legitimacy and are therefore still very vulnerable<sup>42</sup>. As for the trade unions, their traditional strongholds (mines, manufacturing sector, etc.) are undergoing major restructuring and the suppressions of jobs in these sectors have led to a significant drop in their membership. In addition, they have difficulty gaining a foothold in companies with fewer

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<sup>41</sup> One can wonder about the nature of certain recommendations made by the European Commission: are they aimed at improving efficiency of the national labour markets? Or do they defend a certain normative concept of the ideal operation of labour market, independently of the empirical results observed in one Member State or another? The example of Sweden given by Gilles Raveaud (Raveaud G., *La stratégie européenne pour l'emploi : une première évaluation*, 2004) is interesting on this subject: the Swedish government has "refused" for many years to gear its tax policy in the way suggested by the Commission, given its enviable rates of employment and joblessness. Under this situation, the Commission has continually made recommendations to work towards convergence.

<sup>42</sup> To improve membership, (together they cover fewer than 5% of companies), they would need, first, to overcome the reluctance to join of multinational companies and new employers, and second, overcome their current incapacity to create synergies to satisfy the needs of very dissimilar members (Vaughan-Whitehead D., *L'Europe à 25, un défi social*, La Documentation française, 2004).

than 50 employees and in new private companies<sup>43</sup>. Consequently, the rate of membership in a trade union has dropped from 100% to less than 50% in the mid-1990s, and down to 21.9% on average in 2001<sup>44</sup>. The frequent rejection of these structures by employees, plus two other reasons, can explain this decline: unions appear to the workers to be unable to protect them against unemployment and wage cuts<sup>45</sup>; the liberal option adopted by most governments and employers leaves very little room for trade unions.

The tripartite practice of the social dialogue, which allows for discussions and negotiations between governments, employers' organisations and trade unions, has existed since the 1990s in Central Europe. It gradually grew in strength during the transition of the system, favoured by the government's determination to gain acceptance of economic and social reforms from the social partners so as to better "share" their weight<sup>46</sup>. On their side, trade unions and employers' organisations have tried to play the game of a tripartite discussion to gain legitimacy for their role and their representation. Finally, the encouragement of the International Labour Organisation on one hand, and the European Commission on the other, contributed to this development in the perspective of preparing for accession and the implementation of the EES. But this tripartite dialogue has never demonstrated its effectiveness for lack of autonomy and sufficient legitimacy and representativeness<sup>47</sup>. Collective bargaining is the main victim: it remains very weak both in content (generally restricted to wage bargaining) and in the scope of the sectors of activities involved<sup>48</sup> or the number of agreements signed<sup>49</sup>. The social dialogue per sector is not in a better position. Its weakness<sup>50</sup> bodes serious difficulties in discussing and negotiating on sectoral questions and European level<sup>51</sup>.

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43 Geared for the most part to services, they belong to a sector that traditionally is not very union-oriented. As for companies with fewer than 50 employees, the stakes are high, because these represent about half of the companies in Central Europe.

44 Vaughan-Whitehead D., *L'Europe à 25, un défi social*, La Documentation française, 2004.

45 In fact, trade unions have trouble reconciling the demands of their members who are unemployed (by creating job openings) and those who have jobs (who want higher wages). This "dilemma" can be felt in many countries "where the sense of solidarity between workers has been replaced by more intensive competition" (Casale G., *Social dialogue in Central and Eastern Europe*, ILO, Budapest, 1999).

46 Vaughan-Whitehead D., *L'Europe à 25, un défi social*, La Documentation française, 2004.

47 "Unlike western countries where bipartite social partnership is much better anchored institutionally and politically than tripartite dialogue, the EU candidate countries, notably the countries of central and Eastern Europe, are characterised by a fairly well institutionalised tripartism, but which goes hand in hand with weak and problematic bipartism" in Draus F., *Synthesis report, Social dialogue in the European Union candidate countries*, CES/UNICE-UEAPME/CEEP, Brussels, 2001

48 Service companies, small and very large private companies seem to be "excluded" from collective negotiations; foreign investment, which concerns large private groups, is apparently an important cause for the drop in trade union membership.

49 They concern fewer than 20% of companies in all of the NMS, while 100% of companies in Belgium and Austria, 90% in France and 67% in Germany have collective conventions (Vaughan-Whitehead D.)

50 Ghellab Y., Vaughan-Whitehead D., *Sectoral social dialogue in future EU member states: the weakest link*, ILO-EC, Budapest, 2003

51 Lado M., Vaughan-Whitehead D., *Social dialogue in candidate countries: what for ?*, TRANSFER, 9 (1), 64-87, 2003

In fact, there is a clear imbalance between the various possible levels of dialogue: this makes any independent social dialogue hardly representative on a national scale, and even obsolete in many new Member States<sup>52</sup>.

#### LIMITED CONTRIBUTION IN ESTONIA, POLAND AND SLOVENIA

The EES assigns an important role to the social dialogue in its implementation, and has the social partners intervene both upstream (to take part in both the development of the employment guidelines and the definition of the national strategy) and downstream (to contribute to the assessment of national policies) as well as throughout the implementation by monitoring what is happening. The assignment of the social partners also includes contributing to the common goal of improving employment in their own fields of competence, and particularly that of adaptability of labour to labour market requirements.

Therefore, the current weakness of the bipartite social dialogue and the inefficacy of the tripartite mechanisms in the new Member States raise the question of the real contribution of the social dialogue to the correct implementation of EES in these countries. An analysis of the social dialogue in Estonia, Poland and Slovenia gives a better understanding of the shortcomings of the social dialogue in implementing the EES.

In Estonia, the weakness of the representation of trade unions and the scope of collective agreements must be stressed. This leads to preponderant influence of the employers in negotiations. A similar situation is found in Poland, where the rate of trade union membership has dropped considerably<sup>53</sup>. This deterioration, plus very sharp animosity between the three main trade unions, has led to a lack of consideration, and even the questioning of their capacity as partners in the social dialogue. But the situation is relatively similar here for business federations: this twofold tendency almost totally annihilates the influence of the social partners. Consequently, any independent social dialogue in Poland is often called "superficial", as the social partners adopt rigid positions, and try to reach their objectives outside the social dialogue.

In these two countries, the precariousness of the system of professional relations raises serious doubts about the capacity of the social partners to play their role in the implementation of the EES. The situation is even more problematic in Slovenia where the social partners show

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52 The fact that these trends are moving away from systems of professional relations in Europe of 15 where a multilevel social dialogue has been constructed between companies, sectors, at times regions, the national and supranational levels. For Daniel Vaughan-Whitehead, this balance could be set on edge if the tendencies described were to be confirmed in the new Member States (Vaughan-Whitehead D., L'Europe à 25, un défi social, La documentation française, 2005).

53 D.Vaughan-Whitehead goes so far as to observe that the conversion of purely private companies in Poland in fact represents abandonment of the business model with trade unions in favour of a new business model without trade unions.

a patent lack of commitment to the EES, while they enjoy considerable legitimacy<sup>54</sup> and work very actively in the context of national employment issues<sup>55</sup>.

Consequently, the conclusions are fairly similar for the countries of Central Europe: while the national governments have made important efforts to harmonise their legislation with the social chapter and to prepare for the implementation of the EES, the commitment of the social partners has been and remains formal: the attention of trade unions is particularly geared to wage bargaining rather than broader themes. In their defence, few organisations were involved in preparing the implementation of the Strategy by the national governments and little information was provided to enable them to realise how much is at stake<sup>56</sup>.

In addition, proper implementation of the EES is based on local initiatives, coordinated by the trade unions and employers organisations, whether for the modernisation of the organisation of labour, basic and continuing education or the adaptability of labour. But the scarcity of collective agreements in companies, and even their absence in certain sectors, illustrates the weak role of the social partners at local level<sup>57</sup>.

Developed in the context of a strong independent social dialogue present in the old Europe of 15, the EES has given the social dialogue a mandatory role in the reform of social employment policies. But the starting point as concerns the capacity and independence of social partners was very different in the new Member States. So to a large extent the common recommendations have remained wishful thinking. Under these circumstances it can be feared that the gap will widen between that which is decided at European level and what really happens in the business world, which continues to get around the control of the public authorities and the social partners.

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54 The Slovenian professional relations scheme is determined by a mandatory collective negotiation along the lines of the Austrian model.

55 Stanojevic M., The EES : Challenges and perspectives for the social partners in Slovenia, in Galgoczi B., Lafoucrière C., Magnusson L. (ed.), The enlargement of social Europe. The role of social partners in the European Employment Strategy, SALTSA, CREER, ETUI, 2004

56 Galgoczi B., Lafoucrière C., Magnusson L. (ed.), The enlargement of social Europe. The role of social partners in the European Employment Strategy, SALTSA, CREER, ETUI, 2004

57 The transformations going forward in companies result more from unilateral decisions by the employer than from collective negotiation.

## Conclusion: Proposals for better convergence for the 25 Member States

Five years after the drafting of the first documents to prepare the National Action Plans for Employment, the advantages and disadvantages of the application of the EES by the new Member States seem relatively mitigated. Because of lack of time and available financial and technical resources, lack of political determination and a certain shortcoming in the training by the European Commission, the EES has been perceived in the Baltic States and Central Europe as an administrative exercise rather than an instrument of social modernisation. This being the case, the specificities of employment and working conditions in the new Member States now appear as obstacles to convergence in the Europe of 25.

However, the Commission and governments must not use the extent of the disparities observed and the at times structural nature of the problems encountered as a pretext for being passive. On the contrary, past experience of several older Member States, some of whose social-economic characteristics differed considerably from the "average", can be used as an example. In these countries, governments have made use of the structural funds in general, and the European Social Fund in particular since the reform in 1999, to promote the EES priorities. They have also undertaken actions to vertically and horizontally coordinate public and private intervention in the field of employment, and to modernise their central, regional and local administrations to improve the efficiency of services provided to job seekers.

Moreover, several possibilities should be explored to ensure more effective use of the EES, thus contributing to improving working conditions and employment in all Member States and therefore reinforcing the competitiveness of the Single Market while respecting the European social model.

The new members must now behave as fully-fledged members of the Council and exercise their right to influence the content of the EES to better adapt it to their problems and their resources. As concerns the content, it would be particularly helpful to stress training needs, regional variations of employment policies and reduction of the informal economy. As concerns the methods, these countries could take better advantage of the possibility they have to experiment with their own tools, particularly as concerns vocational reintegration and mobilisation of all actors – economic, social and from the civil society.

To achieve this, it is up to the ten new Member States to develop innovating methods to make business more aware of the issues of social promotion and democracy, and to improve responsibility of social partners.

Nevertheless, the effort to adapt must not be limited to the Ten. In fact, the change from 15 to 25 Member States has cast harsh light on the problem of triggering a common dynamic and reaching some of the quantified objectives, when the starting point of most of the Member States is too different from the "ideal profile".

This observation creates an opportunity to revise certain working methods within the Commission and in its interaction with governments, mainly along three lines:

- Helping the national and regional administrations in charge of employment internalise their new functions;
- The use of ex-ante assessments to better define programmes that are individually suitable;
- Taking account of the macroeconomic context influenced by the recommendations made by other international organisations and by national traditions.

This question goes beyond the new Member States; it concerns all members of the European Union.

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