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POLICY DEPARTMENT
ECONOMIC AND SCIENTIFIC POLICY **A**



Economic and Monetary Affairs



Employment and Social Affairs



Environment, Public Health and Food Safety



Industry, Research and Energy



Internal Market and Consumer Protection



The Lisbon Strategy
2000 – 2010
An analysis and evaluation of
the methods used and results
achieved

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DIRECTORATE GENERAL FOR INTERNAL POLICIES
POLICY DEPARTMENT A: ECONOMIC AND SCIENTIFIC POLICY

EMPLOYMENT AND SOCIAL AFFAIRS

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An analysis and evaluation of the methods used and results
achieved

FINAL REPORT

Abstract

The study provides an overview of the development, implementation and results of the Lisbon Strategy in the field of employment and social policies. Strengths and weaknesses, as well as instruments and methods used, are analysed. Six case-studies illustrate examples of strategy implementation at national level.

The report provided analytical background documentation to accompany discussions on the post-2010 strategic agenda for the European Union and its implementation. Research findings were presented at European Parliament's Committee on Employment and Social Affairs in autumn 2009.

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LIST OF ABBREVIATIONS AND ACRONYMS

GENERAL ABBREVIATIONS AND ACRONYMS:

AT	AUSTRIA
BE	BELGIUM
BEPG	BROAD ECONOMIC POLICY GUIDELINES
BG	BULGARIA
CEC	COMMISSION OF THE EUROPEAN COMMUNITIES
CLP	COMMUNITY LISBON PROGRAMME
CY	CYPRUS
CZ	CZECH REPUBLIC
DE	GERMANY
DK	DENMARK
EC	EUROPEAN COMMUNITY
ECB	EUROPEAN CENTRAL BANK
ECVET	EUROPEAN CREDIT SYSTEM FOR VOCATIONAL EDUCATION AND TRAINING
EE	ESTONIA
EES	EUROPEAN EMPLOYMENT STRATEGY
EGF	EUROPEAN GLOBALISATION ADJUSTMENT FUND
EGS	EMPLOYMENT GUIDELINES
EL	GREECE
EMCO	EMPLOYMENT COMMITTEE
EMPL	EMPLOYMENT AND SOCIAL AFFAIRS
EP	EUROPEAN PARLIAMENT
ES	SPAIN
ESF	EUROPEAN SOCIAL FUND
ETUI	EUROPEAN TRADE UNION INSTITUTE
EU	EUROPEAN UNION
FI	FINLAND
FR	FRANCE
GDP	GROSS DOMESTIC PRODUCT
GERD	GROSS DOMESTIC EXPENDITURE ON RESEARCH AND DEVELOPMENT
HU	HUNGARY
IC	ICELAND
ICT	INFORMATION AND COMMUNICATION TECHNOLOGIES
IE	IRELAND
IGS	INTEGRATED GUIDELINES
ILO	INTERNATIONAL LABOUR OFFICE
ISCED	INTERNATIONAL STANDARD CLASSIFICATION OF EDUCATION
IT	ITALY

LFS	LABOUR FORCE STATISTICS
LMP	LABOUR MARKET POLICIES
LS	LISBON STRATEGY
LT	LITHUANIA
LU	LUXEMBOURG
LV	LATVIA
MS	MEMBER STATE
MT	MALTA
NAP	NATIONAL ACTION PLAN
NAPSINC	NATIONAL ACTION PLAN ON SOCIAL INCLUSION
NGO	NON-GOVERNAMENTAL ORGANIZATION
NL	NETHERLANDS
NO	NORWAY
NRP	NATIONAL REFORM PROGRAMME
NUTS	NOMENCLATURE OF TERRITORIAL UNITS FOR STATISTICS
OECD	ORGANIZATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT
OEP	OFICINA ECONÓMICA DE PRESIDENCIA (SPAIN) - ECONOMIC BUREAU OF THE PRIME MINISTER
OMC	OPEN METHOD OF COORDINATION
PES	PUBLIC EMPLOYMENT SERVICE
PL	POLAND
PPS	PURCHASING POWER STANDARDS
PROGRESS	EU PROGRAMME FOR EMPLOYMENT AND SOCIAL SOLIDARITY 2007-2013
PT	PORTUGAL
RO	ROMANIA
SDS	SUSTAINABLE DEVELOPMENT STRATEGY
SE	SWEDEN
SER	SOCIAAL ECONOMISCHE RAAD (THE NETHERLANDS)
SGP	STABILITY AND GROWTH PACT
SI	SLOVENIA
SK	SLOVAKIA
SME	SMALL AND MEDIUM-SIZED ENTERPRISE
SPC	SOCIAL PROTECTION COMMITTEE
SPSI	SOCIAL PROTECTION AND SOCIAL INCLUSION
UK	UNITED KINGDOM

ABBREVIATIONS AND ACRONYMS USED IN PART II:

1. IMPLEMENTATION AND IMPACT OF THE LISBON STRATEGY 2000 – 2010 ON EMPLOYMENT AND SOCIAL POLICIES IN FRANCE

ANPE	AGENCE NATIONALE POUR L'EMPLOI
CAE	COUNCIL OF ECONOMIC ANALYSIS
CAS	CONSEIL D'ANALYSE STRATÉGIQUE
CDSEI	COMITÉ DU DIALOGUE SOCIAL SUR LES QUESTIONS EUROPÉENNES ET INTERNATIONALES
CEE	CENTRE D'ÉTUDES DE L'EMPLOI
CEPS	CENTRE FOR EUROPEAN POLICY STUDIES
CER	CENTRE FOR EUROPEAN REFORM
CES	CONSEIL ECONOMIQUE ET SOCIAL
CFTC	CONFÉDÉRATION FRANÇAISE DES TRAVAILLEURS CHRETIENS
CGP	COMMISSARIAT GÉNÉRAL AU PLAN
CNE	CONTRAT NOUVELLE EMBAUCHE
CPE	CONTRAT PREMIÈRE EMBAUCHE
DAEI	DIRECTION DES AFFAIRES EUROPENNES ET INTERNATIONALES
DARES	DIRECTION DE L'ANIMATION DE LA RECHERCHE, DES ETUDES ET DES STATISTIQUES
DGAE	DIRECTION GENERALE DES AFFAIRES ECONOMIQUES
DGTEFP	DIRECTION GÉNÉRALE DU TRAVAIL, DE L'EMPLOI ET DE LA FORMATION PROFESSIONNELLE
DGTPE	DIRECTION GÉNÉRALE DU TRÉSOR ET DE LA POLITIQUE ECONOMIQUE
FTE	FULL-TIME EQUIVALENT
MEDEF	MOUVEMENT DES ENTREPRISES DE FRANCE
PAJE	PRESTATION D'ACCUEIL DU JEUNE ENFANT
PARE	PLAN D'AIDE AU RETOUR A L'EMPLOI
PPE	PRIME POUR L'EMPLOI
PUF	PRESSES UNIVERSITAIRES DE FRANCE
RMA	REVENU MINIMUM D'ACTIVITÉ
RSA	REVENU DE SOLIDARITÉ ACTIVE
SGAE	SECRÉTARIAT GÉNÉRAL DES AFFAIRES EUROPÉENNES
SGCI	SECRÉTARIAT GÉNÉRAL DU COMITÉ INTERMINISTÉRIEL
TEPA	LOI POUR LE TRAVAIL, L'EMPLOI ET LE POUVOIR D'ACHAT

2. IMPLEMENTATION AND IMPACT OF THE LISBON STRATEGY 2000 – 2010 ON EMPLOYMENT AND SOCIAL POLICIES IN GERMANY

LLL	LIFE-LONG LEARNING
GPG	GENDER PAY GAP
BDA	CONFEDERATION OF GERMAN EMPLOYERS
BDI	FEDERATION OF GERMAN INDUSTRY
BMAS	FEDERAL MINISTRY OF EMPLOYMENT AND SOCIAL AFFAIRS
BMWi	BUNDESMINISTERIUM FÜR VWIRTSCHAFT UND TECHNOLOGIE (FEDERAL MINISTRY OF ECONOMY)
BMF	FEDERAL MINISTRY OF FINANCE
DGB	DEUTSCHE GEWERKSCHAFTSBUND (CONFEDERATION OF GERMAN TRADE UNIONS)
EQJ	PROVISION OF VOCATIONAL TRAINING FOR YOUNG PEOPLE
EMU	EUROPEAN ECONOMIC AND MONETARY UNION

3. IMPLEMENTATION AND IMPACT OF THE LISBON STRATEGY 2000 – 2010 ON EMPLOYMENT AND SOCIAL POLICIES IN HUNGARY

ALMP	ACTIVE LABOUR MARKET POLICY
APEH	STATE TAX AUTHORITY
ÁRB	TATE REFORM COMMITTEE
HEFOP	HUMAN RESOURCES DEVELOPMENT OPERATIONAL PROGRAMME
IMF	INTERNATIONAL MONETARY FUND
JAP	JOINT ASSESSMENT PAPER of EMPLOYMENT POLICY PRIORITIES
NAPE	NATIONAL ACTION PLAN FOR EMPLOYMENT
NCC	NATIONAL CORE CURRICULUM
NRSSPSI	NATIONAL REPORTS ON STRATEGIES FOR SOCIAL PROTECTION AND SOCIAL INCLUSION
PISA	PROGRAMME FOR INTERNATIONAL STUDENT ASSESSMENT
RDI	RESEARCH, DEVELOPMENT AND INNOVATION
STI	SCIENCE, TECHNOLOGY AND INNOVATION
TÁMOP	SOCIAL RENEWAL OPERATIONAL PROGRAMME
TIOP	SOCIAL INFRASTRUCUTURE OPERATIONAL PROGRAMME
WB	WORLD BANK

4. IMPLEMENTATION AND IMPACT OF THE LISBON STRATEGY 2000 – 2010 ON EMPLOYMENT AND SOCIAL POLICIES IN POLAND

EPO	EUROPEAN PATENT OFFICE
FDI	FOREIGN DIRECT INVESTMENT
GIME	GDANSK INSTITUTE FOR MARKET ECONOMICS
GUS	CENTRAL STATISTICAL OFFICE OF POLAND
NDP	NATIONAL DEVELOPMENT PLAN
NDS	NATIONAL DEVELOPMENT STRATEGY
NIK	SUPREME CHAMBER OF CONTROL
OFE	OPEN PENSION FUNDS
PLN	POLISH CURRENCY, NEW POLISH ZŁOTY
PLSF	POLISH LISBON STRATEGY FORUM
PRT	PEER REVIEW TECHNIQUE
SIF	SOCIAL INSURANCE FUND
UKIE	COMMITTEE FOR EUROPEAN INTEGRATION (Urząd komitetu Integracji Europejskiej)

5. IMPLEMENTATION AND IMPACT OF THE LISBON STRATEGY 2000 – 2010 ON EMPLOYMENT AND SOCIAL POLICIES IN SPAIN

CCOO	TRADE UNION CONFEDERATION
CEOE	SPANISH CONFEDERATION OF EMPLOYERS' ORGANIZATIONS
CEPYME	SPANISH CONFEDERATION OF SMALL AND, MEDIUM-SIZED ENTERPRISES
UGT	GENERAL UNION for WORKERS
ICT	INFORMATION AND COMMUNICATION TECHNOLOGIES
INE	INSTITUTO NACIONAL DE ESTADÍSTICA- NATIONAL STATISTICS INSTITUTE
OEP	ECONOMIC BUREAU OF THE PRIME MINISTER
PNAE	PLAN NACIONAL DE ACCIÓN POR EL EMPLEO - NATIONAL PLAN OF ACTION FOR EMPLOYMENT
PNR	PLAN NACIONAL DE REFORMAS - NATIONAL REFORM PLAN
PR	PROGRESS REPORT
RDL	REAL DECRETO LEY - ROYAL DECREE-LAW

EXECUTIVE SUMMARY

A great European commitment

“To become the most dynamic and competitive knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion, and respect for the environment”: by its dimension, ambition and complexity, the Lisbon Strategy constitutes one of the most far-reaching political initiatives to have been embarked upon over the past few years. At the Lisbon European Council in 2000 the EU set itself a new strategic goal for the next decade, a goal that consisted of a global and long-term agenda of reform and modernisation.

The Lisbon Strategy was born as a European commitment to overcome the differences in growth and productivity between the EU and its leading global competitors of the time, USA and Japan. Europe’s deficit in terms of technological capacity and innovation became the symbol of the ground needing to be made up to assure EU competitiveness; this was at the heart of the emphasis laid on advancing towards a “knowledge society”, which became the strategy’s best-known slogan.

More than a specific European policy or programme based on a legal framework, the Lisbon Strategy is a set of political ambitions. Its most fundamental objectives are not based on Treaties or found in regulations or directives; they can be mainly found in the Presidency Conclusions of the European Councils as a document with political, rather than legal, force. With the incorporation of the Lisbon Strategy’s specific objectives into various EU policies and programmes, the strategy is, however, increasingly being reflected within EU law.

The birth of the Lisbon Strategy lent unquestionable prominence to the Member States, both in its drafting and implementation. The European Commission, which until then and especially at the start of the 1990s had promoted the initiatives that can be considered as the strategy’s predecessors, including the White Paper on Growth and Employment, was pushed into the background.

In the absence of common policies, or even EU competencies on sensitive issues, the reform plans established for the following ten-year period required a significant capacity for political coordination. Complex reforms require complex management mechanisms. The Open Method of Coordination (OMC) was presented as the great innovation designed to manage the implementation of this vast reforms package – a package that could not be implemented through legislative means alone. The OMC was deployed as an instrument of governance that set its voluntary nature and persuasion/conviction as a counterweight to approaches of a compulsory legal nature, especially when dealing with topics that are difficult to implement and which had recently been incorporated as legislation within the *acquis communautaire* (gender equality, non-discrimination). The OMC is a continuous process, permanently reviewing the fulfilment of national plans and actions, based on comparison, mutual learning and political and technical expertise and knowledge.

The Lisbon Strategy is a political “engine” and a set of actions so large and complex that, as it approaches the end of its term, it proves difficult to assess. Its multidimensional approach, multilevel governance system and the different mechanisms used for its execution, to name but a view of its aspects, make it the original phenomenon that it is, probably one of the most unusual regional economic integration processes in the world.

The evolution of employment in the Lisbon Strategy: a dynamic process

The Lisbon Strategy focused on innovation and the internal market, and on employment and labour market reform, by incorporating the major elements of the former European Employment Strategy (EES). Sustainable development was added as another overarching objective shortly after the start of the process. One of the most original elements in the way employment was approached was the move to set (in 2000) quantitative employment rate targets to be reached by 2010; namely, 70% in overall employment and 60% for women, complemented in 2001 with a 50% target for older workers.

The main approach applied during the first years was centred around the concept of “employability” as an original contribution to the activation of labour market policies: the participation of individuals in the labour market was to be strengthened, partly transferring the responsibility for keeping themselves professionally up-to-speed to the individuals themselves. Other new concepts supported by the EES in this first stage were “entrepreneurship” and “adaptability”, as well as the constant reference to quality of work, as reflected in the set of indicators agreed upon at Laeken. Equal opportunities between men and women, and gender mainstreaming in particular, also appeared during this first stage of the Lisbon Strategy.

The first evaluations of the EES (in 2002 and then again in 2003) revealed certain weaknesses in its functioning and results. Its efficiency was also questioned. Serious doubts were raised as to whether or not the 2010 objectives and targets as defined in 2000 were still realistic. As a consequence, the Commission summoned a high-level expert group and several task forces to assess the situation and to draft proposals for a revision of the strategy. This group called for a re-launch of the strategy with renewed focus and greater urgency, in order to bring the 2010 objectives into the picture anew.

The effect of the mid-term review on the field of employment

The mid-term review of the Lisbon process was rather critical. Following most of the recommendations made by the high-level group, the Commission re-launched the strategy in 2005, heralding a new period with a new focus on growth and jobs. The employment and social objectives were now subsumed under these priorities, with the assumption that more growth would lead to more and better jobs and greater social cohesion. The environmental dimension was set aside. The Employment Guidelines were integrated into the guidelines for macroeconomic policy and structural reforms (Broad Economic Policy Guidelines-BEPG).

The effects of the 2005 review have been widely debated. Opposed to the rationale that had led to the integration of employment policy into the framework of macro- and micro-economic policy, certain sectors voiced their disagreement with both the approach and its results. They argued that the review constituted a clear shift towards a narrow quantitative economic growth approach at the cost of more comprehensive qualitative growth approaches including social and environmental dimensions. What is under discussion is not the policy mix adopted, but the orientation and pre-eminence of the policies implemented.

With the reviewed strategy, new theoretical approaches and developments, such as flexicurity, substituted or became integrated into former approaches, whilst other approaches such as gender mainstreaming were given less priority. At the same time, the review's approach to employment took on a quantitative perspective: in practice, and taking advantage of a cycle of relatively stable growth, the accent was placed on the number of jobs created rather than on “more and better jobs”. And we must not forget that the number of jobs created was comparatively higher in the 2004-2007 period compared to the first stage of the strategy. Meanwhile, job growth was measured primarily in terms of quantity, not quality. However, more jobs are not always better jobs and, taking job quality into the equation, the results in terms of social cohesion were less convincing. Many new jobs did not involve regular contracts, being either (involuntary) temporary positions or part-time jobs, often in vulnerable parts of the services sector.

The mid-term review and, especially, the 2004 enlargement of the EU necessarily led to significant changes in employment policy. At national level the adoption of the new Employment Guidelines, included in the Integrated Guidelines, took longer as a result of the changes introduced in the strategy as a whole, the emphasis put on the coordination of economic policies, as well as the increased focus on pending structural reforms. National employment policies then became embedded within the context of macroeconomic and structural reform policies, and became more closely bound to priorities set out in the national economic and reform programmes. The attention shifted away from employment in the strict sense to policies addressing cyclical and structural factors conditioning employment, in the assumption that strengthening these conditions would as a result lead to both more and better jobs.

From the point of view of the implementation process, the amendments adopted in 2005 were also significant; amongst other factors, we should mention the introduction of a new three-year cycle, together with the necessary monitoring of more Member States, which made coordination more complex. As a result, the initial effect tended to lose momentum during most of the first cycle (2005-2007), although a growing influence of the European approach on national employment policies can be observed at the start of the second cycle, at least in terms of discourse, as testified by the adoption of common principles on flexicurity by the Council.

An influence of the Employment Guidelines on national employment policies does exist, at least, in some of the larger Member States. It cannot be denied that many MS have seriously taken up labour market reforms, although they have not been open in admitting that any such reforms could be associated with the implementation of the Lisbon Strategy. How strong this impact has been is often hard to evaluate. In some cases "steering effects" were observed: EU policies and Commission comments tend to fuel debate on a given issue at national level. In other cases EU policies have a kind of "catalyst effect" in the sense that they intensify national debates on an issue, or add certain "new" dimensions to an existing debate. Issues of flexicurity appear to have had a particularly intensifying effect in recent years.

The impact of labour reforms tends to be felt in the long term and, as such, we should not forget that the streamlining of the Employment Guidelines with the Integrated Guidelines only came about relatively recently. Furthermore, in many Member States the recession has reopened the debate on the reforms and new measures that ought to be adopted during the current period in order to encourage economic recovery. This would suggest that certain Member States have got more out of the potential for reform than others. Once again, the point of departure from which each Member State is coming is both different and relevant, taking into account such circumstances as the existing framework of production, the level of the MS economy's global integration, or the foundations on which its labour market operates.

In practical terms, the Employment Guidelines have been accepted and incorporated into Member States' working practices since the start of the EES. They have created a level of working consensus and practice as well as reporting, which is of value in itself, and all the more so with the enlargement to new MS which we have seen in the first decade of this century. It is thus that the Employment Guidelines can be said to constitute a valuable element of trans-national co-ordination, despite their limitations. The influence of the Employment Guidelines on national employment policies can be observed in the introduction onto the agenda of new subjects which would probably have remained on the margins or would have barely been recognised had they not been introduced at European level. Subjects such as lifelong learning, gender equality, active ageing and "making work pay" would hardly merit a mention in the employment policy landscapes of quite a few Member States.

Some quantitative achievements

In the current context it would be risky to draw conclusions on the effectiveness of the strategy. Analysing the evolution of indicators related to employment and the social dimension of the strategy up to 2007, the overall EU picture is a mixed one with a number of more positive points:

- increase in the overall employment rate. In particular, many MS have experienced a steady growth in employment in the years prior to the start of the recession. Some Member States have reached and exceeded the 70% objective, but overall the objective has been far from met (EU-27 average was 65.4% in 2007). This growth in employment, as shown by all statistical analyses carried out, has been based mainly on atypical employment contracts, fixed-term contracts and part-time contracts;
- increase in the female employment rate, which represents the best performance in all employment indicators, reaching 58.3% on average in EU-27, very close to the 60% objective for 2010;
- increase in the employment rate of older workers aged between 55 and 64, with a significant increase in labour market participation (from 37% in 2000 to 45% in 2007), although the objective of exceeding 50% has proved unattainable for most of the 27 Member States;
- decrease (in several countries, marked) in the unemployment rate, which was below 7% at the end of 2007;
- the relatively high youth educational attainment level and certain advances in reducing the percentage of early school-leavers (from 17.1% in 2001 to 14.8% in 2007).

We can therefore conclude that, from a quantitative point of view, the overall employment target of the Lisbon Strategy will not be met in 2010, despite the sharp increase in atypical employment recorded up to 2007. To this, a number of more negative points may be added, particularly the persistence, in several Member States, of high long-term unemployment, high levels of poverty risk, high rates of early school leavers and low rates of lifelong learning. To this must be added the limited, and in several MS decreasing, R&D expenditure, which in 2007 barely reached 2% investment in the EU-27 as a whole.

Given that these results are drawn from 2007 Eurostat data, and do not, therefore, take into account the impact of the current crisis, they should be analysed with caution. Furthermore, although indicators may point to certain levels of progress, it is difficult to attribute results to specific policy strategies and measures. The path from (European) policy to (Member State) practice is both long and winding.

In general, it may be stated that, regardless of the effects of the crisis, the quantitative achievements of the Lisbon Strategy have been inconsistent. Some MS have performed extremely well in some or many of the quantified target areas. However, the overall disparities from MS to MS are undeniable, with performance across the initially-designed core elements (R&D, increase in employment, innovation) relatively uneven. Some of the indicators returned positive results before the recession had taken effect, but in fact, apart from the significant levels of employment creation seen in the 4-year period immediately prior to the start of the second cycle (2008-2010), most indicators were not especially optimistic and it seems highly likely that the 2010 objectives would not have been met even if the crisis hadn't taken place. Moreover, some indicators in the social sphere indicate at the very least a level of stagnation, with the indicators regarding the risk of poverty being especially worrying. Other indicators recording the increase of inequalities in the EU cast doubt over the overall results of the strategy.

The changing fortunes of the gender mainstreaming approach

One of the consequences of the 2005 review was the weakening of the gender mainstreaming approach, with the gender equality guideline being removed. The entire approach lost prominence, whilst some of its substantial content (reconciliation of professional and private life, gender gaps such as wages, for example) were included in different Integrated Guidelines. What this implies is the loss of recognition of gender equality as an explicit political objective and the weakening of institutional commitment at the highest level. In addition, gender mainstreaming has lost operative force in the very reporting of the Member States. Later analyses of National Reform Plans seem to confirm this loss of emphasis. In general, the mainstreaming of gender equality into employment and growth policies has not been widespread and only a few Member States report the use of instruments such as Gender Impact Assessment and Gender Budget Analysis.

Balance and co-ordination between the three pillars

From the start, the Lisbon Strategy has been the subject of internal, and generally unresolved, tensions. The economic, social and environmental triangle that inspired its genesis was dependant on a delicate balance that proved difficult to maintain in practice. Despite the good intentions set out in statements and in documents written by both the Council and the Commission, the existing imbalance which favours economic growth at a cost to social, and later environmental, development, has been openly criticised. This controversy only gained force after the 2005 review, when sustainability became subject of a specific European strategy, which created a certain feeling that levels of co-ordination leave much to be desired. In practice there are currently three parallel agendas, which only a very few Member States are carrying out in any integrated way: the revised Lisbon agenda (Growth and Jobs); the social agenda (managed through different OMC mechanisms); and the sustainable development agenda.

New directions in employment policy: the flexicurity focus

The flexibilisation of labour markets was a prominent trend until 2005, but it attracted much controversy. Amongst other reasons, this controversy can be explained because the loss of security in employment may also result in uncertainty in the productivity of labour (loss of professional qualification due to lack of training, for example), as well as in the risk of social fracture in the labour market (insiders-outsiders). Although some MS did implement flexibilisation on the grounds of low labour costs, excessive flexibilisation did not prove economically efficient. Consequently, the EU turned towards an *a priori* more balanced strategy called "flexicurity". The balance between market development and social protection was explicitly presented as an objective, and this fostered political compromises along the lines of the European "social" tradition.

Flexicurity, has, over the past few years, become the principal topic of European debate as far as employment policy is concerned. Its focus, based on four main *principles*, allows each MS to approach the subject in its own way, taking national diversity into account. In spite of its controversial nature, its characteristic calling card, the application of flexicurity measures has become an increasingly ubiquitous feature of the National Reform Plans. Another matter for expert debate is whether this *path* towards flexicurity is being embarked upon due to the direct influence of the Employment Guidelines or if these are being used as an excuse; or whether the measures were not already being applied before, only for the flexicurity banner to be unfurled after the act.

Flexicurity is related to dynamics and changes. This places a strong focus on the empowerment of individuals and supportive institutional arrangements. Overall, professional transitions constitute the new form of career management in the sphere of labour. Although doubts about how to regulate the implementation of flexicurity still abound, it does constitute the sole common element – as a theoretical discourse and practical implementation - that can be observed as a trend in the vast majority of

Member States. The flexicurity paradigm as a political approach seems destined to exert a powerful influence on future developments in the European Employment Strategy. Amongst the challenges it poses, flexicurity requires the establishing of balanced control systems to regulate its implementation. It would be necessary to identify bipartite or tripartite bodies between social partners, capable of undertaking this monitoring task. Furthermore, it seems that most national public employment services are not prepared to go along with these processes of change.

A governance system to improve: the OMC as an instrument of innovation

The OMC was one of the most important innovations presented by the Lisbon Strategy, requiring a voluntary coordination mechanism to implement measures and policies over which the EU had no competence. The Lisbon Strategy suffered for its lack of institutionalisation especially in sensitive areas in which it was difficult to make any advances. However, the OMC combines with other mechanisms to stimulate the coordination and implementation of employment and social policies, using both legislative and non-legislative mechanisms. The legislative instruments are concentrated in the Community Lisbon Programme, as a support and financing framework for the strategy. Community legislative action within this Programme has, in recent years, been extremely extensive.

The 2007-2013 Financial Perspectives constituted a substantial boost to the implementation of the Lisbon Strategy and, in particular, the ESF with the Employment Guidelines. Although implementation of the strategy lies mainly with the MS, top-down implementation promoted through the Community Lisbon Programme has proved to be efficient.

Originally, the OMC was conceived as a multilateral learning and monitoring system. The dissemination of its spirit, open and voluntary, has proved a positive factor among national institutions in charge of implementing the Lisbon Strategy, although in practice its impact and results seem to have been very limited, and restricted to a circle of high-level public servants. Moreover, limited levels of mutual feedback between social, employment and economic policies have been identified, with hardly any "feeding-in" and "feeding-out". One of the most innovative of these voluntary mechanisms, the peer review system, has not been a resounding success, at least in the view of those involved, due, at least in part, to the lack of adequate pressure to force MS to fulfil their commitments.

Social and employment policies have been part of a Lisbon Strategy governance system which exhibited inefficiencies on various levels. First, a lack of coordination between the fields of growth and jobs, on the one hand, and the areas of social protection and social inclusion on the other; this has resulted in a lack of connection or sufficient clarity between the objectives of the two OMCs. In short, coordination between the development of the social OMC/SPSI (Social Protection and Social Inclusion) and the employment OMC has been conspicuous by its absence.

However, where this lack of coordination has been most apparent is between the main economic objectives and employment and social policies. Although the quantitative goal – achieving more jobs - gains sway during times of crisis and growth of unemployment, the loss in quality of employment is also an obstacle to generating a sustainable economic growth that is compatible with social standards of living. The figures indicate that the results of social progress in the EU have been insufficient, with increasing market segmentation and levels of vulnerability of citizens facing poverty.

From a national perspective, according to our research OMC processes do have an impact on national policies, but this is often indirect, varying from policy to policy and informed by the context of domestic practice. Furthermore, we can observe that different policy actors have different opinions about the added value of the OMC, ranging from support to scepticism, and there is always the risk of resistance, in particular when the gap between rhetoric and practical reality is particularly broad.

Major questions still to be answered: the rise of inequality

Several recent reports have pointed to the rise of different forms of inequality in the past few years, and the start of the decade does not mark the bucking of this trend. The 2008 Joint SPSI Report stated that the revenue generated in the last stable growth period had not reached the most vulnerable social groups, nor had it led necessarily to a higher level of social cohesion. Even though there are major differences between countries, certain indicators exhibit a backward trend, with, for example, 16% of the population living at risk of poverty in 2007, rising to 19% amongst children, a disturbing figure in a region which aspires to advance towards an economy based on knowledge. The same year, 9.3% of European adults of working age (18-59 years old), not including students, lived in households where there was no wage earner.

Similarly, according to the OECD report "Growing unequal?" (2008), both income inequality and relative poverty have risen over the past 20 years. This rise has been significant and widespread. With a few exceptions, the disparity between the low- and high-paid has increased rapidly since the early 1990s. Incomes are more equally distributed and fewer people are poor where social spending is high, as can be observed in the Nordic countries and Western European countries, such as Austria, Belgium and the Netherlands. Government plays a big role in determining incomes and living standards through the taxes it levies and the benefits it pays out. Nevertheless, the impact of taxes and benefits on both poverty and inequality has fallen in the past ten years in many OECD countries. The most substantial shifts in poverty over the past two decades are between age groups.

The cause of much of this growing inequality lies in the labour market: a larger gap between the low- and high-paid, and changing numbers of people out of work. Lisbon's claim was that a job was the best guarantee of social cohesion. The results obtained refute this claim since, although Europe did indeed create more jobs, the quality of the jobs created was often a problem in itself, while income inequalities continued to rise. Despite falling unemployment and rising employment, poverty did not fall. We can only ask ourselves if this happened during growth periods, then just how real must be the risks of greater levels of inequality in a period of recession. There are lessons to be learnt here for the design of the post-Lisbon Strategy, and these will need to be discussed in a new economic, social but also political context.

The role of the European Parliament

Parliament's influence on the Lisbon process is generally considered to be weak.

From the perspective of institutional setting, the consultative function of the European Parliament has been undermined by the time restrictions imposed by the current strategy's management cycle. The implementation of a new timetable, first for the period 2003-2005 and then in the reviewed Lisbon Strategy, resulted in a shortening of the timeframe available for the Parliament to deliver its opinion. In its current form, this work schedule does not make a distinction between those cases when the Employment Guidelines being analysed correspond to a new three-year cycle (2005-2007 or 2008-2010) or whether they concern intervening years, remaining unchanged within the same cycle. As a result, the current procedure has seriously undermined Parliament's role, as the European Parliament has regularly pointed out.

Amendments made to the Employment Guidelines proposals are rarely taken up by the Council. However, in a more general sense, the European Parliament may be seen to have a discursive influence, by contributing to the debate, critically reviewing policy proposals and trying to impose changes on issues that might have been overlooked, underestimated or negotiated away in the administrative preparations of the document. The abundant production of resolutions on issues relevant to the Lisbon Strategy is proof of the attention paid and work done by the European Parliament.

Core issues of the European Employment Strategy such as gender mainstreaming or more recent discussions on flexicurity have been tackled by the Committee on Employment and Social Affairs extensively, providing alternatives and qualifications to the proposals made by the Commission.

Insufficient participation

Institutionally, national parliaments have played a largely passive role, receiving information, with rare participation in the drafting of reform programmes. With a few exceptions, no in-depth debates have taken place with regard to the strategy or any of its components such as the Employment Guidelines. Except in States with a strong federal structure, where competences in employment policy lie in the regions, neither have regional or infra-State authorities participated substantially in the Lisbon process, as reflected by opinions within the Committee of the Regions. From this point of view, a reinforcement of the social and regional dimension of the process might improve the involvement of local actors and the quality of their participation.

There have also been significant failings in the involvement of stakeholders that have cast doubt on the efficacy of the governance system. There aren't really any prescriptive measures for stakeholder involvement and Member States are free to develop their procedures. In practice, only a limited number of MS actually try to involve stakeholders to a more substantial degree. As for social partners, they have participated unevenly and, in any case, their influence has, in practice, been minimal. Both on the European and national arenas participation has generally manifested itself on a ritualistic rather than effective footing. Despite the efforts of the Commission and certain governments to move the Lisbon Process out of the administrative and into the wider political sphere, the involvement of employers' and trade union organisations at national level has been merely formal and consultative. At EU level, the dialogue and exchange of information with social partners over the Tripartite Social Summit seems an insufficient mechanism to monitor the Lisbon policy cycle, lacking, moreover, any suitable institutional clout. In general, other potential stakeholders (NGOs, social institutions and professional and sectoral institutions) have had an even less significant role at national level, with hardly any opportunity to influence the drafting or implementation of the Lisbon Strategy.

The Lisbon Strategy as an incipient yet powerful driver of the EU's progress on a global stage

The Lisbon Strategy has been the first European initiative of great significance to strategically coordinate key principles of economic growth of a political region that aspires to being a world leader. Its agenda with regard to social and employment policy has set the pace for a large number of reforms started in most MS, including their labour markets. Over the years it has inspired the implementation of employment policies, adapted to unique national characteristics, which have been a novelty in many MS. Its focus on social challenges has also given rise to new approaches and concepts. New awareness of challenges that have arisen in the past few years – climate change, the ageing population, the food and energy crises - come face to face with the Growth and Employment Agenda, designed at the turn of the century for a world somewhat different from today's.

From a procedural perspective, the Lisbon Strategy's lack of institutionalisation has repercussions in terms of management and implementation of employment and social policy. The governance system of such a multidimensional strategy has its shortcomings, but at the same time it can also undoubtedly be felt in positive "*Europeanising*" effects. The most positive impact can be seen in the awareness of the need to introduce reforms and to plan and report on their monitoring. A common vision has taken root in the chanceries and administrative departments in charge of national implementation. The OMC has also served to regularise benchmarking and the exchange between Member States, which will undoubtedly have both mid-term and long-term effects.

None of these achievements are tangible, however, and nor do they correspond to quantitative objectives. Indeed, they are difficult to detect even from *within* national perceptions. However, they do exist and, despite limitations derived from the lack of visibility, ownership and coordination, evidence for the appearance of a common understanding, a European transnational cultural *acquis* on necessary reforms and the direction that should guide them can be provided. The Lisbon Strategy can hardly be politically required to provide more than what it was adopted for. The EU response to the recent recession, through the Recovery Plan, is proof of what the Lisbon Strategy has achieved. Beyond the fact that recovery measures are supported by the strategy's pillars, the question to be asked is how would the EU have responded as a whole if some of the reforms carried out in the last few years as a result of the Lisbon agenda hadn't been adopted. In other words, there is little doubting the extent to which Lisbon's existence and its reforming achievements over recent years have served to minimize the effects of the recession across the EU as a whole, while also contributing to encouraging improved measures to combat it.

Some inputs for discussions on the future post-2010 European strategy

If the Lisbon Strategy did not exist, it would have to be invented. In 2000 the EU needed, and needs more now than ever, one or several strategies working jointly and in coordination. The current worldwide recession, which struck at the end of 2007, has proved this need more than ever, reminding us of the importance of having a coordinated European perspective and response to the situation. Employment, along with the sustainability of the model of development, will doubtless be the overarching objective of the future strategy. However, this future strategy must chart a course from the problems and challenges we face today – a horizon which has changed substantially since the end of the nineties when the foundations of the current strategy were laid.

Recession as a conditioning factor

The current crisis has conditioned this starting point, introducing, at least, the following elements:

- a) The financing of growth. As a reaction to past excesses, it is foreseeable that the financial system will become more regulated, with lower levels of leverage than in past years. It will be a more stable system although it will provide less dynamism to the economy. In (future) high points of the economic cycle, the post-crisis financial system will not have the same capacity to boost short-term growth as the financial system that created the crisis.
- b) Limits set on public expenditure in Member States. The current budget imbalance will condition the level of public expenditure in coming years. The Stability and Growth Pact is still in place after its renewal allowed for a certain flexibility which favoured the management of the financial crisis in its initial stages. However, once recovery starts, the capacity for public expenditure will be significantly limited, raising the question of how necessary social reforms (pensions, social protection, etc.) and employment promotion policies will be financed.
- c) Social impact of the crisis. In certain Member States, the crisis is having a very negative social impact in terms of loss of employment, and they will require a long time to recover. Not only have employment levels been decimated while the industrial basis that formed the productive foundation of the EU has been damaged, but standards of living have fallen back together with work expectations – especially amongst the young - and quality of employment. European citizens are pessimistic about the social mobility opportunities that education has to offer. A future EES integrated into the post-2010 Strategy should take this reality into consideration and put forward specific measures, within the framework of common objectives, to overcome the negative effects of the crisis.

The need to face environmental challenges

Climate change must be viewed in the context of a set of commitments and demands within the fields of environment and sustainability, which substantially modify the approach to growth in this new century. Cultural, productive and social changes are necessary to face this challenge in all its magnitude. Its impact on employment is also clear, both in a positive way, creating new job opportunities which require corresponding qualifications, but also less positively, in the labour costs to be paid in the transition to a low carbon footprint economy.

Demographic evolution

The evolutionary trends in European population, and ageing in particular, have had an immediate knock-on effect in the labour market, with particular relevance to the development of active and passive policies and monitoring of the sustainability of the pension systems. According to the forecasts published in the latest Commission report¹, the expectation for 2060 is that there will be just two persons working for every person aged over 65, compared to the four we observe currently. These scenarios are developed based on current birth rate expectations, life expectancy and forecast demographic flows and it is clear that such long-term projections are highly subject to error. In any case, demography cannot be neglected while designing future European policies and strategies.

The impact of enlargement: towards a renewed shared vision in EU 27

In contrast to the previous strategy, the post-2010 strategy will be designed by 27 Member States, a task which requires a shared understanding of the challenges and a common strategic vision of the future in a context that is quite different from the years 2000 or even 2005. Taking this reality into account will necessarily involve a debate on the convenience of modulating or adapting the measures adopted. Some of the MS' starting point is too weak in the context of recession – high public deficit, for instance - to initiate employment policies that require tax stimuli or other policies that require short-term public expenditure. The future strategy will need to balance necessary coordination in the execution of reforms with mechanisms that allow for the adaptability of common objectives to each individual country.

The great challenge of inequalities

The future strategy in the fields of employment and social policy should revolve around the attainment of greater levels of equality. Without this driving force, any Community action aimed at promoting and framing growth and employment during the coming years would suffer from a serious lack of credibility. What is needed is to regain the European Union's ultimate end goal of social cohesion, which is to say the levelling out of differences (in income or opportunities) in the interests of protecting the vulnerable and as a preventative, corrective measure.

Top priority investment in human capital – access to, and extended presence in, the education system, as well as lifelong learning, are indispensable objectives in this new period if we are to progress towards greater social equality. One of the fundamental tasks faced by the future strategy ought to be to tackle the danger of workers permanently “floating” on the fringes of the labour market due to the sheer quantity of atypical employment and other new forms of unreliable employment.

It would be extremely fitting if the future strategy were to expressly prioritise the relationship between economic growth and its social impact. A specific target should be agreed on to include the progress made, measured by means of equality and income distribution benchmarks. Specific initiatives to reduce child poverty, for instance, should be adopted and considered in the future strategy. These proposals require the inclusion of a long-term social perspective and an effort to monitor its evolution statistically.

¹ 2009 Ageing report: Economic and budgetary projections for the EU-27 Member states (2008-2060). EC Economic and Financial Affairs DG. 2009

A green post-2010 strategy

Although sustainability was a late entry to the Lisbon Strategy, the environmental pillar managed to redress the balance significantly in recent years, with the crisis constituting no more than a short-term hurdle. However, environmental issues are still to be fully integrated into employment and competition policies. Environmental measures do not seem to be yet a fully integrated part of socio-economic development. Therefore the strategy post-2010 should embrace three major perspectives in order to reconcile the three pillars:

- Green technologies and green innovation should be fully integrated in the technology guidelines on the same level as ICT, with attention paid to enabling new markets and induced productivity gains;
- Losses and gains derived from environmental policies should be systematically assessed and followed by accompanying measures if labour markets are significantly affected;
- Economic and financial tools should be used more, including actions to correct their anti-redistributive impact and their not always optimal focus.

Implementing flexicurity

The implementation of flexicurity principles in the sphere of employment policy in each Member State requires continuous monitoring by means of national and European instruments that assess the really “flexicure” direction of the reforms introduced. This effective monitoring would give transparency to an implementation process where a lack of trust continues to exist, favouring flexibility at the cost of security. An ordered and balanced implementation of “flexicure” measures is necessary in the framework of an overall national strategy, agreed with social partners and objectively assessed at regular intervals. The harsh effects of recession on labour markets affect all vulnerable groups of workers; these groups have to be guaranteed that nobody will be left without long-term protection. If flexicurity becomes the common European framework that guides employment policies, this could foster wide support for a structured and collective version of social investment, renewal of skills and career management.

Flexicurity has always been approached from a labour perspective. However, its scope goes far beyond the strict confines of employment policy and the labour market. If we wish to encourage flexicure transitions in the broadest sense of the word, we will need to investigate other economic and social effects. For example, studies should be carried out into: family policy (State aid, support infrastructures, etc); the processes of transition between school and active life; the situation of households affected by social exclusion; and, certainly, interactions with the pensions system.

Currently more the 72 million European citizens live below the poverty threshold and the divide between rich and poor continues to get wider and wider; 17% of European workers take home a monthly pay-check that is less than 60% of the national average salary. That is to say that 17% of workers are officially considered poor.

Improving governance and participation

Experience shows that the governance model of the future post-2010 strategy must be improved. Certainly, it is not easy to find a multi-level governance system that could cover several policies in different dimensions and with the participation of different European and national institutions with different competences. Moreover, recession and the ensuing recovery add a new factor to be considered, which is time management, i.e. the term – short, mid or long - required to develop pending reforms in employment and social policies and in the labour markets.

From the opinions collected in the performance of the present study, we may identify some issues to be further analysed:

a) Structure:

- A long-term framework strategy is required at European level, setting a time perspective of at least 10 years, as the term of the current strategy. However, a longer time period could be discussed if the political will exists to do so. Performance reviews and self-assessments at specific periods – every three or five years - could be agreed with an efficient monitoring system. The macro strategy should include a set of broad economic, budgetary, environmental, employment and social policies. Simplicity in structure and functionality should be a value in themselves.
- Although integrated with the Broad Economic Policy Guidelines, the Employment Guidelines should preserve their identity and visibility and be implemented through specific action plans in each Member State. A greater role recognised to social partners and regional bodies in the design and implementation of national action plans will also be indispensable, through more effective participation. Finally, national parliaments should play also a more active role at this level, both with regard to the design and the control of plans and policies.
- The notion of multilevel governance should be reinforced efficiently, guaranteeing the effective involvement of sub-national authorities in the implementation of the new strategy, especially (though not exclusively) in those States of a federal nature. The participation of regional and local administrations should even become a verifiable objective in itself, inasmuch as in some MS they implement the strategy on the ground, or are largely responsible for employment and social policies. Furthermore, this would contribute to the reinforcement of the European nature of the strategy.
- Alongside this, supra-national European action should be better coordinated based on cohesion instruments and the promotion of legislation supporting the necessary reforms. Experience has shown that the use of traditional legislative methods can have a marked effect in promoting the development of strategies and favour inter-institutional coordination.
- A stronger role should be foreseen for the European Commission in the monitoring and implementation of various action plans; on the other hand, there is a need to review the reporting techniques with regard to the agreed time cycles. The current obligation of reporting annually has led to a sort of “reporting fatigue”, generating a vicious administrative and bureaucratic circle that adds no value to the process. More concise and subject-based reports could substitute current comprehensive reports without reducing the effectiveness of the monitoring process.

b) Coordination with social policy

Even despite its shortcomings and drawbacks, the OMC has brought about stable and organised processes of mutual understanding and exchange of experiences. The effectiveness of the OMC should be enhanced by combining it with ‘harder’ methods. The OMC/SPSI as a distinct coordinating mechanism has proven its value over the years. It should therefore be strengthened and specifically directed towards social policy. However, the incorporation of its main objectives into the Employment Guidelines should also be considered. An example of this would be the fight against relative poverty or the modernisation of pension systems – which is essential in the current context of recession.

Establishing appropriate targets

Quantitative objectives have proved to be efficient. Undoubtedly, setting percentages or some other common targets lends transparency and clarity to the process. Some of the following elements may be considered for the coming post-2010 period:

- The targets must be coherent with the structure of main objectives or axes adopted. Their coherence must be tested extremely well beforehand, given the different starting points of the MS. Care in the selection of quantitative targets doesn’t need to be opposed to optimism. The ideal is to promote a *realistic ambition*.

- European targets must coexist, and be complementary with, the establishing of national targets, adapted to the different MS contexts, which have proven to be realistic and efficient assessment methods. However, a certain system should be established to coordinate targets on both levels, allowing for a better understanding of national progress.
- The target-setting technique should be as simple as possible. There are clear targets related to *results* (statistics such as employment), but others are measured by means of *process* indicators (for instance, contributions in GDP percentage) which express a political will rather than the obtaining of specific results. Despite the limited sources available and the difficulties in comparing figures, greater efforts should be made in establishing indicators and improving their measurement so that they can provide a more precise picture of the progress made.
- One especially tough challenge is that of statistical averages: using these on their own to reflect trends is not very illuminating when applied to as diverse a collective as EU-27. Some other, more complex information system should be coordinated as a complement to these figures.
- Similarly, the way in which targets are established with regard to employment should take into account the changes undergone in European social and educational patterns in the past few decades and the current reality of national labour markets. Although it is technically difficult at this time to collect and analyse these data from national statistics, employment rates should reflect social trends more faithfully (longer labour lives beyond 65 years of age, later start of career due to longer education periods, etc.). From the perspective of implementing flexicurity, for example, it would be increasingly important to analyse transitions in employment, which would necessitate a thorough improvement of indicators to record and measure these transitions within the framework of lifelong learning.
- There needs to be lengthy consideration of the time period that the new post-2010 strategy should cover; similarly, common objectives and targets should be set. At least two factors have already been mentioned which bear this out: the different starting points of the MS and the different effects that the recession is having on national labour markets. In this sense, it would be logical and coherent to consider establishing quantitative targets based on different time scenarios. Mid-term and long-term targets could be set, with inter-related indicators, in such a way that the MS could cover successive "stages". This would also facilitate the setting up of goals adapted to national characteristics, within the common objectives set at European level.
- New targets related to employment should be included in the future strategy. One of the main targets would undoubtedly involve job quality, which was passed over by the Lisbon Strategy. Although their importance is acknowledged as being the first model of their kind, the indicators on the quality of work adopted at Laeken are far from ideal - homogenous in all countries and easily implemented, thus with limited usefulness. Despite the formal monitoring carried out by the EMCO, this exercise is not much taken into account. New indicators that contribute to monitoring targets concerning the quality of work – including wages - should be explored and developed as part of the new post-2010 strategy.
- Current quantitative targets have carried out a function of largely symbolic value, especially that of reaching a 70% employment rate. This type of target, with commonly accepted and tested indicators, is useful and should be included in the future strategy. The easiness with which specific targets at national level can be adapted or created is also an advantage.

- Other new employment targets and indicators must be linked to the new challenges faced by the EU. Specifically, the analysis of labour market dynamics should be strengthened, for instance, including labour-related geographical mobility, as well as skills and mobility in the framework of professional and labour transitions, without omitting targets and/or indicators that reflect transition periods between education and employment as an example of *pre-labour* policies that may be adopted by the MS. Special attention could be paid, by means of targets, to the evolution of green employment, both new jobs and jobs transformed from traditional sectors. Similarly, employment rates associated with emerging economic sectors in the EU and which involve specific training, a high technical capacity linked to the knowledge economy, and high productivity activities in general, could also be included as sub-targets.
- Some social targets – from the OMC/SPSI – could be transferred to the Employment Guidelines. In particular, those that have the strongest links to the challenge of equality (the relative rates of risk of poverty, or other indicators such as the rate of child poverty or education inclusion levels), or to aspects that will directly affect employment policy, such as the modernization of pension systems. Also, other new targets, drawn from core EU challenges on climate change and related to new employment, training or skills transitions, could be incorporated.

The implementation and monitoring of these targets need to be efficient. Discussion of the possible implementation of the “naming and shaming” method in the future (as a tool to monitor the strategy’s progress) has proved lively, to say the least. Although many voice their doubts as to the practical usefulness of the system, with the MS the most vocal of all, a more efficient and transparent system of implementation control would be a useful alternative. One proposal would be the creation of an annual scoreboard – that does not necessarily include a rank of Member States - which would help to visualise the progress made, and any short-term problems; or, alternatively, a system of incentives and stimuli for “best compliers” (access to special funds, the participation of their representatives in other European bodies or missions, etc.) Guaranteeing the effective involvement of the European Parliament

The new post-2010 European employment strategy must necessarily take into greater consideration the institutional involvement and participation of the European Parliament. This involvement could be encouraged effectively by the following:

a) Finding a practical solution to the inter-institutional conflict that exists on the procedure for the adoption of the Employment Guidelines, which limits the EP’s exercise of its consultation right. The solution to this problem must allow the European Parliament to issue its opinion on the implementation of the strategy (discussion, assessment of the Employment Guidelines proposed by the Commission or any new instruments adopted) with sufficient time for a balanced analysis. The current practice not only seriously hinders and limits the right of the European Parliament to be consulted, it also tends to undervalue its positions and proposals in the adoption of the final decisions.

An agreement ought to be reached with the other European institutions, the Council and the Commission in order to facilitate Parliament’s task of analysing the draft Guidelines and formulating its opinion. In practical terms, the European Parliament is calling “on the Commission and the Council to ensure that the Parliament is given the necessary time, and in any event no less than five months, to fulfil its consultative role, as defined in Article 128(2) of the Treaty, during the full revision of the Employment Guidelines, which is scheduled to take place at the end of 2010” (Resolution of 11 March 2009, recital 4)

b) Creating a stable internal monitoring system, allowing for a permanent assessment on the implementation of the strategy. This body, in whichever form it took, would take up the monitoring of a selection of key indicators in the execution of the strategy.

A strategy for EU citizens

Citizens are generally not familiar with the Lisbon process. They rarely feel involved or committed, despite governments' efforts to communicate through the internet, information campaigns, meetings, etc. Indeed, greater efforts could be made to make up any lost ground, but this particular weakness needs to be put into perspective. It is also true that European citizens don't have a deep knowledge of other relevant European initiatives or strategies, or even the fundamental pillars on which the Union is built, such as the Treaties. It seems more appropriate to underline that European citizens are not so interested in the denomination and content of Community actions as in their results. Thus, European citizens expect the Growth and Employment Strategy to produce more employment and welfare.

The new strategy will need to develop a stronger connection with the interests and expectations of European citizens than it has so far, especially if the strategy is recognised a role in overcoming the recession and creating jobs. The post-2010 strategy will need, as a condition for its success, to initiate an agenda that is more focused on people – in terms of concerns, involvement and innovation. Engaging the citizens of Europe in a healthy, multifaceted debate about our future is not only a sign of respect and genuine outreach, but it is the only way to generate the kind of forward-looking, solution-oriented dialogue the EU so urgently needs. The new strategy needs to focus on making a strong connection with the citizens of Europe. This goes beyond questions of mere ownership. It involves the necessary democratic foundations for the EU to tackle the challenges of the future.

PART I:
OVERVIEW

1. INTRODUCTION

The Committee on Employment and Social Affairs of the European Parliament entrusted LABOUR ASOCIADOS SLL with the task to undertake a study on the Lisbon Strategy. The study aims to provide an overview of the development, implementation and results of the strategy in the field of employment and social policies as of 2000, as well as an analysis and evaluation of the methods and instruments used.

One of the basic purposes of the study and, therefore, of the present report, is to serve as analytical background documentation to support parliamentary discussions on the post 2010 Lisbon Strategy.

The Lisbon Strategy constitutes, by its dimension, ambition and complexity, one of the most far-reaching political initiatives to have been embarked on in recent years.

This is a vast reforming project that has come into being at a specific historical moment and during a unique institutional period. It was launched by the European Council as a global and long-term reforming and modernising agenda. The Lisbon Strategy has generated a political chain reaction, first in 15 Member States (MS), later in 27.

Over the last decade it has led to new European and national legislation, mobilised significant financial resources, favoured the exchange of information and led to the formation of European and national administrative structures. Its most important and lasting contribution, however, was the creation of a political space at European level for cooperation between the institutions of the Union and the MS, with its own dynamic (the Lisbon “process”) and terminology.

If the Lisbon Strategy has had its staunch supporters, it has also had its detractors. Its development casts both light and shadow, and it has gone through amendments, reinforcements and enlargements. Most importantly, it underwent an in-depth “review” in 2005, half way through its existence, which significantly modified its profile.

The Lisbon Strategy is a political “engine” and a set of actions so large and complex that, as it approaches the end of its term, it proves difficult to assess. Its multidimensional approach, multilevel governance system and the different mechanisms used for its execution make it the original phenomenon that it is. In short, it is probably one of the most unusual regional economic integration processes in the world.

This multifaceted nature requires analyses that are equally complex and multidisciplinary. The literature produced from the strategy's inception originates in different fields: from political sciences to economics, from sociology to law. Both the inception and the development of the Lisbon Strategy have attracted the interest of academics and experts alike.

The task assigned

The work commissioned by the European Parliament is exclusively limited to the field of employment and social policy. The study is composed of various elements. On the one hand, a stocktaking exercise was requested. This involved an appraisal of the development of the Lisbon Strategy from the start of 2000 until Spring 2009 (the most recent period included in our analysis).

It is thus that the changing fates and faces of the Employment Guidelines take up a preferential place in the analysis. This task also includes an examination of the methods and instruments used, paying special attention to the Open Method of Coordination. Particular attention was paid to the participation of stakeholders in this process and, specifically, the European Parliament.

A second component of the commission involved an in-depth analysis of certain aspects of the development of the Lisbon Strategy. In doing this, we aimed at identifying the strengths and weaknesses observed in the evolution of the strategy, paying special attention to the 2005 review.

The topics analysed include: the changes introduced in the Employment Guidelines since their inception; the use of the Open Method of Coordination (OMC) and the coordination of social policies; the visibility of the gender mainstreaming approach; and the balance of the social, economic and environmental "triangle". In short, what was requested of us was an exploration of certain elements that contributed to the attainment of the strategy's objectives.

Last, but by no means least, we were required to provide suggestions for the future.

Different methods have been used to carry out the study. First, the vast documentation generated by the Lisbon Strategy has been reviewed. While the Lisbon process had already been the subject of detailed analysis, most studies suffered from limitations of range and scope. One reason for this could be that it is only now, as we approach the strategy's conclusion, that its achievements can be assessed.

It must be added that far more interest has been attached to the Lisbon Strategy's governance method (OMC), which has generated abundant scientific literature, than to its targets and objectives. The fact that States and governments undertake regular self-assessments (Progress Reports) regarding compliance with the National Reform Plans, which are later reviewed and assessed by the Commission, has an impact on this lack of external assessment.

Furthermore, six individual studies have been carried out to assess the implementation of the Lisbon Strategy in different Member States (MS), Spain, Poland, Hungary, France, UK and Germany. The aim here was not to obtain a statistically representative sample, but to gather significant information on certain key aspects of the implementation of the Lisbon process.

Finally, information and expert opinions have been collated. This process was made easier thanks to the recent intense debate generated by the strategy's approaching conclusion. This activity has led to a proliferation of publications (books, research pieces, papers and non-papers on the future post-2010 strategy, etc.) on the subject. There have also been several public conferences and debates which facilitated the collation of relevant positions and ideas on the Lisbon Strategy thus far, as well as on the criteria that the future strategy should fulfill. Finally, written collaborations were requested from experts on certain specific aspects of the strategy.

Factors conditioning the study

Core research for this study was carried out between Autumn 2008 and Spring 2009. This period can be characterised by two particularly relevant features. First, the fact that the strategy's term was still ongoing meant that the work could only ever hope to provide a preliminary and incomplete assessment. Secondly, the dramatic escalation of the financial crisis during the second half of 2008 has radically affected the state of the real economy in the European Union and across the world, and has a serious effect on economic and labour indicators.

The economic crisis and recession, which resulted in the contraction of the major European economies, contributed to the Lisbon Strategy being viewed in a rather pessimistic light. In our opinion this perception of failure does not correspond to a balanced overall assessment.

Finally, it will always be challenging to reach a full assessment of any initiative as complex as the Lisbon Strategy. To all of the factors mentioned above, we must add the strategy's relatively volatile nature over the years, as it experienced substantial changes throughout its history, from enlargement (from 15 to 27 MS) to the 2005 review. It is indeed hardly surprising that we find so many contrasting opinions in the literature that the strategy has generated.

2. MAIN INSPIRERS OF THE LISBON STRATEGY IN THE EMPLOYMENT AND SOCIAL FIELDS

The Lisbon Strategy, launched in 2000, can be described as an ambitious project aimed at developing a coordinated European approach in the field of economic, employment and social policy. Its genesis was a reaction to the general economic and structural problems the European Union faced during the early nineties. However, it was not the first effort to develop such an approach.

As early as 1993, the European Commission - under the presidency of Jacques Delors - published a White Book on 'Growth, Competitiveness and Employment' to stimulate European cooperation in order to catch up with a world-leading US economy. The conclusions of the White Book were widely accepted. Its recommendations were further elaborated at the Council of Essen in 1994, where the first foundations of a new European employment policy were laid down. According to the agreement reached at the Essen Council, such an employment policy should focus on 5 lines of action:

- development of human capital through vocational education and training;
- improving labour market access for women, young people and the long-term unemployed;
- improving the effectiveness of labour market institutions;
- the search for new labour market opportunities by local initiatives;
- a moderate wage-policy to stimulate productive investments.

These objectives reflect a supply-side orientation: proposed measures focus first and foremost on the labour supply and a better functioning of labour market institutions.

The development of a European employment policy received further impetus with the signature of the Treaty of Amsterdam in 1997. With the support of the social-democratic leadership of several influential Member States, a separate Employment chapter was included in the EC Treaty, with a view to setting up a coordinated employment strategy at European level (the European Employment Strategy) as well as to establishing an Employment Committee made of high-level civil servants from each MS. This latter would serve as a major advisory board for the Council and the Commission and would facilitate decision-making in the Council.

The European Employment Strategy (EES) was one of the major influences on the Lisbon Strategy. However, the Lisbon Strategy was inspired by a broader range of policy issues discussed at EU level.

Technology gap

One such debate concerned the new (*ICT*) technologies, the technological advantage of the US and the resulting productivity gap between the US and the EU. It was felt that the EU should invest much more in research and technology in order not to lose further ground and, ideally make ground up on the US in the long run. This was considered to be not only a matter of investing in the production of new technologies, but also in the adoption and implementation of innovation within society. The notions of "knowledge economy" and "knowledge society" were used to emphasize these needs.

Globalisation effects

Increasing *globalisation*, its effects on national economies and the diminishing potential of national policy-makers to cope with these effects provided the fuel for another area of debate. As the economies of the EU Member States became increasingly interdependent, it was agreed that there was the need for greater coordination at EU level. Furthermore, with external effects of economic processes (e.g. environmental pollution) causing EU-wide problems, a EU level coordinated approach was called for.

Internal market barriers

Another issue for debate that influenced the Strategy concerned the further development of the *internal markets* of the EU, the free flow of capital, labour, goods and services and the removal of obstacles to free trade and free market competition. This required coordination at a supra-national level. The internal market was boosted with the introduction of the monetary union and the single currency, but legal and institutional barriers still existed in fields such as energy, communications, education, labour markets and social security regimes.

Ageing population

The consequences of the ageing *of the (working) population* in the EU had become a cause for increased concern, in particular in terms of the demands on the national welfare regimes and social protection systems of the future. An increase of both labour participation and labour productivity were considered to be essential prerequisites to tackle these problems. Given the fact that the MS had different social and economic traditions and institutions, some forms of supra-national coordination appeared to be necessary.

The environment

Environmental problems caused by unrestricted and unregulated economic growth were also at the centre of debate. From an environment-friendly point of view, economic processes had to be redesigned and redirected in such a way that a sustainable eco-efficient economy would come into existence. Many environmental problems have a supra-national character. Their solution requires coordinated policies at supra-national level.

Unemployment and social policy issues

Finally, there was the question of how to develop further the European project after the establishment of the European Monetary Union at the end of the nineties. Together with the introduction of the single currency, the transfer of authority over basic elements of monetary and budgetary policies to EU level, and the introduction of the compelling regulative criteria of the Stability and Growth Pact, there was also a need for further *coordination of the employment and social policies* of Member States, since they are closely connected with monetary and budgetary policies. However, employment and social policies – according to the principle of subsidiarity – still lay largely within the domain of national authorities. This raised growing demand for EU - Member States coordination.

All these issues and debates found their way into the Lisbon Strategy. From the beginning, the strategy covered a broad range of aspects, with objectives and targets that originated from various fields and were brought together in an all-encompassing effort 'to make the EU the most dynamic and competitive knowledge-based economy of the 21st century'.

3. THE LISBON PROCESS: KEY STAGES ON A LONG AND BUMPY ROAD

It is extremely difficult to summarise the evolution of the Lisbon Strategy in a few pages. The changes or developments introduced since its adoption, proof of its dynamism and capacity to adapt, the diverse policy mixes designed, with various methods of implementation at a range of European and national levels, as well as the institutions involved, constitute a vast network of relationships and interactions. In the interests of clarity, however, as well as to provide an overview of the key developments that have taken place since 2000, we have divided the process into 4 phases:

- 1) Synchronisation of ongoing reform processes before 2000;
- 2) Launch and first period of the Strategy 2000-2004, also known as Lisbon I;
- 3) Mid-term review and second period of the Strategy 2005-2008, also known as Lisbon II;
- 4) Second cycle of the reviewed strategy and the current financial and economic crisis.

We will start with a short description of the ongoing structural reform processes that were brought together in the Lisbon Strategy in 2000, followed by a more detailed description of the launch and first and second period of the strategy. We will pay special attention to the mid-term review in 2005, because this led to clear revisions in the original strategy. Finally, we will comment on the current state of affairs – something we will be dealing with in greater depth at the end of the report.

3.1 Synchronisation and coordination of ongoing structural reform processes

In the second half of the nineties three structural reform processes were launched at EU level. Still in place in 2000, they provided the Lisbon Strategy with a base on which to build:

- the Luxembourg process, set up in 1997, aimed at developing a European Employment Strategy;
- the Cardiff process, launched in 1998, aimed at integrating environmental issues in EU policies in different fields;
- the Cologne process, initiated in 1999, aimed at establishing a macro-economic social dialogue at EU level.

The Luxembourg process

A major reference point for the Lisbon Strategy, it aimed at coordinating the national employment strategies of the (then) 15 EU Member States. As described above, the main objective of the EES was to bring about a substantial reduction in unemployment in the EU within 5 years. To attain this objective, a number of common goals were defined which rested on 4 basic pillars:

- Reinforcement of the **employability** of workers by education and training
- Stimulation of **entrepreneurship** through the removal of administrative barriers and burdens
- Increasing the **adaptability** of workers and companies to changing economic circumstances
- Promotion of **equal opportunities** for disadvantaged groups in the labour market.

The EES introduced a new type of multilateral monitoring and a new method of coordination, the so-called '**open method of coordination**' (OMC). The OMC proceeds in the following way: at the start of the process the Commission defines common Employment Guidelines, which are agreed upon by the Council. These Guidelines are used by the Member States to develop their annual National Action Plans (NAPs), with activities tailored to the specific situation in their country. The results of the National Action Plans are reported in annual national reports to the Commission, which combines and integrates them into an annual Joint Report to the Council. With this report, the Council assesses Member States' performances and, where necessary, gives recommendations for inclusion in National Action Plans for the following year.

To allow for a clear assessment, the OMC provides a system of quantified targets with a number of well-defined indicators to measure and monitor progress. Furthermore, the OMC strongly relies upon the exchange of best practice as a method to stimulate mutual learning among MS.

The EES, the Employment Guidelines, the annual policy cycle and the OMC had a major role in shaping the operational framework applied in the Lisbon Strategy as a whole. The Lisbon Council of 2000 stressed the importance of the EES in the process of making the EU the most competitive and dynamic global economy by 2010.

The Cardiff process

This process was launched by the European Council held in Cardiff in 1998 with a view to introducing a horizontal approach to environmental policy and incorporating it into all Community policies. A vertical approach - through specific environmental legislation - had produced good results, but had only partly solved the problems. The Commission now developed new guidelines which would enable the environmental dimension to be properly integrated into other policies. This would be made possible through a series of measures to include the reviewing of existing policies from an environmental perspective, the integration of environmental perspectives into all activities of Community institutions and the introduction of specific mechanisms for monitoring and implementation. As a consequence, environmental concerns would be taken into account in all areas of policy, from economic and employment policy to energy and innovation. The Lisbon Strategy would bring this about.

The Cologne process

The third process that informed the Lisbon Strategy came in the form of the Cologne process, which was launched in 1999. A basic element of this process was the European Employment Pact between EU authorities and European social partners. The main objective of the Pact was 'to encourage dialogue between all the parties involved in macroeconomic policy and to strengthen their confidence, in order to encourage growth and job creation'.

The Pact stressed the importance of the EES as the major instrument for a coordinated employment policy at European level. It further set out the basic prerequisites of the macro-economic policy framework: a monetary policy aimed at price stability; a sound budgetary policy within the framework of the Stability and Growth Pact (SGP); a policy of controlled wage increases; a regular macro-economic dialogue between the Council, the Commission, the European Central Bank and social partners.

3.2 Launch and first period of the Lisbon Strategy 2000-2004

At the Lisbon Council in 2000 the EU set itself a new strategic goal for the next decade: 'to become the most dynamic and competitive knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion, and respect for the environment'.

Faced with new challenges in the areas of technological innovation, economic globalisation and the ageing workforce, the EU was in need of a long-term vision for maintaining its social models and living standards. Becoming a knowledge economy with full employment, based on high productivity and high labour participation would help to face these challenges. Though the processes of Luxembourg, Cardiff and Cologne provided the necessary tools, they had to be reinforced and adapted. Despite the economic upturn, the European labour markets still faced serious problems of long-term unemployment, unequal participation of women, imbalance between supply and demand, and strong regional employment disparities.

More than anything, the Lisbon Strategy is a set of political ambitions. Its objectives are not enshrined in Treaties, nor are they to be found in regulations or directives. They can, however, be found in the Presidency Conclusions of the European Councils as political documents, with political rather than legal force. With the incorporation of the Lisbon Strategy's specific objectives into various EU policies and programmes, the strategy is, however, increasingly being reflected in EU law.

This strategy, developed at subsequent meetings of the European Council, was founded on three pillars, known as the "triangle":

- a) An economic pillar preparing the ground for the transition to a competitive, dynamic, knowledge-based economy;
- b) A social pillar designed to modernise the European social model by investing in human resources and fighting social exclusion;
- c) An environmental pillar, stressing that European economic growth must be in line with a balanced use of natural resources.

The Lisbon Council in 2000 called for action in 5 areas in particular:

- 1) **technological challenges:** the EU should invest in ICT and the digital economy through the likes of safe broadband internet access;
- 2) **The knowledge economy:** the number of students completing secondary education should be raised and research efforts should be better coordinated;
- 3) **Competition:** the internal market should benefit from the liberalisation of network industries and entrepreneurship should be stimulated;
- 4) **Financial and macro-economic policy:** risk capital markets should be further integrated and the SGP should be connected with growth and employment objectives;
- 5) **The European social model:** this should be modernised with participation in work being stimulated and sustainable pensions and social stability guaranteed.

These action areas reflect the broad character of the Lisbon Strategy. However, as this study is primarily concerned with employment and social policy, we will focus on the European Employment Strategy as of 1997 and the employment strand in the Lisbon Strategy.

The following chart summarises the institutional itinerary followed by the employment dimension in the evolution of the Lisbon Strategy.

Table 1 - An overview of the developments of the Lisbon Strategy

Launch of the Lisbon Strategy	The European Employment Strategy within the framework of the Lisbon Strategy	Employment Guidelines	Mid-term review and relaunch of the Lisbon Strategy	Integrated Guidelines	Second Cycle
<p><i>Objective:</i></p> <p>Making Europe the most dynamic and competitive knowledge-based economy in the world with more and better jobs and greater social cohesion by 2010</p>	<p><i>Major objective EES:</i> Substantial reduction of unemployment within 5 years</p> <p><i>Common goals, supported by 4 pillars:</i></p> <ul style="list-style-type: none"> - promoting employability of workers - fostering entrepreneurship - improving adaptability of workers and companies - promoting equal opportunities for disadvantaged groups <p><i>Incorporation of environmental pillar in the Lisbon Strategy in 2001</i></p>	<p><i>Overall objectives:</i></p> <ul style="list-style-type: none"> - full employment - quality and productivity at work - cohesion and an inclusive labour market <p><i>Employment Guidelines ('Ten Commandments')</i></p> <ul style="list-style-type: none"> - active and preventive measures for the unemployed and inactive - fostering creation of jobs, entrepreneurship - promoting adaptability of workers and companies - investments in human capital and life-long learning - promoting active aging - promoting equal opportunities - integration of disadvantaged people - financial incentives to "make work pay" - fighting undeclared work - reducing regional unemployment disparities 	<p>Critical assessment of results, governance, political commitment in Member States</p> <p>Refocusing of Lisbon Strategy on Growth and Jobs</p> <p>Streamlining of Employment Guidelines and Broad Economic Policy Guidelines into the Integrated guidelines</p>	<p><i>Overall objectives:</i></p> <ul style="list-style-type: none"> - more growth - more and better jobs - better governance <p><i>New Employment Guidelines:</i></p> <ul style="list-style-type: none"> - promoting full employment, quality and productivity at work and cohesion - promoting a life-cycle approach to work - better access to labour market - better adjustment of demand and supply on labour market - combination of flexibility and security - controlled labour costs and wage policy - fostering investments in human capital - adapting education and training systems 	<p>a. Actions in four priority areas (before the crisis):</p> <ul style="list-style-type: none"> - Investing in people and modernising labour markets - Unlocking the business potential, especially of SMEs - Investing in knowledge and innovation - Energy and climate change <p>b. 2008 Financial and economic crisis</p> <p>Lisbon Strategy within Framework of European Economic Recovery Plan</p> <p>Greater emphasis on sustainability and 'greening up' of economy and employment</p>

In 2002 the Commission proceeded to undertake a mid-term assessment of the performance of the EES in the preceding five years (*Taking stock of five years of EES*. COM (2002) 416 final). The conclusions reached may be summarised as follows: positive results in terms of growth in jobs numbers, fall in unemployment, an increase of participation in work, reduction of the gender gap and a lowering of taxes on labour. However, and despite the boom period in the labour market, some severe structural problems still continued to exist. These included high long-term unemployment, women's and older workers' relatively low participation in the labour market, low labour productivity and continuing regional disparities in unemployment.

The document suggested reforms in four areas:

- a) improve the response to medium-term challenges through the creation of more and better jobs;
- b) simplify the guidelines, with stronger focus on implementation;
- c) improve the cooperation between the social actors involved in the EES, including the social partners;
- d) improve the consistency between employment and economic policy e.g. between the Employment Guidelines and the Broad Economic Policy Guidelines, and strengthen their mutually supportive character.

In its Communication '*A strategy for full employment and better jobs for all - on the future of the EES*'¹ (2003), the Commission once again stressed that the EES constituted the key component of the Lisbon agenda. The Commission proposed to respond to medium- and long-term challenges by way of a new generation of Employment Guidelines. According to the Commission, these would be better suited to meeting the requirements of simplification, defining quantified targets, coordinating with policies in other fields, and mobilising the different social actors involved. The new guidelines included 3 overall objectives:

- **full employment**; with the quantified targets of 70% overall labour participation, 60% participation of women and 50% participation of older persons by 2010;
- **quality and productivity at work**; considered in a broad sense to encompass aspects such as pay, working conditions, health and safety at work, flexible work organisation, working time arrangements and the balancing of flexibility and security;
- **cohesion and an inclusive labour market** for all those wishing to work, with the inclusion of the unemployed, people with disabilities, women, older workers.

The Commission drafted a large number of concrete measures designed to help attain these overall objectives. The Council later collated them into the Employment Guidelines 2003-2005. The Commission identified a key role for institutions such as employment services, social integration services, training services and labour inspectorates in the implementation of the guidelines. The European Social Fund (ESF) was to become the key financial mechanism of support for the EES and had to be adjusted to the objectives of the EES. It should no longer only finance training but a range of human resource development activities, preferably preventive actions stimulating access to ICT, equal opportunities and social integration. At national level, the ESF should also prominently support EU and national priorities as defined in the National Action Programmes.

The European Council largely accepted the proposals of the Commission and agreed on the new Employment Guidelines in a Council Resolution of 2003. The Council stated, however, that employment should be subsumed under economic policy and the internal market. Member States were requested to 'pursue their employment policies in such a way that the objectives and targets defined in relation to the Broad Economic Policy Guidelines and the strategy for the internal market could be met'. As a consequence, the Employment Guidelines for 2003-2005 were meant as a supplement to a growth policy with structural reforms that would lead to more and better jobs.

¹ COM (2003) 6 final

Taking the overall objectives defined by the Commission as the starting point (full employment, quality and productivity of work, social cohesion and inclusion), the Council then formulated the ten priorities for structural reform, which have since become known as the 'Ten Commandments'.

Box 1

TEN COMMANDMENTS

1. To further active and preventive measures for unemployed and inactive persons;
2. To further the creation of jobs and foster entrepreneurship;
3. To promote the adaptability of workers and companies, the mobility in the labour market, social dialogue and corporate responsibility;
4. The promotion of investment in human capital and strategies for life-long learning
5. The promotion of active ageing;
6. To promote equal opportunities for men and women;
7. To support the integration of disadvantaged people, and combat discrimination in the labour market;
8. The promotion of fiscal and financial incentives to make work pay;
9. To transform undeclared work into regular employment;
10. To address and reduce regional disparities in (un)employment.

It is noteworthy that one of the original Commission proposals failed to appear in this list, namely the development and reinforcement of immigration policy. Meanwhile corporate responsibility appeared as a relatively new issue on the list, given that it figured less prominently in the proposals of the Commission. The Council furthermore recommended that Member States involve social partners in the formulation of National Action Plans.

Budget-wise, the 2000-2006 Financial Perspectives package had already reached the halfway point of its term and, therefore, the only possible recommendation at the time was that the financial means available through the ESF should preferably be invested in projects and initiatives designed to meet the objectives mentioned in the Employment Guidelines.

In the following year, 2004, the Council published its *Recommendations* for employment policy in the Member States, based on the Employment Guidelines, the National Action Plans and the assessment of these plans in a Joint Report at EU level. The Council recommended specific priorities for the execution of employment policy for public authorities and the social partners in each country, both for the old (EU-15) and for the new (EU-10) Member States. Furthermore, the Council defined a number of common priorities for the year(s) to come:

- a) Improving the adaptability of workers and companies;
- b) An attempt to keep more people active in the labour market, with methods including strategies of active ageing and financial incentives to make work pay;
- c) Greater and more efficient investment in human capital;
- d) Better governance of reforms, using strategies such as partnerships with the social partners and local authorities. For the new Member States, the Council particularly stressed the need for a better balance between flexibility and security, and a reinforcement of governance and social dialogue (EU Council, 2004).

Before joining the EU in 2004, the candidate countries had to adopt the *Community acquis*, including the areas of employment and social policy. To prepare their entry, in 1999 the Commission had already started the process of supporting the adaptation of their policies and regulations to facilitate their integration within the overall EU Lisbon Strategy. In cooperation with each of the new Member States, joint reports were formulated, which analysed and assessed the challenges for their national employment policy and translated them into action to be taken in a number of specific areas. Economic restructuring, low labour participation and the relatively low level of qualification of the working population appeared to be the main challenges. In most countries, the main priorities included: the creation of jobs; more investment in human resources; the modernisation of the labour market; a strengthening of employment policy; a more preventive policy approach; and the availability of more financial means.

Based on these recommendations, the new MS drafted National Development Plans. In these they described how they would adapt their policies and institutional frameworks, and outlined how they would deploy the financial means available (such as ESF) in order to stimulate employment. Plans and results were further checked in successive rounds of bilateral seminars between the Commission and the new MS. After their entry to the EU in 2004 they were fully integrated into the Lisbon process and were subject to the Employment Guidelines as regards employment policy. A year later, they received their first specific recommendations from the Council, which were based on these Guidelines and an assessment of their national situation, as had already been the case for the older 15 MS.

In short, this first stage after the launch of the Strategy in 2000 can be described as follows:

- Confirmation of the inter-government management of the Lisbon Strategy. In simple terms, the Council is the body that takes the initiative and leads the agenda setting and its implementation. From a political and institutional point of view, this involves a new stress on inter-governmental action. The Commission was therefore pushed to the background.
- Incorporation of the environmental dimension completing the economic-social "triangle".
- An amendment to the original EES guidelines through the "Ten Commandments". These constituted the first signs that the employment objectives were not being met and also revealed concerns regarding the low contribution made by employment to European economic growth.
- The 2004 enlargement, with social and economic effects that must still be analysed.
- Absence of a specific budget allocation to the Lisbon Strategy and, from some points of view, the poor alignment of cohesion policy (Structural Funds and, more specifically, the European Social Fund) with the objectives established in the EES.

3.3 Mid-term review and second period of the Lisbon Strategy 2005-2008

In 2004 the Lisbon process had almost reached its halfway point, but the economic situation in the EU had deteriorated compared to 2000. Whether or not the 2010 objectives and targets as originally defined were still realistic became a subject of serious conjecture. The Commission summoned a high-level expert group and several task forces to assess the situation and formulate proposals for a revision of the strategy.

The high-level expert group's report proved highly critical, claiming: 'The Strategy is about everything, and thus it is about nothing. It is everybody's responsibility and thus it is nobody's responsibility'. In many areas results lagged far behind expectations. In addition, there was no sense of urgency and no clear political commitment at Member State level. For many social partners, the strategy was mainly a bureaucratic exercise. For the general public, the strategy was not visible at all.

The expert group asked that there be a re-launch of the strategy with more focus and more urgency, in order to bring the 2010 objectives back into focus. It proposed a stronger integration of macro-economic and employment policy and a strong focus on 'growth and jobs'. It recommended that a stimulation of economic growth which would lead to more employment should be given the highest priority in order to reduce the rising levels of unemployment. We will return to these conclusions in the next chapter on the impact of the 2005 revision.

The Commission shared the analyses of the various expert groups. In its own analysis of the situation in a report to the Spring Council of 2004, it identified a number of general areas needing attention:

- employment and productivity growth lagging behind due to limited investment both in information and communication technologies, as well as in research and development;
- the development of the internal market had stagnated as a result of limited integration of the products and services markets, the incomplete liberalisation of network industries, and delays in the implementation of EU internal market regulations in the Member States;
- limited effects of economic growth on social cohesion as indicated by increasing (long-term) unemployment, poverty risk, pressure on pension systems and social security provisions;
- limited sustainability of economic growth as indicated by persisting environmental problems and less clear effects with regard to protection of the environment.

The Commission additionally stated that the process had not made the progress that had been expected in areas of economic growth, productivity, employment, job growth, and investments in R&D (Communication '*Working together for growth and jobs – a new start for the Lisbon Strategy*' COM 2005 24 final, addressed to the Spring Council in 2005).

It acknowledged that the conclusions of the mid-term review were very critical, especially as regards the design of the Strategy: an overly ambitious agenda; excessively numerous and often contradictory priorities; poor coordination of policies in different areas; and a limited sense of urgency and commitment at national political level. It also subscribed to the idea of limiting the number of objectives and targets, focusing on 'growth and jobs' and placing concrete measures ahead of the strictly quantified targets for 2010.

As a result, the Commission went on to propose three major objectives:

- 1) **More growth:** Member States should establish new 'partnerships for growth and jobs' in order to support reforms. Such measures should focus on two areas:
 - a) making the EU more attractive for investors and workers by opening up markets and reducing regulations;
 - b) stimulating knowledge and innovation, through greater investment in R&D and ICT, and a stronger industrial basis;
- 2) **More and better jobs:** the EES was to be revised in 2005 and brought more in line with the new focus on growth and jobs. Measures to be addressed in particular included:
 - a) putting more people to work and modernizing social insurance systems, through measures including active ageing and "flexicurity" strategies;
 - b) improving the adaptability of workers and companies and the flexibility of the labour markets, through the likes of the mutual recognition of qualifications;
 - c) investing in human capital and improving education and skills through measures such as lifelong learning;

- 3) **Better governance:** coordination should be simplified, with the reduction of reporting obligations. Specific measures included:
- a) better synchronisation of the Luxemburg, Cardiff and Cologne processes;
 - b) introduction of new Integrated Guidelines for macro-economic, structural/micro-economic and employment policy;
 - c) the coordination of monitoring in an integrated annual report for the Council and the European Parliament.

The Council largely approved the proposals of the Commission and set out new Integrated Guidelines for the period 2005 – 2007. The Guidelines incorporated the Broad Economic Policy Guidelines (for macro-economic and micro-economic policy) and the Employment Guidelines (for the employment policy) in one institutional framework that would become the basic policy instrument of the Lisbon Strategy.

At this point eight major EGs were introduced, with the following basic elements:

Box 2

New Employment Guidelines streamlined within the integrated guidelines 2005-2007

1. Promoting **full employment**, better quality and productivity of jobs and more social and territorial cohesion; targets of 70%-60%-50% labour participation in 2010.
2. Promoting a **life-cycle approach to work**, with attention to the work-life balance, active ageing and modern pension and healthcare systems.
3. Increasing **access to labour markets**, by making work pay and activating labour market policies.
4. Stimulating better **adjustment of demand and supply** in the labour market with measures including better and more transparent intermediates and improved anticipation of qualification needs.
5. Promoting combinations of **flexibility and security** to reduce segmentation in the labour markets. Proposed measures include: adapting labour law and improved regulation of flexible forms of work.
6. Stimulation of controlled **labour costs and wage policy** through the likes of collective bargaining and labour taxation policy.
7. Reinforcement and improvement of **investments in human capital**, using strategies to include targeted education and training policy, reduction of early school drop-outs and life-long learning.
8. Adapting **education and training systems** to new qualification requirements by guaranteeing attractiveness, access and quality of education, early identification of training needs and transparent qualification structures, including recognition of non-formal learning.

Comparing these Guidelines with the previous Employment Guidelines 2003-2005, we notice that full employment and the life-cycle approach to work now feature prominently. Flexicurity also appears on the agenda. Furthermore, there is now a strong focus on education and training. Equal opportunities and integration of disadvantaged people are no longer explicitly mentioned in separate headings. Gender equality as a whole also lost relevance.

In its 2006 Spring meeting, the European Council once again emphasized the Guidelines, and made a call specifically to new partnerships for growth and jobs to take up action in the field of investment in knowledge and innovation. The Council itself announced, amongst other measures, the establishment of a European Research Council, a European Technology Institute, a new action programme for Life-Long Learning 2007-2013 and more interventions of the European Investment Bank (EIB) for research, development and innovation. In addition, the Council stressed the need for promoting entrepreneurship as a source of job creation, especially in small and medium-sized firms, as well as the need for increasing labour market opportunities for disadvantaged people, especially lower qualified and lower paid workers. The Council set out the new target that every young person who became unemployed should either have a new job or work experience placement, or should be enrolled on a new training course, within a period of 6 months.

The results presented in the Joint Employment Reports (JER) of 2004-2005, 2005-2006 and 2006-2007 reveal that the process was struggling to obtain any real purchase on employment policy, especially during the critical years of 2003-2005.

The transitional JER 2004/2005 concluded, for instance 'that economic slowdown has not created major job losses', but it states at the same time 'that little progress has been made as regards the 3 objectives of the EES'. The employment rate had been stagnating, labour productivity had fallen sharply and the economic slowdown had raised serious social inclusion problems. Weak policy responses were reported in several fields (amongst others, active ageing and the management of economic restructuring). The National Action Plans' levels of transparency were often limited, as was their profile throughout society.

2006 was a transition year, once the in-depth review had got underway. The 2005-2006 JER concluded that 'progress in fuelling more economic and employment growth' had failed to materialise, and that 'there is a need to speed up implementation of the Lisbon Strategy'. In several fields, Member States were still often failing to take adequate measures. It was concluded that more attention ought to be given, for instance, to the adaptability of workers and enterprises, to the integration in the labour market of specific target groups and to the negative consequences of the knowledge economy for the low-qualified and lower-paid workers. Furthermore, a sound commitment on the part of the social partners and across society as a whole was often lacking. Bilateral meetings of the Commission with Member States were proposed as a means of putting these points on the agenda.

The Joint Employment Report of 2006-2007 on the implementation of the new post-review Lisbon Strategy had a more positive message, probably due to the up-swing of the EU economy in this period. The report concluded that Member States were now devoting much more attention to attracting people to, and retaining them in, employment. It also praised levels of investment in education and training, although lifelong learning was criticised as underdeveloped. Improvement was called for concerning the adaptability of workers and enterprises, along with institutional reforms in several countries. The Commission called for continuing attention for people at the margins of the labour market. Flexicurity had now become an important issue as part of a life-cycle based approach to work. Migration also made its presence felt as an emerging issue.

The need for a flexibilisation of labour markets coupled with the guarantee of an appropriate level of security to workers is an age-old debate within the EU, with two opposite poles rooted in different ideologies and economic models. The Commission took the initiative on this matter, for instance in the *Green Paper on a Partnership for a New Organization of Work* (1997), which coincided with the launch of the EES.

As early as 2000, the Lisbon Strategy had emphasised the need to reconcile the two seemingly conflicting sides of the equation. This was most obviously the case in its promotion of an "activating" approach to employment policies (through, amongst others, the concept of employability), together with the need to reform social protection systems.

The flexibility experience which was agreed on and carried out in the Netherlands and, even more so, the Danish *paradigm*, had provided an accumulation of theoretical knowledge in this field, and supplied the foundations for its practical implementation.

Since the Lisbon Strategy's review in 2005, flexicurity has been strongly promoted by the Commission as a basic concept in its approach to employment and labour market policy ("*Towards common principles of flexicurity*" COM 2007 359 final). This choice was explained based on the fact that, despite positive job growth, employment figures and participation rates, the EU still faced pressing employment problems and threats to labour markets in the future. It responds to the challenge to uphold the EU's social protection and insurance systems in the face of globalisation, increasing competition, an ageing population and a growing segmentation between insiders and outsiders in the labour market.

The concept of *flexicurity* can be defined in the following terms: 'strategies to increase both flexibility and security in the labour market'. It places a strong emphasis on the empowerment of individuals and supportive institutional arrangements.

It is important to remember that it was widely believed that career management now consisted of a series of professional transitions, and *flexibility* defined people's capacity to make the required transitions during their working lives. By this we mean to choose and organise their work according to their needs and abilities, and to balance work and private life more effectively. The transfer of responsibility for the control of *employability* to the workers themselves is one of the cornerstones of this approach. Here *security* is understood as being the adequate provision of training for workers so that they may develop the skills to enable them to make the necessary transitions, as well as the adequate provision of income insurance. Such concept of flexicurity is inspired by the models of transitional labour markets, developed in labour market economics (cfr. Schmid, 2008).

According to the Commission, a system of flexicurity consists of 4 basic arrangements:

- flexible labour contracts;
- lifelong learning strategies;
- active labour market policies;
- modern social security systems.

An integrated approach, addressing these various fields, would be desirable in order to provide high levels of both flexibility and security. However, the Commission recognized the diversity in social and economic traditions and institutions in the various Member States and did not prescribe a uniform model or any "best-fit-for-all" strategy. Depending on their current situation, Member States could approach this process from different perspectives and follow different 'pathways' in order to implement the reforms necessary to attain greater labour market flexicurity. This is an important point in the long-run. Once a specific pathway has been chosen, one can gradually work towards a more integrated policy perspective. According to the Commission, working towards such an integrated approach would contribute to the Lisbon objectives.

The Commission supported the relaunch of the Lisbon Strategy in the Member States with a special contribution at EU level, the 'Community Lisbon Programme' (CLP). The CLP distinguished three major objectives for supplementary action:

- a) support of knowledge and innovation, e.g. through the 7th Framework Programme for Research and Development, budgets for trans-European networks and an EU action-plan for sustainable technology;
- b) making Europe an attractive place to invest and work in, e.g. through completion of the internal (services) market, trans-European transport networks, broadband internet;

- c) supporting the creation of more and better jobs, e.g. through the EU Youth Pact, the Life-Long Learning Programme, the European Qualification Framework. These objectives would be taken up by the EU Structural and Cohesion Funds. Furthermore, they would be supported with contributions from the EIB and the EIF.

3.4 The current cycle 2008 - 2010

Three years after they were launched, the renewed Lisbon Strategy and the Integrated Guidelines were vindicated by the Commission's December 2007 Strategic Report. In particular, after five years of especially low growth, which came close to stagnation in 2002 and 2003, by 2006 GDP growth had reached 3% in EU-27 and 2.25% in the euro zone. This was taken as evidence of the fact that the guidelines were working, even though it was admitted that "most of the recent upturn is cyclical"². It is against this backdrop that the second cycle of the Lisbon Strategy 2008 - 2010 is being developed.

As a result of the debates that took place under the German and Portuguese presidencies, the Integrated Guidelines remained unchanged for 2008-2010, but their social dimension was strengthened by a revision of the accompanying explanatory text, which called for closer interaction with the Open Method of Coordination on Social Protection and Social Inclusion (OMC/SPSI) and a more systematic monitoring of 'feeding in/feeding out'. Proposals for new actions to be implemented during the second cycle of 2008-2010 were launched at the end of 2007. At the time, signals already existed that the European economies would be affected by the financial problems that were already emerging in other parts of the world, mainly the United States. But it was in the second half of 2008 that the US credit crisis fully impacted on EU economies, firstly the financial markets, later the real economy. The crisis struck quick and hard and EU economies plunged into a deep and still on-going recession. Member States were alarmed and national governments took unprecedented measures to save financial systems and to compensate for huge demand fall-outs in consumer and business markets. Everything in the economy turned 'upside down'. Previous forecasts became obsolete at a single stroke. Prognoses were continuously re-adjusted in fully unexpected negative direction.

In this context, the European Commission also took action and launched its *European Economic Recovery Plan* (COM/2008 800 final), building on the measures that Member States were already taking to fight the crisis. The Plan consisted of two lines of attack: a) an injection of purchasing power into the economy, to boost demand and strengthen confidence; and b) a comprehensive programme directing short-term action to reinforce Europe's competitiveness in the future. This included focussing on 'smart' investments, particularly emphasising the innovation and the potential of a "green" EU economy.

The Commission argued that monetary and budgetary stimuli relieving the short-term negative impacts of the crisis ought to be accompanied by structural reforms which would reinforce the economy in such a way that countries would emerge from the crisis stronger than ever. It was at this point that the Lisbon Strategy came in: 'Appropriately tailored, Lisbon Strategy structural reforms could be an appropriate policy response to the crisis as they strengthen economic resilience and flexibility [...] there should be a close connection between the fiscal stimulus and actions in the four priority areas of the Lisbon Strategy'.

² COM(2007) 803 final

The Commission formulated **10 Actions for Recovery in the 4 priority areas** of the Strategy:

a) People:

1. Launch a major European employment support initiative
2. Create demand for labour

b) Business:

3. Enhance access to finance for business
4. Reduce administrative burdens and promote entrepreneurship

c) Infrastructure and energy:

5. Step up investments to modernise Europe's infrastructure
6. Improve energy efficiency in buildings
7. Improve rapid take-up of 'green products'

d) Research and innovation:

8. Increase investment in R&D, innovation and education
9. Develop clean technologies for cars and construction
10. High-speed internet for all

This Recovery Plan placed great emphasis on investments in infrastructure, energy, research and innovation. A 'greener' and more innovative knowledge economy was seen as the leading line of action to lead European economies out of the crisis, while also making them stronger in the long run. Emphasis on research and innovation was consistent with previous priorities, but the importance attributed to the "greening-up" of the economy constituted a departure from previous priorities. Furthermore, the importance of dynamism in small and medium sized enterprises was strongly stressed; SMEs should be stimulated with easier access to finance and with a reduction of administrative obligations. International entrepreneurship should be facilitated with the new legal possibility of a European private company. This was consistent with the traditional priorities of the Lisbon Strategy.

In the sphere of employment, additional measures were proposed to reduce labour costs, including the lowering of social charges and value-added taxes on (low qualified) labour, as well as to favour the activation of the workforce and participation in training schemes. Employment-supportive initiatives (in the automotive industry, for instance) and a renewed focus on enhancing demand on the labour market (such as in the personal services sector) constituted a repositioning compared with the approach prevailing in previous years, when the focus was placed more on the supply side, that is, on raising skills and training as part of a flexicurity approach.

All in all, however, employment still appeared to be primarily a derivative of financial and economic policies.

4. GOVERNANCE AND INSTITUTIONAL INVOLVMENT

There can be no doubt that one of the main aspects of the Lisbon Strategy is the system of governance chosen to implement its objectives. This system has served as one of the cornerstones on which the political coordination and operational management of the process are built. Drawing primarily on the subsidiarity principle, which holds that decisions should be taken at the lowest possible level, the implementation of the strategy falls mainly with the Member States. The need to agree on new methods for the coordination of social policies within a framework of increasing economic integration is another aspect that had emerged. Generally speaking, policy coordination can take various forms:

- By transfer of full authority to the EU, such as with regard to monetary policy;
- Through harmonisation of legislation according to the community method, for instance on safety and security regulations;
- By regulated coordination, with examples including the budgetary rules of the Stability and Growth Pact;
- Through open coordination by exchange of practices and mutual learning; this is the method which is chosen for economic policy, employment policy, social policy and innovation; the method is generally considered to be a flexible and innovative way of coordinating policies in fields where, according to the principle of subsidiarity, the EU has no authority to intervene with regulations of a legal nature;
- Via consultancy and dialogue with social partners, for instance on macro-economic policy.

Originally introduced for employment policy alone, the Open Method of Coordination (OMC) is now the Lisbon process's basic coordinating mechanism. Common goals are defined with specific timetables, followed up by the exchange of best practices and (in most cases) the development of guidelines, quantitative indicators, periodical evaluation rounds, and peer reviews in which the progress of each Member State towards the stated objectives is assessed.

This includes:

- **voluntary measures** at Member State level;
- In a context where each Member State has agreed in principle to **global** and **specific objectives** and to participate in **common review** and evaluation activities,
- Where these objectives have to some extent been given form as **quantitative targets**,
- And where Community instruments (including the European Social Fund and other awareness-raising and networking programmes) may support this development.

The highest level annual round of evaluation takes place at the Spring Councils, a special European Council meeting held in Brussels every year with specific attention being devoted to the assessment of the implementation of the Lisbon Strategy at Member State and Union level. As a preparation for the Spring Councils, the Commission presents an overall assessment of progress with regards the Lisbon Strategy objectives.

The following procedures have been elaborated in the framework of the OMC:

- legislation is substituted by 'guidelines', such as the Employment Guidelines, the Broad Economic Policy Guidelines and the Integrated Guidelines; these are frameworks for actions at Member State level;
- common quantified targets at EU level are defined and agreed;
- a common framework is defined with indicators for monitoring actions in the Member States and progress of the process as a whole;

- the Member States draft National Action Plans (first on an annual basis, later National Reform Programmes on a 3-year basis) and communicate with the Commission through annual reports;
- the Commission integrates the national reports, and monitors and benchmarks progress;
- the Commission annually consults the European Parliament and reports to the Council;
- the Council draws general conclusions and formulates specific recommendations for every Member State;
- the Member States integrate the recommendations into their next policy cycle.

In this complete cycle, either annual or multi-annual, the European Commission promotes the exchange of experience between Member States through peer reviewing and mutual learning. The Peer Reviewing Programme had been introduced as early as 1999 in the field of employment and social policy, and was then integrated into the Lisbon Strategy. It was subsequently further integrated into the Mutual Learning Program, which became an essential component of the employment strand of the Lisbon process from 2005. The main objective of the program is the exchange of best national practice among policy-makers, social partners, local authorities etc., and the dissemination of the results of the EU employment policy. Thematic seminars with stakeholders and peer review meetings in the Member States are part of the programme. In 2006 the Mutual Learning programme became part of Progress, the new Community programme for employment and social solidarity.

This innovative method has generated abundant scientific literature. Its flexible nature, favouring the creation of knowledge, its decentralised approach, and its absence of imperative regulations, is highly attractive to researchers.

As a result of the revision of the Strategy in 2005, employment and social policies are now coordinated by separate OMCs: the OMC for growth and jobs, a continuation of the European Employment Strategy (OMC/EES) and the OMC for social protection and social inclusion (OMC/SPSI). Among the OMC/EES's remit are employment rate targets, structural labour market reforms and activating labour market policies. The OMC/SPSI, meanwhile, deals with such issues as social inclusion policies, pension systems and health care.

Since its introduction, the OMC has been lauded, on the one hand for its ability to reconcile the requirements of coordination at EU level with the strong demands for autonomy in employment and social policy at Member State level. On the other hand, it has also been criticised, and mainly for the same reason: its detractors point out that there are no formal sanctions, that "naming and shaming" does not really work, and that mutual learning is not effective, the method requiring a lot of paper work, running the risk of becoming a merely bureaucratic exercise.

As far as the institutional set-up of the Lisbon process is concerned, both the national and the European level are subject to critical remarks for their scarce inclusiveness, as the involvement of relevant stakeholders has always been very limited.

Since 2005 the 'partnership' between the European Commission and the Member States has served as the central pillar of the whole process. Although a larger institutional participation and a strong involvement of other stakeholders has always been formally recommended and encouraged, in practice it has never been put into place. Participation has been weak and in many cases only voluntary.

Other European Institutions have developed an individual approach to give their contribution to the Lisbon process. Besides drafting own-initiative opinions and reports, the European Economic and Social Committee has created its own Lisbon Strategy Monitoring Centre, through which it monitors the implementation of the strategy,

In 2006 the Committee of the Regions also promoted the set-up of the Lisbon Monitoring Platform, aimed at analysing the advances of the Lisbon agenda at a local level, as well as the involvement of local and regional authorities in the process, in particular, although not exclusively, through their contribution to the design and implementation of the National Reform Programmes.

At national level, the involvement of parliaments has been rather symbolic, with most of them mainly playing a passive role. Infra-state and regional levels did not play an active role either, although in federal States their involvement was slightly greater. Some regions and cities have recently taken the opportunity to make their voice heard on the post-2010 strategy through an open consultation launched by the Committee of the Regions.

5. SOME MAJOR DEVELOPMENTS IN THE EVOLUTION OF THE LISBON STRATEGY

The Lisbon Strategy is an initiative with a profound political impact. Moreover, especially since its 2005 re-launch, it has developed into an intricate policy mix which is not always easy to analyse. This complexity is the result of the combination of the different management methods and instruments used, with a diverging scope and approach, aimed at both quantitative and qualitative objectives, which have all changed substantially in time. In short, the Lisbon concept is as complex as its underlying political ambition and its management and ad-hoc created procedures have also become more and more complex over the years.

One of the main obstacles to assessing it lies in the difficulty of isolating the strategy's effects within national policies. This limitation can be traced back to the fact that the Lisbon Strategy is a reforming agenda, generating processes whose outcomes will only be observed in the long term. The economic and social changes that were set as Lisbon's objectives (an increase in employment, greater participation in R&D, etc.) require continuity and stability, both at national and European level. National reform agendas may prioritise certain contents of the Lisbon policy mix over others.

An additional difficulty lies with the Lisbon Strategy's evolving nature, which we have already illustrated. Following the 2005 mid-term review, the process underwent a major global change in its trajectory and it was also seriously affected by EU latest enlargements. Moreover, neither the additional external constraints posed by the progressing of globalisation nor the recent eruption of the economic crisis contribute to facilitating the task.

However, a partial assessment can be provided by concentrating on some major controversial issues and focussing on strengths and weaknesses of the process.

5.1 A substantial shift: the review of the strategy in 2005

This review of the strategy, which some define as substantial and others as a mere reorientation of content, was initiated by the work undertaken by the special Employment Task Force and the High-level Group on the mid-term review of the Lisbon Strategy, both directed by Wim Kok.

The European Commission drew its conclusions on the progress achieved in implementing the strategy in the Communication *'Working together for growth and jobs – a new start for the Lisbon Strategy'*, addressed to the 2005 Spring Council. The documents produced by the Employment Task Force and the High Level Group, e.g. the reports *Jobs, Jobs, Jobs - Creating more employment in Europe*, published in November 2003, and *Facing the challenges – The Lisbon Strategy for growth and employment* of November 2004 provided the main inputs for the review.

These reports, especially the latter, were published at a time when the economies of most of the EU-15 Member States were experiencing a downward spiral, with slackening growth and sharply increasing unemployment figures. From that perspective, the Lisbon Strategy's 2010 targets appeared unattainable, unless preventive measures were introduced.

In its report *Jobs, Jobs, Jobs*, not only focused the Employment Task Force on short-term measures to fight unemployment by creating jobs, but it also tried to present a vision of how 'Europe can increase its economic potential, with sustainable employment and productivity growth in the medium and longer term'. According to the Task Force, four key requirements needed to be met to boost employment and productivity in the long run:

- *increasing the adaptability of workers and enterprises*, by, among other means, facilitating the creation of new businesses, reducing regulations and administrative costs, reducing labour costs for low-skilled workers, increasing investment in R&D, improved utilisation of R&D in innovation, making labour markets more flexible through the introduction of flexicurity approaches;
- *attracting more people to the labour market*, by, for instance, making work pay with adequate tax measures, putting an end to inactivity and low pay traps, facilitating job search and training for the unemployed, removing obstacles to women's access to employment through improved childcare and care for the elderly, improved integration of immigrants and active ageing strategies;
- *investing more and more effectively in human capital*, through such means as the building, maintaining and updating of workforce skills; raising educational levels; making life-long learning accessible to all; and increased business investments in training;
- *ensuring effective implementation of reforms through better governance*, by, for example, a firm commitment to the EU employment objectives on the part of national governments, clear national policies and objectives, a stronger involvement of national parliaments, social partners and civil society.

Member States were recommended to build up reform partnerships 'by mobilising the support and participation of the various stakeholders and securing public conviction in the need for reforms'. The EU would support these processes with adequate feed-back, coordination, targeted policy recommendations and a Lisbon-oriented funding by the EU budget.

The High Level Group did not only focus on employment, but it also took a broader stance and addressed the Lisbon Strategy as a whole. Its assessment in *Facing the Challenges* is rather negative: progress is considered to be too slow and the results achieved are judged as disappointing, due to an overloaded agenda, poor coordination, conflicting priorities and a lack of determined political action. The Group argues the case for refocusing the strategy and integrating it with the macroeconomic policy: "For Europe to increase its living standards, it needs to accelerate employment and productivity growth via a wide range of reform policies as well as a wider macroeconomic framework as supportive as possible of growth, demand and employment".

In this refocused perspective, the social and environmental dimensions are in a certain sense subsumed within the economic dimension, although their importance is still emphasized: 'Each element of the Lisbon Strategy is still needed for the success of the whole. Improved economic growth and increased employment provide the means to sustain social cohesion and environmental sustainability. In turn, social cohesion and environmental sustainability can contribute to higher growth and employment'.

The Group recommended five policy areas where urgent action should be taken. They clearly reflected the new focus on productivity and employment growth:

- the *knowledge society*, including R&D and better use of ICT as top priorities;
- the *internal market*, with the creation of the single services market as priority;
- the *business climate*, with better start-up facilities;
- the *labour market*, including lifelong learning and active ageing;
- the *environment*, with eco-innovation and eco-efficiency as boosting factors.

As far as the labour market is concerned, the Group also refers to the agenda proposed by the Employment Task Force and asks for a quick implementation of these recommendations. Furthermore, a number of measures are proposed in order to strengthen the strategy through improved governance and greater stakeholders' commitment, including broad 'partnerships for reform' in the Member States, the elaboration of national reform programmes debated with parliaments and social partners, the integration of EU BEPG and Employment Guidelines, the simplification of the monitoring process (for example, a reduction to 14 key structural indicators) and an extended EU communication strategy aimed at the wider public.

The OMC in particular was harshly criticized for failing to ensure Member States' commitment to the implementation of the agreed reforms necessary to reach the Lisbon targets. It can be argued that some criticisms were justified, notably as to the OMC's lack of strategic focus and its multiplication of objectives, targets and coordination processes.

The Commission recognized that the assessment provided by the expert groups was rather critical, especially concerning the objectives and design of the strategy and the political and public commitment it had generated (*Working together for Growth and Jobs – Integrated Guidelines for Growth and Jobs 2005-08* COM(2005) 141 final). Based on the idea of refocusing on "growth and jobs" as a starting point, it re-defined some political priorities in line with the new focus and proposed three major objectives for the strategy:

- *more growth*: Member States should establish new 'partnerships for growth and jobs' in order to plan reforms in two main areas. - further development of the internal market, as well as increased investment in R&D, ICT and a stronger industrial basis;
- *more and better jobs*: the EES should be brought into line with the new focus on growth and jobs, with measures aimed at putting more people to work, modernizing social insurance systems, improving the adaptability of workers and companies, investing in human capital, education and lifelong learning;
- *better governance* through a simplified coordination process with Integrated Guidelines for macroeconomic, microeconomic and employment policies and less reporting obligations.

The proposals of the Commission were largely taken up by the Council. The revised policy with a new focus on growth and jobs became the framework for the second period of the Lisbon Strategy as of 2005.

Some opinions on the mid-term review

The review carried out in 2005 has become the subject of doctrinal controversy in academic literature and it has been strongly criticised by certain social sectors and trade unions. Obviously, this re-positioning constitutes a major shift of the overall approach of the strategy and the EES. Some authors argue that the Kok report did not systematically review all of the available evidence on the performance of the OMC processes, such as the extensive mid-term review of the EES in 2002 (Zeitlin, 2007). At the same time, others point out that its analysis of the social and environmental objectives of the strategy was at best cursory: the report's approach to social problems and their analysis revealed an almost exclusive prioritisation of employment, while any other social problems were barely touched upon.

It would therefore appear that the negative conclusions of the Kok report determined the new Lisbon Strategy approach. Perhaps as a result of being one of the first exercises undertaken by the newly appointed Commission, the new Lisbon agenda was presented with certain confusion as to its need and justification.

Certain contradictions appear therefore in the relevant Community texts and public statements³ which did not succeed in clarifying whether the Lisbon Strategy of 2000 had failed due to its approach, owing to its objectives or as a result of implementation problems.

It was not long before some experts, however, pointed out the failures they had detected. As Prof. M J. Rodrigues, one of the main advocates of the Lisbon Strategy on behalf of the Portuguese Presidency (2000) and of the Luxemburg Presidency (2005) has recently written: "the results of implementation in 2004 were clearly very inconsistent across policy areas and from country to country. Very broadly, progress was evident in some areas (such as internet connection, networks for excellence in research, one-stop shops for small business, the integration of financial markets, the modernization of employment services, and in some social inclusion plans), but there were important and obvious bottlenecks when it came to fostering innovation, adopting a Community patent, opening the services market, developing lifelong learning, or reforming social protection. Furthermore, in general terms, the performance of some Northern countries was better than that of some Southern states; and some smaller countries seemed to perform better than most of the larger ones"⁴.

The refocusing of 2005 has led several experts to comment that economic discourse, with its weighting towards competitiveness, deregulation and labour market flexibility, has gained dominance over social discourse, advocating stronger social protection, social cohesion and workers' rights. In an historical overview of the development of the EES, Pochet signals that the mid-term review and the considerations of the Kok-report were not radically different from the EES, but that they did reinforce a liberal interpretation of it. Growth and jobs were declared first level priorities, social cohesion and sustainability were classified as second level objectives. The focus was placed on quantitative job growth, while little was said about job security and still less about job quality. Issues regarding social protection and social inclusion, which were already dealt with in an autonomous coordination process, thus became further separated from growth policies and structural reforms (Pochet, 2005).

Other voices, however, have been more critical about the development of the Strategy. According to some observers, the subordination of social goals to economic objectives is one of the reasons for the Lisbon Strategy's failure to be accepted, and the root of a Euroscepticism they observe in parts of Europe. With the shift to a growth and jobs approach, the Lisbon Strategy has increasingly become identified with policies of market liberalisation, privatisation, deregulation and globalisation, with structural reforms coming at the cost of the existing social welfare regimes and their supportive institutions for unemployment benefits, social risk insurance, social assistance, pensions, health care etc. European citizens cannot feel committed to programmes that have no clear social dimension (Zgajewski & Hajjar, 2005).

In any case, when compared to Lisbon 2000, it cannot be denied that the review evidenced a predominance of aspects related to the Growth and Stability Pact, but paying little attention to the strategy's social objectives. This situation was partially rectified when the Commission presented the Social Agenda, which did prioritise some components of a social nature, focusing mainly on the fight against poverty and the need to guarantee a minimum income.

³ For example, the speech pronounced by the new President of the Commission on 2 February 2005 in the European Parliament. "It is as if I have three children – the economy, our social agenda and the environment. Like any modern father – if one of my children is sick, I'm ready to drop everything and focus on him until he is back to health. That is normal and responsible. But that does not mean I love the others any less!" seems to indicate a will to give priority to economic objectives to the detriment of the other social and environmental objectives.

⁴ Rodrigues, M.J. (ed) (2009), *Europe, Globalization and the Lisbon Agenda*, with the collaboration of L. Soete, J. Goetschy, P.C. Padoan, R. Boyer, J. Berghman, A. Török, B.Å. Lundvall, B. Coriat, M. Telò, I. Begg and W. Drechsler, Cheltenham: Edward Elgar, Chapter 12 " The Lisbon Agenda and the key reforms at national level. Conclusions of the debate" by Maria João Rodrigues.

In short, wide consensus exist on the fact that the 2005 review resulted in a weakening of the link between the economic, employment and social policies by identifying three different agendas. Later on, in response to persistent complaints about the weakness of the mutually reinforcing dynamic between the economic, employment, and social policies within the revised governance architecture of Lisbon 2005, the 2007 Spring European Council resolved that the "common social objectives of Member States should be better taken into account within the Lisbon Agenda [...] in order to ensure the continuing support for European integration by the Union's citizens."

5.2 The effects of the review on the gender mainstreaming approach

After being one of the 2003 "Ten Commandments", gender equality disappeared as a specific guideline as a consequence of the 2005 review and was incorporated into other integrated guidelines. The Commission Communication "Working together for growth and jobs, a new start for the Lisbon Strategy" had this in mind when it omitted to mention gender mainstreaming as one of the key elements of the strategy that it intended to revise. This move was attacked and fiercely contested by organisations defending women's rights⁵ as well as by other civil society organisations⁶.

Up to that point the mainstreaming approach had constituted one of the greater innovations of the Lisbon Strategy and, although it was still to develop to maturity, its progress and increased profile compared to the previous situation were remarkable. Thanks to the gender mainstreaming approach the process of assessing the implications of any planned action for women and men alike had become general practice, making women's as well as men's concerns and experiences an integral dimension of the design, implementation, monitoring and evaluation of public policies and programmes. The Commission's proposal, therefore, could be considered as a definite backing down

More precisely, the gender mainstreaming approach was moved to the introductory section of the strategy and some of its substantial content (reconciliation of professional and private life, gender gaps such as in wages, for example) were included in different guidelines. The earlier target referred to as "equal opportunities" ceased to exist, so that there is no mention of gender equality in the 24 Integrated Guidelines, and in particular the eight Employment Guidelines. This implies a loss of recognition of gender equality as an explicit political objective and institutional commitment at the highest level. In addition, gender mainstreaming has lost relevance in the reporting by the Member States. While many quantitative objectives, such as, for instance, those concerning pre-school childcare⁷, are upheld under different guidelines and can be monitored, the integrated focus and ensemble vision seem to have been watered down.

Subsequently, both the Council (with the European Pact for Gender Equality adopted in 2006), as well as the Commission (with the Roadmap for Equality between women and men 2006-2010), launched initiatives aimed at partially mitigating this shift in the Lisbon Strategy. It is noticeable that these actions stressed the need to improve gender equality as a necessary condition to increased growth and more jobs, as well as the need to take into account gender equality in the impact assessment of new EU policies.

Later analyses which have been carried out on official Member State documents (National Reform Plans) seem to confirm the loss of profile of gender mainstreaming. In general the level of mainstreaming gender equality into employment and growth policies appears low.

⁵ European Women's Lobby. "Lisbon Strategy Refocusing puts EU Gender Equality and Social Europe in Jeopardy". Spring Council, March 2005 Brussels

⁶ Intervention of Simon Wilson, Director of Social Platform. "Mid-term review of the Lisbon Strategy from the gender perspective". Hearing of Committee on Women's Rights and Gender Equality. EP. 25 January 2005

⁷ In March 2002, the European Council of Barcelona agreed that Member States should strive "to provide childcare by 2010 to at least 90% of all children between 3 years old and the mandatory school age and at least 33% of all children under 3 years of age" in an effort to remove disincentives to female labour participation. The European Council reiterated the need to achieve these targets in the European Pact for Gender Equality adopted in March 2006.

Only a few Member States report the use of instruments for gender mainstreaming such as Gender Impact Assessment (GIA) and Gender Budget Analysis (GBA)⁸, which would indicate that this focus falls far short of being either systematic or fully integrated into the great majority of MS.

If, for example, we examine the contents of the National Reform Programmes in the first year after the Lisbon Strategy 2005, paying particular attention to the “making work pay” agenda for low-waged workers, what one discovers is that reforms to promote real gender equality approach are partial and inconsistent.

The result of the redirection of gender equality towards an approach that focuses on flexibility and activation in terms of employment rates can be viewed as a political step backwards. It is one that leads, furthermore, away from the position adopted by the European Parliament on several occasions⁹. As has also been pointed out, “without a notion of attainable gender equality, the strategy of gender mainstreaming became toothless. In the process, the strategy had lost its ability to detect and to raise awareness of questions and problems of substantive inequality. Instead, gender equality had become synonymous with quantitative equality in terms of employment rates.”¹⁰

Recently the Commission has financed an ad-hoc analysis of the 2007 and 2008 National Reform Programmes¹¹. The results support the same conclusions reached by earlier analyses, and the experts’ evaluation on the Plans as a whole is not favourable, as it identifies an insufficient level of gender mainstreaming. Out of the 420 markers analysed in terms of gender mainstreaming, only a third could be considered to have been substantially affected. Gender frequently fails to become integrated into the broader network of policies, or is simply dealt with as a separate section.

In addition to this generally unsatisfactory appraisal, among the most interesting findings highlighted by the group of experts were the following:

- the significant number of measures relating to gender which are included within the Lisbon Strategy’s quantitative targets. 22 Member States have included at least one national target that is relevant to gender equality. However, levels of gender mainstreaming are patchy and, in many cases, they do not appear on key points. Attention was even drawn to the risk that measures not included in gender mainstreaming could end up having undesired negative effects on gender equality. On the other hand there is an improvement in the appraisal of labour policies in terms of their expected positive impact;
- the impetus provided by the Road Map for Gender Equality and the Gender Equality Pact, which have, in turn, generated other initiatives and effects within Member States.
- the contribution that gender mainstreaming can make to the application of the principles of flexicurity, in the absence of a more comprehensive vision.
- finally, attention has been drawn to the risk that, in the current context of economic recession, the implementation of gender equality might find itself relegated in favour of perceived higher-priority policies. Meanwhile, public budget restrictions may slow down the development of certain policies that had already been started, such as, for instance, reconciling professional and personal life.

⁸ *Gender mainstreaming of employment policies: A comparative review of thirty European countries*. EU’s expert group on Gender, Social Inclusion and Employment (Janneke Plantenga, Chantal Remery and Jill Rubery. 2007. DG Employment, Social Affairs and Equal Opportunities. European Commission.

⁹ European Parliament decision on the future of the Lisbon Strategy from the gender perspective (2004/2219(INI)). P6_TA-PROV(2006)0029

¹⁰ Thomas Pfister. Queen’s University Belfast.

¹¹ The National Reform Programme 2008 and the gender aspects of the European Employment Strategy. EC’s expert group on Gender and Employment Issues. Paola Villa and Mark Smith

5.3 Parallel agendas: the OMC processes for employment and social policies

The OMC has taken on various forms in the different policy areas concerned. For example, in the social inclusion policy field, in 2000 the Council agreed on a set of **common objectives**¹² and on a procedure consisting in regular reports on good practice and innovative approaches of common interest to the Member States and in preparing, together with the Member States, a Joint Report on Social Inclusion for submission to the Spring European Council. In other important fields of the Lisbon Strategy, such as education and the development of the information society, open coordination is a process that is much less well-structured. This inclusive agenda was based on the concept of a “socio-economy policy triangle”, with equal weight given to full employment and social cohesion alongside economic growth and competitiveness.

In 2003, the Commission proposed the reorganisation of social protection (inclusion, pensions, health and long-term care) to strengthen cooperation between the different policies, with the aim of making it more visible and interwoven into the Lisbon Strategy (COM (2003) 261).

Since the revision of the Lisbon Strategy in 2005, employment and social policies have been coordinated by separate OMCs: the OMC for growth and jobs, a continuation of the European Employment Strategy (OMC/EES) and the OMC for social protection and social inclusion (OMC/SPSI).

The three main components of the social OMCs were “streamlined” into a single overarching Open Method of Coordination on Social Protection and Social Inclusion, with both common and sector-specific objectives. According to successive European Council conclusions, the relaunched Lisbon Strategy was designed to provide “a framework in which economic, employment and social policy mutually reinforce each other, ensuring that parallel progress is made on employment creation, competitiveness, and social cohesion in compliance with European values”. This mutually reinforcing dynamic was supposed to be achieved by a reciprocal relationship between the streamlined (OMC/SPSI) and the Integrated Guidelines for Growth and Jobs, whereby the former “feeds in” to growth and employment objectives, while the latter “feed out” to advance social cohesion goals, i.e. the OMC/SPSI was to interact with the Growth and Jobs Strategy and vice versa (Frazer & Marliler, 2008a).

However, several authors (Zeitlin, 2008) have provided critical assessments of the lack of coordination between the OMC for employment and the OMC/SPSI. Neither the approach sought by the EES and social policies, nor the work systems, have led to a sufficient levels of synergy. Furthermore, expert independent evaluations of the national reform programmes demonstrate that such synergy actually proves rather thin on the ground. Explicit links are reported in only a limited number of MS. Unfortunately, feed-out and feed-in processes are limited to specific policy issues, while mutual interactions are seldom explicitly analysed in the national reports. However, evaluations do point to a growing awareness of the importance of synergies and of “the potential of economic and employment policies and social policies being mutually reinforcing” (Frazer & Marlier, 2008a).

¹² Since 2001 the Member States have developed and submitted National Action Plans for social inclusion every second year. The Commission’s role is limited to that of facilitating the exchange of feedback.

5.4 Coordination with the Social Policy Agenda

The Social Policy Agenda for 2000-2005 (COM (2000) 379 final) was launched as part of the Lisbon Strategy to highlight “the essential link between Europe’s economic strength and its social model”. It consisted of a series of measures to reinforce social policy, including EU instruments for the creation of better job and training opportunities and measures specially targeted at vulnerable groups (the ESF and EQUAL). It covered various areas, such as:

- investment in research, education and training
- investment in high standards of performance at the workplace
- investment in active policies regarding social inclusion and equal opportunities
- investment in social cohesion.

For the governance and coordination of these actions, various mechanisms are available: legislation; open coordination; social dialogue; EU structural funds; EU action programmes; policy analysis and research. The Agenda stressed the need to look for the right combination of instruments in specific areas. In the 2003 mid-term review the **six main areas** of the Social Policy Agenda were defined more specifically (COM (2003) 312 final):

- creating more and better jobs
- anticipating and managing change
- social inclusion and fighting discrimination
- modernising social protection
- promoting gender equality
- strengthening the social policy aspects of external relations

For each of these areas, indicators were developed to measure progress, while the OMC was applied in the area of modernising social protection. A new financial fund was also created to support MS: the European Globalisation Adjustment Fund, the aim of which was to help people to adapt to globalisation. It could be used for retraining and reintegration of the recently unemployed, who would otherwise run the risk of (long-term) unemployment and poverty, as a result of structural changes in world trade patterns. The Social Agenda was also used to assess the social policies of the candidate countries (COM (2003) 312 final; COM (2004) 137 final).

In 2005 a new Social Policy Agenda for the period 2006-2010 was published, whose aim was “to reinforce social cohesion as an integrating part of the Lisbon Strategy and the Strategy for Sustainable Development” (COM (2005) 33 final). The Commission particularly emphasized the role of the social agenda in enhancing citizens’ confidence in the European project and called for the development of an “intergenerational approach” and a strong partnership between governments, social partners and citizens. Europe should better use the strengths of its specific social model and better promote it in its external relations throughout the world. The new agenda further focussed on two main areas:

- full employment;
- equal opportunities and social integration.

As regards full employment, the agenda called for improved integration and coordination of EU policy measures and greater synergy between policies and financial mechanisms, in particular the European Social Fund. Furthermore, it recommended that social partners become more involved. Close links between the European Employment Strategy, EU legislative measures and agreements among EU social partners were deemed necessary. The agenda also claimed that, from the perspective of a truly European labour market, the social partners should be given more instruments for transnational collective agreements.

As regards equal opportunities and social integration, several specific measures were proposed, including improvements in access and participation of women in the labour market, as well as the creation of a better work-life balance.

In general terms, we could argue that synergies do exist between the Lisbon Growth and Jobs Strategy and the Social Agenda, but that they are not evenly spread across all six priority areas. With regard to the areas of “creating more and better jobs” and “anticipating and managing change”, the synergies are clear. In other areas, there appears to be less synergy, as in the “social inclusion” and “social protection” areas. Meanwhile, “fighting discrimination”, “promoting gender equality” and “strengthening social policy aspects in external relations” no longer figure as separate objectives in the revised Lisbon Strategy. Actions in these fields are guided primarily by the Social Agenda.

5.5 Legislative instruments: the Community Lisbon Programme

The implementation of the Lisbon Strategy, especially since 2005, was based on a close partnership between the Commission and Member States through:

- The Community Lisbon Programme (CLP)
- The National Reform Programmes (NRP)

Within the governance system chosen for the implementation of the Lisbon Strategy, the OMC was always supposed to be combined with other EU policy mechanisms, including legislation, social dialogue, Community action programmes and the structural funds.

The CLP is predicated on the concept of supporting the widespread implementation of the Lisbon Strategy by means of a combination of legislative and financial measures which would contribute to greater coordination. Presented by the Commission in 2005¹³ with the aim of strengthening the development of the renewed strategy, it sets out to create EU added value, establishing synergies with the political reforms to be carried out by the Member States.

The overwhelming majority of actions that have been carried out do not belong to the fields of employment or social policy, but, rather, more generally, to the completion of the internal market. This is partly owing to a lack of EU legislative competence in the areas this report focuses on. However, financial action was more relevant, as we will see later, including the adoption of the Regulations on the Structural and Cohesion Funds post-2007, or the setting into motion of the Programme for Employment and Social Solidarity (PROGRESS), which is directly linked to financing the development of the Lisbon Strategy’s social agenda.

As a result of the European Council’s most recent review of the CLP at the end of 2007, 10 top-priority target actions were established for the 2008-2010 period which correspond to the content of the Integrated Guidelines (IGs). Only two of the ten targets make reference to the Employment Guidelines (the adoption of the 2008 Renewed Social Agenda and the adoption of proposals for a common policy on immigration).

To these we can add the Recommendation on the establishment of the European Credit system for Vocational Education and Training (ECVET) and the European Quality Assurance Reference Framework for Vocational Education and Training. Both are directly related to the Lifelong Learning Programme.

The rest of the targets and their corresponding actions concern the rest of the Integrated Guidelines, in particular the guideline which deals with improved regulation, internal market, R&D, innovation, infrastructures, etc.

¹³ COM(2005) 330 final. Communication from the Commission to the Council and the European Parliament. common actions for growth and employment: the community Lisbon programme [SEC(2005) 981]

In each of the target areas considered, agreement was reached regarding different legislation and initiatives within European competence. The list of legislation adopted at EU level and implemented in the MS is so long and varied that it cannot be analysed in full¹⁴.

The results obtained by the Community Lisbon Programme are analysed in the progress reports that the Commission regularly carries out, the latest available being the one issued in December 2008¹⁵.

5.6 Financial instruments and budgetary resources

Along with legislative instruments, the Lisbon Strategy has also used Community-level financial resources. We must bear in mind the fact that Member States have to pursue Lisbon targets by means of internal political reforms, which of course means that the funds have to be provided by the MS themselves. The EU budget only covers a limited share of the costs, mainly through the instruments belonging to regional and cohesion policy.

However, criticisms of the imbalances at the heart of the Lisbon Strategy, in particular the loss of MS autonomy to tackle economic policy, served to strengthen arguments over the strategy's implementation. The MS have very few macroeconomic policy tools left at their disposal, since fiscal policy is regulated by the Stability and Growth Pact, while monetary policy is carried out independently by the European Central Bank.

The Community financial instruments assigned to Lisbon are laid down in the Community Lisbon Programme, and the funds are included in the Community budget.

In the first period of the Strategy, there was minimal official connection between Lisbon and Community financing, either in the instruments or in resources. Before the Financial Perspectives were revised, regional cohesion policy, in particular the European Social Fund (ESF), made a substantial contribution to the financing of the EES, despite any clear link with the specific targets of the Lisbon Strategy.

It was thus that, in 2003, the Commission calculated that 97% of resources destined to regions with structural difficulties and 85% of those destined to regions that were lagging behind, provided Lisbon with 270.000 million Euros that were supposedly added in bulk.

The 2007-2013 Financial Perspectives¹⁶ officially constituted a substantial boost for the Lisbon Strategy's implementation. The Council Regulation on structural Funds¹⁷ linked the application of Funds and, in particular, the ESF in Art 9(3), with the employment guidelines:

"3. The assistance co-financed by the Funds shall target the European Union priorities of promoting competitiveness and creating jobs, including meeting the objectives of the Integrated Guidelines for Growth and Jobs (2005 to 2008) as set out by Council Decision 2005/600/EC of 12 July 2005.

To this end, in accordance with their respective responsibilities, the Commission and the Member States shall ensure that 60% of expenditure for the Convergence objective and 75% of expenditure for the Regional competitiveness and employment objective for all the Member States of the European Union as constituted before 1 May 2004 is set for the abovementioned priorities. These targets, based on the categories of expenditure in Annex IV, shall apply as an average over the entire programming period."

¹⁴ See the Commission staff working document SEC(2006) 1379 on the Community Lisbon Programme: Technical Implementation Report 2006.

¹⁵ COM (2008) 881 final .Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. Implementation Report for the Community Lisbon Programme 2008 – 2010. Brussels. 16.12.2008.ve

¹⁶ The Financial Perspectives 2007-2013 establish expenses equivalent to 1.048% of the EU Gross National Product (GNP), equivalent to a cost of 0.72 euros per day per European citizen.

¹⁷ Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999

Likewise, it was decided that all documents referring to the monitoring and reporting of the cohesion policy ought to include an analysis of the influence and effects seen on the European Employment Strategy and Lisbon¹⁸. This would clearly point to a strengthening of the link between the Lisbon Strategy and cohesion policy.

Programmes launched under the “convergence” objective, with their emphasis on competitiveness, innovation and a more knowledge-based economy, take centre stage in this relationship. Approximately 80% of the European Regional Development Fund (ERDF) and all of the ESF resources devoted to convergence programmes should meet the objectives of the Lisbon agenda.

By its very nature and definition, the ESF is the primary financial instrument aiding the development of the Employment Guidelines. Based on the EC Treaty, the ESF is designed to foster balanced economic and social development in order to support national policies promoting full employment, improved quality and productivity at work and reduced social exclusion and regional employment disparities. Since 2007 its priorities have come entirely into line with those of the Employment Guidelines and are designed to improve adaptability among workers, businesses and employers.

The ESF’s function as a financial instrument has recently been highlighted by its active role in the European recovery action plan adopted by the European Commission on 29 October 2008. A more flexible approach to the way it is used allows for the speedier implementation of those actions aimed at upgrading skills, encouraging entrepreneurship and improving public employment services in the Member States, allowing for speedier returns on investment. Furthermore, it is expected that the ESF would support schemes at national level to maintain viable employment through short-time work and training, as well as contribute to “new start” targets aimed at providing immediate help for the unemployed. These include proposals that an early opportunity for training or work should be provided to each unemployed person: within 1 month for the under-20s, within 2 months for the under-25s, and within 3 months for the over-25s¹⁹.

5.7 The Lisbon Strategy and enlargement

Most experts now agree that the consequences of the enlargement with 10+2 new Member States from Central and Eastern Europe have not been sufficiently analysed, and this also applies to the sphere of the Lisbon Strategy.

This is to be considered an especially relevant weakness given that, while Lisbon establishes a European strategy, it also admits the option that separate MS select and prioritise their sets of policies (policy mix). We must remember that the new MS entered the arena at a time (Lisbon review) at which the Lisbon Strategy was seen as a more or less discredited EU initiative, and it was therefore not easy for a large part of the process to take root. A further challenge was to bring back the idea of long-term planning and its benefits in countries which had given up on 40 years of central planning.

These are just two of the reasons why the reception of the Lisbon Strategy in the new MS has been so diverse. In countries such as Hungary, for example, the governance model of the process seems to have had a positive impact on the administration. This can be seen in stronger strategic thinking and greater planning for the medium term, as well as the regular monitoring of ideas, measures and their implementation. Greater collaboration with European peers, the Commission and the Council also seems to have had a positive effect, although its intensity and efficiency has proved inconsistent. However, the policies adopted and the outcomes of these policies do not necessarily show the beneficial effects of the improvements in governance.

¹⁸ Articles 27(d), 28(4), 29(d), y 30(1) of the Council Regulation (EC) No 1083/2006.

¹⁹ COM(2009) 257 final. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions. A Shared Commitment for Employment

However, in other countries, the Lisbon Strategy implementation has progressed poorly. For instance, reports from Poland suggest that the poor importance the strategy gave to national priorities served to lessen interest for the strategy. This would help to explain the fact that Poland has failed to implement the strategy fully. Furthermore, there is no inter-governmental Committee for the implementation of the Lisbon Strategy, with different components of the strategy being delegated to different departments in different ministries. It is thus hardly surprising that the coordination of their work is insufficient.

Even worse, there were serious problems during the process of social consultations for the first Polish NRP. The timing of consultations was very unfortunate, 2005 being an election year, both parliamentary and presidential, which ended in a complete shift of power. This hampered and reduced the consultation process.

5.8 Efficiency of the strategy's implementation at national level

A general conclusion that can be drawn from national research is that the instruments of the Lisbon Strategy (IGs, NRP's, OMCs) prove particularly useful in the national administrations themselves. By this we mean that they provoke more rational policy programming and greater coordination between different policy departments and levels. Furthermore, a "leverage" function can sometimes be perceived, which means that they can support ongoing national reform initiatives that meet national resistance. However, experts agree that it is difficult to find direct links between EU guidelines and specific national reforms.

The national case-studies included in Part II of this report reveal that the impact of the (non-legislative) Lisbon coordination mechanisms in the employment and social fields is particularly visible within administrative circles.

In **Hungary** the national development plans and the - frequently changing - national reform initiatives dominate the employment and social policies agenda. According to one source, "one finds the EU governance of the Lisbon Strategy most useful particularly in times when the government, due to a temporary political impasse or reform fatigue, is ready to give up major reform goals. At these times the reiteration of Lisbon guidelines, the compulsory reporting on the implementation of plans, including quantified targets and fulfilment of recommendations, provide great assistance in keeping the reform initiatives alive, and encourage government experts to seek new ways of furthering the Lisbon initiatives". Cooperation with European peers, the Commission and the Council is also regarded as useful by Hungarian officials involved (Gács, National case report, 2009).

In **Poland** the implementation of Community law has been more important than the implementation of the Lisbon goals, due to the fact that these regulations were necessary to carry out structural reforms required for joining the EU: "There is a clear difference between 'implementing Lisbon' and 'introducing structural reforms'. Sometimes the Lisbon Strategy is used as an additional incentive to speed up reform processes, or as a vehicle to advance unpopular reforms" (Kwiatiewicz, Polish national case report, 2009).

In **France**, the policy makers involved claim that the drafting of National Action Plans favoured a rationalization of policies, as well as new modes of coordination inside the administration, between ministries and even between ministries and decentralized levels of the administration. A weak point is that there is no link between the priorities discussed in Lisbon coordination committees and the implementation of ESF funding (Erhel, French national case report, 2009)

In **Germany** experts state that the German governance model of implementing the Lisbon Strategy "in general must be regarded as very efficient". The policy cycle is functioning well, the consultation process is following standard procedures, and in the monitoring of employment policies national procedures are connected with European methods and indicators. The OMC is also seen as contributing to "institutional learning", according to representatives of the government. Other experts attach less importance to its impact, minimising its function to facilitate the adoption of best practices in Germany.

In general, the impact of the guidelines appears to vary from one policy issue to the other. The German report further states that “it is also quite obvious that the EU guidelines and recommendations are used by political actors for their respective interests, e.g. as in the case of the Hartz-reforms: the government stressing advantages for flexibility of the labour market, the trade unions criticising negative effects on social security and social cohesion” (Voss & Haves, German national case report, 2009).

In the **United Kingdom** there is some acknowledgement within the administration that co-ordination between ministerial departments has improved in response to the need to produce the National Action Plans (NAPs) and National Reform Programmes (NRPs). This was probably also caused by the fact that “joined-up government” was a central element of Labour’s plans for administrative reform when it took office in 1997, so there was already some impetus towards better coordination within government. However, it is still difficult to see to what extent the OMC has been able to penetrate the UK policy-making process.

In **Spain**, the administrative coordination model seems to be successful, despite criticism from Autonomous Communities over the limited role they play in this process. Further critical remarks come from social partners, from both sides of industry, concerning their lack of involvement beyond specific sections dedicated to the labour market. However, it is quite clear that the OEP – the Spanish administrative body in charge of this task – made serious attempts to promote coordination between the different administrative bodies, different territorial administrations and the main social partners (Calvo, Javier, Spanish national case report, 2009).

The primary perceived effects are those of “leverage” and “learning”. In the following sub-chapter we will place these observations into the wider context of an assessment of the general policy mix of the Lisbon Strategy.

5.9 Competitiveness, sustainable development and social cohesion: balance of the triangle

One field where European integration is an imminent reality is that of environmental issues. We will discuss environmental policies in a less comprehensive way, because the focus of this report is on employment and social policies. However, they must be mentioned because there are clear relationships between the economic, social and environmental dimensions.

The environmental dimension was introduced in the Lisbon process shortly after its inception, at the Göteborg European Council of June 2001. These policies were based on the Commission’s paper “A Sustainable Europe for a better world: A European Strategy for Sustainable Development”. Sustainability was presented as a key overarching dimension and as a leading principle for specific new policy development. Later on, in the renewed strategy of 2006, sustainable development was envisaged as a major strategy to enable the EU to achieve continuous improvements in quality of life and work towards a more durable economy. In the renewed strategy seven key challenges were addressed:

- climate change and clean energy
- sustainable transport
- sustainable consumption and production
- conservation and management of natural resources
- public health
- social inclusion, demography and migration
- global poverty and sustainable development.

The last three challenges are particularly striking in that they prioritise the social environment, while the others primarily address natural and technical fields. As such, they match Social Agenda priorities and - to a degree – some of the central issues of the Lisbon Strategy in the fields of employment and social policies.

Sustainability has always figured prominently in Commission reports and communications that deal with the Lisbon Strategy. Its importance is evident in energy policy, transport policy, eco-efficient production and the recycling of products. In recent years clean energy and climate change have attained a particularly high profile. This can be seen in the basic approach aimed at refocusing innovation in EU economies to make them more competitive worldwide. Issues of social sustainability, however, are less explicitly mentioned. They tend to be either integrated into economic and employment objectives (social inclusion) or left to other coordination mechanisms (public health, poverty, migration).

Pallemaerts e.a. (2007) address the question of whether the Sustainable Development Strategy (SDS) is a third pillar of the Lisbon Strategy, complementing its economic and social objectives with an environmental dimension, or whether it is an independent – if complementary - strategy. They observe several synergies:

- the SDS and the Lisbon Strategy complement each other;
- the SDS and the Lisbon Strategy both support structural reforms
- the SDS provides an overall framework within which the Lisbon Strategy contributes to a more dynamic economy by focussing on competitiveness, growth and jobs.

However, they conclude that coordination between economic, employment and environmental policies has been limited. The SDS and the Lisbon Strategy were separately reviewed, for instance.

Current developments confirm a rise in the status of sustainability in the overall framework of the Lisbon Strategy. This can be observed in the debate and recent agreement at EU level regarding climate change, the recent call from the Commission for a “greener” economy and the emphasis on environmental innovation in the recent EU Recovery Plan.

In the light of the developments analysed in this and previous sections, we would posit that the overall balance of the Lisbon agenda has shifted since its mid-term review. Environmental and social dimensions appear to have been incorporated into an all-encompassing economic growth policy, considered a prerequisite for both environmental sustainability as well as social cohesion. As far as employment and labour market policies are concerned, the balance shifted further from fighting unemployment with specific and targeted measures to enhancing employment by promoting general economic growth. The argument for this is that the best way to stimulate social inclusion and social cohesion is by creating more jobs (Schmid, 2008).

Several developments have contributed to this shift.

- a) Firstly, the downturn in economic growth and sharply rising unemployment figures from 2003 onwards resulted in alarms going off and the stimulation of growth topping the list of priorities.
- b) Secondly, political developments played a role, notably the rise of liberal and conservative-oriented governments in a number of influential MS; the Commission also “changed colour” at the same time.
- c) Thirdly, new developments in scientific thinking about labour market issues entered the political discourse. In particular, this period witnessed the rise of the “transitional labour market” paradigm; flexibility and mobility took precedence over stability and security.

In a critical analysis of the evolution of the EES, Ashiagbor traces the roots of the debate back to the nineties, when the increasing emphasis on deregulation and flexibilisation of labour markets and employment conditions led to a growing subordination of the social policy discourse to the economic policy discourse. While the Lisbon Strategy originally led to some rebalancing, in Ashiagbor’s opinion it did not succeed in reconciling flexibility and security. The contradiction remains (Ashiagbor, 2005).

On the other hand, ETUI's "*Working Europe 2009*", reflecting a trade unions' point of view, argues that, with the current economic crisis, it has become evident that the adopted economic growth approach "is completely at odds with the achievement of a sustainable form of development" and calls for a paradigm shift in EU policies and in the Member States: "Contrary to what the European Commission has long asserted, in the future it is not growth that will create environmental and social progress; rather, it is protection of the environment, in the broad sense, and the promotion of social cohesion, that will create 'growth' or, rather, sustainable development" (ETUI, 2009)

The European Commission itself appears somehow aware of this unintentional trend and in the latest Joint Reports it stresses the need to strengthen Lisbon's social dimension, also in order to increase commitment among the European public. However, concrete proposals and actions still remain limited compared to those given over to growth-related objectives.

6. PROVISIONAL RESULTS AND QUANTITATIVE ACHIEVEMENTS

Thus far we have provided an overview of the development of the Lisbon Strategy over the past decade, with a special focus on the 2004-2005 revision. Now we will turn to the extent to which its objectives have been achieved, making use of the structural quantitative indicators developed by the European Commission. We will then go on to discuss some other more qualitative effects, drawing on a number of national case-studies, which were written within the context of this study.

6.1 Structural indicators

In order to monitor the development of the Lisbon process, the Commission introduced a number of structural indicators. These indicators cover the main strategy's objectives in the fields of economic growth, productivity, innovation and research, employment, education and training, social policies and environmental policies. Initially a large number of indicators were used to obtain a very precise quantified picture, but later on the number of indicators was reduced substantially. There are now 14 key indicators currently being used by the Commission. They provide the basis for the monitoring of developments in the MS and the EU as a whole.

In this report we will focus on key employment and social policy indicators, in addition to a number of indicators which, while not figuring on the above mentioned list, measure important aspects of social policy. The following indicators will be analysed:

- employment rate
- employment rate of female workers
- employment rate of older workers
- unemployment rate
- long-term unemployment rate
- at-risk-of-poverty rate
- early school leavers rate
- youth educational attainment level
- lifelong learning rate

We will also discuss one of the key indicators in the field of innovation: annual R&D expenditure as a percentage of gross domestic product.

We will present both the preliminary results of these indicators, derived from 2007 Eurostat data, as well as their progression, by comparing the 2007 data with that of 2001. Furthermore, we will also draw comparisons with data from 1997 when MS first committed to the European Employment Strategy (EES).

It is important to stress that these results are only preliminary. As we can now see, they mark the end of a period of economic up-swing. By 2008 the economic situation in the EU had drastically changed and most MS had succumbed to a deep recession. This crisis will surely be reflected in the employment figures of 2008 and after. With this in mind we must be cautious in our interpretation of the results thus far.

6.2 Employment rate

Figure 1 displays employment rate data. Eurostat defines employment rate as the number of people aged 15-64 in employment as a percentage of the total number of persons in that age group. The Lisbon target set an overall employment rate of 70 percent by 2010.

The graphic demonstrates that, in 2007, most countries were still below target. However, in most countries, the employment rate had shown a marked increase since 2001, and even more so since 1997. In 2007, several countries were already on or above the target for 2010.

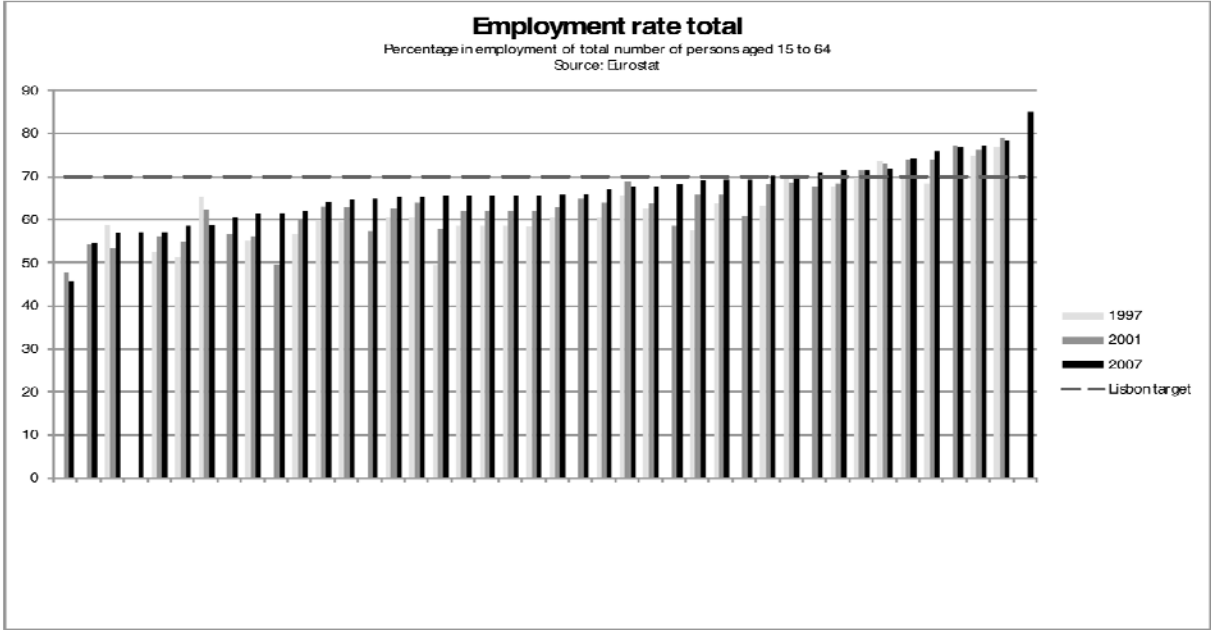
In EU-15, the employment rate increased from 61 percent in 1997 to 64 percent in 2001 and saw a further jump to 67 percent in 2007. In EU-25, the employment rate increased from 61 percent in 1997 to 63 percent in 2001 and had reached 66 percent by 2007.

In 2007, seven EU MS had already surpassed the 70 percent employment rate benchmark: DK, NL, SE, UK, AT, FI and CY. Two others, EE and DE, were close to 70 percent. Several new, Eastern European Member States were still below a 65 or even 60 percent rate in 2007: PL, HU, SK, RO and BG. However, Southern European countries like IT, EL and MT were also below 65 percent.

Certain countries with relatively low rates in 2001 exhibited marked increases until 2007. The Baltic States EE, LV and LT, as well as BG are particularly notable examples. On the other hand, the employment rate in RO fell in these years, more so if compared to 1997. This is one of the few countries with a decreasing total employment rate.

Female participation is still relatively low in several new Eastern European MS: PL, HU, SK and RO. Moreover, in the latter, this rate fell down from nearly 60 to just above 50 percent.

Figure 1. Employment rate total



By 2007 it was the Northern European Scandinavian countries that showed the highest rates of female employment, reaching as high as 70 percent, surpassing DK, SE, FI and the non-EU member NO. The NL is also approaching 70 percent, while the UK ranks relatively high.

At the other end of the scale, the Southern European countries still exhibited rather low female employment rates in 2007, scoring near, and in some cases even below, a 50 percent level, as seen in MT, IT and EL. However, that should not deflect attention from the fact that in these countries female participation had clearly increased since 2001. ES's development since 1997 is the most notable in this regard.

6.3 Employment rate of older workers

Figure 2 displays data on the employment rate of older workers. Eurostat defines this rate as the number of persons aged 55-64 in employment as a percentage of the total number of persons in that age group. The Lisbon target set an employment rate of older workers of 50 percent by 2010.

The graphic demonstrates that, in 2007, a group of countries had already reached this target and some had even exceeded it, but it also shows that there were many countries which were lagging behind. However, most countries showed a clear increase in their figures in the period since 2001, which gives a positive outlook for the EU as a whole.

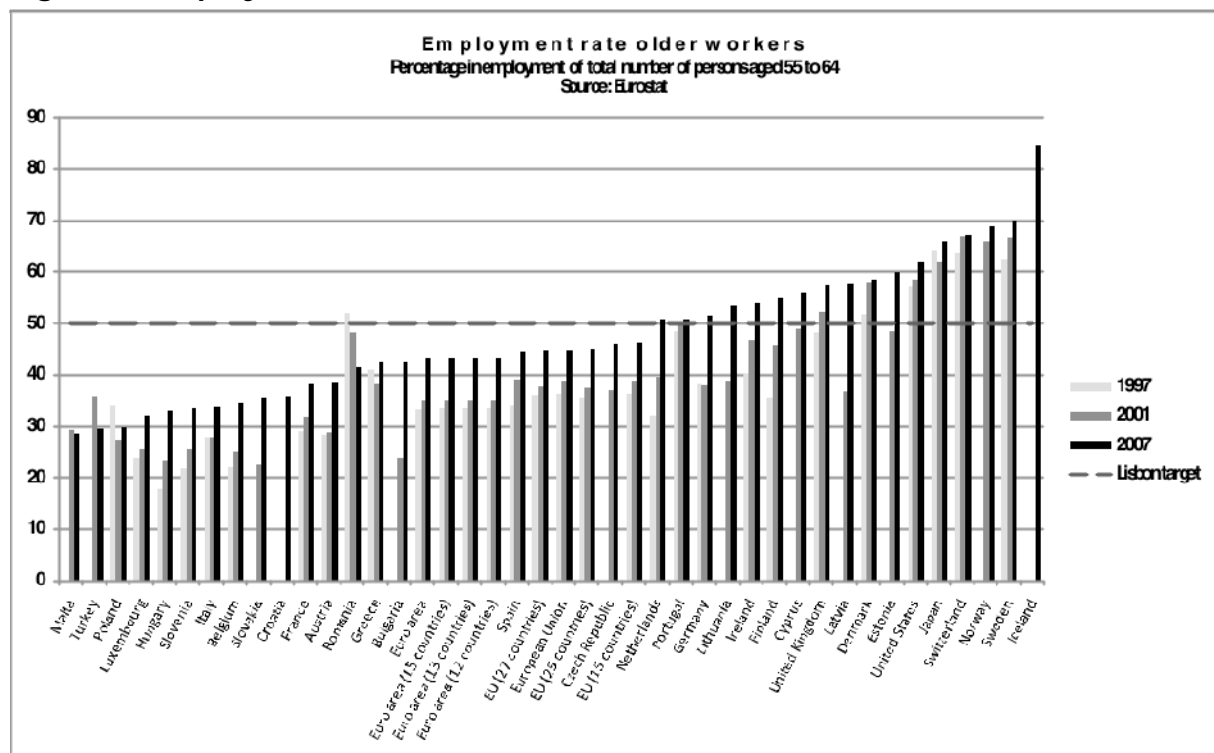
In EU-15 the employment rate of older workers increased from 36 percent in 1997 to 39 percent in 2001, and continued to rise to 47 percent by 2007.

In EU-25 the employment rate of older workers increased from 36 percent in 1997 to 38 percent in 2001, and had reached 45 percent by 2007.

By 2007, 12 MS had already achieved the 50 percent target set for 2010. These MS were spread across the EU. Among the highest ranking countries were Northern European countries such as SE, DK and FI, but they were also joined by Southern European countries such as PT and CY, and Eastern European countries including EE and LV. The strong increase in these Baltic States since 2001 is extremely noteworthy.

On the other hand, ten MS brought up the rear at or below 40 percent. These MS were also spread across the EU. Among them were Eastern European countries such as HU and PL, along with IT and AT, and North-Western European countries such as BE and LU. However, except PL, all of these countries had shown an increase since 2001. The general trend is that the lower the rate in 2001, the stronger the increase up to 2007.

Figure 2. Employment rate older workers



6.4 Unemployment rate

Figure 3 displays data regarding unemployment. The unemployment rate is defined by Eurostat as the number of unemployed persons as a percentage of the total labour force (employed and unemployed persons). A person is counted as being unemployed if they are aged 15-74, are without employment, are currently available for work and actively seeking employment. In the Lisbon Strategy, no quantified target has been set with regard to this indicator.

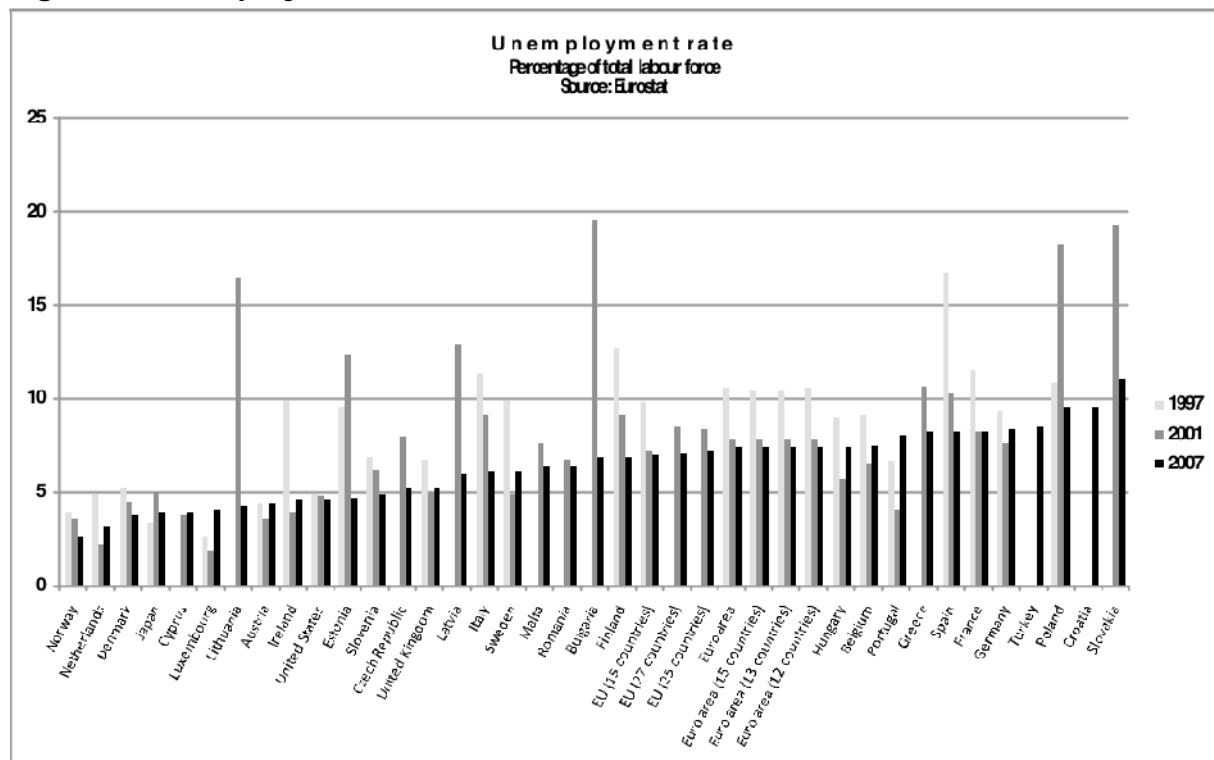
Eurostat tables demonstrate that from 1997 to 2001 the unemployment rate sharply decreased in many of the older EU MS, such as ES and IT, as well as in SE and FI. An equally sharp decrease can be observed in the new MS since 2001, such as the Baltic States and in PL and BG. Looking at the annual figures in general, unemployment appears to have followed a cyclical but, overall, slightly decreasing trend in the period between 2001 and 2007. However, there are also marked differences between MS, which makes it difficult to get a clear picture of the EU as a whole.

In EU-15 the unemployment rate fell from 10 percent in 1997 to 7 percent in 2001. It went up to 8 percent in 2004 but fell back again to 7 percent in 2007. In EU-25 the unemployment rate fell from 9 percent in 1998 (1997 rate not available) to 8 percent in 2001. It went up to 9 percent in 2004 but fell back again to 7 percent in 2007.

We can observe substantial differences across the EU, both regarding the level of unemployment and concerning its progression over the past decade. On the one hand, in 2007 there were several countries with unemployment rates as low as 4-5 percent, including North-Western European countries such as DK, NL, EI and UK, as well as Baltic States such as LT and EE.

On the other hand, there were several countries with relatively high rates of 8-10 percent. Among these, the Eastern European countries PL and SK stand out most, although DE, FR, ES, PT and GR also rank high. However, what is most remarkable is how great the fall in unemployment was in several of these countries between 1997 and 2007. The disparities between MS were far less acute in 2007 than they had been in 1997 and 2001.

Figure 3. Unemployment rate



6.5 Long-term unemployment rate

Figure 4 displays data regarding long-term unemployment. According to Eurostat, the long-term unemployment rate is defined as the long-term unemployed (12 months or more) figure as a percentage of the total active population. The Lisbon Strategy did not set any specific target in this area.

The picture painted by this graph largely corresponds to that of “regular” unemployment. Overall, there is a decreasing trend, and in many cases this decrease has been sharp. However, we can also observe noticeable differences from country to country. This provides a mixed picture for the EU as a whole.

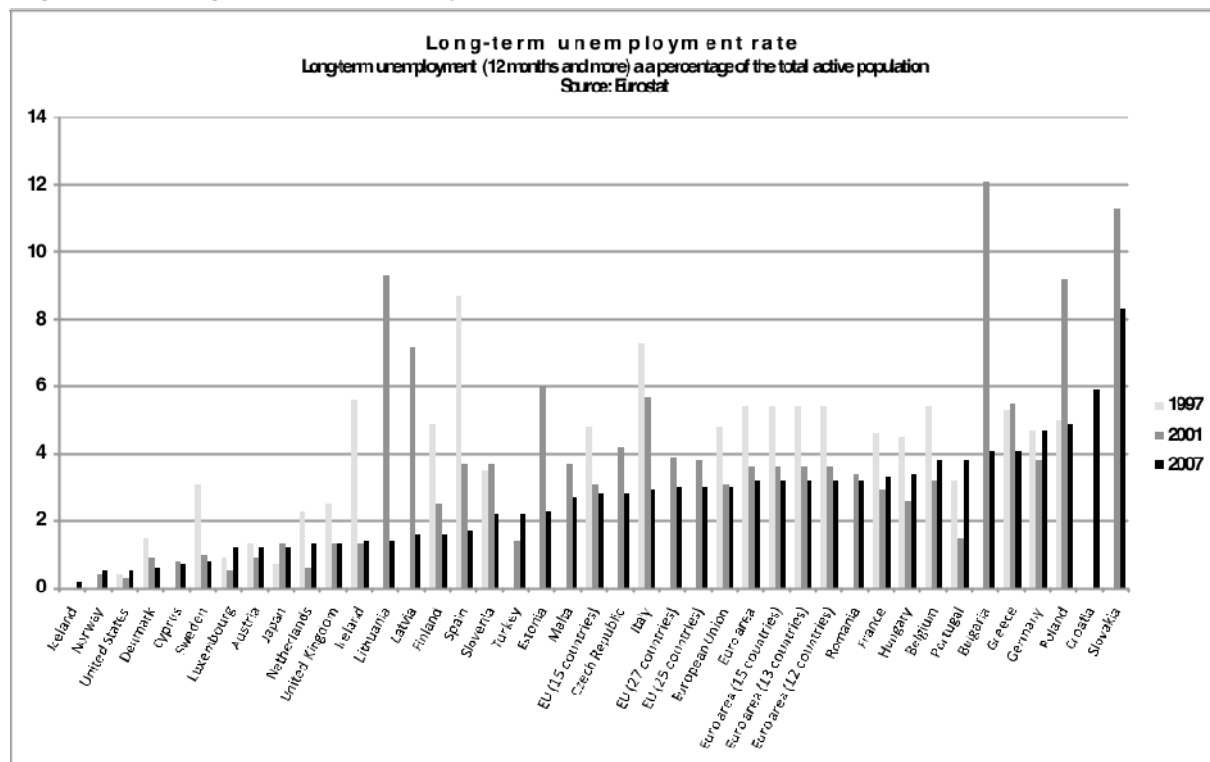
In EU-15, long-term unemployment fell from 4.8 percent in 1997 to 3.1 percent in 2001, and had reached 2.8 percent by 2007.

In EU-25, long-term unemployment fell from 4.4 percent in 1998 to 3.8 percent in 2001 and had reached 3.0 percent by 2007.

We can, however, identify substantial differences within the EU, in terms of both rate and rate progression. On the one hand, in 2007 we find several countries with low long-term unemployment rates (less than 2 percent), including North-Western European countries such as DK, NL, LU, EI and UK. However, it is remarkable that – at this low level – some of these countries (NL, LU and EI) show an increase since 2001, which is contrary to the overall EU trend.

On the other hand, we can observe Eastern European countries with rather high rates of more than 4 percent long-term unemployment, such as SK and PL, which are joined by Southern European countries such as EL and BU. However, it is of note that long-term unemployment has decreased substantially in these countries since 2001. That is not the case in DE, BE and FR: already at a relatively high level, long-term unemployment further increased in these countries between 2001 and 2007. These trends point to a decrease in the differences between EU countries compared to 1997 or 2001.

Figure 4. Long-term unemployment rate



6.6 At-risk-of-poverty rate

Figure 5 displays data regarding the at-risk-of-poverty rate. This is defined by Eurostat as the rate of population whose disposable income puts them below the poverty threshold, which is itself set at 60% of the national median disposable income (after social transfers). This is a fundamental indicator of social cohesion, for which the Lisbon Strategy has fixed no specific target figure.

The data paints a remarkable picture. Since 2001, at least, the overall trend has been on the increase. The number of people at risk of poverty rose between 2001 and 2007 in many EU MS. Most noticeable is the increase in DE, BE and LU, although ES and IT, countries which already had high levels in 2001, also exhibited a marked increase.

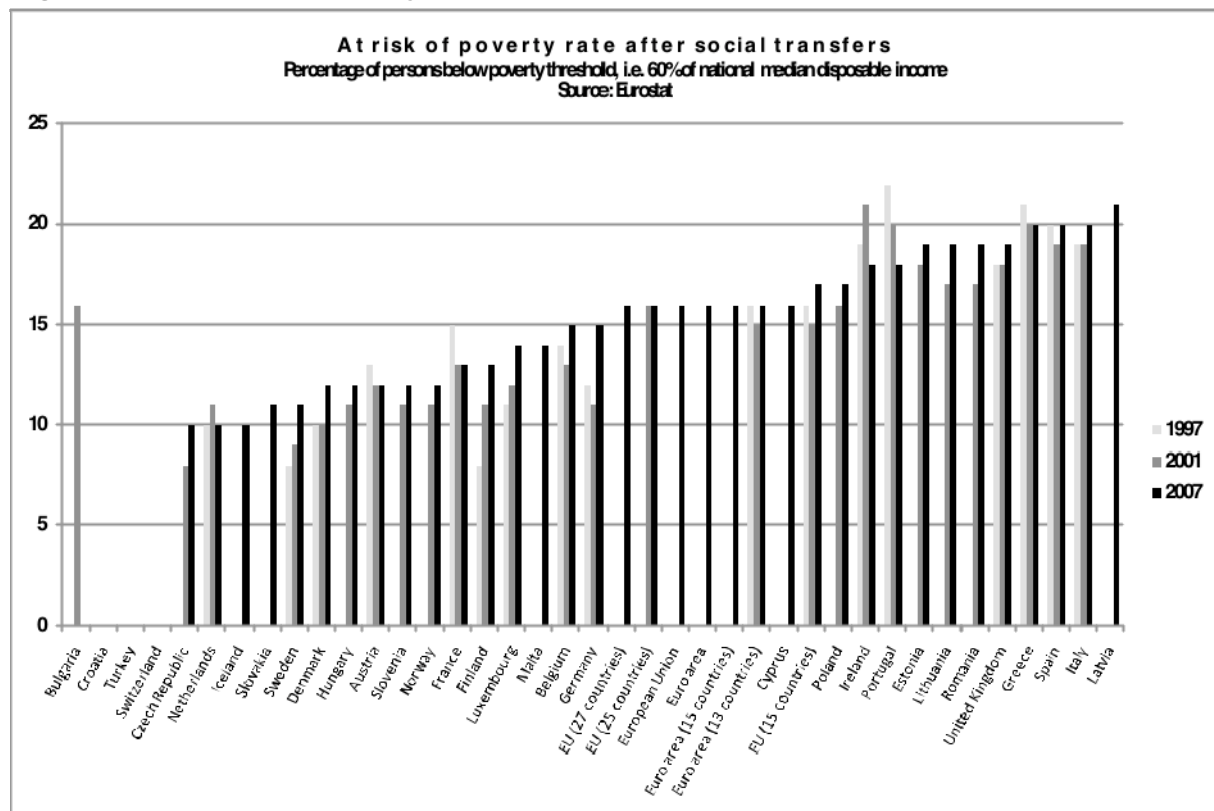
In EU-15, the poverty rate decreased from 16 percent in 1997 to 15 percent in 2001, but then increased to 17 percent in 2007.

In EU-25, the poverty rate increased from 15 percent in 1998 to 16 percent in 2001 and then remained stable at this level.

We may observe substantial differences across the EU, in terms of both rate as well as rate progression. On the one hand, there are several countries where poverty rates have remained at high levels of 18-20 percent over the 2001-2007 period. Countries that fit this profile include Southern European countries such as IT, ES, PT and GR, as well as the Baltic States, and EI and the UK.

On the other hand, there are other countries, namely the Scandinavian nations DK, SE and FI, along with North-Western European countries such as NL and LU, where low poverty rates of around 10 percent in 2001 gave way to marked increases in recent years. In general, differences with the 'high-poverty' countries are lower now than they were in 2001.

Figure 5. At-risk-of-poverty rate after social transfers



6.7 Early school leaving

Figure 6 displays data regarding early school leaving. This is an important indicator of social cohesion, defined by Eurostat as the percentage of the population aged 18-24 having (at most) lower secondary education and no further training. Originally, the Lisbon Strategy had set no quantified target for this indicator, but in 2006 it was decided that early school leaving should be no more than 10 percent in the EU.

The graph indicates that the number of early school leavers decreased between 2001 and 2007 in many EU MS, with the sharpest decline seen in the countries with the highest original rates. In some of these countries, the rate had already fallen between 1997 and 2001, while in others the 1997-2001 period saw a slight increase, with numbers only starting to fall after 2001.

In EU-15, the share of early school leavers decreased from 21 percent in 1997 to 19 percent in 2001 and to 17 percent in 2007.

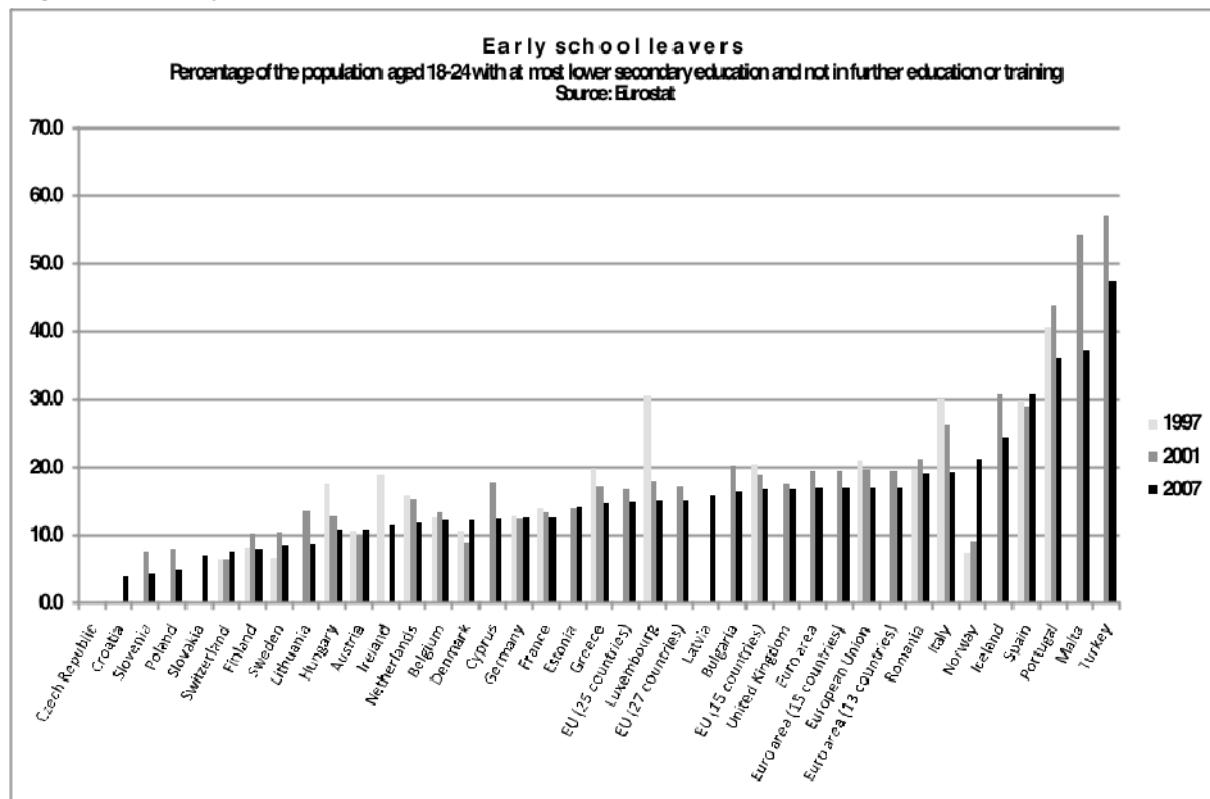
In EU-25, the share of early school leavers decreased from 17 percent in 2001 to 15 percent in 2007 (no data for 1997).

However, there we are able to identify substantial differences across EU MS. In 2007, several Eastern European countries performed well on this indicator, with rates near or below 10 percent. These include SI, SK, PL and HU. The rates in these countries seemed generally stable, although in some cases the rate had increased slightly.

On the other hand, we can observe rather high rates of early school leavers in Southern European countries such as PT, ES, IT and MT, despite displaying the sharpest declines in the 2001-2007 period.

Most notable are the developments in LU, where the drop-out rate fell sharply from over 30 percent in 1997 to 15 percent in 2007. By contrast, in NO (non EU-member), the rate rose from 7 percent in 1997 to over 20 percent in 2007.

Figure 6. Early school leavers



6.8 Youth educational attainment level

Figure 7 displays data regarding youth educational attainment levels. This is defined by Eurostat as the percentage of the population aged 20 to 24 having completed at least upper secondary education. This indicator is of particular use in assessing an economy's innovative potential. In the Lisbon Strategy a quantified target of 85 percent by 2010 was set.

The overall picture painted is a rather positive one. By 2007, several countries had already achieved the 2010 target, with a handful of other countries close behind. We can observe a decreasing trend in almost all EU MS.

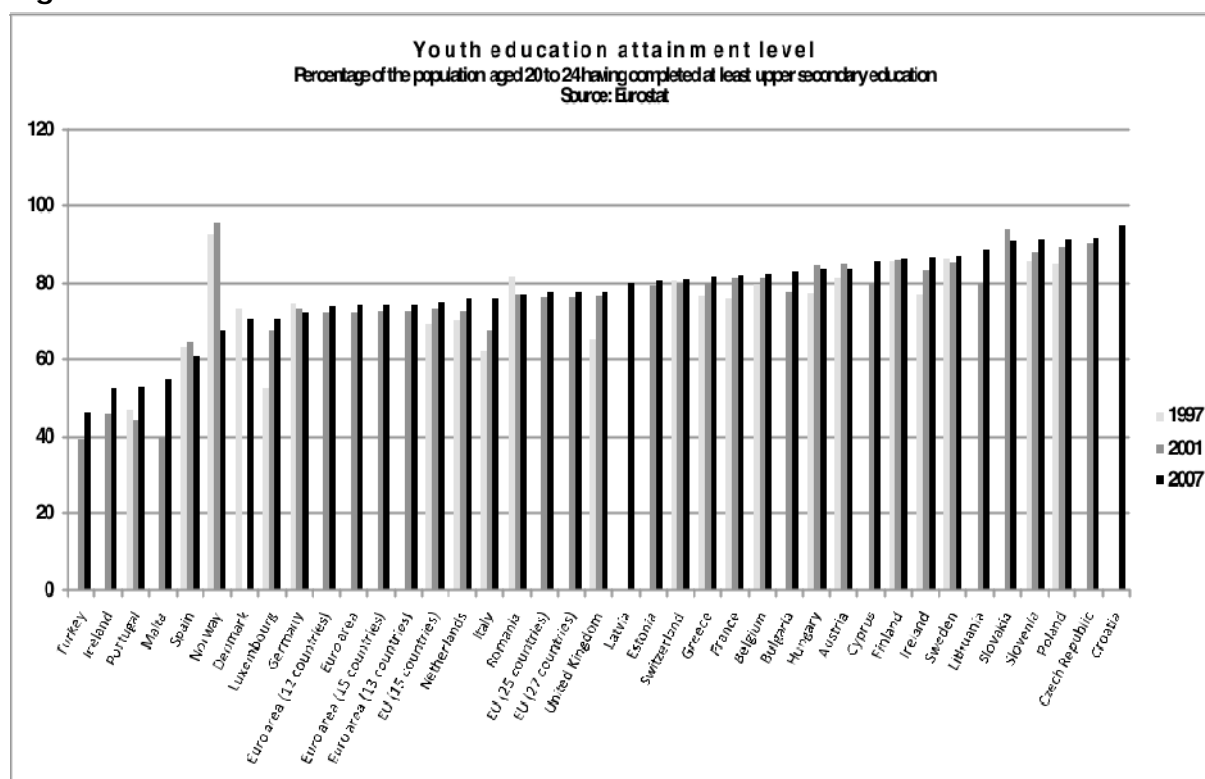
In EU-15, levels rose from 70 percent in 1997 to 74 percent in 2001, and to 75 percent in 2007.

In EU-25, levels increased from 76 percent in 2001 to 78 percent in 2007 (no data for 1997).

However, there are still marked contrasts to be found across the EU. The Eastern European countries perform rather well on this indicator, with several (CZ, PL, SK and SL) already in excess of 90 percent by 2007. This is not the case with the Southern countries, however. The lowest rates are to be found in PT, ES and MT, with rates near or below 60 percent. However, it should be added that sharp increases were recorded in PT and MT since 2001, with just ES displaying a decrease over the same period.

But the most remarkable trend is once again to be found in NO (non EU-member), the highest ranking country in 2001. Here, the rate fell from 96 percent in 2001 to 69 percent in 2007.

Figure 7. Youth educational attainment level



6.9 Lifelong learning

Figure 8 displays data regarding lifelong learning. The lifelong learning rate is derived from surveys and defined by Eurostat as the percentage of the population aged 25 to 64 participating in education and training in the 4 weeks before the survey. The Lisbon Strategy set a quantified target of 12.5 percent by 2010.

The graph provides a mixed picture. On the one hand, there are several MS which had already met or surpassed this target by 2007, but on the other there are many countries well off the pace. One clear trend is that there was a marked increase in all MS from 2001 onwards, with EU-15 as a whole already close to target in 2007.

In EU-15, the lifelong learning rate increased from 8.0 percent in 2001 to 10.9 percent in 2007 (no data for 1997).

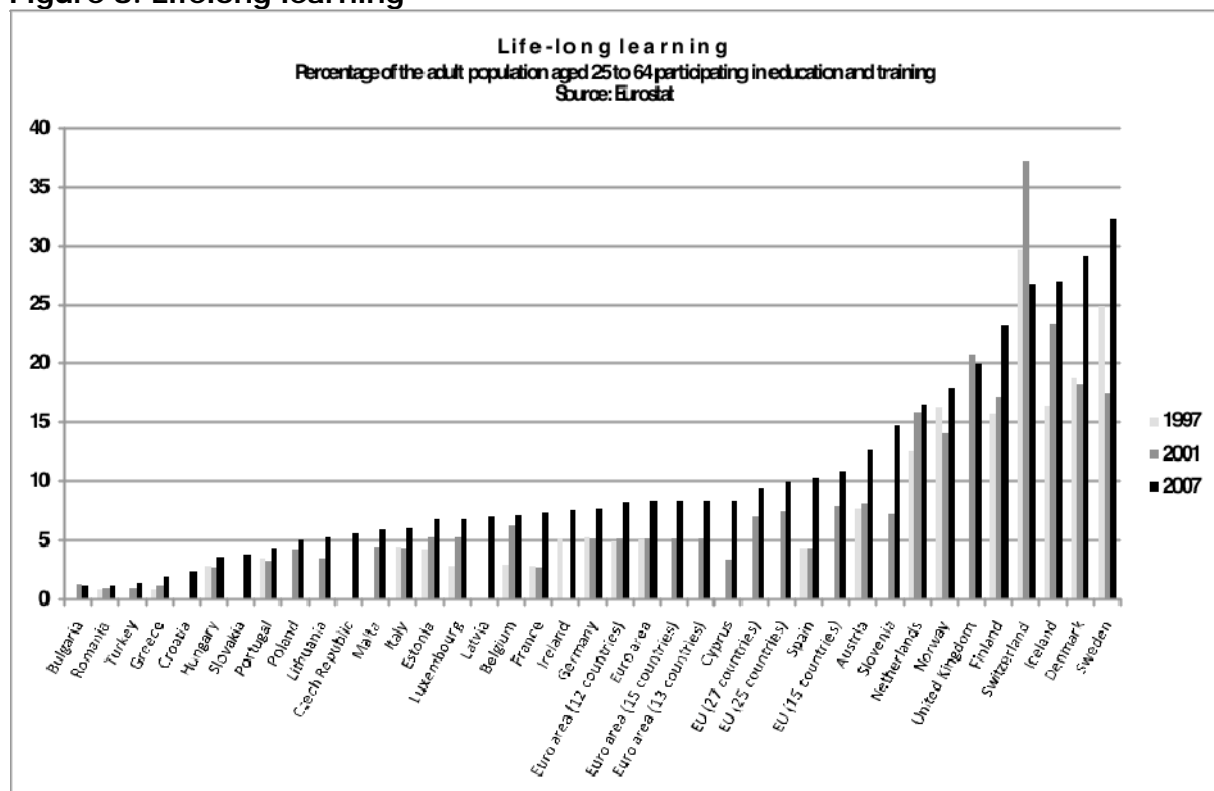
In EU-25 the lifelong learning rate increased from 7.5 percent in 2001 to 10.0 percent in 2007 (no data for 1997).

However, there are clear contrasts between EU MS. The best performing countries according to this indicator are the Scandinavian MS SE, DK, FI and non-Member States IC and NO, with 2007 rates of over 25 percent.

The new MS BG and RO are the worst performers, although there are other Eastern European countries (PL, HU and SK), and two Southern European countries (ES and PT) where rates are also below 5 percent.

Progress in the United Kingdom is worthy of note in that it is the only Member State whose (relatively high, at around 20 percent) lifelong learning rate decreased between 2001 and 2007. All other MS showed an increase in this period.

Figure 8. Lifelong learning



6.10 Expenditure for R&D

Figure 9 displays data for R&D expenditure as a percentage of Gross Domestic Product. This indicator is considered central to an assessment of an economy's innovative potential. The Lisbon Strategy set a quantified target of 3 percent for 2010.

We can observe that most EU MS are well below target. Furthermore, although expenditure increased clearly in some countries such as DK, AT, PT and ES, it decreased in other low-ranking countries, including FR, BE and the NL.

For EU-15, Eurostat estimates R&D expenditure at 1.86 percent of GDP in 2007.

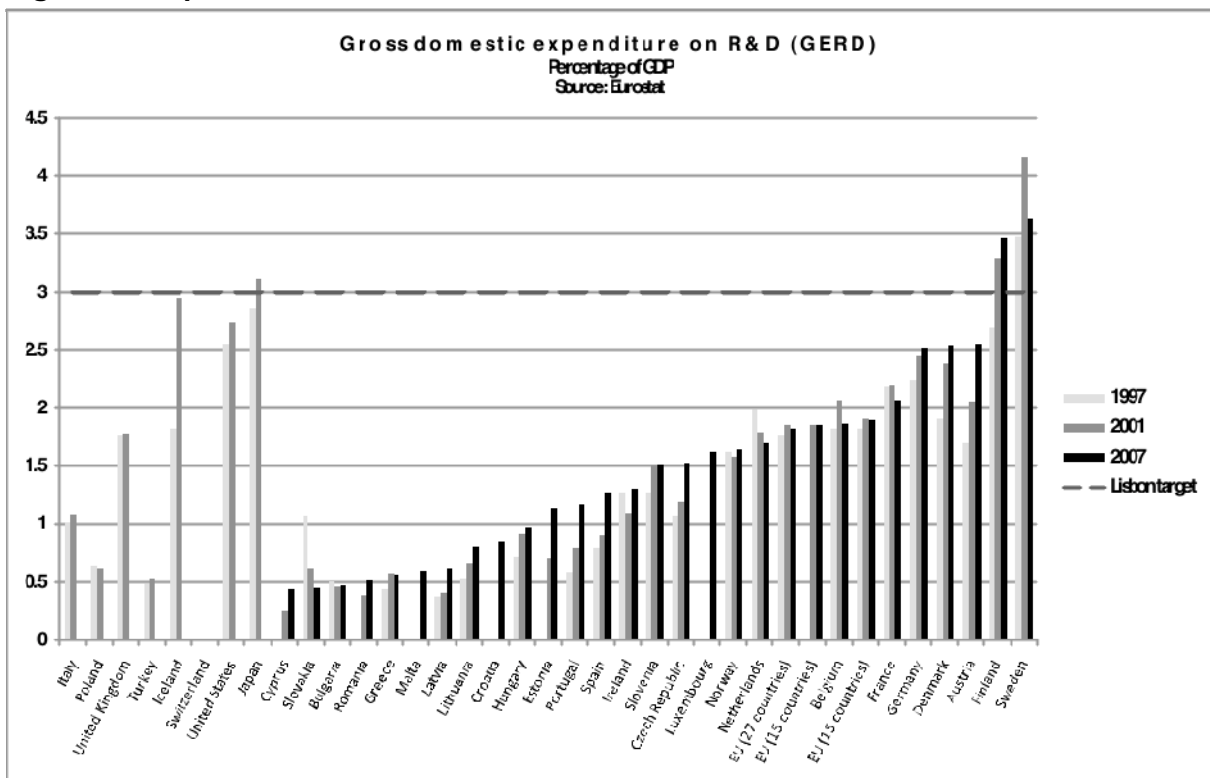
For EU-25, Eurostat estimates R&D expenditure at 1.91 percent of GDP in 2007.

In 2007, only two MS had met the 3 percent target: the Scandinavian countries SE and FI. They are clearly the forerunners in this field, with SE gradually losing ground to FI.

Other MS lag far behind, with rates around or below 0.5 percent. Among the worst performers are the new MS BG and RO, along with Southern European countries such as EL, CY and MT.

In general, the EU clearly lags behind the US (2.65 percent) and Japan (3.32 percent) as far as levels of investment in R&D are concerned.

Figure 9. Expenditure for R&D



6.11 Strong and weak points

Looking at the complete picture and comparing the current situation with the original objectives and expectations, we can now try to propose a balanced assessment. First and foremost, we must point out that this can only be provisional, based as it is on figures that only take us up to the end of 2007. For a comprehensive assessment we will need to incorporate the data from the 2007-2010 period. Secondly, we should add that any assessment cannot take into account the negative effects that the current crisis might have on social and employment indicators.

There are a number of *positive* points:

- a) An increase in the overall employment rate. Some Member States reached and exceeded the 70% objective, but overall the objective was far from being met (EU-27 average was 65.4% in 2007).
- b) An increase in the female employment rate. This represents the best performance out of all the employment indicators, with EU-27 returning an average 58.3%, very close to the 60% objective for 2010.
- c) An increase in the employment rate of workers aged between 55 and 64, although the objective of exceeding 50% proved unattainable for the majority of the 27 Member States.
- d) An (in several countries, marked) decrease in the unemployment rate.
- e) Relatively high youth educational attainment level.

But there are also a number of *negative* points:

- high long-term unemployment in several countries
- high poverty risk in several countries
- high rates of early school leavers in several countries
- low rates of lifelong learning in several countries
- limited and, in several countries decreasing, R&D expenditure

This assessment largely bears out the evaluations and assessments made by the Commission in its latest reports on the Lisbon Strategy. The positive results in terms of numbers of jobs created and numbers of persons entering the labour market have to be underlined on the one hand, while persisting problems of long-term unemployment, poverty risk, early school drop-out and lifelong learning call for continuous action.

Caution required

We should emphasize that a certain level of caution is required in interpreting the data we have presented. There are several reasons for this.

- a) Methodological issues. Caution is always required with regard to the validity of the indicators. If we consider the overall employment rate, for example, we can observe that this indicator is calculated by counting the number of persons employed, without taking the number of working hours into account. If only full-time employment was counted, the results would be quite different, due to the great variations in part-time work. Furthermore, different criteria for calculating the figures give different results, which may impact on the ranking of countries. We could cite one example in the field of early school leavers. It is known that national statistics cannot always provide precise figures due to lack of adequate databases.

- b) Complex cause-effect relationships. Although the indicators do point at certain trends, it is difficult to attribute these to specific policy strategies or measures. The path from (European) policy to (Member State) practice is long, and there are often complex cause-effect chains between the inputs in certain systems and their outcomes in others.
- c) The current financial and economic crisis. The data presented thus far cover the period up to 2007; since then, the economic situation in the EU has changed drastically. Some would argue that this shift has been such as to invalidate these earlier trends as indicative of future developments. The current crisis will clearly influence growth and jobs in a negative way, but the extent and duration of this effect is uncertain. Nor do we know which countries and which sectors of the economy will be affected or in which ways, which stimulation measures will be taken, how they will work out, etc. Furthermore, it is unclear what these economic developments imply for structural reforms and what their implications will be for social policies. Much will depend on the future direction of the world economy, though the actions taken by the Commission, other EU institutions and the political authorities in the Member States will also play their part.

Other critical opinions and employment quality indicators

Other assessments carried out by think tanks arrive at similar verdicts. A recent study of the think tank *Centre for European Reform* concludes that the Lisbon Strategy in 2010 will probably be considered unsuccessful in terms of its original objectives. This work concludes, for instance, that: 'The EU as a whole will not meet any of the targets it set itself in 2000,' and that 'the gap between the best and worst performing EU countries is larger than when the Lisbon agenda was launched'.

Further doubts have also been voiced regarding the Lisbon Strategy's added value: "Reform paths would not have been much different if Lisbon had never existed", and the "Lisbon influence seems to have been particularly peripheral in the larger Member States". There have also been criticisms concerning national commitment. On the positive side, "there is also some convergence" and "some countries moved to the targets" (Tilford & Whyte, 2009).

The European Trade Union Institute (ETUI), which reflects the European trade unions' point of view, is in general rather critical about the results of the Lisbon Strategy, commenting: "The indicators reveal no major leaps forward in term of social achievements over the period of the Lisbon Strategy" (*Benchmarking Working Europe 2009*). This position is hard to counter; the strategy's overall employment targets will most certainly not be met in 2010. Employment figures have improved and participation rates have increased, in certain countries even substantially, but massive job destruction is now ongoing due to the current crisis, and this is expected to continue in coming years. Furthermore, the increase of employment is achieved primarily through vulnerable types of work.

As regards the quality of employment, there has been a "substantial regression" in one dimension, as the ETUI report states: "Precarious work has spread like a plague throughout Europe. With the rise of non-voluntary or forced part-time jobs, agency work, fixed-term employment and low-wage jobs, labour and employment relationships have become less stable and increasingly insecure" (p.8). This tallies with persisting imbalances and the sluggishness of vulnerable groups in the labour market, including youngsters, lower educated people, older workers and immigrants. It also strikes a chord with persisting income inequalities and poverty problems. Furthermore, efforts to improve opportunities by improving skills levels have not been very successful, as the low rates of lifelong learning in many countries indicate. Social cohesion has not significantly improved. This leads ETUI to the critical conclusion that over the past years there has been a clear discrepancy between the targets set and the results achieved.

To assess trends in the quality of employment, ETUI has developed a Job Quality Index composed of six sub-indices covering different dimensions of job quality: wages; contracts, (absence of involuntary part-time or temporary work); working conditions and job security; working time and work-life balance; access to training and career opportunities; and collective interest representation (Leschke & Watt, 2008). ETUI used data from sources including the 2007 European Labour Force Survey and the 2005 European Working Conditions Survey to construct the index and trace job quality progression since 2000. The analysis arrives at the following general conclusions:

- wages: improvements for both men and women, except in a few countries;
- labour contracts: significant deterioration, due to an increase of involuntary part-time and temporary employment;
- working time and work-life balance: little overall change, with a persisting gender gap to the advantage of women;
- working conditions: slight overall decline, despite the shift from industry to services;
- skills and careers: overall improvement, measured in terms of proportion of adults undergoing training.

ETUI concludes from these findings that, overall, there was no trend towards 'better jobs' in (Western) Europe since the start of the Lisbon Strategy. At the same time, data also refute the view that European workers have suffered from the creation of almost exclusively "bad jobs" in recent years. What we clearly see is a mixed picture of improvements in some areas (especially wages, skills and career development), and deteriorations in other dimensions of job quality. A problematic aspect is the increase in non-voluntary non-standard employment (ETUI 2009).

Change in the EU concerning this last point has been considerable. Together with the increase of the overall employment rate and the decrease of unemployment, the shares of part-time work and temporary work clearly increased.

- In EU-27, the share of *part-time workers* increased from 16 percent in 2001 to 18 percent in 2007. Differences between countries are substantial, however, with North-Western European countries such as NL, BE, DK and the UK returning rates of 40 percent or more, while levels in eastern European countries such as SK, HU, PL, CZ, LT, LV and EE are below 10 percent.
- In EU-27, the share of *temporary workers* increased from 12 percent in 2001 to 15 percent in 2007. Once again, there are marked contrasts from one country to another. The highest shares of temporary workers can be found in ES, PT and PL, with rates of over 25 percent among both women and men. Levels are also relatively high, around the 20 percent mark for women at least, in FI, SE, NL, SL and CY. The lowest rates can be found in the Baltic states EE, LT and LV, with less than 5 percent, alongside countries such as the UK and LU, where the share is below 10 percent.

The temporary employment figures include fixed-term employment, seasonal employment, temporary agency work and specific training contracts, which all have an insecure, precarious nature. Research has revealed that these types of employment are particularly common among the more vulnerable groups: young workers, lower-educated workers, school drop-outs, migrant workers and the disabled. ETUI argues that, if these qualitative aspects are taken into account in an assessment of the quantitative results of the growth and jobs strategy, the final conclusion will invariably be nuanced. Employment rates in the EU did increase, but this was largely achieved by the creation of more part-time and temporary employment, which comes at a cost to job security, income security and the social security of workers. To keep sight of such developments, ETUI argues that EU-level benchmarking should be extended to include employment quality indicators (ETUI, 2009).

In general terms, we can argue that the quantitative achievements of the Lisbon Strategy were inconsistent. Though there was significant employment creation in the four-year period immediately prior to the start of the second cycle (2008-2010), other indicators were far less positive, and it seems very likely that the objectives would not have been met in 2010 even if the recession hadn't taken place. Moreover, some social indicators appear to have stagnated, with at-risk-of-poverty rates being a particular cause for concern. Other indicators recording the increase of inequalities question the overall results of the strategy.

7. THE INVOLVEMENT OF THE EUROPEAN PARLIAMENT

It is possible to identify two levels of European Parliament's involvement. The first is on an institutional level in the actual process of adopting the Employment Guidelines. The second, meanwhile, concerns Parliament's influence on the Commission's proposal and the EGs' content itself.

7.1 Participation of the European Parliament in the adoption of the Employment Guidelines

As part of its institutional role as described in the Treaty, the European Parliament is consulted on the adoption of the Employment Guidelines (EGs). Its participation in the process, in particular, that of the Committee on Employment and Social Affairs, has traditionally been extremely active, despite operational difficulties.

Even before the Lisbon Strategy was up and running, the European Parliament could be seen to be highly involved in the field of employment. Take, for instance, the Resolution on an employment initiative which it presented to the Extraordinary European Council Meeting on Employment (Luxembourg, 1997), and which formally launched the EES.

During the first period after the adoption of the Lisbon Strategy in 2000, there was a decisive shift which would seriously limit the European Parliament's possibility for institutional intervention in the adoption of the Employment Guidelines.

The participation of the European Parliament in the adoption of the Employment Guidelines follows a specific pattern. The Employment Guidelines should be adopted by the EU Council on the basis of the Conclusions adopted by the European Council, which acts on Commission proposals after consulting the European Parliament. Article 148 (2) of the Treaty on the functioning of the European Union (ex Article 128 (2) of the EC Treaty) does not set a time-limit for the Parliament to issue its opinion.

The Parliament's consultative role would seem clear enough. However, Article 121 (2) of the Treaty on the functioning of the European Union (ex Article 99 (2) of the EC Treaty) provides for a separate procedure for the coordination of the Broad Economic Policy Guidelines (BEPG). Coordination is required between the Employment Guidelines and the BEPGs, according to Article 146 of the EC Treaty. This situation has called on the European Parliament to apply greater diligence in formulating its opinion within the existing procedural set-up and time constraints.

Worse still, the 2002 mid-term review of the European Employment Strategy shortened the consultation period during which the European Parliament has the right to analyse the proposed Employment Guidelines. According to the new calendar, Parliament had scarcely two months to deliver an opinion on the guidelines' package as proposed by the Commission. The European Parliament protested this new schedule, but without success.

The Lisbon Strategy review in 2005 meant the definitive integration of the Employment Guidelines into the Integrated Guidelines (IGs). This greater complexity made the EP's job even harder, but calls for a relaxing of time restrictions continued to fall on deaf ears.

The current situation is as follows: the Broad Economic Policy Guidelines are adopted on the basis of the procedure provided for in Article 121 (2) of the Treaty on the functioning of the European Union, while the European Parliament has the right to be consulted according to Article 148 (2) as far as the EGs are concerned. This means that the IGs' approval process and the issuing of the EP's opinion do not run along the same time frame. In practice, the process barely leaves time (around two months) for the European Parliament to analyse the proposals on Guidelines for the employment policies that the Commission drafts.

This does not mean, of course, that the EP has not issued its opinions, but its contributions and the amendments proposed are rarely taken up by the Council.

In its Resolutions on the proposal for a Council decision on the EG, Parliament has repeatedly highlighted these procedural restrictions, calling for a solution to what is essentially an inter-institutional problem. Take for example recital 4 of the 2009 Resolution, in which the EP: "Reiterates its longstanding call on the Commission and the Council to ensure that the Parliament is given the necessary time, and in any event no less than five months, to fulfil its consultative role, as defined in Article 128(2) of the Treaty, during the full revision of the Employment Guidelines, which is scheduled to take place at the end of 2010."²⁰ Notwithstanding, this problem is yet to be resolved.

In short, the implementation of the streamlining timetable, first for the period 2003-2005 and then in the 2005 Lisbon review, resulted in a shortening of the time frame for the Parliament to deliver its opinion, on average less than two months in the three-year cycle. This new consultation calendar has seriously damaged the Parliament's consultation rights. It does not even make a distinction between those cases when the Employment Guidelines being analysed correspond to a new three-year cycle (2005-2007 or 2008-2010) or whether they correspond to intervening years, remaining unchanged within the same cycle.

7.2 Influence of the EP on the content of the Employment Guidelines

In a general sense the European Parliament may be said to have a discursive influence, by contributing to the debate, critically reviewing policy proposals and trying to impose changes with regard to issues that may have been overlooked, underestimated or negotiated away. This can be illustrated by examining the following debates which were milestones in the Lisbon process, and in which the European Parliament was clearly involved.

Employment Guidelines 2005

The Commission proposal for the 2005 Employment Guidelines was substantially amended by the European Parliament. In the explanatory text of the Draft European Parliament Legislative Resolution (A6-0149/2005), Parliament concurred with the Commission's conclusions that the EU was still a long way from achieving the growth and employment targets set for 2010. This was explained in terms of low employment levels and sluggish productivity growth. The text goes on to add that the EU 'needs to act with renewed determination'. In addition, the EP fully concurred with the objectives of the Employment Guidelines and their content. However, the EP did comment that the Employment Guidelines did not pay sufficient attention to a number of key issues:

- the reconciliation of family and working life;
- the situation of people with disabilities;
- the challenges posed by immigration;
- the need to reduce accidents at the workplace.

The European Parliament proposed numerous amendments on how these issues could be dealt with in the Employment Guidelines, including:

- to talk about 'full employment in the long-term' instead of the Commission's 'long-term employment targets';
- 'sustainable development and employment' as the new focus of the Lisbon Strategy instead of 'growth and employment';
- 'labour productivity and security' in the place of just 'labour productivity' and 'social cohesion and inclusion' instead of 'social cohesion' as basic strategy priorities;

²⁰ European Parliament Legislative Resolution of 11 March 2009 on the proposal for a Council decision on guidelines for the employment policies of the Member States (COM(2008)0869 – C6-0050/2009)

- to include 'reconciliation of work and family life', and 'to promote social inclusion through occupational integration of disadvantaged workers, women, young people and older people' in the basic priorities;
- to include 'encouraging the equal sharing of family responsibilities, single-parent families, and recourse to flexible working models for both women and men, and parental leave' explicitly in the Employment Guidelines for promoting a life-cycle approach to work;
- to talk about 'improvement of the management of employment' instead of 'improvement of matching of labour market needs' in the Employment Guidelines for improving labour market institutions;
- to include a new separate EG on the prevention of diseases and reduction of work-induced health costs;
- to consider additional issues with regard to promoting good industrial relations, lowering health risks at the workplace, and reconciling work and family life to the Employment Guidelines for promoting flexibility;
- to tackle further questions concerning cooperation with social partners, cooperation between industry and education and research, attention for the specific needs of the disadvantaged in the labour market, as well as investment in human capital and the adaptation of educational systems.

However, very few of the amendments were taken up in the final texts of the Employment Guidelines. A scattering of references were included, in terms such as 'inclusive labour markets', 'preventive labour market measures' and 'better health and safety and diversity of contractual and working times'.

Flexicurity approach

The European Parliament approached the Commission's Communication '*Towards Common Principles of Flexicurity*' of 2007 from a critical perspective. The European Parliament saw the communication as an important step towards a more balanced debate, but stressed that the flexicurity approach ought to take in all existing facets of employment and social policies. According to the European Parliament, the approach adopted by the Commission was too narrow. The European Parliament rejected the distinction made by the Commission between insiders and outsiders in the labour market. In the explanatory statements to a Motion for a European Parliament Resolution (2007/2209 (INI)), the EP outlines a number of principles and conditions for furthering 'flexicurity pathways' in the Member States:

- the flexicurity approach should be embedded in the existing coordination framework of Member States' social policies, e.g. through the combination of legislative (EU social *acquis*) and non-legislative instruments (OMC with the National Reform Programmes);
- national 'pathways' should be embedded in a substantial European framework which maintains a core of social and employment rights for all workers;
- flexicurity pathways should be implemented by means of momentum; a strong European framework with full participation of social partners on national, sectoral and European levels is an 'absolute precondition' for this;
- flexicurity pathways should contribute to the enhancement of a Social Europe, based on common principles of solidarity, equity, rights and responsibilities;
- in the proposed model of the European Parliament, flexibility and security requirements are mutually reinforcing: 'flexicurity combines the ability of firms and workers to adapt to a high level of social protection, social security and unemployment benefits, health and safety protection, active labour market policies and life-long learning and vocational training opportunities'; this is supported by effective collective bargaining, broad welfare provisions and universal access to good quality care services;

- social partners must be more forcefully included in the debate and at an earlier stage; social dialogue needs to be encouraged at both national and EU level;
- core rights of workers as defined by the ILO must remain protected, regardless of their contractual status; basic social rights and protection must be ensured.

According to the European Parliament, ensuring a supply of skilled and adaptable workers is the EU's basic problem and should be 'at the heart of Europe's flexicurity strategies'. The European Parliament therefore proposed a more balanced set of flexicurity principles. These included: the need for a skilled and adaptable workforce; action against precarious work and abusive labour practices; the breakdown of labour market segmentation and a shift from job security to employment security; partnership in managing change; gender equality and opportunities for all; national pathways in consultation with social partners; a macro-economic framework for growth and jobs.

These proposals have found their way in the further debate about the Lisbon Strategy, in particular when the renewal of the Employment Guidelines was at stake in 2008.

Employment Guidelines 2008

In the debate surrounding the renewal of the 2008-2010 Employment Guidelines, the European Parliament took the position that the Employment Guidelines should be continued, but that the social objectives of the Lisbon agenda should be more effectively taken into account. The European Parliament subscribed to the conclusions of the Commission that the Lisbon Strategy was beginning to deliver in terms of more jobs and lower unemployment rates, but argued that it still lagged behind expectations on two points in particular.

The EP claimed, first, that disadvantaged groups in the labour market, such as school drop-outs, young workers and lower-paid workers, did not share in the benefits in an equal way. Second, it argued that the Strategy had delivered more jobs, but not always better jobs. The reasoning behind this claim was that job growth was partly achieved through an increase in part-time and fixed-term employment contracts. The MS were 'currently not working towards a 'balanced' flexicurity approach', according to the European Parliament.

Given the fact that social inclusion was behind the schedule set for 2010, the European Parliament argued for 'reorienting the strategy on Growth and Jobs towards a strategy based on Growth, Jobs and Inclusion'. It called for the social dimension of the Lisbon Strategy to be strengthened by incorporating common social EU objectives into the Employment Guidelines, and establishing a better link with the OMC for social protection and social inclusion. Furthermore, the EP concluded that the quality dimension of employment was in need of greater emphasis. That could be addressed by incorporating the commonly agreed principles of flexicurity into the new Employment Guidelines.

In line with this position, the European Parliament proposed the following specific amendments:

- incorporation of an explicit reference to the objectives of 'full employment, job quality and social inclusion' into the recital of the Employment Guidelines;
- incorporation of a new text in the recital which explicitly refers to the requirements of 'adequate social protection, the fight against social exclusion, high level of education and training, and the protection of human health'
- an explicit call on MS in the recital 'to ensure interaction between the Employment Guidelines and the open method of coordination on social protection and social inclusion';
- incorporation of a new EG calling on MS 'to ensure the active social integration of all, and tackle poverty and social exclusion' by adequate income support combined with labour market opportunities and better access to social services;
- explicit incorporation of the four key components of the EU flexicurity-approach into the Employment Guidelines (contractual arrangements; life-long learning; active labour market policies; modern social security systems);

- lastly, an explicit statement that MS 'should implement their own pathways based on the common principles adopted by the Council';

Furthermore, the European Parliament wanted to propose a list of targets and benchmarks to be annexed to the Employment Guidelines, which would comprise measures for the long-term unemployed, the provision of childcare, early school drop-outs and participation in life-long learning.

Few of these amendments were adopted. The Commission recognized the need for improved interaction with cooperation in the fields of social protection and social inclusion, but did not include a specific reference on this point in the Employment Guidelines themselves. The issue was only mentioned in the explanatory texts. Moreover, the list of targets and benchmarks was only referred to in the explanatory statement, but not added as an annex.

Employment Guidelines 2009

EP's debates and contributions in 2009 were affected by the severity with which the economic crisis hit employment in the EU. In this context, it supported the Commission's proposal, only drawing attention to the following aspects (and even these were not mentioned explicitly in the final Decision adopted by the Council²¹):

- First, a coordinated European approach is indispensable. This should encompass all areas of governance and policy. Efforts by the EU and its Member States should be coordinated better, but measures taken under the economic recovery plan to address short-term crisis also need to be consistent with the EU's long-term objectives.
- Second, partnership, cooperation and dialogue are crucial. In this respect, the role of social partners is particularly important in fostering the public's confidence in the measures taken. This applies both for short-term measures and long-term reforms and investment.

To conclude, we can summarise the view on the Lisbon Strategy that the European Parliament has taken over the past few years:

- the EP prioritises the need for the Lisbon Strategy to contribute to an enhancement of the European social model, based on solidarity, equity, rights and responsibilities;
- it stresses the need to embed employment and social policies in an overall common European framework, combining legislative, regulatory and voluntary (open) procedures;
- it makes a case for a strengthening of the social dimension of the renewed Lisbon Strategy through a stronger prioritisation of social inclusion objectives alongside growth and jobs targets;
- it proposes stronger commitment and involvement on the part of stakeholders at all levels in the elaboration and implementation of employment and social policies.

Furthermore, the European Parliament clearly emphasizes the gender dimension of employment and social policies, paying more (explicit) attention to issues related to work-life balance and to measures required for increasing female participation in the labour market.

²¹ Council Decision of 7 July 2009 on guidelines for the employment policies of the Member States

8. OTHER QUALITATIVE EFFECTS OF THE LISBON STRATEGY PERCEIVED AT NATIONAL LEVEL

This chapter draws primarily on national case-studies presented in Part II of this report. These case reports contain expert “on the ground” assessments of the impact of the Lisbon Strategy in, respectively, France, Germany, Hungary, Poland, Spain and the United Kingdom. For these reports national policy documents relating to the Lisbon Strategy have been analysed. Furthermore, national experts, national policy-makers involved in the coordination and implementation of the strategy, as well as representatives of the social partners, have been interviewed. In addition, some overall assessments recently published by other external observers have been used.

8.1 Assessing the impact of the Employment Guidelines at national level

Within the context of this study the Employment Guidelines play a central role. Two fundamental areas require our attention:

- evolution of the Employment Guidelines in the context of the transformations that the Lisbon Strategy has undergone, in particular its streamlining in the Integrated Guidelines in 2005.
- impact of the Employment Guidelines in national employment policy.

The Lisbon Strategy’s progression, and the 2005 review in particular, changed the role played by the Employment Guidelines and, by extension, employment policies. From the start, the delicate balance underpinning the economic, social and environmental policy “triangle” on which the Lisbon Strategy was founded has been intensely debated. This is an issue that is quite difficult to assess, although two clearly different positions may be identified.

On the one hand, there is a need to implement a suitable combination of policies in the specific reform agenda of each Member State. This balance seems in general to comply with the reviewed Lisbon Strategy and its predominance of macro-economic policies and micro-economic reforms on social policies. This argument is as simple as it is old: it is impossible to undertake employment policies if there is no sustained economic growth to allow for employment creation. Similarly, the “macro” perspective reinforces and strengthens the effectiveness of employment and social policies: streamlining makes it possible for employment policies to be closely interrelated with economic policy.

On the other hand, meanwhile, some argue that this integrating (or streamlining) approach in fact serves to hide a false dichotomy (macro-economy versus social policy), which encourages the subordination of the latter to the former. This imbalance has been clearly manifested since the 2005 review, although favouring economic goals over social ones could also derive from the fact that the internal market and the monetary union were also the main cornerstones of the socioeconomic framework of the original Lisbon 2000. According to this framework, macro-economic issues were dealt with at Community level, while social issues were subsumed within them, to be dealt with by Member States at national level.

To demonstrate this, we shall examine the first year after the Employment Guidelines were included into the Integrated Guidelines.

In its Communication “*Time to move up a gear – The new partnership for growth and jobs*”, addressed to the Spring European Council of 2006, the Commission evaluated the results of the first year of the revised Lisbon Strategy. The Commission was satisfied with the results of policy-making in most Member States: all or most MS had developed National Reform Programmes, had appointed Lisbon coordinators and had started to involve national parliaments and stakeholders.

However, there were still areas in need of improvement. Member States had started from very different positions and programmes, all of which underlined the need for mutual learning; it was underlined that the integration of the macro-economic, micro-economic and employment actions could “be strengthened”. And the public ownership of the Lisbon Strategy was still judged to ‘fall short’. The Commission argued that social partners should be more actively involved and the public better informed.

The Commission arrived at some critical conclusions specifically with regard to employment. First of all, it argued that, while programmes placed a great deal of importance on attracting and retaining more people in employment, they did so with “piecemeal policies, not integrated in a life-cycle approach”. Secondly, it claimed that measures to improve worker and enterprise adaptability had been “largely neglected”. To combat this, the Commission argued for greater attention to be given to the conditions that would encourage flexicurity. Thirdly, it concluded that, while MS acknowledged the need for skills development, policies all too often concentrated on qualitative reforms of educational systems, “rather than on more investments”.

At this juncture the Commission made a particular call to action: “The tools are in place. The policy consensus is there (...) the focus must now shift to implementation”. Based on an assessment of the National Reform Programmes and a consultation round with Heads of State, held in 2005 in Hampton Court, the Commission defined four priority areas where specific action was desirable:

1. Investing more in knowledge and innovation: more public and private investment; better coordination of research; better use of research for innovation; better opportunities for the evaluation of scientific research;
2. Unlocking business potential, particularly that of SMEs by: stimulating the business climate; encouraging start-ups; reduction of red tape; positive action to ease access to financing;
3. Responding to globalisation and the ageing workforce to: help more people to find work; enable them to work longer and to find the employment best suited to their talents; develop the right skills; promote a life-cycle approach to work; improve work-life balance;
4. Moving towards an efficient and integrated EU energy policy: stimulate real internal energy market; maximize energy efficiency and renewable energies; safeguard EU energy supply.

Furthermore, the Commission called for additional communication efforts to increase awareness and ownership of national reforms and a greater involvement on the part of national parliaments and social partners, both in the MS and at European level.

If we consider the Commission’s evaluation, what is striking is that the employment dimension receives relatively little attention compared to the macro- and microeconomic dimensions. In the summary of the EU Presidency conclusions only half a page is devoted to employment, while one to two full pages each are used to assess the macroeconomic and microeconomic dimensions. What is still more striking is the shift in terminology. The emphasis has moved away from “employment”, “more jobs”, and “better jobs” to take in terms such as “flexicurity” and “life-cycle approach”, and it has shifted from “gender equality” and “equal opportunities” to “better work-life balance” and “child-care facilities”. These changes in terminology apparently reflected changes in the underlying approach and priorities; they also seemed to reflect the analyses and recommendations of the expert groups consulted for the mid-term review. We will return to this point later in this chapter.

From a time when, at the beginning of the EES, the Employment Guidelines, with the incorporation of new, voluntary forms of trans-national co-operation and new concepts, were paid great attention, a few years later a point was reached when their influence greatly declined. It is not difficult to show that this was largely a consequence of the re-launch of the Lisbon Strategy in 2005, as attention shifted away from employment in the strict sense, and settled on policies that addressed cyclical and structural factors *conditioning* employment.

As discussed above, this was a response to the belief that strengthening these *conditioning* factors would, by extension, lead to more and better jobs. Economic growth and growth-related issues such as innovation, research, market liberalisation, ICT-infrastructure and networks were now more prominently placed on the reform agendas, both at EU level and in the MS.

Despite this, there does, however, appear to be a general consensus that holds that the streamlining of the Employment Guidelines into the Integrated Guidelines ought in itself to be viewed in a positive light. The reason for this is that streamlining is a response to the need for integration, mutual strengthening and the generation of synergies, even if they may come at a cost to the visibility of employment policies. A loss of visibility, after all, does not necessarily mean a loss of importance.

In short, the analysis we have carried out indicates that those in charge of employment policies at national level believe that the integration processes of such policies have made them lose visibility and weight in the policy mix. It would also seem that the concomitant disappearance of the Joint Employment Reports and National Action Plans has led to a reduction in the visibility of employment policy coordination at both EU and national levels. Finally, the 2005 review is assessed to be a dramatic but justified change, one of the consequences of which is an overall diminishing of the social dimension in the Lisbon Strategy.

The Lisbon process has sometimes been criticized as being primarily an administrative, technocratic project without much influence beyond the policy agents and specialised circles directly involved in the process. One of the most interesting questions that one can ask about the Employment Guidelines is whether or not they have had an influence on national employment policies.

Although the content of NRPs is a useful marker for this, the real effect that the Employment Guidelines have exerted on the direction of national employment policies is difficult to trace, given the complexity of the employment systems and the national labour markets. Each MS has its own perception of the influence of the Employment Guidelines. These vary according to national traditions, differences in national institutional systems of industrial relations and in labour markets, as well as the level of commitment to reforms as expressed by the national authorities themselves.

In practical terms, the Employment Guidelines have been accepted and incorporated into MS working practice since the start of the EES. Some authors have underlined a cognitive influence on labour market policies (Huber, 2006 with reference to the cases of Germany and France²²) to highlight the importance of this process of mutual learning. It is thus that the Employment Guidelines can be said to constitute a valuable element of transnational co-ordination. Our own research into the effects of the Employment Guidelines on a national level confirms similar findings. For example, French experts observe a "leverage effect" with regard to the coordination of specific reforms, a "legitimizing effect" for the promoters of certain specific reform issues (flexicurity, active ageing) and a "learning effect" among social partners.

We will now go on to present the results of our research at national level, which may be expanded by consulting the detailed national case studies included in Part II of this study.

In the case of **Hungary**, significant structural reforms which were partly inspired by Lisbon were designed, debated and implemented before and shortly after EU-accession. From 1999 to 2004, the European Employment Strategy had a certain influence in preparing the country for joining the EU. Official debates were organised and the wider public became familiar with the objectives and mechanisms of the Lisbon Strategy.

²² The Impact of the European Employment Strategy on the labour market policies of Germany and France. Andreas Huber. Otto-Friedrich Universität Bamberg. 2006

At policy level, an inter-ministerial body was established for the coordination of the first National Action Plan, and the minister coordinating European affairs became the prime coordinator. However, after this initial period, the influence of the Lisbon Strategy faded away.

Nevertheless, in many cases parts of the national initiatives subsequently undertaken were either clearly drawn from the already-prepared Lisbon national action plan or bore some relation to the reform ideas of the Lisbon Strategy. Furthermore, many of the development plans using EU cohesion were based on the targets of the Lisbon national action plans.

An analysis of the Lisbon-type reforms shows that on average the effects were very limited, according to the opinions we have collated: 'One cannot blame the lack of policy initiatives for this failure. We have seen many new projects, programmes and government efforts (...). A substantial part of the ineffectiveness of such measures can be explained by the lack of coordination of employment with other policies, such as those affecting wages, taxes, pensions, education, etc.' (Gács, 2009).

According to the Hungarian expert involved in the study, the most significant impact of the Lisbon process was felt at the level of the administration: 'A better focus on essential themes, stronger strategic thinking, more planning for the medium range and a regular monitoring of implementation of measures have been the most evident fruits of Lisbon' (Gács, Hungarian case report, 2009).

In **Poland** there is currently only a weak connection between the national reform agenda and the Lisbon Strategy. The feeling of 'ownership' of Lisbon goals is limited. Usually, the introduction of structural reforms has no relationship with the implementation of Lisbon goals. Sometimes the Lisbon Strategy is used as 'an additional incentive to speed up reform processes or as a vehicle to advance unpopular reforms'. As in Hungary, this was less the case in the pre-accession period and the time shortly after EU entry, when special policy groups formulated national action plans and organised national debates, addressing issues that were also central in the Lisbon Strategy. However, as in Hungary, attention for Lisbon gradually faded away with the design of a specific national reform agenda.

However, Lisbon had no more than a marginal effect on policy debates in as far as they concerned EU policy. From the beginning, economic issues were given priority in debates over social goals, particularly issues of liberalisation such as the Services Directive, the opening of MS labour markets and the free movement of workers and the liberalisation of infrastructure networks.

As the Polish report states: 'There was a moment, right after Poland's accession to the EU, when the Lisbon Strategy had its momentum (...). Unfortunately, this momentum was lost due to the fact that Polish priorities (i.e. the free movement of persons or service directives in their initial form) were not treated as EU priorities, and also by the coming into power of a rather Eurosceptical government. Further deterioration of the "surrounding Lisbon movement" was caused by lack of knowledge and support from the members of Parliament, lack of personalities that were willing to become "faces" of the Lisbon Strategy, lack of information campaigns and the general lack of Lisbon-related knowledge'.

According to Polish experts, the Services Directive was perceived as more important than the "little-known and non-compulsory" Lisbon Strategy, including the Employment Guidelines. Polish reports on the implementation of the National Reform Programmes state that, up to 2007, the most important reforms being implemented concerned retirement and disability pensions and reforms in the healthcare system. For the rest, structural reforms were limited.

The positioning of the NRPs gradually moved in the direction of a more activating labour market policy. A comparison of the NRPs leads Polish experts to observe that: "there has been a shift from a social welfare state aimed mainly at reducing unemployment to the state playing a supportive role in creating employment, activating the unemployed, reforming the pension system, stimulating vocational training and promoting social partnership in the labour market - in other words creating an appropriate environment for the stimulation of employment and creation of good quality jobs'.

The Polish experts and policy-makers involved see this as an autonomous process, which is primarily inspired by general economic considerations. According to social partners: "There is a very loose interaction between the Lisbon Strategy and national policies. The majority of the reforms and activities would also be implemented independently of the Strategy, as these are the structural reforms required for the economic development of Poland. The Lisbon process did not result in drafting additional strategies or strategic documents".

According to the results of our research, the national reform process and Lisbon implementation process are plotting separate trajectories, and the Lisbon Strategy is currently not being treated as a national priority (Kwiatiewicz, Polish national case report, 2009).

In **France** the whole period between 1997 and 2008 is characterized by major changes in labour market and social policies. Three main trends may be distinguished, where the influence of the Employment Guidelines is particularly visible:

- a) Promotion of an *activating labour market policy*, for instance through the individualization of social insurance arrangements, introduction of penalties and bonuses in the social security system, merging of social security and public employment services into one 'Pôle Emploi', and through general social and fiscal measures "making work pay". Since 1993, the reduction of labour costs is generally used in France as a measure for stimulating employment. It had already been introduced long before the Employment Guidelines were set out.
- b) Stimulation of an *increase of older workers' employment rate*, for instance by reducing the inflow in early retirement programmes, a pension reform that created incentives to work longer, and specific short-term work contracts for older workers. In this field, French policies are similar to the policies of other EU MS.
- c) The debate regarding *flexicurity*, with proposals that include new forms of temporary work contracts. This approach is questioned in France, however. In the flexicurity field, initiatives for lifelong learning are specially targeted.

Over the years, the relationship between Lisbon and French national policies has weakened: 'Thus it seems that the French documents have evolved towards a more general and original presentation of policy priorities, especially after 2005. From this time onwards, the adoption of the Integrated Guidelines seemed to favour a more general perspective'. Policy priorities and measures regarding employment as defined in the French National Reform Programmes still remain closely in line with EU guidelines, although fewer references are now made to issues of social exclusion and social cohesion.

According to the French experts performing our case-study, this development can probably be traced back to a parallel process of reformulation of the Employment Guidelines, on the one hand, and, on the other, a shift in national political priorities since the latest French elections (Erhel, 2009). They are sceptical about the impact of the Lisbon Strategy. It seems that its main sphere of influence is administrative, in such areas as better planning and improved coordination between authorities responsible for economic and social policies. They consider the use of the Open Method of Coordination to be a success and observe visible learning effects, especially between social partners.

Nevertheless, the experts state 'that the political visibility of the whole Lisbon process remains very limited', which, 'can be related to the absence of a global discussion on the Lisbon Strategy in parliament, but also to a limited dissemination of Lisbon topics to political staff'. There has been a lack of political appropriation and the Strategy remains an issue for 'initiated people'.

This may be partly explained by the French political system 'which encourages localism', but it might also be related to the size of the country and the high internal diversity 'which makes consensus-building on common guidelines difficult'. Another explanation, according to the experts, is the 'general negative perception of internationalization that French people mainly share, often stressing the unpopular consequences of European decisions'. (Erhel, French case report, 2009).

In **Germany**, the European Employment Strategy was strongly debated, but experts have different opinions as to the extent of its impact on German employment policy. Some experts observe no impact at all, while others observe a high impact, particularly during the first period of the strategy.

As some experts point out: 'The only period with significant coincidences of the broad path of European politics and key developments in Germany was the beginning of the Schröder government in 1998, which made the reduction of unemployment and improvements to the employment policy system a top priority in its policy agenda for the coming years. In this period, the German government, through its presidency of the European Council, played an active role in shaping the EES. Before then, 'the EES had no influence at all on German employment policy [...] due to the Conservative Government's lack of familiarity with, and general scepticism of, the EES. This position changed significantly when the Social Democratic party came to power in 1998. This party highlighted the need for an active European strategy to fight unemployment'.

Until 2005 there was some common ground between the German reform strategy and the EES, which was reflected in concrete measures. These included: the 'Bündnis für Arbeit' in 1998, the alliance between the Government, social partners and other key actors on the labour market, and the 'Work Promotion Act', which was introduced to target employment promotion measures at disadvantaged groups such as the elderly, the long-term unemployed and women. However, this was only a short period (...) very soon German politics was overshadowed totally by domestic issues, and in particular by the major reform packages which were introduced in the field of employment and social policies'.

It is widely held, however, that, apart from the short period at the end of the nineties, the political influence of European employment and social policies was always quite marginal compared to other European projects such as the completion of the monetary union, the introduction of the Euro and EU enlargement.

After 2005, the German government changed colour again and a redefinition of priorities took place, this time 'with more focus on competitiveness, market liberalisation, entrepreneurship, sustainable finance and ecological innovation. Adaptability and employability as labour market issues are lower now on the priority list' (Voss, 2009). As regards flexicurity, most views are sceptical: 'Clearly, Germany does not rank in the top league of countries implementing a sufficient approach to flexicurity'. Germany has its own way of flexibilising the labour market within the framework of the Hartz-reforms that includes, for example, a reduction of unemployment benefits (level and time) and stricter requirements for people to qualify for them, so as to push the unemployed to get back to work.

Since then, no major political or public debate about the Lisbon Strategy has taken place in Germany. On the contrary, the reforms - known as the Hartz-reforms - implied a clear deterioration of job protection and social security. They faced strong criticism from trade unions and the public at large.

Paradoxically, the controversial Hartz-reforms were partly justified by German politicians as a means of meeting Lisbon Strategy requirements, which meant that Lisbon became rather unpopular in Germany.

These reforms included an increase in labour market supply, an improvement of labour market counselling and a reform of the unemployment benefit system, with aims such as the creation of more inclusive labour markets. According to German experts: 'Today, the Hartz reforms are associated with a paradigmatic shift from passive to active labour market policies'.

The impressions brought together in the national case report reveal that 'the Lisbon Strategy is very much associated with a rather neoliberal strategy of macroeconomic and microeconomic policies and deregulation in the social and employment policy field'. These days the future of the Strategy is rarely debated (Voss & Haves, German case report, 2009).

Almost as soon as the Labour government took office in the **United Kingdom** in 1997, it began implementing a range of policies that were in line with the EES and that marked a significant break with the policies of previous Conservative governments.

The windfall tax on utility company profits was used to fund a range of employment initiatives under the "New Deal" banner targeting various groups of workers and pledging to get them back to work or into training. The active labour market policies were targeted at key groups – younger workers, older workers, the long-term unemployed and people with disabilities. The new government also set up a social exclusion unit to look at the issue at a strategic level and made some ambitious commitments to reduce poverty. It would, however, be difficult to conceive of an instance where Labour would have admitted any link between the formulation of these policies and the EES or the EU.

In terms of flexicurity, the UK labour market had undergone a process of considerable liberalisation during the previous 18 years of Conservative Government, with a reduction in redundancy rights and a growth in part-time and temporary work. The Labour governments have continued to argue for the need to maintain flexibility in the labour market with this being their primary argument for doggedly resisting the abolition of the "opt-out" from the Working Time Directive. However, they have also introduced a number of measures to provide greater regulation. Apart from the Working Time Directive, Labour introduced the National Minimum Wage in 1999, and since then has agreed to implement virtually all the recommendations of the Low Pay Commission to increase rates above the rate of inflation.

We find a similar picture in terms of pensions where the national state pension system was already one of the most "sustainable" in Europe, providing, as it did, such a low level of benefits. Labour changes to the system since then have provided some extra benefits for the lower paid but have not begun to counteract the steady and widespread decline in the levels of pension provision in the private sector. Labour has kept its focus on the question of government action on individual employability, rather than government assistance to retain jobs. This is about increased provision of lifelong learning that will help individuals to remain in employment, and a key element of this has been the legislation to give union learning representatives the right to paid time off to help colleagues at work with learning and training.

There are here three important elements to the United Kingdom's approach to the Lisbon Strategy, and these will come up time and again.

The first is that this MS was one of the original prime movers of Lisbon, as a result of which Labour has often claimed to be ahead of the game when it comes to many Lisbon-related policies.

Accordingly, the second element is the perception that Lisbon is really about the rest of Europe, and the idea that most other EU MS need to adapt their policies rather than the UK change its own ones.

The third element involves government concern about referring to Europe in its policy-making. The overall pattern here is that even if a United Kingdom policy was introduced or amended in response to Lisbon, Labour would fail to recognise that link in any public or positive way.

One example of this is New Labour's decision to implement the Social Chapter of the Maastricht Treaty, introducing a number of measures such as the Working Time Directive. Rather than admit that this was a response to EU policy priorities, Labour took credit for what was seen as a positive development (the right to paid holidays), while maintaining a more business-oriented approach to other elements such as the "opt-out" from the 48-hour week.

In some ways the approach to Lisbon in the United Kingdom is similar to that in France. It remains a set of policies known only to a relatively small group of politicians, civil servants and experts, and has not even been the subject of a full debate in Parliament (Pond, British national case report, 2009).

In **Spain** the Lisbon Strategy has largely failed to enter the arena of general political discussion. Apart from slogans regarding the dynamic nature of an economy based on knowledge, Lisbon has not become the subject of public social debate, and has therefore remained an issue only tackled by experts or high-level civil servants. Furthermore, the involvement of the national Parliament has been scarce. Only recently, with Spain's presidency of the Union approaching, has greater attention been paid to the subject. The recent European Parliament elections serve as an example of this general lack of interest, with the campaign focusing mostly on local and/or domestic affairs, with hardly any attention paid to aspects of a European dimension.

On a more positive note, the National Reform Plans have undoubtedly been a core element in guiding public policies in Spain in the last few years, particularly reform initiatives. Similarly, several guidelines on employment have trickled through into social partner activity, thereby involving Spain in European debates and serving as a yardstick for many of their activities. At least Lisbon has not been used as an excuse to impose unpopular measures (Calvo, Spanish national case report, 2009).

The post-2005 period has been characterised by the subordination of employment and social objectives to the macroeconomic aspects of the Lisbon Strategy. According to certain officials responsible for employment policies, the 2005 review has led to a loss of profile for social and labour policies. Furthermore, the creation of a specific administrative organisation responsive to the President's Office, intended to draw up and monitor the National Reform Plan with an economic orientation, suggests a certain weakening of the role formerly played by the EES. Of course, all of this goes against the official line, which is supported by many economic experts, which argues that the employment dimension has been strengthened by integrating it in a macroeconomic growth context.

The Employment Guidelines have however contributed to the rationalisation and harmonisation of national employment policy. In the first cycle of the reviewed Lisbon Strategy (2005-2007), Spain adopted 361 reforms, with "satisfactory advances towards the objective set with regard to employment rate, especially in female employment". Similarly, these objectives trickled through into the activity of the Autonomous Communities and even into inter-confederate dialogue between the main Spanish trade union and employers' organisations.

EGs served to bring measures into line with priorities, even if the specific characteristics of the Spanish labour market, its imbalances and, in particular, high levels of fixed-term contracts, have limited their influence. According to some, the positive effect of EU coordination does not stop the Employment Guidelines from being seen as something that ranks rather low down on the national agenda. Recent debates such as that surrounding flexicurity have barely caused a ripple across the pond of Spanish society.

However, efforts made to combat the high number of fixed-term contracts and labour market segmentation, added to the higher profile of women in the market, should be highlighted. Also worthy of mention is the ongoing struggle against the economic crisis, not only through the development of a productive model based on innovation and knowledge, but also through the revitalisation and liberalisation of the services sector.

We should also bear in mind that during most of the course of the EES and Lisbon Strategy, in Spain jobs were being created at a vertiginous rate (more than 8 million from 1997 to 2007), with above-average levels of GNP growth (due largely to the building boom and immigration). Neither phenomenon was seen as in any way influenced by the Employment Guidelines. Most of the progress in employment has slowed down or suffered set-backs due to the recent economic crisis. Likewise, the results in other fields have been disappointing, especially with regard to human resources, where expenditure in training is still low and the rate of school drop-out and failure in compulsory education remains high.

In conclusion, we can assert that across the MS the interaction between Employment Guidelines and national policy has been rather limited.

The influence of the Employment Guidelines on national employment policies can be observed in the introduction on the agenda of new subjects which would have probably remained on the margins had they not been discussed at European level: subjects such as lifelong learning, gender equality, active ageing and “making work pay” would hardly merit a mention in the employment policy landscapes of quite a few Member States.

In the light of our analysis, we have to underline that there is at least some correspondence between structural reforms in certain of the larger MS and the Employment Guidelines. However, the EES and the Employment Guidelines have been welcomed and implemented very differently across the Member States. How to stimulate workers to look for work, the enforcement of penalties for inactive job seekers, the relationship between passive and active policies, or even the role of Public Employment Services, are matters for debate which are consistently encouraged within the framework of the Employment Guidelines.

Once again, each Member State’s point of departure is relevant, taking into account such circumstances as the existing framework of production, the level of the MS integration into the global economy, or the foundations on which their labour market operates.

The influence of the Employment Guidelines on national policies also varies from subject to subject. In some cases ‘steering effects’ are observed. In other cases Employment Guidelines have a kind of ‘catalyst’ effect in the sense that they intensify national debate on an issue or take it in new directions.

We can additionally conclude from our case-studies that the EES and the Lisbon Strategy had their greatest impact at national level during the first period of the strategy. Very often, this was mainly visible within national administrations, and even at this low level their impact gradually declined after 2005, when national reforms began to dominate national agenda and European issues were further moved to the margins. Most of the opinions and conclusions we have collated concur that in most MS key developments in political debate are determined by domestic rather than European issues.

Flexicurity, has, over the past few years, become the principal topic of European debate on employment policy. Its focus, based on four main *principles*, allows each MS to approach the subject in its own way, taking national diversity into account. In spite of its controversial nature, the application of flexicurity measures has become an increasingly ubiquitous feature of the National Reform Programmes. Quite another matter for expert debate is whether this *path* towards flexicurity is being embarked upon due to the direct influence of the Employment Guidelines.

8.2 Recent evaluations of the Integrated Guidelines

The Integrated Guidelines were recently assessed for the Commission by an independent team of evaluators. They concentrated on issues such as relevance, operating capacity, priority setting, contribution to reform agendas, integration with other policy areas and quality of reporting. As the Employment Guidelines are part of the Integrated Guidelines, we feel it is interesting to summarise some of the results of this assessment. The evaluation was based on interviews with policy actors and stakeholders and case studies of specific policy areas such as lifelong learning, active ageing and better regulation.

The following conclusions were drawn (see: Euréval/Rambol, 2008):

- 'The guidelines are relevant enough'. According to the evaluators, the guidelines 'constitute a comprehensive and open framework which easily accommodates all important challenges related to growth and employment in Europe'.
- Secondly, the evaluators concluded that 'the soft coordination process works, but not as intended'. It was deemed effective in 'fostering mutual learning, enlarging stakeholders' consensus, reinforcing reform promoters' legitimacy and pushing reforms to the top of political agendas. Thus, it could be seen to have had an 'incremental impact' on reform policies.
- The evaluators concluded that peer pressure and public pressure mechanisms do not succeed in facilitating the smooth passage of reforms. Exerted external force, for instance with recommendations from the Commission, 'does not seem to be of the same order of magnitude as the powerful factors which drive internal policies'. It was, however, admitted that recommendations could have an impact in the degree to which they reinforce the legitimacy of reform promoters.
- A fourth conclusion was that 'framing policy issues in a consensual way is a key success factor for the effectiveness of the soft coordination instrument'. This involves processes including the developing of a shared understanding of concepts, objectives, problem analyses and problem solving. Case studies demonstrated that such processes take a long time and require a broad political debate.
- Finally, the evaluation concluded that 'the potential of integration as a means to accelerate and improve reforms is largely underexploited'. They argued that the economic and social dimensions had not been sufficiently integrated into reform practices. (Eureval/Rambol, 2008).

Furthermore, there were only a few areas mentioned in the Integrated Guidelines in which an 'integration' of the monetary, economic and social dimensions had been achieved, in the true sense of win-win solutions covering all issues and minimising the social costs of structural reforms.' To a greater or lesser degree this was only the case with regard to ageing, flexicurity, making work pay, wage bargaining and skills development.

An evaluation of the 2006-2007 policy cycle commissioned by the European Parliament reached a similar conclusion when it stated that it was 'a major question whether, despite the Integrated Guidelines, there is sufficient policy integration and attention to cross-effects of different policies'. The links between structural reforms and employment growth appear to be rather weak, as are the links between innovation and competition policies and between energy and environmental policies (Begg, 2007).

8.3 OMC processes at national level

As our research bears out, the OMC had a significant positive impact in **Hungary** already before its accession to the EU. However, the 2005 review led to the OMC losing ground due to two developments. First, the separation of social protection and social inclusion policies from the Lisbon Strategy implied that these social issues would come under a specific coordination mechanism. Coordination with the Lisbon process did not work well and the National Action Plans no longer made reference to these issues. Instead, social problems are now tackled by stand-alone programs, with too much left to the mechanism of competing projects. Another unintended consequence of the 2005 review was the virtual disappearance of international employment peer-learning activities. According to our research: 'In the late nineties and early 2000s, peer learning was one of the most useful means of devising innovative reforms and providing legitimacy for their national implementation. The disappearance of these events has contributed considerably to the widespread belief that OMC processes no longer give their full backing to the Lisbon Strategy.' (Gács, Hungarian national case report, 2009).

In **Poland**, policy actors also became more sceptical of the Lisbon Strategy once it had lost momentum after the accession period. According to the officials interviewed, 'the peer review technique is not working, primarily because of different administrative practices in the Member States which are non-transferable'. The added value of the peer review process is mainly perceived 'as a chance to meet interesting people and get some inspiration'. Officials consider the reporting system now to be 'very complicated, time consuming and causing a lot of additional tasks'. In the interviews carried out, none of the social partners mentioned OMC/EES or OMC/SPSI, which is an apparent indication that these terms have not successfully entered the general lexicon (Kwiatiewicz, Polish national case report, 2009).

In **France** research projects concerning the OMC/EES and the OMC/ SPSI have shown that these policies do not have a direct effect on reforms, but rather a 'leverage' effect. That is to say that they serve to encourage coordination between ministries, between services and between different levels of the administration and also a strategic use of the Employment Guidelines to favour specific reform orientations. It is stated that '...the Lisbon Strategy serves the legitimacy of certain actors when they use tools or arguments provided by the OMC in the national debate [...] references help to introduce new items (flexicurity) or to reformulate national policies (such as action plans for older workers). At a very general level the EES has legitimized the idea that labour market reforms were a necessity'. Furthermore, certain awareness-raising effects have been observed among the social partners (Erhel, French national case report, 2009).

In **Germany** the OMC is perceived differently by the different policy actors involved. Experts from the Ministry of Labour are positive, considering it to be quite a valuable long-term mutual learning tool. They ascribe three main functions to the OMC: 1) It intensifies debate on certain national issues; 2) It has a cognitive function owing to its best-practice method; and 3) It has an impact on mid-term policy issues, including childcare facilities and gender mainstreaming. Experts from other ministries are more critical, however, and consider the OMC to be mainly a 'bureaucratic burden'. Several further problems are reported:

- a) the OMC functions, to too great an extent, at federal national level; competent actors at regional level are not involved;
- b) the OMC is too complicated for social partners with their limited resources; regional and sectoral social partners are usually not involved at all;
- c) little coordination exists between the social OMC and the OMC connected to the Lisbon process;
- d) The gap between the theoretical approach and the political reality of the OMC might lead to public pressure and defensive political reactions, which might become counterproductive.

It has been pointed out that the government is aware of the 'participation deficit' but that concrete actions to tackle it are not forthcoming (Voss & Havess, German national case report, 2009).

In the **United Kingdom** it is very difficult to discern any substantial impact linked to the OMC. There certainly have been knowledge-sharing initiatives with a number of bilateral exchanges concerning welfare and labour-market issues, and these were seen as positive developments. In terms of public perception, it would appear that the OMC has had little influence on the policy process, mainly because of the determination of the government to present itself as taking a lead on Lisbon reforms, reaching some of the key targets ahead of time. Labour has generally been reluctant to be seen to be taking a lead from Europe, because it is concerned that this would generate a negative reaction from voters (Pond, British national case report, 2009).

Although the shortfalls of the OMC compared to other more "rigid" and normative forms of activity have been identified in **Spain**, its importance as an instrument to open up certain fields of activity in European institutions has also been highlighted. Moreover, the possibilities of mutual learning and comparing best practices are highly valued.

This continues Spain's process of de-isolation in administrative management, which started with the implementation of Structural Funds and the European cohesion policy (Calvo, Spanish national case report 2009). However, as in the German case, the OMC's excessively complex nature is a cause for concern, especially for some social partners and the society in general. Further criticism is levelled at the conflicts that this process sometimes generates with regard to regional and local administrations and the significant competences they have on these issues.

The OMC processes do have an impact on national policies, but this is often indirect. It also appears that this impact varies from policy to policy as well as from period to period, being moulded to the context of domestic practices. Furthermore, we can see that different policy actors have different opinions about the added value of the OMC, ranging from support to scepticism, and that there is always the risk of resistance, in particular when there is a wide gap between rhetoric and practical reality. These conclusions are supported by other evaluations of the operation of OMC processes.

Collignon and other experts from the think tank "Notre Europe" have published an analysis of the strengths and weaknesses of economic policy coordination within the framework of the Lisbon Strategy. They see the OMC as the basic implementation coordination mechanism, and highlight its flexibility, with specific mention of its decentralised nature, approach to the setting up of common procedural routines, absence of formal constraints and way of adapting to different national systems.

However, in their view the strategy is not delivering the expected results. Progress is seen to be off the pace in several MS, while also varying from policy to policy. Progress is faster in areas where MS have similar approaches, but slower in areas where national preferences differ. According to Notre Europe, there are several reasons for this lack of effectiveness (see Collignon e.a., 2006):

- a) *Absence of a sound policy mix.* The Lisbon Strategy lacks binding rules, with hard, enforceable and legitimized sanction systems. The OMC is a 'second-best' option due to the fact that MS are reluctant to coordinate national economic policies through binding rules or to delegate more power to the Commission. Structural reforms, however, require a better coordination between monetary and budgetary policies.
- b) *Insufficient attention to the specificities of relevant policy areas.* Policy areas to which the strategy applies are all too often treated as if they were basically similar. According to the experts: 'The time frame (2010) is the same, even though the type of externalities they produce and the time needed for reforms to produce tangible results may vary significantly'. Areas such as technology, infrastructure networks and the environment have larger externalities and longer time frames than areas such as employment and social exclusion: 'Applying the OMC in an indiscriminate fashion is clearly not an optimal solution', they conclude.
- c) *Weakness of the peer pressure system.* The system has not worked properly, in part because members are not willing to "name and shame" their peers. Member States are not willing to clash with peers about topics which they do not consider to be domestic priorities. There is no formal authority in control to ensure the fulfilment of Lisbon targets and objectives.
- d) *Shortcomings in the 'management by objectives' approach.* A risk of working with indicators and targets is that it creates incentives for 'window-dressing'. Excessive importance might be given to short-term results at the cost of debate on long-term structural reforms. Indicators should not just be set out by administrations, but should be agreed through serious political and social deliberation with the actors involved. Involvement of stakeholders is limited or lacking, however.

- e) *Weakness of the coordination mechanism.* For many, the OMC remains an area for expert discussion. There is no authoritative mechanism to analyse lessons learned at national level and draw political conclusions at a higher level. The OMC is based on voluntary cooperation and 'attempts at outside control strongly risk being perceived as an illegitimate interference', according to experts.
- f) *Depoliticisation of decision-making.* The OMC and the implementation process have evolved into a primarily bureaucratic exercise 'with experts cooperating in obscure networks shielding decisions from electoral cycles' - at least in the eyes of the public. This undermines the political legitimacy of the strategy.

Several of these assessments and recommendations are shared by other external experts who have studied the progress of European employment policies (including Pisany-Ferry & Sapir, 2006). Zeitlin has recently published a systematic analysis of the influences of the OMC on the reform of national social and employment policies. This is based on an extensive review of the literature and empirical research in a number of old and new EU Member States, covering both the OMC/EES and the OMC/SPSI. Zeitlin distinguishes two major types of influence that these OMCs have exerted on national reforms: firstly substantive, and then procedural, policy change (Zeitlin, 2009).

In terms of *substantive policy change*, Zeitlin argues that the OMCs have contributed along three interrelated axes:

- a) Changes in national policy thinking (*'cognitive shifts'*) by: incorporating EU concepts and categories into domestic debates; exposing domestic actors to new policy approaches; and questioning established domestic policy assumptions and programmes. Zeitlin claims that this is the best-attested form of OMC influence, which he observes in particular in the reconstruction of employment and social policies in the new Member States.
- b) Changes in national policy agendas (*'political shifts'*) by placing new issues on domestic agendas or putting more weight on certain issues. Zeitlin identifies this influence in such issues as labour market activation, lifelong learning, social exclusion, childcare and child poverty.
- c) Changes in specific national policies (*'programmatic shifts'*). These apply to concrete labour market reforms. Zeitlin points to the influence of the EES on the likes of labour market activation and unemployment prevention policies. But he also observes OMC/SPSI influences in areas including social assistance regimes, childcare facilities and even in the field of pension reforms.

Despite the evidence, however, one must be cautious. It is often difficult to establish direct links between external concepts and concrete reforms. External concepts are usually the reflection of a multitude of policy inputs. Furthermore, concepts from outside gradually become incorporated into national discourses themselves. According to Zeitlin, the relationship between OMC processes and Member State policies is better conceived as a two-way interaction than as a one-way causal impact.

The second type of influence is a contribution to *procedural shifts* in governance and policy making. Zeitlin lists five main forms of procedural influence in national employment and social policies:

- a) Horizontal integration of interdependent policy fields, for instance through the creation of inter-ministerial working groups;
- b) Improvements in national steering and statistical capacities, for instance through the creation of monitoring and evaluating systems, information systems and statistical databases;
- c) Enhanced vertical coordination between different levels of governance, e.g. national, regional and local official bodies and authorities;

- d) Increased involvement of non-state actors in domestic social and employment policy-making, in particular social partners and civil groups; this type of influence has been strongest in the field of social inclusion;
- e) Development of new networks for the involvement of non-state and sub-national actors, such as regional councils and local platforms, often supported by EU action programmes.

These influences can also be observed in the national cases, described above. However, we have seen that influences in procedures do not always translate into practical realities. Domestic forces usually dominate and regulate institutional and procedural changes.

8.4 Stakeholders' participation at national level

Our research on the implementation of the Lisbon Strategy in the field of employment and social policy in several Member States has produced some interesting results.

At one time the minister overseeing EU-financed development programs in **Hungary** was the Lisbon coordinator, but currently that function is filled by a high official from the National Development Agency. There is an inter-ministerial working group, which is responsible for the design of the NRP, with officials from the Department of Employment and Social Affairs being the most actively involved.

Basically, according to Hungarian experts, the Lisbon process is not treated as a political process, but an issue largely run by the administration. There is a consultation round with professionals and (social) partners on the subject of the NRP, but usually the draft document is ready before consultation. The Social and Economic Council, the Hungarian Academy of Sciences and some 150 branch organisations are involved in the consultations. Opinions are welcomed, workshops organised, comments posted on a website, but, besides this consultation round, there is no further communication. As a rule, no parliamentary debates are organized (Gács, Hungarian national case report, 2009).

In **Poland** the Ministry of Economic Affairs is in charge of implementing the Lisbon Strategy. An inter-ministerial team is responsible for the development of NRP proposals, monitoring implementation, drafting the documents for the EU and participating in consultations with the EU.

The Polish parliament has a special European Union Affairs Committee, the role of which is to discuss draft documents and ministerial regulations. According to the officials involved, the Committee usually adopts 'a passive role'. There is no real debate in parliament about the strategy. Relations between the Polish parliament and the European Parliament are weak and 'there is in general a lack of EU-related knowledge and understanding'. There is also little interaction with other EU institutions.

The social partners are represented in an informal consultation group. Social partners are consulted about the NRP at the stage of its preparation, they are invited to express their opinions, contributions are taken into account in drafting the NRP, and comments posted on the internet. According to officials, this involvement has meant that 'the level of knowledge of social partners has grown significantly over time'. Social partners themselves, however, consider the consultation process and social dialogue to be weak: 'Both trade unions and employers' representatives complain about the façade character of consultations and the fact that they are not guaranteed sufficient time to prepare their opinions' (Kwiatiewicz, Polish national case report, 2009).

In **France**, the Lisbon process is managed by the *Secrétariat Général des Affaires Européennes*, which is placed under the authority of the Prime Minister. It has a double coordinating role, between EU institutions and the French administration on the one hand, and within the French administration on European issues on the other. Further social and economic input comes from the Conseil d'Analyse Stratégique, which is also placed directly under the Prime Minister.

Since 2007, when employment policy was transferred to the Economy Department, the Minister of Economic Affairs has become the formal coordinator of the Lisbon process. This has led to a reduction in the influence of the Labour Department.

Several initiatives were undertaken since 2005 to increase participation of the French parliament in EU policies. Reports on the implementation of Lisbon reforms were presented to parliamentary commissions and regional authority associations. In 2008, the parliament established two special commissions for European Affairs to reinforce political support for the Lisbon Process, both with a 'double mission of information and control'.

The participation of social partners had already been institutionalised in France as early as 1998, through the creation of the Committee for Social Dialogue on European and International Questions. Social partners are further represented in the Social and Economic Council. They have been invited to contribute to the design of national action plans and reform programmes since 2000, and their participation has generally increased over time, with, French experts would argue, a positive learning effect concerning EU policies. Their influence has been declining since 2006, however; their comments to the NRP are no longer included in final documents and they are no longer invited to attend the discussion of the French NRP with the Commission, 'which is something they regret'.

At the level of the *régions*, departments and municipalities, meanwhile, participation in the Lisbon Process and the NRP 'remains very limited' (Erhel, French national case report, 2009).

In **Germany**, three ministries (Finance, Economy and Labour) are involved in the *Lisbon coordination process*, 'with Finance pursuing growth objectives, Labour demanding a more social focus, and Economy mediating between these positions'. Formally, the Minister of Economy was the Lisbon coordinator, but in practice officials now hold this role: 'The position of Mr. Lisbon is interpreted in Germany rather technically according to its coordinating function, and not in the context of public communication'. We found no evidence to suggest that earlier strategies designed by the government to tackle the 'communication problem' and to increase the acceptability of the reforms have been implemented.

In the German federal political system, regional governments and parliaments (*Länder*) have an important say in employment and social policy issues. This puts specific pressures on the implementation and consultation procedures for reform programmes. 'In decentralised or federal countries political levels and groups of actors which have significant competences in the field of employment, social and economic policy, are not involved in the OMC. This lack of involvement results in mistrust, criticism and, in some cases, even in open opposition to European initiatives'.

German research has also proved sceptical about the involvement of the social partners. Several problems have been highlighted that would impede adequate participation:

- the complicated and time-consuming procedures of the OMC;
- social partners' lack of staff resources which limit involvement in the full policy cycle;
- concentration of participation opportunities at the central, national level;
- limited involvement by sectoral social partners or regional groups and representatives.

Social partners criticize the slow and incomplete implementation of the Lisbon Strategy in Germany, but they do so from different angles. Employers emphasize the slow removal of barriers to competitiveness, while trade unions underline the negative effects of liberalisation and deregulation on social security; both complain about the cooperation with the German government, however, 'which is often insufficient'. They are mainly consulted through 'hearings'. There is no political debate about the implementation of the Lisbon Strategy and the NRP (Voss & Haves, German national case report, 2009).

In the **United Kingdom** (UK) the Treasury is the leading department on issues appertaining to the Lisbon Strategy, working mainly with the Department of Work and Pensions. It is worth emphasising that the Treasury has played a dominant role in UK policy-making since Labour came to power in 2007 with its Comprehensive Spending Reviews (CSR) setting out plans and targets for other ministries. So, on the one hand this means that Lisbon is at the heart of the key department, but on the other it is also subject to the three-yearly priorities set by the Treasury in its CSRs.

The role of Parliament has not been significant. The Parliamentary Scrutiny Committee does not look at European legislation or policy in strategic terms, and so has not provided a real forum for debate about the Lisbon agenda or how it should influence policy making. There has been no major debate on the Lisbon Strategy in the House of Commons either, although it does occasionally get mentioned in wider European debates, about the Lisbon Treaty, for example.

Our research includes examples exchanges concerning Lisbon that take place between ministers and MPs. These mainly support the notion that the UK is doing fine and that the major problems are to be found elsewhere in Europe. Many such exchanges boil down to a question of the Labour government defending the strategy and highlighting the fact that it was one of its instigators, while the Conservative opposition repeatedly attacks the Lisbon agenda and its failure to meet the overall targets at European level.

In the UK there is no formal or regular social dialogue at national level, and therefore no forum for the social partners to discuss issues such as the Lisbon agenda. The election of Labour in 1997 led to a gradual opening-up of the policy-making process, and has certainly meant increased consultation of trade unions and other non-governmental organisations (NGOs). Consultation over the NRP itself has improved, and social NGOs have been able to participate in meetings where the focus is on Lisbon-related issues (Pond, British national case report, 2009).

In **Spain**, the body in charge of coordinating, writing and updating the NRPs is the Permanent Lisbon Unit (UPL), created by the Government Delegate Commission for Economic Affairs (2005). The UPL works under the coordination of the Director of the Prime Minister's Economic Bureau, as National Coordinator of the Lisbon Strategy. Its members represent the Ministry of Finance, the Ministry of Labour and Social Affairs, the Ministry of Industry, Tourism and Trade, the Ministry of the Environment and the Prime Minister's Economic Bureau (OEP).

Since 2006, the involvement of social representatives in the management of this Strategy has been regulated by a Work Protocol. Trade unions and employer organisations have found this to be a useful tool in the improvement of participation in the process of monitoring and updating the NRPs. In the last few years what has tended to occur is that each September the Government, through the OEP, presents the major trade unions and employer organisations with a draft of the Annual Progress Report. These organisations give their opinion and, once the final document has been drawn up, their evaluation is made public through the OEP's web site.

This protocol and its execution tend to be well valued by social agents, as can be observed by the comments of one trade union's representative: "our formal involvement has been improved by systematising briefing sessions on the decisions made by the European authorities throughout the year (Councils, update of guidelines, etc.)" However, they also usually emphasize the fact that their "specific contributions to the Annual Progress Report are not taken into account much, beyond those measures previously agreed within the Social Dialogue framework and which are a part of the Report".

From the employers' perspective, it has also been noted that "more progress on contacts with the various Departments of the Spanish Administration would be desirable, and business contributions should be better reflected in the final content of the annual progress reports"²³.

As far as the participation of the Spanish Parliament is concerned, one might say that it was conspicuous in its absence in the first years of implementation of the strategy. However, this situation appears to be changing. In its session of 14 October, 2008, the Joint Commission for the European Union agreed to create an ad-hoc Committee.

The participation of regional administrations seems to have improved over the years. Even so, some Autonomous Communities complain that participation "is limited to responding to occasional surveys from those in charge of the NRP"²⁴. However, Autonomous Communities have frequently taken the objectives of the Lisbon Strategy as their own. They have also supported the creation of Regional Reform Programmes, in many cases in the framework of social agreements.

Having weighed up the observations in the national cases carried out, we can conclude the following:

1. the political and public visibility of the Lisbon Strategy is generally considered to be low;
2. administrative officials rather than politicians take the lead in coordinating the implementation process;
3. other political stakeholders, such as the social partners, are mostly involved in a formalized and routine manner;
4. commitment, interest and knowledge are often lacking among the political actors, except within a limited circle of experts involved;
5. lack of involvement might have counterproductive effects, where actors have responsibilities for the implementation of objectives in which they have had no say;
6. participation in policy design should be strengthened if governments want to create a legitimate basis for the implementation of reform programmes.

8.5 Improvement of political dialogue at national level

Improvements in the political dialogue surrounding the Lisbon Process at national level are often recommended as an answer to the limited involvement of national parliaments and national social partners. This constituted one of the basic recommendations of the Kok report for the mid-term review as early as 2005, and Commission reports have since returned to it time and time again. Proposals to improve the quality of political participation often involve one or more of the following elements:

- define clear sets of objectives at national level and focus on a limited number of priorities in the national action plans;
- leave more leeway for adapting targets to national political priorities, in a way that corresponds to specific national demographic and structural characteristics;
- involve parliaments at earlier stages of preparation of national action plans, before compromises have been made and draft documents completed;
- include representatives of parliament in working groups preparing the draft national action plans;
- include explicit references to the Lisbon goals in the annual policy programming and budgeting procedures;

²³ CEOE, Evaluation of "Spain's National Reform Programme (PNR). Update Report 2008" Madrid, 15th October 2008. Available at <http://www.la-moncloa.es/NR/rdonlyres/E947FAEC-18A0-4E4B-A799-EEF699E4CED0/91615/VALORACI%C3%93NPNR2008CEOE.pdf>

²⁴ Autonomous Community of the Basque Country

- plan a separate political debate with parliaments;
- include the national progress reports to the Commission on the parliaments' agendas, plus Commission feed-back and follow-up actions to be taken;
- consult social partners not only on ready-made draft documents, but involve them at earlier stages in the preparation of the national reform programmes;
- consult social partners about the progress reports delivered to the Commission and discuss implementation of follow-up measures with them;
- design effective and coherent communication strategies for different stakeholders, in order to facilitate a broader political debate;
- try to 'politicize' the Lisbon process, by turning the action and reform plans into more 'living' documents; try to heighten attention with some 'revolutionary' ideas;
- tie EU funding more clearly to Lisbon objectives.

Many governments recognise the value of these measures, aware of the desirability of moving Lisbon out of the administrative and into the wider political sphere. However, in daily practice, the participation of parliaments, social partners and regional authorities appears to have fallen back rather than to have gone forward since the first period of the Lisbon process. This might be in part the result of its technical and complicated nature, as well as its broad range of issues. In short, stakeholders simply do not have the specialised staff resources and necessary capabilities to cover all domains. It might also be partly explained by the nature of the consultation processes, which the actors involved often find ritualistic.

A third explanation for this lack of progress is that the process comes across as excessively focused on issues that fall outside the direct sphere of interest of national political actors and stakeholders. By this we mean that there is too much emphasis on 'global' issues (innovation, market liberalisation), and too little on 'local' issues (jobs, unemployment, social policies). A strengthening of the social and regional dimension of the process might improve the involvement of local actors and the quality of their participation.

8.6 Citizens involvement and commitment

As we have seen in previous sections, the implementation of the Lisbon Strategy in the MS is perceived as a mainly technical and administrative process, and its political visibility outside its specific expert circles is rather low. This is all the more true in terms of its public visibility. The public is generally not acquainted with the Lisbon process. Citizens are rarely involved and do not feel committed.

According to a recent brief published by the think-tank "The Lisbon Council" (Anne Metler, 2008), future reform efforts should recognise that the slow pace of reform is not the result of a lack of analysis, but of a lack of compelling advocacy, a lack of civic engagement and a lack of emotional outreach calling on individuals' innate desire for sustainability and inter-generational equity. Experience gained during both the first period of the Lisbon Agenda (2000-2005) and the second period (2005-2010) shows that putting business – even small- and medium-sized businesses – at the top of the agenda leads to minimal impact, or even worse, downright rejection among the public.

Our research at national level provides a critical perspective on the effectiveness of governments' strategies to tackle such lack of commitment. More awareness-raising campaigns, greater use of the Internet, more roadshows, and more 'faces' associated with the process have failed to increase public commitment. The fact is that coverage in the public media is very limited and debates mainly take place inside specialized 'communities'.

One of the reasons for this might be that media communications strategies only tackle a part of the problem. The public has come to associate the Lisbon process with technical exercises regarding budgets, markets, reforms, regulations, innovations etc, and not with issues they are concerned about in their own day-to-day lives, such as jobs, unemployment, pensions and health. The Lisbon process might also be seen as threatening, in particular when they imply substantial reforms of existing arrangements in the social field, as in the case of labour market reform or the reform of social security. Public commitment can only be assured if these concerns are taken seriously and the social dimension of the process is strengthened.

8.7 Promotion of a strategic EU approach

Another question is whether or not the Lisbon Strategy has really contributed to a strategic EU approach in the field of employment and social policies. One might think that it has, at EU-level, at least, as long as one defines a 'strategy' as a series of common principles, resolutions, objectives, guidelines, procedures, coordination methods and performance monitoring systems.

But what of a coherent strategic approach at MS level? We must bear in mind the fact that the subsidiarity principle means that Member States are responsible for employment and social policies themselves. National policies are coordinated at EU level by 'soft' methods, not by 'hard' types of regulations such as EU Directives. All the same, one might ask whether the Lisbon Strategy had promoted a common perspective across MS, and whether that perspective has an added value for national policies. The national case reports are not very positive on this point.

Our assessment of this aspect is ambivalent. To the present date, the Lisbon Strategy has not contributed very much to the promotion of a more European perspective on questions of national employment and social policies, or to a greater awareness of a strategic European approach, except within limited circles of administrative and technical policy experts. The limited visibility of the process and its specialist technical nature are two of the factors that have prevented it from making an impact either on national policy systems or on the public.

8.8 Coordination with other areas of European social policy

The final question to be addressed here is to what extent the Lisbon process has been coordinated with other European initiatives, in particular in the fields of social protection and social inclusion.

When the Lisbon Strategy was refocused on growth and jobs in 2005, fears were expressed that economic objectives would take precedence over social goals. There were doubts about whether there would be enough mutual interaction between the standard growth- and jobs-OMC and the social protection and -inclusion OMC for synergies to occur between the areas covered by each (Frazer & Marlier, 2008a). What can be learned on this point from the national case reports written for this study?

In the case of **Hungary**, the labour market is characterized by widespread high inactivity associated with social problems (such as low levels of education and skills, added to geographical and social seclusion). In this context, national experts criticised the 2005 review for creating an artificial break between employment and other social issues. The 2005 refocusing of the Lisbon process also led to a loss of support by some of Lisbon's strongest advocates - sociologists and social workers calling for improved social protection in the fight against poverty and social exclusion. They could hardly fail to notice that the concepts of social exclusion and social inclusion barely appear in the annual National Reform Programmes.

According to the **Polish** report, from the very beginning the Lisbon Strategy's economic goals were prioritised over social goals in the national reform programmes and other related policy proposals. However, Poland also faces the general problem that its implementation of reforms falls short of other MS, as can be observed in Poland's low ranking comparative scorecards. The Lisbon Strategy has not really been 'internalised' in Polish national policies. The Polish report identifies various reasons for this failure. These include: a) a lack of clear hierarchy of policies; b) an overload of subjects to be dealt with; c) a dispersion of subjects and lack of coordination in the government apparatus; d) lack of continuity in the public administration; e) lack of sensitiveness with regards implementation deficits; f) a lack of 'nationalisation' of the Lisbon objectives, also 'caused by the fact that Polish priorities are not the general EU priorities'; g) a lack of Lisbon-related and in general EU-related knowledge among political elites, and h) a lack of 'motivational tools' to make governments interested.

In the case of **France**, the development of social policies has largely been an autonomous process, less affected by EU strategies than other dimensions of the Lisbon process. The French report states that labour market and social policy priorities in France have remained consistent with Employment Guidelines over a long period, but that over the years their convergence has become strained, especially since the 2005 review. After that point, references to social exclusion and cohesion became less prominent in official documents. The report concludes: 'Considering the French case, the assessment of the Lisbon Strategy as a whole - starting in 2000 and even in 1997 with the EES - would be rather positive in terms of policy effects and convergence with other EU countries. Labour market and social outcomes are disappointing, but for most of them the trend has remained positive. The impact of the 2005 relaunch appears very limited, however. The changes that have taken place in French policy priorities or governance are more related to national changes (elections) than to the Lisbon process itself'. French experts doubt if flexicurity measures which are promoted now as instruments for more inclusive labour markets will find much support in France (Erhel, French national case report, 2009).

The **German** report describes the problems that policy-makers have to face in the following way: 'While, before 2005, there was a clear separation of the employment and social cohesion objectives within the Lisbon Strategy on the one hand and the macroeconomic objectives on the other, these two have been merged in the context of Lisbon II. This has led to a situation in which objectives related to financial stability, growth and competitiveness, on the one hand, and objectives in the field of employment, quality of work and social cohesion, on the other, constantly have to be reconciled. That is a difficult task, since diverging and sometimes contradictory interests have to be brought together'.

At the administrative level, this is reflected in the often conflicting positions of different social governmental departments, primarily concerned with employment issues and comprehensive policy coordination, and the financial and economic departments, primarily focused on stability, growth and structural reforms. The German report observes a shift in focus after the mid-term review: 'The 2005 review mainly shifted the focus of the Lisbon Strategy more to an economic positioning whereas employment policies and social issues were pushed back'. And it states that: 'According to the actors involved in employment and social policies, the renewed Lisbon II process has had a rather weakening effect on the integration of social protection and inclusion policies (...) there is limited coordination between the social policy OMC and the OMC connected to the Lisbon Strategy'.

Social partners and policy makers in Germany face the following dilemma, which is typical with the Lisbon Strategy: 'On the one hand efforts to liberalize the European markets to attain greater growth and on the other hand the necessity to reach this goal without endangering social security for large parts of the European population; this dilemma – central to the flexicurity debate – is at the core of many of the discussions about the aims and limits of the Lisbon process' (Voss & Haves, German national case report, 2009).

In the **United Kingdom** Labour's social and labour market policies combined with favourable economic growth led to the meeting and surpassing of several of the more prominent Lisbon targets. There has been no major shift in this approach, and when Gordon Brown took over as Prime Minister there was no great expectation that there would be any significant policy changes. Brown reiterated his commitment to eradicate child poverty by 2020, but at the same time maintained a light touch when it came to business and employment regulations. The main challenge for the government now is that its progress with a range of Lisbon-related policies has not just stalled, but gone into reverse. As the World Economic Forum (WEF) reports note, the financial sector was one of the UK's best achievements in the overall Lisbon assessment. Not only has the financial crisis led to the UK dropping down the WEF Lisbon league table, but it means that the government now has to develop a new regulatory regime for the sector, while also trying to make major adjustments in public spending to cope with the surge in government borrowing that has been necessary to bail out the banks.

In **Spain**, the decreasing presence of the social dimension (including social inclusion) within National Reform Programmes, and the permanent tension between macroeconomic and employment objectives, have been unmistakable. However, the Socialist leanings of the government of the past five years have allowed the social agenda to maintain its prominence, especially on issues such as gender equality, social and labour inclusion and the support of dependents.

The testimony of these case studies leads us to conclude that economic policies and social policies are out of kilter in the various Member States. At the very least we can observe a lack of coordination between the fields of growth and jobs on the one hand, and those of social protection and social inclusion on the other. This lack of coordination can be seen in the administrative arena in the contrasting positions of financial and economic departments and social departments, whose interests are often difficult to reconcile, if not on paper, then in actual practice. The gap appears to have grown wider with the refocusing of the strategy on economic goals after the mid-term review of 2005.

This criticism is shared by several other observers. For instance, recent evaluations by the EU network of independent national experts on social inclusion conclude that in most MS 'explicit' links between national growth and jobs policies and social inclusion policies are very limited or non-existent. They add that mutual interactions between these policy fields are often lacking and that there are frequently weaknesses in national governance arrangements for improving connections between economic, employment and social policies. The mechanisms of 'feeding in' and 'feeding out' are not working as expected when the refocused Lisbon Strategy was launched. Economic and employment policies are often developed without adequate coordination with social protection and social inclusion policies. When it comes to structural reforms, economic considerations often dominate the debate.

9. IMPACT OF THE CURRENT FINANCIAL AND ECONOMIC CRISIS

There is no doubting the serious consequences of the current economic crisis. The Commission's Interim Forecasts of January 2009 predicted a decrease in economic growth and shrinkages of EU economies over the course of 2009 and the first part of 2010. It can be expected that the crisis will seriously affect labour markets and thus will have a clear impact on the attainment of the Lisbon targets in the field of employment and social policies. The latest figures from the Commission show a drop in employment of -1.3% in the EU during the first quarter of 2009, compared to the same quarter one year earlier.

The recession's impact on employment and its consequences in the social sphere can be listed as follows:

- recession is leading to a decline in labour demand and, therefore, a fall in the number of jobs. This is not only the case in services such as finance, engineering, design and architecture, but also in industry and construction;
- unemployment is rising sharply due to mass dismissals;
- younger workers and students are expected to be hit particularly hard: those in work are less protected by labour legislation; those about to leave school will have less opportunities to find work;
- older workers who lose their jobs will also be hit hard: new job opportunities will be scarce; age, obsolete skills or niche work experience are factors that might put them at a disadvantage in increasingly competitive labour markets;
- the position of people with precarious contracts, like temporary agency workers and workers with fixed-term contracts, is further weakened, as they are usually the first to be dismissed when companies have to make cuts;
- it becomes more difficult for vulnerable groups, which are already at a disadvantage in the labour market, to find waged work, in particular for immigrants, the disabled and school drop-outs;
- regional disparities in unemployment will probably increase; regions that strongly depend on a few large companies producing for worldwide markets run greater risks than regions with better mixed production structures;
- sectoral disparities will probably increase, too; some industrial sectors are severely hit by the crisis, such as the automotive industry, metal works and the pharmaceutical industry. The same holds true for the construction sector;
- arrangements for vocational education and training and lifelong learning might come under pressure - in times of cyclical down-turn, companies are less inclined to supply on-the-job learning placements for students or to invest in further training for employees;
- social insurance will come under increasing pressure, as it has to handle the extra costs of unemployment, beside the growing costs of ageing.
- last but not least, the impact of the crisis will have a qualitative dimension: many of the jobs lost will not be replaced, and it will take considerable time and effort for the unemployed to find new positions.

9.1 Interplay of the crisis with the Lisbon Agenda

The Commission's opinion, expressed in its *European Economic Recovery Plan* of November 2008, is that a down-turn does not take structural reforms off the agenda. Structural problems, from increasing levels of competitiveness and globalisation to the greater demands for innovation, ageing workforce, labour market shortages and growing health costs, are here to stay. The Commission therefore argues that short-time measures should be combined with structural measures to achieve the long-term strengthening of EU economies. Reflecting its belief that the move towards a knowledge economy will reinforce the EU's position in global markets, the Commission recommends greater investment in innovation and education.

In that shift towards a knowledge economy, it is hoped that sustainability and solidarity might give the EU the edge over upcoming economies. In the Economic Recovery Plan, a close connection is established between the fiscal stimulus and actions in the four priority areas of the Lisbon Strategy. Structural reforms aimed at increasing the resilience and adaptability of EU economies should be continued, so that they come out of the crisis stronger in the long term. But they should now be placed within the context of a general strategy for a 'greener' economy involving low-carbon sectors and markets. The Commission supported a 'comprehensive programme' to direct action towards 'smart' investments. It recommends the following measures:

- investment in developing the 'right skills for tomorrow's needs';
- investment in energy efficiency 'to create jobs';
- investment in clean technologies 'to boost sectors like construction and the car industry in the low-carbon markets of the future';
- investment in infrastructure and inter-connections;
- the establishing of social and economic levers, such as new finances and kick-starting investments for SMEs;
- solidarity and extra action for those who lose their jobs due to economic restructuring.

It is thus that one effect of the crisis has been to bring sustainability and the move toward a greener economy to the fore. This is combined with a greater emphasis on investment in areas of innovation and education that might stimulate these areas.

The recovery plan makes little mention of social protection and inclusion, apart from the points mentioned above. Extra ESF and EGAF funding is made available to compensate for the negative employment effects of restructuring. These funds can be particularly needed to help old industrial regions and sectors to convert to 'clean' technologies and markets.

9.2 Before and beyond the crisis

But we cannot blame the crisis for all the problems that EU economies and sectors face. In some cases, the crisis has only exacerbated problems that were already in evidence:

- The institutional crisis caused by the stop in the Lisbon Treaty's ratification process caused the Union's political action to stall. Furthermore, the EU requirement for so many *seats* in international meetings such as the recent G-20 summit reveals that it is still far from acting with a single voice in the international sphere.
- Greater efforts are required for EU enlargement to be consolidated. More attention must be paid to the economic and social integration of the 10+2 Member States.
- Economic, trade, technological and other indicators show a "sweet decline" (González, chairman of the Reflection Group on the Future of Europe) of the EU in the global environment. The world is now more multi-polar, and the EU has lost its relevance over the past ten years.

- The European manufacturing industry is going to continue to be the subject of deep restructuring, and this will entail a severe social and labour impact. The crisis has intensified and advanced the need for adjustments. All of these factors are leading to the dismissal of a significant number of temporary workers. The new parameters of a European Employment Strategy should take into account industrial changes and the need for increased mobility of the labour force.

10. THE DEBATE ON THE POST-2010 STRATEGY

The fact that no one doubts that a new European strategy is necessary is certainly one positive point, proving as it does that there is a general agreement on the indispensable nature of a real European agenda that will map out a route for the coming years.

Concerning what the agenda and route ought to entail, the debates we have examined allowed us to familiarise ourselves with the positions of the different institutional and non-government stakeholders, experts and practitioners, as well as regional and national governments.

At the EU level, a central stage in the debate, based on the European Commission's proposal, is scheduled to take place at the Spring Council, held under Spanish Presidency in March 2010.

The Commission has also organised a wide open consultation on the subject. With a view to preparing for designing the future strategy, national coordinators held discussions at meetings organised by the Commission. A number of proposals and other contributions (non-papers) have also been prepared by representatives from the Member States.

The different committees (OMC-SPSI, for instance) have sent their contributions on the future post-2010 strategy. The European Economic and Social Committee has launched a 50-point Civil Society Programme to guide the discussion; likewise, the Committee of the Regions has adopted official Resolutions and Reports demanding more participation from regional and local bodies. Besides these institutions, other bodies (the European Trade Union Confederation, NGO platforms) have also contributed with their comments and proposals. The severity of the crisis has significantly influenced this preparation process, a process which should have taken place in a context less influenced by economic recession.

Recent assessments

Several recent studies on the direction of a post-2010 Lisbon cover grounds that we have already dealt with. They take in both liberal and more critical perspectives. We will highlight some of their main arguments.

1. A recent study from the Centre for European Reform concludes that the Lisbon Strategy will probably be considered unsuccessful in terms of its original objectives. The observers state, for instance, that 'The EU as a whole will not meet any of the targets it set itself in 2000' and that 'the gap between the best and worst performing EU countries is larger than when the Lisbon agenda was launched'. They have doubts about the added value of the strategy: 'Reform paths would not have been much different if Lisbon had never existed' and the 'Lisbon influence seems to have been particularly peripheral in the larger Member States'. And they are negative about national commitments. On the positive side, 'there is also some convergence' and 'some countries moved to the targets' (Tilford & Whyte, 2009).

However, despite the disappointing results, the study argues that the reform strategy should be continued. The challenges of ageing, technological change and globalisation remain unchanged. Observers make the case for a 'renewed agenda', with the following main recommendations:

- take into account the consequences of the latest EU enlargements and the rise of new economies such as China and India alongside the US;
- re-think some aspects of the Lisbon Agenda in the light of the financial crisis, aiming at improved regulation of financial markets;
- improve education and skills, by upgrading the overall skill level of the population;
- ensure that 'objectives and instruments are better integrated', by strengthening the relationships between objectives on innovation and climate change;
- strengthen the external dimension.

Employment and education remain crucial issues, according to the experts. But the EU has little power in these fields, and responsibilities will remain with the Member States. What can be done at EU level, however, is to improve monitoring and provide more explicit benchmarking (Tilford & Whyte, 2009).

2. According to an analysis undertaken by the Centre for European Policy Studies, the role of education is paramount. The authors state that 'education should be the central objective of the post-2010 process'. In their view, education contributes to a healthy economy in three ways: a) it is a key driver for long-term economic growth; b) it has a positive effect on employment rates; and c) it can reduce inequalities and might be beneficial for social cohesion. However, the EU generally performs worse in education and innovation than other OECD countries. It is necessary to get more people into tertiary education and to improve the quality of education, in particular in natural sciences, mathematics and engineering. Their recommendations for the post-2010 Lisbon Strategy are:

- to focus on 'competitiveness through innovation';
- that innovation can best be achieved 'by additional investments in education';
- that only through investments in human capital can the EU maintain 'comparative advantages vis à vis upcoming economic powers';
- that 'one can expect not only more growth but also higher employment rates and less inequality' from such investments

The authors of the study consider investments in human capital as generally more important than labour market reforms (Gros & Roth, 2008).

3. More critical assessments and recommendations for the future development of the Lisbon Agenda come from trade unions. In its 2009 benchmark on working Europe, the European Trade Union Institute states that the current financial and economic crisis reveals serious weaknesses in the Lisbon Strategy. The aim of the Lisbon Strategy was to make European economies more resilient and adaptable to external changes. The crisis has revealed that it had not succeeded. According to ETUI, this has to do with the EU approach to growth, which was largely based on quantitative production growth, financed by excessive borrowing and uncontrolled financial innovation. National labour market and social reform policies were designed to strip down welfare regimes in order to facilitate competition on international markets. However, ETUI argues that the Lisbon Strategy was supposed to be directed towards quality growth and quality jobs, based on a knowledge-based economy, and in this regard it has failed.

ETUI suggests a 'paradigm shift' in thinking and argues that it is the promotion of sustainable development, including social solidarity, that produces 'growth' rather than vice versa. From this point of view, EU policies should be adapted across the whole spectrum - financial, fiscal, trade and markets, innovation, employment, environment - in order to be able to contribute better to this new strategic objective of 'sustainable growth' (ETUI, 2009; also: Pochet & Vandergrizzen, 2009).

11. CONCLUSIONS

A process in several stages: a permanent dynamic

The Lisbon Strategy began in 2000 with the ambitious agenda of making the European Union of 2010 the most dynamic and competitive knowledge economy in the world, with more and better jobs and greater social cohesion. It focused on innovation and completion of the internal market, and on employment and labour market reforms by incorporating the main elements of the former European Employment Strategy. Sustainable development was added as another overarching objective shortly after the start of the Process.

In its first period the strategy enjoyed a certain success in the field of employment; it contributed to job growth, falls in unemployment and better employment rates for the active population in general, and women and older workers in particular. Certain Southern European countries and, in the (pre-) accession years, Eastern European countries, showed particularly remarkable results in this area.

The main focus in the employment field during the first years of implementation of the strategy was on the activation of labour market policies, partly transferring to the workers themselves the responsibility of keeping their skill levels up to date. Other new concepts supported by the European Employment Strategy (EES) in this first stage were entrepreneurship and adaptability. Also notable is the constant reference to quality of work, as reflected by the appearance of a set of assessment indicators (Laeken indicators). Equal opportunities between men and women, and gender mainstreaming in particular, also appeared during this first stage of the Lisbon Strategy.

The mid-term review of the Lisbon process provided a critical assessment. The Commission relaunched the strategy in 2005, entering a new period with a new focus on growth and jobs. The social objectives were now subsumed under these priorities, based on the assumption that more growth would lead to more and better jobs and greater social cohesion. The environmental dimension was put aside. The Employment Guidelines were integrated with the guidelines for macroeconomic policy and structural reforms (Broad Economic Policy Guidelines-BEPG) in order to induce Member States to strive for improved coordination of monetary and budgetary policies, internal market reforms, labour market reforms and employment policies.

The effects of the 2005 review have been debated at large, with many disagreeing with the theory that integrating employment policy into macro- and microeconomic policy could be beneficial. Dissenters argue that the review entailed a clear shift towards a narrow quantitative economic growth approach at the cost of more comprehensive qualitative growth approaches including social and environmental dimensions. What is under discussion is not the policy mix adopted, but the orientation and pre-eminence of the policies implemented.

With the reviewed strategy new concepts, such as flexicurity, came to the fore, whilst other approaches such as gender mainstreaming became less prominent. At the same time, employment took on a quantitative perspective. Rather than "more and *better* jobs", the accent was now placed on the number of jobs created, regardless of quality. However, more jobs are not always better jobs, and while figures for 2004-2007 made for heartening reading, many of them were temporary or part-time jobs, often in vulnerable parts of the services sector.

Summary of quantitative achievements

The fulfilment of the established quantified targets has proved inconsistent as a result of the recent crisis. In the current context, therefore, it would be risky to draw conclusions on the effectiveness of the strategy. Analysing the evolution of indicators related to employment and the social dimension of the strategy up to 2007, the overall EU picture is a mixed one with a number of more positive points:

- increase in the overall employment rate. In particular, many MS have experienced a steady growth in employment in the years prior to the start of the recession. Some Member States have reached and exceeded the 70% objective, but overall the objective has been far from met (EU-27 average was 65.4% in 2007). This growth in employment, as shown by all statistical analyses carried out, has been based mainly on atypical employment contracts, fixed-term contracts and part-time contracts;
- increase in the female employment rate, which represents the best performance in all employment indicators, reaching 58.3% on average in EU-27, very close to the 60% objective for 2010;
- increase in the employment rate of older workers aged between 55 and 64, with a significant increase in labour market participation (from 37% in 2000 to 45% in 2007), although the objective of exceeding 50% has proved unattainable for most of the 27 Member States;
- decrease (in several countries, marked) in the unemployment rate, which was below 7% at the end of 2007;

the relatively high youth educational attainment level and certain advances in reducing the percentage of early school-leavers (from 17.1% in 2001 to 14.8% in 2007). t

To these, a number of more negative points must be added:

- high long-term unemployment in several countries.
- high levels of poverty risk in several countries.
- high rates of early school leavers in several countries.
- low rates of lifelong learning in several countries.
- limited, and in several countries decreasing, R&D expenditure, which in 2007 barely reached 2% in the EU-27 as a whole.

As we have already commented, these results should be analysed with caution as they do not take into account the impact of the current crisis. Furthermore, although indicators may point to certain progress, it is difficult to attribute these outcomes to specific policy strategies and measures. Their path from (European) policy to (Member State) practice is a long and complex one.

Some MS have performed extremely well in some or many of the quantified target areas. However, disparities from MS to MS are undeniable, with performance across the initially-designed core elements (R&D, increase in employment, innovation) relatively uneven. Some of the indicators returned positive results before the recession had taken effect, but in fact, apart from the significant levels of employment creation seen in the 4-year period immediately prior to the start of the second cycle (2008-2010), most indicators were not especially optimistic and it seems highly likely that the 2010 objectives would not have been met even if the crisis hadn't taken place. Moreover, some indicators in the social sphere indicate at the very least a level of stagnation, with the indicators regarding the risk of poverty being especially worrying.

We can therefore conclude that, from a quantitative point of view, the overall employment target of the Lisbon Strategy will not be met in 2010, despite the sharp increase in atypical employment recorded up to 2007. To this, a number of more negative points may be added, particularly the persistence, in several Member States, of high long-term unemployment, high levels of poverty risk, high rates of early school leavers and low rates of lifelong learning. To this must be added the limited, and in several MS decreasing, R&D expenditure, which in 2007 barely reached 2% investment in the EU-27 as a whole.

Impact on national employment policies

Lisbon's influence on MS employment and social policy was significant during the first period of the strategy, although its impact was mainly visible within national administrations, and less so in the wider political field. The adoption of the Employment Guidelines contributed to Europeanising national policies. However, difficulties in coordination continued to exist. The impact of the mid-term review and, especially, EU enlargement to Central and Eastern European countries entailed a significant change. With the adoption of the new Employment Guidelines, included in the Integrated Guidelines, the whole policy-cycle started to take longer. National employment policies then became embedded in macroeconomic and structural reform policies, and became more closely bound to priorities set out in the national economic and reforms programmes. The attention shifted away from employment in a stricter sense to policies addressing cyclical and structural factors conditioning employment, based on the assumption that strengthening these pre-conditions would, as a result, lead to more and better jobs.

From the point of view of the strategy's management, considerable changes were introduced over time; the new three-year cycle, together with the necessary monitoring of more countries, made coordination more complex.

Interactions between European and national employment policies, however, are not easy to evaluate. Both observers and the parties affected currently feel them to be rather weak; however, some have identified a *latent* interaction between structural reforms in some of the larger Member States and the Employment Guidelines, though the MS in question are reluctant to give Lisbon much of the credit. The Employment Guidelines have been accepted and incorporated into MS working practice since the start of the EES. They have created a level of working consensus and practice which is of value in itself. These benefits have been all the more valuable since the enlargement to include new MS. It is thus that the Employment Guidelines constitute a valuable element of trans-national co-ordination. In some cases 'steering effects' have been observed: EU policies and Commission comments fuel debate at national level. In other cases EU policies have a kind of 'catalyst' effect, in the sense that they intensify national debate on an issue or add certain 'new' dimensions to an ongoing debate. The influence of the Employment Guidelines on national employment policies can be observed in the introduction onto the agenda of new subjects which would otherwise have remained on the margins. Subjects such as lifelong learning, gender equality, active ageing and making work pay would hardly merit a mention in the employment policy landscapes of quite a few Member States.

One of the consequences of the 2005 review was the weakening of the gender mainstreaming approach, with the gender equality guideline being removed. The intensity of the gender mainstreaming approach was reduced, with some of its content spread across different Integrated Guidelines. Gender Equality thereby lost status as an explicit political objective and institutional commitment at the highest level.

Flexicurity, has, over the past few years, become the principal topic of European debate as far as employment policy is concerned. In spite of its controversial nature, it has become an increasingly ubiquitous feature of the National Reform Programmes and it constitutes the main common trend – as a theoretical discourse and practical implementation - in the vast majority of Member States. Moreover, it seems destined to play an important part in future developments of the European Employment Strategy.

A governance system to improve: the OMC as innovative instrument

The wide use of the OMC was one of Lisbon's most important innovations. The OMC still draws attention from academics and researchers across the world. The dissemination of its open and voluntary spirit has proved a positive factor for national institutions in charge of implementing the Lisbon Strategy, although its impact was hardly felt beyond a limited circle of high-level public servants. According to many experts there are several reasons that explain the OMC's lack of effectiveness. These include the flip-side to the very characteristic that makes it great: namely, the lack of binding rules, with hard, enforceable and legitimized sanction systems. Other criticisms are directed towards the way the OMC treats different policy areas as if they were basically the same (technology or RTD cannot have the same approach as employment and social exclusion policies). Moreover, observers identify very little mutual feedback between the social, employment and economic policies, with hardly any 'feeding-in' and 'feeding-out'. Finally, the peer review system, which works using pressure, has not been successful, in part because the "naming and shaming" method was not included in the 2005 strategy review – at the instigation of the MS.

One area of weakness often pinpointed by experts and stakeholders is the lack of coordination between the different ongoing OMC processes; this concerns both interrelations between employment and economic objectives and policies and coordination between the fields of growth and jobs and the parallel social protection and social inclusion OMC. Available figures indicate that the results of social progress in the EU have been unsatisfactory, with increasing labour market segmentation and growing vulnerability and risk of poverty.

Our research indicates that OMC processes do have an impact on national policies, although this is often indirect, varying according to pre-existing domestic practice and from policy to policy. Furthermore, we can see that different policy actors have different opinions about the added value of the OMC, ranging from support to scepticism. National case-studies confirm that the impact of non-legislative Lisbon coordination instruments in the employment and social fields is particularly visible inside administrative circles, but to a lesser degree outside them.

The OMC can combine effectively with other mechanisms, both legislative and non-legislative, to stimulate the coordination of policies. The Community Lisbon Programme offered a support framework consisting of a combination of regulatory action and financing, including financial instruments such as the European Social Fund and the European Globalisation Fund or, in the second period of the strategy, the PROGRESS programme. In general, the 2007-2013 Financial Perspectives constituted a substantial boost to the implementation of the Lisbon Strategy.

The role of the European Parliament

Parliament's influence on the Lisbon process is generally considered to be weak.

From the perspective of institutional setting, the consultative function of the European Parliament has been undermined by the time restrictions imposed by the current strategy's management cycle. The implementation of a new timetable, first for the period 2003-2005 and then in the reviewed Lisbon Strategy, resulted in a shortening of the timeframe available for the Parliament to deliver its opinion. In its current form, this work schedule does not make a distinction between those cases when the Employment Guidelines being analysed correspond to a new three-year cycle (2005-2007 or 2008-2010) or whether they concern intervening years, remaining unchanged within the same cycle. As a result, the current procedure has seriously undermined Parliament's role, as the European Parliament has regularly pointed out.

Amendments made to the Employment Guidelines proposals are rarely taken up by the Council. However, in a more general sense, the European Parliament may be seen to have a discursive influence, by contributing to the debate, critically reviewing policy proposals and trying to impose changes on issues that might have been overlooked, underestimated or negotiated away in the administrative preparations of the document. The abundant production of resolutions on issues relevant to the Lisbon Strategy is proof of the attention paid and work done by the European Parliament. Core issues of the European Employment Strategy such as gender mainstreaming or more recent discussions on flexicurity have been tackled by the Committee on Employment and Social Affairs extensively, providing alternatives and qualifications to the proposals made by the Commission.

Insufficient participation

As to stakeholders' participation, significant failings cast doubt on the efficacy of the governance system. Institutionally, national parliaments have mainly played a passive role, simply receiving information, with only occasional participation in the drafting of reform programmes. Very few in-depth debates take place with regard to the strategy or any of its components, such as the Employment Guidelines. Apart from those States with a strong federal structure, where competence in employment policy lies with the regions, very little involvement on the part of infra-State authorities can be observed.

As for social partners, they take part in the process unevenly and with very low impact. Despite efforts by the European Commission and some governments to move the Lisbon Process out of the administrative and into the wider political space, the involvement of employers' and trade unions' organisations at national level has been ritualistic and purely consultative. At EU level, dialogue and exchange of information with social partners during the Tripartite Social Summit seems an insufficient mechanism to monitor the Lisbon policy cycle, lacking, moreover, any suitable institutional clout.

In general, other potential stakeholders (NGOs, social institutions and professional and sectoral institutions) have an even less significant role at national level, with hardly any opportunity to influence the design or implementation of the Lisbon Strategy. There aren't really any prescriptive measures for stakeholder involvement, and Member States are free to develop their own procedures. In practice, only a limited number of MS actually try to involve stakeholders to a more substantial degree.

The Lisbon Strategy as an incipient yet powerful driver of European growth

A pessimistic observer might argue that the EU is less competitive globally now than it was when the Lisbon Strategy was launched and that it has failed to make any substantial progress in productivity or on a micro-economic scale. After all, statistics show EU society to be more unequal and less cohesive now than in 2000. Nevertheless, we should not let the current recession cloud our judgement. New challenges, from climate change and population ageing to the food and energy crises, came into collision with an agenda that was designed for a world somewhat different from today's.

In this context of change, the Lisbon Strategy was the first European initiative of great significance to strategically coordinate key principles of economic growth for a political region that aspired to being a world leader. Its agenda on social and employment policy has set the pace for a large number of reforms started in most MS, including in their labour markets. Over the years it has inspired the implementation of employment policies, adapted to unique national characteristics, which were a novelty in many MS.

From a procedural perspective, Lisbon's lack of institutionalisation limited its potential. The governance system of such a multidimensional strategy has its shortfalls, but positive *Europeanising* effects have been observed. The most positive impact can be seen in the awareness of the need to make advances in reforms and to plan and report on their monitoring. The OMC also served to regularise benchmarking and exchange between Member States, which will undoubtedly have mid-term and long-term effects.

None of the above mentioned achievements are tangible or quantifiable. However, they do exist and, despite Lisbon's lack of visibility, ownership and coordination, there is evidence of a common understanding, a European transnational cultural *acquis* on necessary reforms and the direction that should guide them. The EU response to the current recession, through the Recovery Plan, is proof of what the Lisbon Strategy has achieved.

12. SUGGESTIONS FOR THE POST-2010 EUROPEAN STRATEGY

The current worldwide recession reminds us of the importance of having a coordinated European perspective and response, Said that, many of the challenges Lisbon aimed to face are still there, from insufficient R&D investment to low productivity, and these issues should remain on any future EU agenda.

12.1 Recession as a conditioning factor

The need for economic growth, increased employment and improved social welfare has not changed over the past decade. However, the current crisis has modified this need, introducing the following elements:

- a) The financing of growth. As a reaction to past excesses, it is foreseeable that the financial system will become more regulated, and with a lower level of leverage than in past years. It will be a more stable system although it will provide less dynamism to the economy. In (future) high points of the economic cycle, the post-crisis financial system will not have the same capacity to boost short-term growth as the financial system that created the crisis. This means either that non-financial areas of the economy will become more dynamic than they would have been on their own, or that the growth potential of European economies will be lower. In short, the EU will have to increase its growth potential by means of a more intensive and more efficient use of the three typical factors of production: i) better use of human resources; ii) a better allocation of capital; and, iii) increase in productivity.
- b) Limits set on public expenditure. The current budget imbalance will condition the level of public expenditure in coming years. The Stability and Growth Pact is still in place after its renewal allowed for a certain flexibility, which has favoured the management of the financial crisis in its initial stages. However, once recovery starts, the capacity for public expenditure will be significantly limited, raising the question of how necessary social reforms (pensions, social protection, etc.) and employment promotion policies will be financed.
- c) The social impact of the crisis. In certain countries, the crisis is having a very negative social impact, in terms of loss of employment, and recovery is likely to be slow. Not only have employment levels been decimated and the EU's industrial basis been damaged, but standards of living have fallen back together with work expectations – especially amongst the young - and quality of employment. European citizens are also pessimistic about the social mobility opportunities that education has to offer. A future EES integrated into the post-2010 strategy should take this into consideration and put forward specific measures to overcome the negative effects of the crisis.

Besides the effects of the crisis, two new elements have strongly emerged in the last few years, and which will condition the post-2010 landscape:

The need to face environmental challenges

Climate change can now be viewed as a set of commitments and demands within the fields of environment and sustainability, which substantially modify any approach to growth. Cultural, productive and social changes are necessary to face this challenge in all its magnitude. Its impact on employment is both positive, in that it creates new job opportunities which require corresponding qualifications, but also negative, due to the costs to be paid in the transition to a low carbon footprint economy in terms of jobs.

Demographic evolution

The evolutionary trend of Europe's population, and ageing in particular, has an immediate knock-on effect in the labour market, with particular relevance to the development of active and passive policies in the coming decades and the monitoring of the sustainability of the pension systems. According to the forecasts published in the latest Commission report²⁵, the expectation for 2060 is that there will be just two persons working for every person aged over 65, compared to the four we observe currently. These scenarios are developed based on current birth rate expectations, life expectancy and forecast demographic flows and it is clear that such long-term projections long-term projections are highly subject to error. In any case, demography cannot be neglected while designing future European policies and strategies.

Box 4

The growth model discussion

Is the adopted economic growth approach which focuses on competition and productivity still relevant to the achievement of a sustainable form of development? Will growth in the future create environmental and social progress or is it rather protection of the environment, in the broad sense, and the promotion of social cohesion, that will lead to growth and sustainable development? In other words, do EU policies need a paradigm shift?

The current economic and financial crisis is seriously altering the Lisbon Strategy's expected final verdict. This not only affects the quantitative objectives pursued by some Member States, but also the projection of future post-2010 scenarios. The recession in some Member States and the crisis in general make it more difficult to assess the foundations of the growth model on which the Lisbon Strategy is based. The main institutional stakeholders involved in drafting the future strategy appear to concur on the abovementioned conditioning factors. However, behind the coinciding diagnostics of the challenges faced by the EU, there seems to be more limited consensus with regard to the future growth model required and which strategy would be the most suitable. Summarising and simplifying, the different positions can be reduced to two:

- a) Re-draft an amended Lisbon Strategy. The aim would be to learn from those issues that have not worked well throughout the Strategy's development, fill the gaps, make the most of issues that have provided positive results and add objectives related to the abovementioned challenges, especially in the areas of climate change and ageing. In short, commit to a "greener" and more sustainable growth and employment model, re-balancing the three pillars (economic, social, environmental) on which the original Lisbon Strategy was based in 2000 (though not acknowledged explicitly), and introduce changes to the functioning of the OMC as the main management instrument.
- b) Others, however, argue that it will not be possible to maintain the current growth model, while simply "greening it up". These dissenters (mostly trade union and social organisations), argue against the model on the grounds that it subsumes part of the Sustainable Development Strategy into the future Strategy. In a way, these stakeholders are committed to the opposite, favouring the streamlining of the growth model into the framework of a larger economic, social and energetically sustainable development model. In short, they propose a real economic and social paradigm shift, which would require operating on longer time periods, approximately 20 or 30 years, and not the foreseeable ten-year cycle of the future Strategy.

What is beyond doubt, however, is that a post-2010 Strategy needs to undertake an in-depth review in order to make the best choices concerning the growth model, employment and social policies.

²⁵ 2009 Ageing report: Economic and budgetary projections for the EU-27 Member states (2008-2060). EC Economic and Financial Affairs DG. 2009

12.2 The impact of enlargement: towards a renewed shared vision in EU 27

It is now commonly admittedly that the consequences of EU enlargement have not been analysed sufficiently, and this applies equally to those consequences specifically bound up with the Lisbon Strategy. At the time of enlargement, Lisbon had lost much of its credibility, which made the challenges facing it all the greater, especially as many of the new Member States resisted Lisbon's emphasis on measures whose benefits would only be seen in the long-term. This helps to explain why Lisbon received such a mixed welcome in the new MS, where national agendas took precedence over EU ones.

Contrary to its predecessor, the post-2010 Strategy will be formulated by all 27 Member States. This in itself will require a shared understanding of the challenges and a common strategic vision of the future, with all the necessary modifications and adaptations. Many of the MS will be coming to the post-2010 strategy from very weak, crisis-affected positions. Factors such as high public deficit are likely to preclude any employment policies requiring tax stimuli, or any other policies that require short-term public expenditure. The future Strategy will need to allow for the adaptability of each country.

12.3 The great challenge of inequalities

Several recent reports have identified a rise in different forms of inequality in the last few years, and the start of the decade does not mark the bucking of this trend. Since 2000 low economic growth had not stopped there being a considerable number of jobs created in the EU. According to the *Commission Staff Working Document (2008) "Monitoring progress towards the objectives of the European Strategy for social protection and social inclusion"*, unemployment rates in the EU decreased from 8,6% in 2000 to 7,1% in 2007.

The figures show that, on the one hand, employment has become more precarious while, on the other, employment conditions have tended to worsen. The 2008 Joint SPSI Report stated that the revenue generated in the last stable growth period had not reached the most vulnerable social groups, nor had it led necessarily to a higher level of social cohesion. Even though there are large differences between countries, certain indicators show a backward trend. 16% of the population was living at risk of poverty in 2007, with figures reaching 19% amongst children, a disturbing figure in a region which intends to advance towards an economy based on knowledge. The same year, 9.3% of European adults of working age (18-59 years old), not including students, lived in households where there was no wage earner.

According to the OECD report "Growing unequal?" published in October 2008, both income inequality and relative poverty have risen over the past 20 years. This rise has been significant and widespread. With a few exceptions, the disparity between the low- and high-paid has increased rapidly since the early 1990s. Equal income distribution and low levels of poverty are only observed where social spending is high, as in the Nordic countries, Austria, Belgium and the Netherlands.

Governments play a big role in determining incomes and living standards through the taxes they levy and the benefits these pay out. Nevertheless, the impact of taxes and benefits on both poverty and inequality has fallen in the past ten years in many OECD countries. The income gap between the richest 10% and the poorest 10% has grown. The most substantial shifts in poverty over the past two decades are between age groups. The risk of poverty for older people has fallen, while poverty levels for young adults and families with children have risen: their poverty rates are now around 25% higher than the population average. And single-parent households are, on average, three times as likely to be poor.

Demographic and social changes driving greater inequality and poverty are largely inevitable, and beyond the power of governments. However, the cause of much of this growing inequality lies in the labour market: a larger gap between the low- and high-paid and growing numbers of people out of work. Lisbon's claim was that a job was the best guarantee of social cohesion.

The results obtained refute this claim: although Europe did indeed create more jobs, the quality of the jobs created was often a problem in itself, while income inequalities continued to rise. Despite falling unemployment and rising employment, poverty did not fall. If this happened during growth periods, the risk of greater levels of inequality in a period of recession is very real.

There are lessons to be learnt here for the design of the post-Lisbon Strategy, and these will need to be discussed in a new economic, social and political context. This new context will have an impact on the approaches, policy mix, tools and instruments to be chosen. We would recommend that a future strategy expressly prioritise the relationship between economic growth and the social impact. A specific target should be agreed, measured by means of equality and income distribution benchmarks. Specific initiatives to reduce child poverty, for instance, should be adopted and included in the governance architecture of the future strategy. These proposals require the inclusion of a long-term social perspective and an effort to monitor its development.

12.4 A green post-2010 Strategy

The environmental dimension was added to the Lisbon process in 2001. In the first instance, sustainability was presented as a key overarching approach for the impact assessment of all policies, and as a leading principle in specific new policy developments. By 2006 sustainable development was envisaged as a major strategy for the EU to achieve continuous improvement in quality of life, and to innovate current consumption and production patterns in the interests of creating a more durable economy.

What are the results? Despite the fact that it entered late into the Lisbon Strategy, the environmental pillar has managed to redress the balance, with the crisis constituting no more than a short-term hurdle. Environmental measures seem not to be a full part of socio-economic development strategies, such as, for instance, employment and competition policies. Therefore the post-2010 strategy should embrace three major perspectives in order to reconcile the 3 pillars:

- Green technologies and green innovations should be fully integrated into the technology guidelines on the same level as the ICT, with attention paid to supporting new markets and induced productivity gains;
- Losses and gains derived from environmental policies should be systematically assessed and followed by accompanying measures if labour markets are significantly affected.
- Economic and financial tools should be used more, including actions to correct the anti-redistributive impact of measures and their not always optimal focus.

12.5 Implementing flexicurity

The implementation of flexicurity principles in the sphere of employment policy in each Member State requires continuous monitoring by means of national and European instruments that assess the really "flexicure" direction of the reforms introduced. This effective monitoring would give transparency to an implementation process where a lack of trust continues to exist, favouring flexibility at the cost of security. An ordered and balanced implementation of "flexicure" measures is necessary in the framework of an overall national strategy, agreed with social partners and objectively assessed at regular intervals. The harsh effects of recession on labour markets affect all vulnerable groups of workers; these groups have to be guaranteed that nobody will be left without long-term protection. If flexicurity becomes the common European framework that guides employment policies, this could foster wide support for a structured and collective version of social investment, renewal of skills and career management.

12.6 Improving governance

Experience shows that the governance model of the future post-2010 strategy must be improved, and this is no mean task given its complex multi-level structure, covering a multitude of policies in different fields and with the participation of different European and national institutions with varying competences. Moreover, recession and the ensuing recovery add a new factor to be considered, which is time management, i.e. the term – short, mid or long - required to develop pending reforms in employment and social policies and in the labour markets..

Issues needing examination in order to improve multi-level coordination include:

a) Structure:

- A long-term framework strategy is required at European level, setting a time perspective of at least 10 years, as the term of the current strategy. However, a longer time period could be discussed if the political will exists to do so. Performance reviews and self-assessments at specific periods – every three or five years - could be agreed with an efficient monitoring system. The macro strategy should include a set of broad economic, budgetary, environmental, employment and social policies. Simplicity in structure and functionality should be a value in themselves.
- Although integrated with the Broad Economic Policy Guidelines, the Employment Guidelines should preserve their identity and visibility and be implemented through specific action plans in each Member State. A greater role recognised to social partners and regional bodies in the design and implementation of national action plans will also be indispensable, through more effective participation. Finally, national parliaments should play also a more active role at this level, both with regard to the design and the control of plans and policies.
- The notion of multilevel governance should be reinforced efficiently, guaranteeing the effective involvement of sub-national authorities in the implementation of the new strategy, especially (though not exclusively) in those States of a federal nature. The participation of regional and local administrations should even become a verifiable objective in itself, inasmuch as in some MS they implement the strategy on the ground, or are largely responsible for employment and social policies. Furthermore, this would contribute to the reinforcement of the European nature of the strategy.
- Alongside this, supra-national European action should be better coordinated based on cohesion instruments and the promotion of legislation supporting the necessary reforms. Experience has shown that the use of traditional legislative methods can have a marked effect in promoting the development of strategies and favour inter-institutional coordination.
- A stronger role should be foreseen for the European Commission in the monitoring and implementation of various action plans; on the other hand, there is a need to review the reporting techniques with regard to the agreed time cycles. The current obligation of reporting annually has led to a sort of "reporting fatigue", generating a vicious administrative and bureaucratic circle that adds no value to the process. More concise and subject-based reports could substitute current comprehensive reports without reducing the effectiveness of the monitoring process.

b) Coordination with social policy

Even despite its shortcomings and drawbacks, the OMC has brought about stable and organised processes of mutual understanding and exchange of experiences. The effectiveness of the OMC should be enhanced by combining it with 'harder' methods. The OMC/SPSI as a distinct coordinating mechanism has proven its value over the years. It should therefore be strengthened and specifically directed towards social policy. However, the incorporation of its main objectives into the Employment Guidelines should also be considered. An example of this would be the fight against relative poverty or the modernisation of pension systems – which is essential in the current context of recession.

12.7 Targets and their implementation

Quantitative objectives have proved to be efficient. Undoubtedly, setting percentages or some other common targets lends transparency and clarity to the process. Some of the following elements may be considered for the coming post-2010 period:

- The targets must be coherent with the structure of main objectives or axes adopted. Their coherence must be tested extremely well beforehand, given the different starting points of the MS. Care in the selection of quantitative targets doesn't need to be opposed to optimism. The ideal is to promote a *realistic ambition*.
- European targets must coexist, and be complementary with, the establishing of national targets, adapted to the different MS contexts, which have proven to be realistic and efficient assessment methods. However, a certain system should be established to coordinate targets on both levels, allowing for a better understanding of national progress.
- The target-setting technique should be as simple as possible. There are clear targets related to *results* (statistics such as employment), but others are measured by means of *process* indicators (for instance, contributions in GDP percentage) which express a political will rather than the obtaining of specific results. Despite the limited sources available and the difficulties in comparing figures, greater efforts should be made in establishing indicators and improving their measurement so that they can provide a more precise picture of the progress made.
- One especially tough challenge is that of statistical averages: using these on their own to reflect trends is not very illuminating when applied to as diverse a collective as EU-27. Some other, more complex information system should be coordinated as a complement to these figures.
- Similarly, the way in which targets are established with regard to employment should take into account the changes undergone in European social and educational patterns in the past few decades and the current reality of national labour markets. Although it is technically difficult at this time to collect and analyse these data from national statistics, employment rates should reflect social trends more faithfully (longer labour lives beyond 65 years of age, later start of career due to longer education periods, etc.). From the perspective of implementing flexicurity, for example, it would be increasingly important to analyse transitions in employment, which would necessitate a thorough improvement of indicators to record and measure these transitions within the framework of lifelong learning.
- There needs to be lengthy consideration of the time period that the new post-2010 strategy should cover; similarly, common objectives and targets should be set. At least two factors have already been mentioned which bear this out: the different starting points of the MS and the different effects that the recession is having on national labour markets. In this sense, it would be logical and coherent to consider establishing quantitative targets based on different time scenarios. Mid-term and long-term targets could be set, with inter-related indicators, in such a way that the MS could cover successive "stages". This would also facilitate the setting up of goals adapted to national characteristics, within the common objectives set at European level.
- New targets related to employment should be included in the future strategy. One of the main targets would undoubtedly involve job quality, one of the main targets that was passed over by the current Lisbon Strategy. Although their importance is acknowledged as being the first model of their kind, the indicators on the quality of work adopted at Laeken are far from ideal - homogenous in all countries and easily implemented, thus with limited usefulness. Despite the formal monitoring carried out by the EMCO, this exercise is not much taken into account. New indicators that contribute to monitoring targets concerning the quality of work - including wages - should be explored and developed as part of the new post-2010 strategy.

- Current quantitative targets have carried out a function of largely symbolic value, especially that of reaching a 70% employment rate. This type of target, with commonly accepted and tested indicators, is useful and should be included in the future strategy. The easiness with which specific targets at national level can be adapted or created is also an advantage.
- Other new employment targets and indicators must be linked to the new challenges faced by the EU. Specifically, the analysis of labour market dynamics should be strengthened, for instance, including labour-related geographical mobility, as well as skills and mobility in the framework of professional and labour transitions, without omitting targets and/or indicators that reflect transition periods between education and employment as an example of *pre-labour* policies that may be adopted by the MS. Special attention could be paid, by means of targets, to the evolution of green employment, both new jobs and jobs transformed from traditional sectors. Similarly, employment rates associated with emerging economic sectors in the EU and which involve specific training, a high technical capacity linked to the knowledge economy, and high productivity activities in general, could also be included as sub-targets.
- Some social targets – from the OMC/SPSI – could be transferred to the Employment Guidelines. In particular, those that have the strongest links to the challenge of equality (the relative rates of risk of poverty, or other indicators such as the rate of child poverty or education inclusion levels), or to aspects that will directly affect employment policy, such as the modernization of pension systems. Also, other new targets, drawn from core EU challenges on climate change and related to new employment, training or skills transitions, could be incorporated.

The implementation and monitoring of these targets need to be efficient. Discussion of the possible implementation of the “naming and shaming” method in the future (as a tool to monitor the strategy’s progress) has proved lively, to say the least. Although many voice their doubts as to the practical usefulness of the system, with the MS the most vocal of all, a more efficient and transparent system of implementation control would be a useful alternative. One proposal would be the creation of an annual scoreboard – that does not necessarily include a rank of Member States - which would help to visualise the progress made, and any short-term problems; or, alternatively, a system of incentives and stimuli for “best compliers” (access to special funds, the participation of their representatives in other European bodies or missions, etc.)

12.8 The role of the European Parliament: guaranteeing effective participation

The new post-2010 European employment strategy needs to work towards a greater institutional involvement and participation of the European Parliament. This involvement could be encouraged effectively by the following:

- a) Finding a practical solution to the inter-institutional conflict concerning Parliament’s consultation right on the Employment Guidelines. A solution to this problem must allow the European Parliament to issue its opinion with sufficient time for a balanced analysis. The current practice seriously hinders and limits this right. Any agreement reached will need to be founded on the respect for the EP’s right to fulfil its advisory role in the process of adopting the Guidelines. In practical terms, the European Parliament is calling “on the Commission and the Council to ensure that the Parliament is given the necessary time, and in any event no less than five months, to fulfil its consultative role, as defined in Article 128(2) of the Treaty, during the full revision of the Employment Guidelines, which is scheduled to take place at the end of 2010” (Resolution of 11 March 2009, recital 4)
- b) Creating a stable internal monitoring system, allowing for a permanent assessment on the implementation of the strategy. This body, in whichever form it took, would take up the monitoring of a selection of key indicators in the execution of the strategy.

12.9 A strategy for EU citizens

The implementation of the Lisbon Strategy in the Member States is perceived as a mainly technical and administrative process, and this is reflected in its poor public visibility. The public is generally not familiar with the Lisbon process. They are rarely involved and do not feel committed to its objectives. Greater efforts need to be made on this issue, but we should put this criticism into perspective. The European public lacks any deep understanding of most European initiatives and strategies. Even the fundamental pillars on which the Union is built, such as the Treaties, are generally “unknown territory”. It might be more accurate to say that the European public is not as interested in the names and contents of Community actions as in their results.

However, in this context of recession, the new strategy will need more connection with the interests and expectations of the European public than ever. The post-2010 Strategy will need, as a condition for its success, to initiate an agenda that is more focused on people – in terms of concerns, of involvement, of innovation. Engaging the citizens of Europe in a healthy, multifaceted debate about their future is not only a sign of respect and genuine outreach, it is the only way to spur the kind of forward-looking, solution-oriented dialogue the EU so urgently needs. In terms of strategy, the EU should adopt, as soon as possible, an overtly outward-leaning stance, meaning that any future reform should constitute a progressive, forward-looking social movement.

PART II:
NATIONAL CASE-STUDIES

1. IMPLEMENTATION AND IMPACT OF THE LISBON STRATEGY 2000 – 2010 ON EMPLOYMENT AND SOCIAL POLICIES IN FRANCE

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1.1 Introduction

French social research has had considerable focus on the early period of the European Employment Strategy and the Lisbon Strategy from 2000 to 2005 (Barbier, Sylla, 2002; Erhel, Mandin, Palier, 2005). The most recent period after the relaunch of the Strategy in 2005 has also been studied through official reports (Cohen Tanugi, 2008; CAS, 2007), but there have been very few academic studies about the consequences of the reform (although the recent analysis by Jean-Claude Barbier –Barbier, 2009 - provides a general overview about the Lisbon Strategy in France, including the recent developments). The present report tries to fill this gap and to draw some lessons from the implementation of the Lisbon Strategy in France with a special focus on the years 2005-2008. It takes into consideration existing reports, but it is mainly based on interviews with experts and actors of the Strategy, on statistical data and qualitative policy analysis. The limits of this kind of exercise are quite well known in the literature: it is indeed very difficult to relate the performances and reforms at national level to European policies and to establish causal links. However, some qualitative impacts on policy reforms and on the governance of employment and social policies can be identified.

1.2 Overview of key developments since 2000

The French approach to the Lisbon Strategy

The necessity to create a counterpart to monetary integration and to introduce some European coordination on employment and social issues originated with the European Employment Strategy and, some years later, led to the extension of the Open Method of Coordination to other policy fields. The Lisbon Strategy in 2000 played a major role in the incorporation of structural policy issues (industrial policy, research and education, labour market policies) in the European domain. The Jospin government (left wing) that was in power between 1997 and 2001 had played an active role in the definition of these new policy areas and tools for the European Union, also as a result of the 2001 French presidency. Therefore French experts usually stress the influence of French policy orientations and ideas at the European level at that time, especially in the fields of employment and social exclusion¹. To illustrate this, we can quote an interview realised in the framework of an earlier study (Erhel, Mandin, Palier, 2005) at the Direction de la Sécurité Sociale (13th July 2004):

“France had the presidency of the EU after July. We created an informal group, it was our role to define the OMC concerning the social inclusion. For this policy field, it was inspired by the French initiatives, we based our work on the law of 1998. It was very important for Martine Aubry, the Minister of Employment and Social Affairs, to get this program accepted at the EU level. She intended to resign from her position in France in September, but she waited until the decision of the Social Affairs European Council, which was taken in Luxembourg in October. She only resigned the day after and the European orientations concerning social inclusion follow the French law of 1998.”²

¹ However the debate about the substantial character of the French contribution remains open (Barbier, 2009).

² Interview, Direction de la Sécurité Sociale, January, 13th 2004.

After the re-election of Jacques Chirac, which coincided with a change of political majority in Europe, the tools developed remained (OMC, NAPs...), yet the involvement of French governments at the European level became more limited. Most reports concerning European policies are very critical about the Lisbon Strategy and the various OMC processes. The CAE report of 2004 (*Réformes structurelles et coordination en Europe*) considers that the Lisbon Strategy has failed both in terms of targets attainment and in terms of policy reforms. Another CAE report in 2006 (*Politique économique et croissance en Europe*) maintains this assessment and agrees with the negative conclusions of the Kok report and the principles adopted for the re-launch in 2005. Although the OMC processes are functioning quite well at the administrative level (see *infra*), the French context of the mid 2000s is marked by a great scepticism towards the Lisbon Strategy.

The preparation of the 2008 French presidency seems to have (temporarily?) changed this context, showing a renewed interest for the Strategy. The Cohen Tanugi report in 2008 shows the will of the French government to make proposals for the future of Lisbon after 2010. Despite important critics towards the Strategy and its implementation in France, the report pleads for another re-launch of the Strategy after 2010 (« Lisbon plus ») that would concentrate on innovation.

In general, despite their active role at the beginning of the EES, OMCs and Lisbon Strategy, most French politicians and experts have joined other Europeans in a feeling of scepticism towards the ambitions of Lisbon³.

Governance of the Lisbon Strategy in France: an overview

Since 2000 or, better, since the creation of the European Employment Strategy in 1997, the European intervention in the field of employment and social policies has given birth to specific coordination procedures inside the French administration. These procedures are mainly interministerial and administrative, but with some participation of social partners. As there have been some changes in the Ministries or responsible administrative units, in the following paragraphs we will concentrate on the current implementation structure⁴.

The Lisbon Strategy is managed by the Secrétariat Général des Affaires Européennes (SGAE, Office for European Affairs), that has replaced the former Secrétariat Général du Comité Interministériel (SGCI) since October 2005. The SGAE (and its forerunner) is placed under the authority of the Prime Minister and has a coordination role: between the European institutions and the French administration, and inside the French administration as far as European matters are concerned. The Conseil d'Analyse Stratégique (CAS), which is also placed under the authority of the Prime Minister, provides some expertise and reports on economic and social affairs and participates in the implementation of the Lisbon Strategy. It monitors the implementation of the National Reform Plan, participates in the follow up reports, and more generally focuses on the areas and objectives of the Strategy (research, technology, sustainable growth, industrial policy; employment policy, lifecourse training; social policies). The role of the CAS has been defined in 2006, when this institution was created replacing the Commissariat Général au Plan (CGP).

The main Ministries contributing to the Lisbon Strategy and to the National Reform Plans are the Ministry of Labour, Family, and Solidarity and the Ministry of Economy, Industry and Employment. Some others Ministries such as the Ministry of Education or the Ministry of Ecology and Sustainable Growth play a more limited role in the Lisbon Strategy. The detailed structures of these Ministries and their respective role have evolved over the last years. Since 2007 employment matters are under the competency of the Ministry of Economy, under the Direction Générale du Trésor et de la Politique Economique (DGTPE), a service that is in charge of economic policies (including macroeconomic policies).

³ According to Barbier (2009), the "Golden Age" of social Europe ends with the enlargement in 2004.

⁴ The situation in the first half of the nineties is described in Erhel C., Mandin L., Palier B. (2005).

The role and contribution of the Labour Ministry (and more precisely of one of its services, the DGTEFP, Direction Générale du Travail, de l'Emploi et de la formation Professionnelle), that used to be a leader in the implementation of the EES, has thus been reduced. The role of the Delegate for European and International Affairs (DAEI) who is responsible for the coordination of Social Ministries (Solidarity, Labour, Health) as far as international and European matters are concerned, has also become more limited. Furthermore, after two years of hesitations, the Minister of Economy, Christine Lagarde, has been designated as "Mrs. Lisbon" since July 2007.

Since 2005 some efforts have been made to extend the participation of political institutions (Parliament) in European policies, including the Lisbon Strategy. The follow-up reports in 2006 and 2007 have been presented to the relevant Delegations/Commissions of the Parliament (Assemblée Nationale and Sénat), but also to the main associations of local authorities. Based on the Constitutional Law of 23rd July 2008 two Commissions for European Affairs have been created within the National Assembly and the Senate (replacing former Delegations). They are composed of 36 deputies/senators and have a double mission of information and control. This attempt to reinforce political participation to the implementation of the NRP was formally inspired by the 2005 reform that insisted on the need to reinforce the commitment to the Lisbon Strategy. Nevertheless, in France this was also linked to some concerns about the negative result of the Constitutional referendum held in 2005⁵.

The participation of the social partners has been institutionalised in 1998 through the creation of the CDSEI (Comité du dialogue social sur les questions européennes et internationales, National Committee for social dialogue on European and International Issues). Since 2000 social partners are explicitly requested to play an active role and to write a contribution to the French NAPs/NRPs. The Conseil Economique et Social (CES, Economic and Social Council) also participates in the discussion about European policies and includes a specific delegation for the European Union since 2001. This delegation, as well as the social partners, was consulted on the content of the 2006 and 2007 follow-up reports.

At the decentralized level (regions, departments, municipalities) the participation in the Lisbon Strategy and in the NRP-cycle remains very limited. Nevertheless, as far as the EES is concerned, the Ministry of Labour has strived to involve the lower tiers of the administration, the regional and local departments, in the compilation and then the dissemination of the NAPs. The same process has taken place around the Social Inclusion OMC. Despite this, there is no officially designated institution diffusing or discussing the Lisbon Strategy at the local level.

Despite the changes in denominations, the global institutional structure has remained rather stable since the introduction of the European Employment Strategy in 1997. The nature of implementation appears mainly administrative and based on an interministerial process, involving some coordination institutions (DGAE) and Ministry services as key actors.

Effects and achievements of the Lisbon Strategy process

In the French political sphere the influence of the Lisbon Strategy appears rather limited and it has not really had an influence on the public debate on European policies between 2000 and 2008.

The European debate in France over the last ten years has indeed focused on macroeconomic policies, monetary policy as well as the Stability and Growth Pact, which have been criticized by many experts and politicians. The lack of coordination between national budgetary policies and between budgetary and monetary policies and the issue of the so called « gouvernement économique de la zone Euro » (Economic Governance of the Euro zone) have been prominent since the Maastricht Treaty (see the various official reports on these issues⁶).

⁵ This concern was mentioned in our interview with SGAE.

⁶ For instance the reports by the Conseil d'Analyse Economique : Coordination européenne des politiques économiques (1998) ; Réformes structurelles et coordination en Europe (2004) ; Réformer le PSC (2004) ;

Besides, the political context has evolved in comparison to 2000, when the Lisbon Strategy was launched, and is marked by a growing « Euroscepticism », which culminated in 2005 with the « No » to the Constitutional referendum. Europe is seen by some social partners and by some leftist parties as a neoliberal organisation. The relative weight of the Lisbon Strategy in these debates is however very limited⁷.

As far as the balance between the different goals of the Strategy is concerned, the experts interviewed usually put forward two topics that have long been considered as priorities in French policies, first social cohesion, and, second, the competitiveness objective, which is associated in France with industrial policies. An analysis of the official documents and the presentation they make of the priorities in response to the European guidelines (NAPs, NAPSInc, NRPs, and follow up reports) also captures this issue. We will concentrate on the period since 2005, in order to assess if some shifts in priorities have taken place following the review of the Strategy and the introduction of the Integrated guidelines.

The first NAPs (between 1997 and 2002) follow the distinction between the four pillars and list the guidelines and the measures corresponding to them in the French context. National key labour market policies are integrated in this framework even if they are a French specificity. For instance, working time reduction is presented under the guideline “modernisation of work organisation” inside the third pillar.

The change in the guidelines in 2003 and 2004 is reflected in the presentation (10 items). Despite the change of political majority in 2002, the interpretation of the priorities did not change much over this period. The French NAPs combine references to activation, “making work pay”, human capital and lifelong learning, gender equality and work-family re-conciliation, with some considerations in terms of social inclusion and social cohesion.

The 2005 National Reform Plan follows this trend, as shown by its title: “For a social growth”. Contrary to the previous EES reports, it does not repeat the list of guidelines and presents a more synthetic approach that relies on four main “axes”: employment, firms’ competitiveness, industrial and research policies and budgetary policy. The first axis encompasses two items: creating the conditions for a return to work (for the unemployed), and “making work pay”.

The follow-up reports in 2006 and 2007 adopt a different structure and summarise French policies in three main parts: growth (budgetary policy, pensions and social security reforms, social policies), employment (incentives to work, human capital and labour market), and the knowledge economy (research and development, industrial policy). Despite quite similar contents, the title of the first part is different in the two reports: “creating conditions for social growth” (2006) became “creating conditions for sustainable and durable growth” (2007).

The NRP for 2008-2010 also divides into three parts: “durable growth, innovation and firms development”, “opportunities for all” and “sustainability of public finances”. Labour market policies and social policies are now included under the same item (second part).

Thus it seems that the presentation of the French documents has evolved towards some more comprehensive and original presentation of the policy priorities, especially after 2005. From this point of view, the adoption of the Integrated guidelines seems to have changed the point of view adopted and to have favoured a more open perspective. Considering the contents of the policy priorities, France still remains close to the EU guidelines, but the reference to social exclusion/social cohesion is weakening, at least in the headlines of the reports. These developments could be the result of both the reformulation of the guidelines and the evolution of political priorities since the election of President Sarkozy.

Compétitivité (2003) ; Politique économique et croissance en Europe (2006). Or by the Commissariat Général au Plan in 1999 : Le gouvernement économique de la zone Euro.

⁷ In the CAE reports *Réformes structurelles et coordination en Europe* (2004) and *Politique économique et croissance en Europe* (2006) the Lisbon Strategy is discussed in brief sections of less than ten pages.

Concerning gender issues, their relative importance has decreased in the French documents since the mid-term review of the Lisbon Strategy. There was little reference to them in 2005 (one sub-heading about work-family re-conciliation, but nothing about gender equality) and only in 2008 the topic of gender equality has been reintroduced, although with minor importance.

Concerning governance, the interviewed actors stressed that some evolutions took place since 2005, although most of them are less related to the renewed Lisbon Strategy than to internal dynamics impacting on the institutional structure devoted to the implementation of the Strategy.

Some important changes are linked to a global process of reforming the ministerial and administrative organisation. This applies especially to the transfer of employment issues to the Ministry of Economy and Finances. This reform was implemented in order to improve the efficiency and consistency of governmental action, as there were some overlaps between the competencies of the Ministry of Labour and Employment and the Ministry of Economy. Combined with the 2005 review of Lisbon, this contributed to giving the Ministry of Economy and Finances a leading position in the implementation of the Lisbon Strategy in France.

The NRP is now mainly drafted by the Ministry of Economy (at least in 2008). This has of course some advantages, especially as concerns the integration of the macroeconomic and the employment guidelines. But this change may also have drawbacks, given the "cultural" differences between the two Ministries and the experience of the DGTEFP with European matters. Moreover, the coordination process has become more formal.

«It is more formal since Employment is in Bercy (the Ministry of Economy and Finance). At SGAE coordination meetings the DGTPE has now a leading role, and not any more the DGTEFP. This is all the more the case that after some hesitations Mrs Lisbon is now clearly Mrs Lagarde. Before that the DGTEFP used to deal with the employment guidelines, and the DGTPE had competency on Broad Economic Policy Guidelines. Now the DGTPE is almost taking care of everything, even if it remains an interministerial process»⁸.

Other changes are related to the participation of social partners. Despite their participation through the CDSEI, which appears like an important French specificity, more recently some limitations in their involvement in the Lisbon process have become apparent.

Since 2006, they are no longer invited to the presentation and discussion of the French NRP with the Commission, despite the fact that this meeting was unanimously considered as a success by all the parties involved. It remains unclear if this limitation is due to a change in the European Commission's approach, following the increased administrative burden linked to the NRP process after enlargement or to the French government's attitude. Anyway, it seems clear that the social partners are willing to be able to discuss the NRPs with the Commission.

«The presence of social partners at bilateral discussions between the French government and the Commission has enhanced their awareness of European matters. But since the enlargement these meetings have been suppressed, even though they were extremely useful»⁹»

«It is a pity that discussions between French social partners and the Commission have been suppressed. Even when Larcher was the Labour Minister we were participating in these meetings, but it is no longer the case. Social partners used to tell the Commission some things that the Government cannot mention»¹⁰ ».

⁸ Interview, DAEI, 23-12-2008

⁹ Interview, SGAE, 03-12-2008

¹⁰ Interview, CFTC, 23-01-2009

Moreover, their visibility in the latest NRPs has been reduced, since their comments are no longer attached nor included in the text. Indeed, the practice has varied since 1997: social partners' comments were first included in the text, under the corresponding item of the NAPs and they were additionally included in an appendix. But in the last two years their contribution has no longer been presented in the official documents..

The role of the Labour Minister has also weakened: unlike Gérard Larcher, Xavier Bertrand does not participate to CDSEI meetings.

«This year the MEDEF (employers' organization) has not participated in the NRP. It is not the place where decisions are made and the MEDEF has a scarce time. Social partners have been associated to some reforms, like for instance the agreement of January 2008 on labour law and flexicurity. But the employment coordination process has become marginal. »¹¹

«The CDSEI appears like a French originality: it is possible to talk and discuss, there is a real concertation. Labour Minister Larcher used to participate in all meetings. Today Xavier Bertrand is not involved at all. But it would be a mistake to close the CDSEI. The main problem is that social partners are not associated to the implementation of the reforms¹². »

The trend of limiting the participation of social partners in the implementation of the Lisbon Strategy seems to contradict a principle both accepted at EU level following the 2005 review and announced in the French 2005 NRP, which provides for "the appropriation of concrete European successes by the French citizens"¹³ ("third principle"). But according to the actors interviewed, it seems that the new stress put on the presidential programme since the election of Mr Sarkozy in 2007 changed the crucial decision-making centres, thus displacing the social dialogue around European matters.

As summarized in the table attached in Appendix, the Lisbon Strategy has led to quite good administrative coordination and a rather good participation of social partners in almost all the fields, but the impact on policy priorities was limited to some areas, i.e. social inclusion and the promotion of higher employment rates. Besides, it is very difficult to say that it led to a noticeable reinforcement of the legitimacy of European policies in the French policy debate.

What results for France in 2007-2008?

According to most national reports (CAS, 2007; Cohen Tanugi, 2008) France shows quite disappointing performances with regard to quantified targets. Nevertheless, considering quantified guidelines as well as structural indicators it displays some good as well as some average or bad results. The analysis of the following paragraphs is based on data from Eurostat: the main structural indicators are summarized below in table 1 and presented in a comparative perspective through the figures 1 to 7.

¹¹ Interview, MEDEF, 15-01-2009

¹² Interview, CFTC, 23-01-2009

¹³ NRP, 2005, p 6.

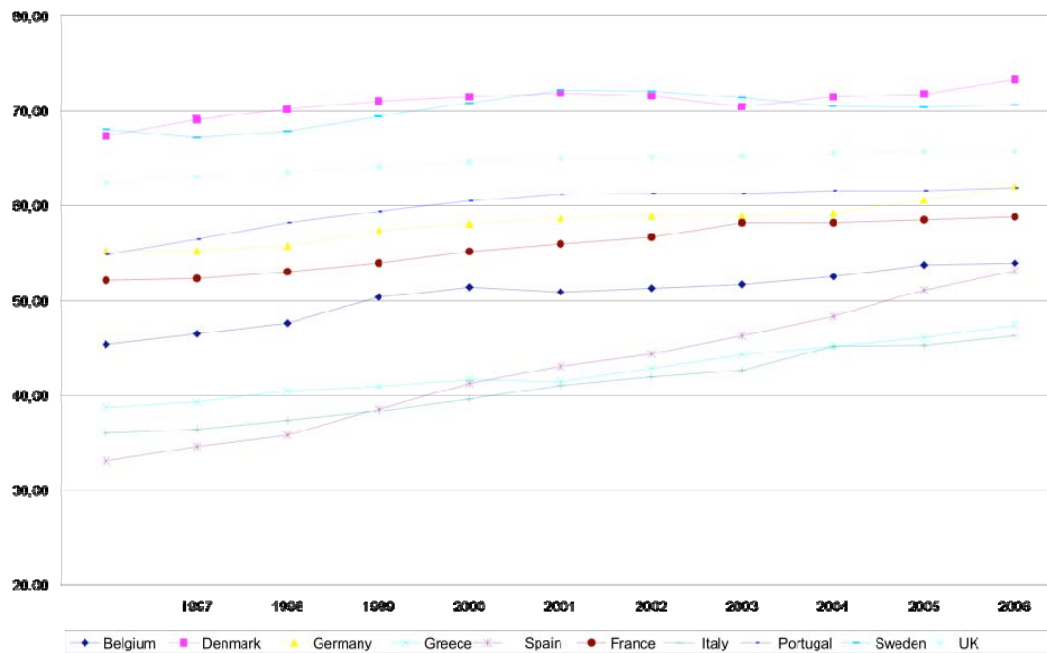
Table 1-Main structural indicators for France (1997-2007)

	1997	2000	2001	2002	2003	2004	2005	2006	2007
Total employment rate (target 70%)	59,6	62,1	62,8	63	64	63,7	63,9	63,8	64,6
Employment rate for older workers (target 50%)	29	29,9	31,9	34,7	37	37,6	38,7	38,1	38,3
Employment rate of women (target 50%)	52,4	55,2	56,0	56,7	58,2	58,2	58,5	58,8	60,0
Lifelong learning (target 12,5%)	2,9	2,8	2,7	2,7	7,1	7,1	7,1	7,6	7,4
RD expenditure (% GDP; target 3%)	2,19	2,15	2,2	2,23	2,17	2,15	2,1	2,1	2,08
Educational attainment (EU27 average=78,1%)	76,3	81,6	81,8	81,7	81,3	81,7	83,4	83,2	82,4
Poverty rate after transfers (EU27 average 16%)	15	16	13	12	12	13	13	13	:
Regional dispersion of employment rates (EU average 11,1%)		6,9	8,3	8	7,2	7,1	7,2	7,4	6,6
School drop outs rate (target: no more than 10%)	14,1	13,3	13,5	13,4	13,6	13,1	12	12,3	12,7
Long term unemployment rate (EU27 average 3,1%)	4,6	3,5	2,9	3	3,5	3,8	3,8	3,9	3,3
Age of retirement (EU27 average rate 61,2 years)			58,1	58,8	59,8	59	59	58,9	59,4

Source: Eurostat

In particular, the situation is rather good for childcare provision, despite serious problems in measuring the extent of childcare. Free preschool enables a high coverage rate for children between 3 and 6 (94% in 2006 according to Eurostat). The share of younger children (0 to 3) cared for by formal arrangements outside the family is lower (31% in 2006), but still above the European average, even if it remains far from some Nordic countries' figures (73% in Denmark). Nevertheless Eurostat data do not capture all forms of care arrangements: the part covered by care assistants at home, and directly paid by the parents, is not included in European data, despite its growing importance in France. This rather good situation can be related to women's position on the labour market: French women employment rate has just reached the 60% goal in 2007 and is situated slightly above the EU27 average (figure 1), but more French women are working full time. Besides, the good fertility rate (the highest in Europe in 2008, with two children per woman) suggests that there is a French model in Europe for work and family reconciliation. The UNICEF research centre INNOCENTI has just published a ranking of countries according to childcare provision (availability, affordability, quality and child well-being): with a mark of 8/10, France ranks third together with Denmark, Finland and Norway, following Sweden (10) and Iceland (9).

Figure 1- Employment rate of women (source: Eurostat)



Research and Development expenditure is also relatively high in comparison to other European countries. It amounted to 2,08% of GDP in 2007 (to be compared with an EU average of 1,83% in 2007), which places France in the sixth position in the EU. Nevertheless, the trend concerning this indicator has been negative since 2002, and the gap with best performers remains high (Sweden and Finland spend 3,5% of their GDP for R&D, Germany, Austria and Denmark around 2,5%).

Education and training indicators place France in an average position, as far as initial education (educational attainment, early school leavers, see figures 3 and 4 below) is concerned. As to lifelong learning, France stands below the EU average (7,4% against 9,6% in the EU27 in 2007, see figure 2) despite an increasing trend since 2003¹⁴.

¹⁴ The increase in 2003 is mainly due to a statistical artefact (change in the French Labour Force Survey). But the trend after 2003 remains positive.

Figure 2- Lifelong learning participation rate (2007, source: Eurostat)

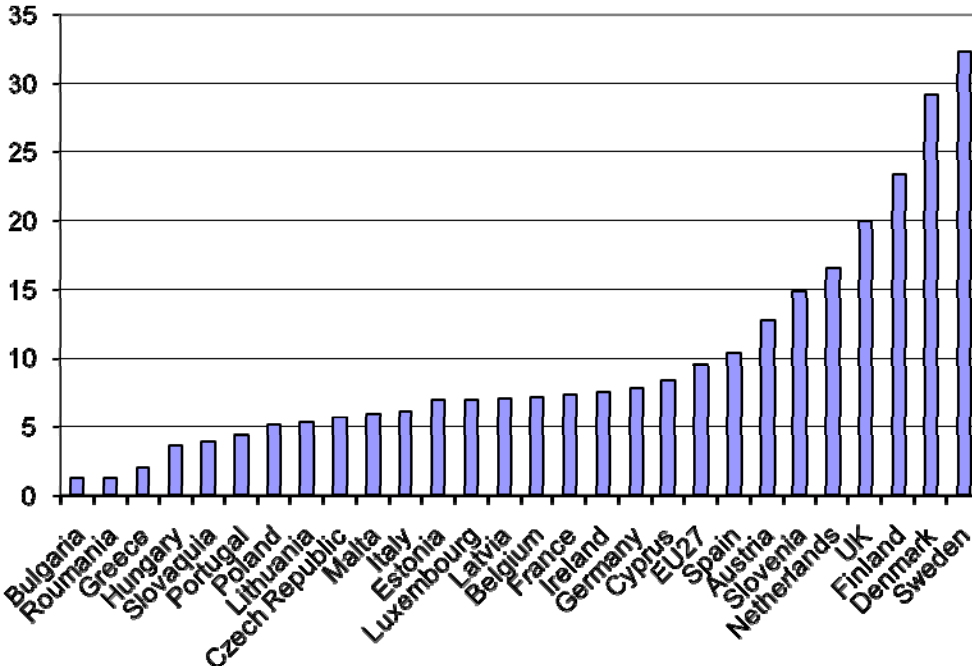


Figure 3- Youth education attainment (2007, source: Eurostat)

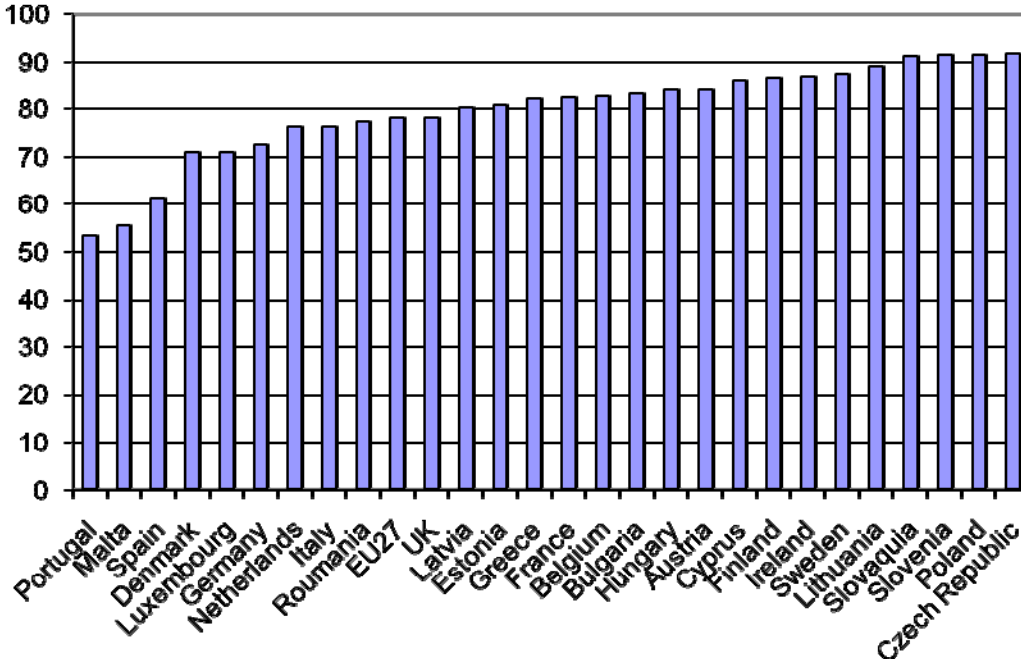
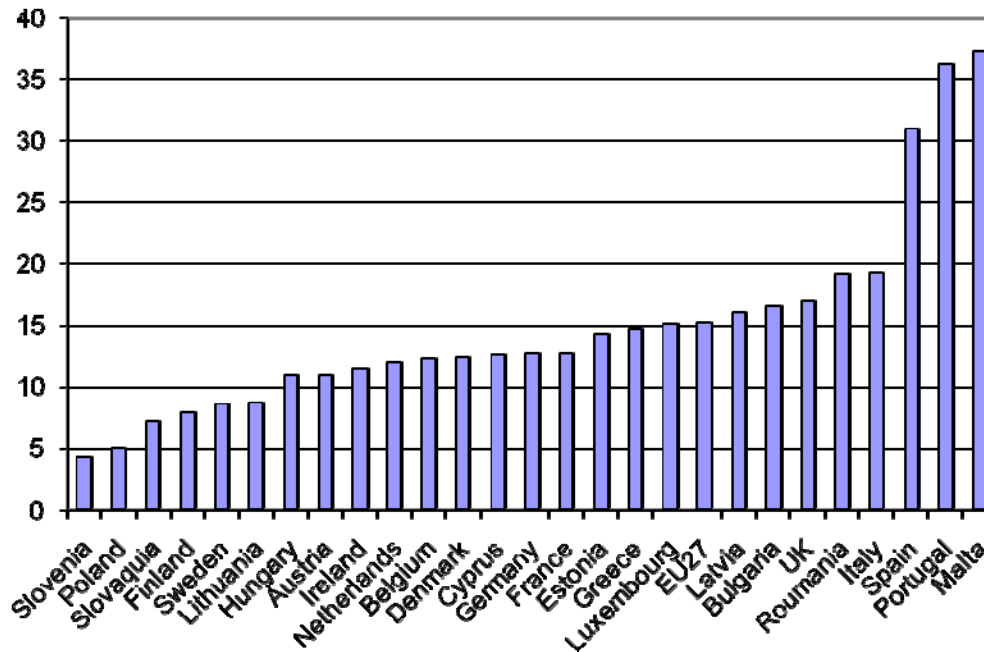


Figure 4- Early school leavers (2007, Source: Eurostat)



According to Eurostat data, the poverty risk rate (percentage of population whose income is less than 60% of the national median) was 13% in 2006, which corresponds to the European average. The most vulnerable groups are the unemployed, the working poor, children under 18, unskilled young people, large and single-parent families, women over 65. This situation is also close to the overall situation in Europe.

Nevertheless, considering employment rate targets and complementary labour market indicators, there are some important gaps between the French situation and the European goals. France does not meet the global target (the employment rate only reached 64, 9% in 2007, figure 5), and the rate for older workers lags far behind: the employment rate is 38,3% for the 55-64 (figure 6), and the average retirement age is under 60 (59,4 in 2007, figure 7). Complementary structural indicators also reveal some important problems concerning the French labour market:

- the high level of long-term unemployment: the share of long-term unemployed declined between 1999 and 2002, but has started to rise again since 2002;
- the distribution of unemployment is unequal: some regional differences persist although the regional dispersion (6,6% in 2007) of employment rates is quite low compared to the European average (11,1% in 2007). Furthermore, unemployment is unequally distributed among social groups and appears concentrated on some social categories (youth, the lower educated, women...).

Thus, from a quantitative point of view, the main gap between the European objectives and French performances concerns mainly the situation on labour market, and especially seniors' employment rates and unemployment duration.

Figure 5- Total employment rate (source: Eurostat)

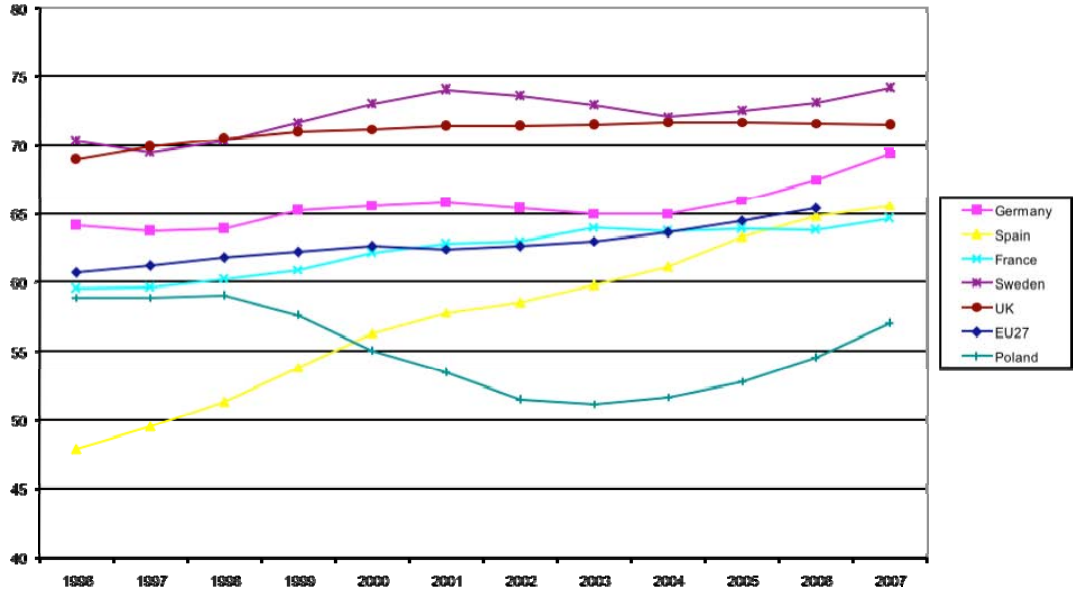


Figure 6- Seniors' employment rate (source: Eurostat)

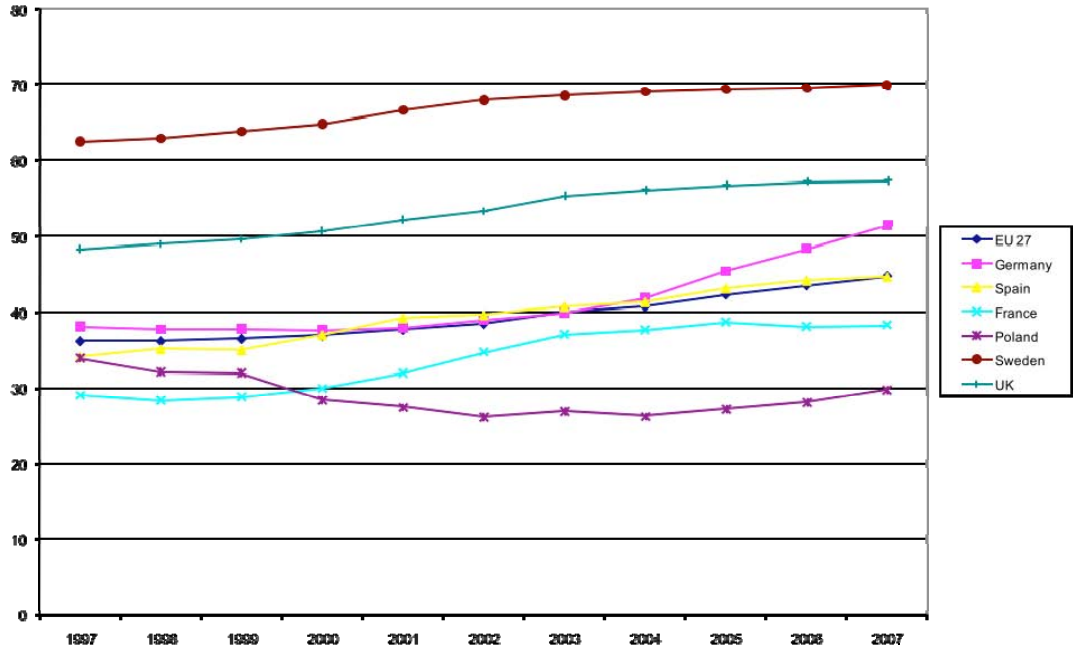
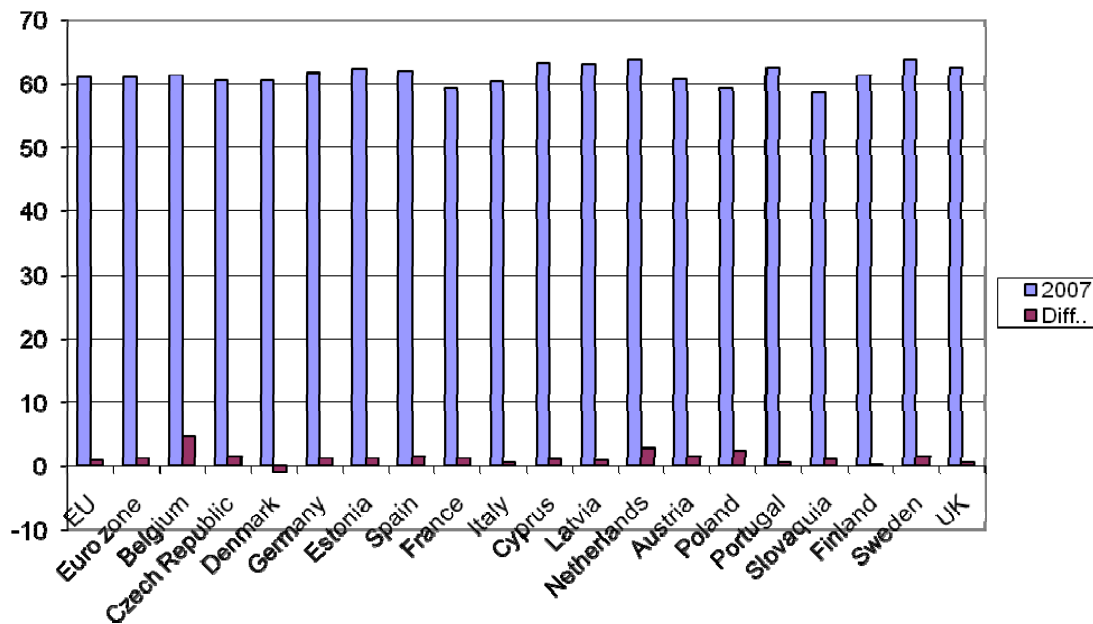


Figure 7-Average retirement age and evolution between 2000 and 2007
(source: Eurostat)



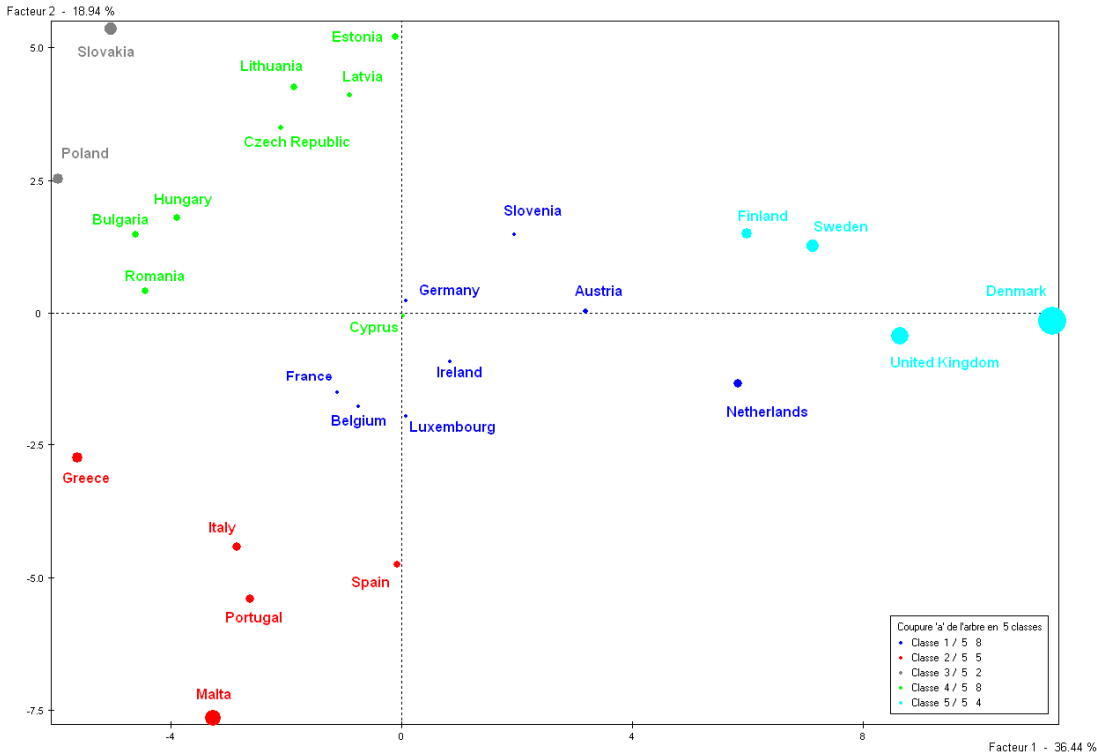
In addition, global benchmarking exercises rank France in a middle position.

For instance, taking into account the 14 structural indicators proposed by the Commission, France stands in a median position (14th), but showing a deteriorating trend (CER, 2007).

Other benchmarking results based on job quality indicators (the so called “Laeken indicators”, including most labour market and education structural indicators¹⁵, but also work accidents rates, gender wage gap, upward wage transition indicators, job satisfaction) also show that France stands in an intermediate position, with some weaknesses in lifelong training and work accidents (Davoine, Erhel, Guergoat, 2008). In the figure below, France is associated to the Continental cluster (in dark blue) that displays middle range performances, whereas the Nordic cluster is characterized by global good performances for job quality indicators. In more details, countries in the Continental group have average results for participation in education and training, the proportion of early school leavers, the proportion of people who have achieved the ISCED3 level of education. Furthermore, this cluster is characterised by high productivity and important differences in employment rates between older workers and the rest of the population.

¹⁵ As presented in table 1.

Figure 8- Job quality in the EU 27 according to Laeken indicators (2005-2006)



Source: Davoine, Erhel, Guergoat (2008)

Apart from the need to take into consideration longer-term trends together with present performances, it is well known that some indicators show important biases and should be complemented by further analysis. This may lead to discussions about the validity of some indicators. The main problems concern employment rates, as they appear as key indicators in the EES. The employment rate does not take into account the quality of jobs, and especially their distribution between part-time and full-time. In full-time equivalent, the relative situation of France improves, whereas the performances of the Netherlands or the UK tend to deteriorate. According to the Centre d'Analyse Stratégique, the full-time equivalent employment rate in the Netherlands is lower than in France (see table 2 below).

Table 2- Gross and-full time equivalent employment rates in 2005 for some EU countries

2005	France	Denmark	Netherlands	UK
Employment rate 15-64	63.1	75.9	73.2	71.7
FTE employment rate 15-64	52.2	61.4	49.5	53.9

Source: note de veille du Centre d'Analyse Stratégique n° 37, décembre 2006 ; data from LFS

In this perspective it is of course interesting to study the employment situation of women. French results would be better if considering such a full-time equivalent employment rate.

It is anyway impossible to say if the trends that can be observed in France (especially the upward trend for employment rates) are related or not to the Lisbon Strategy. However, the dynamics of French employment rates are consistent with the Employment guidelines, and in a broader perspective there appears to be some convergence in the labour market situation across the EU27: employment rates are improving in countries where they stood at low or intermediate levels, especially for women; further training rates are going up.

1.3 The impact on reforms and policies

The impact of European coordination in the field of employment and social policies on national priorities can be appreciated at two different levels.

First, at the level of official documents and the presentation they make of national priorities in response to European guidelines (NAPs, NAPSinc, NRP, and follow-up reports). This analysis was presented above and concluded that changes in policy priorities have been limited and probably more related with internal factors than with the Lisbon Strategy itself.

Second, at the level of policy implementation, considering not only economic outcomes but also the content of recent reforms with a view to assessing further the convergence of France towards European guidelines. To do so, we will especially look at the dynamics of the labour market and social exclusion policies in France, as well as of recent pension policies. If innovations have been introduced over the last ten years, the hypothesis can be put forward that this may be partly due to the EES, OMCs and Lisbon Strategy, although coincidence does not prove any causal link between new policies and the European coordination process.

Again we will investigate the differences in policies before and after 2005. In a second step of this analysis, we will try to capture changes in political priorities and reforms at the level of their implementation.

Indeed, the whole period between 1997 and 2008 is characterized by major changes in labour market and social policies in France. Table 3 below presents these reforms and relates them to the corresponding guideline¹⁶. It also analyses the focus of the reform according to a typology derived from labour economics (labour demand, labour supply, matching) and identifies the cases which correspond to some well identified reform orientations (activation, making work pay, flexicurity).

Table 3-The main employment and social policy reforms in France 1997-2008

	Measure or reform	Focus	Integrated guideline
1998	Aubry Laws (reduction of working time and social contribution cuts)	Labour demand	17
2001	Unemployment compensation : Individualisation PARE (2001)	Labour supply Activation	19/20
2001, 2003	PPE (negative income tax)	Labour supply Making work pay	18
2003	Fillon reform	Pensions, labour supply Seniors	17/18
2003	Minimum income activation (RMA)	Labour supply Making work pay	18
2004	Family policy reform (allowances for childcare, PAJE)	Labour supply	18
2005-2009	Unemployment compensation: Sanction regime	Labour supply Activation	19
2005	Social cohesion law Active schemes, private actors participating to job search assistance	Matching Activation	20
2006	Seniors employment national plan	Labour demand Seniors	17

¹⁶ According to the 2005 Integrated guidelines. This correspondence is based on the content of the policy, and does not necessarily coincide with the presentation that is made in the French NAPs or NRPs.

	Measure or reform	Focus	Integrated guideline
2005-2006	Flexibilisation of labour contracts: Contrat Nouvelle Embauche (CNE) and Contrat Première Embauche (CPE)	Labour demand Flexicurity	21
2007	TEPA law (law on work, employment and purchasing power)	Labour supply	
2008	Agreement on flexibility (labour law) and security (lifelong learning, transferability of rights)	Labour demand and supply Flexicurity	21
2009	One stop job centre: pôle Emploi	Matching	20
2009	Minimum income activation RSA	Labour supply Making work pay	19

Three main trends can be identified as guiding the reforms introduced in the field of labour market and social policies since 1997¹⁷.

First, several reforms aim at promoting the “activation” of labour market policy, especially through unemployment insurance. The traditional system, which was characterised in France by a dichotomy between unemployment insurance (provided by social partners through the UNEDIC) and job search assistance through the National Employment Agency (ANPE), has been deeply modified since 2000. A first step was the individualisation introduced by the PARE/PAP¹⁸ in 2001 that clearly belongs to an activation perspective. Unemployed were offered a more generous insurance in exchange of signing up an individual job search and training plan. To enhance the incentive to search for a job, a regime of sanctions was defined more precisely in 2005: in the absence of active job search, unemployment allowances can be either reduced or cut definitively. Since the beginning of 2009, these sanctions may apply after 6 months if the unemployed refuses an “acceptable job offer” (it includes jobs with up to two hours commuting and jobs with some wage losses compared to previous employment).

The management of both unemployment insurance and public employment services has also been modified. In 2005, the Social Cohesion Law abolished the legal monopoly of the ANPE (National Public Employment Service) for job placement and authorised some private agencies to participate in job search assistance. In practice these agencies act as subcontractors for the unemployment insurance regime, in order to avoid creaming. Besides, since the 1st of January 2009, the public employment service and unemployment insurance administration have merged in a single organisation, called Pôle Emploi that should provide the unemployed with a one-stop centre.

Besides, the principle of activation also expanded to more general social or fiscal policies that aim at making work pay. At the beginning of the 2000s, some problems connected with minimum income were tackled (for instance through the housing benefit reform). In addition, a negative income tax (Prime pour l'Emploi, PPE) was introduced and subsequently extended in 2003. All these new programmes aimed at enhancing the financial incentive to work. In 2003, the minimum income was reformed in order to introduce a new “welfare to work” scheme (which is called the Revenu Minimum d'Activité, RMA). In June 2009, the RMI (Revenu Minimum D'Insertion) as well as some other minimum income schemes (for lone parents for instance) were replaced by another scheme called RSA (Revenu de Solidarité Active, Active Solidarity Income), which increases the return from going back to work and provides for a better follow-up of minimum income beneficiaries.

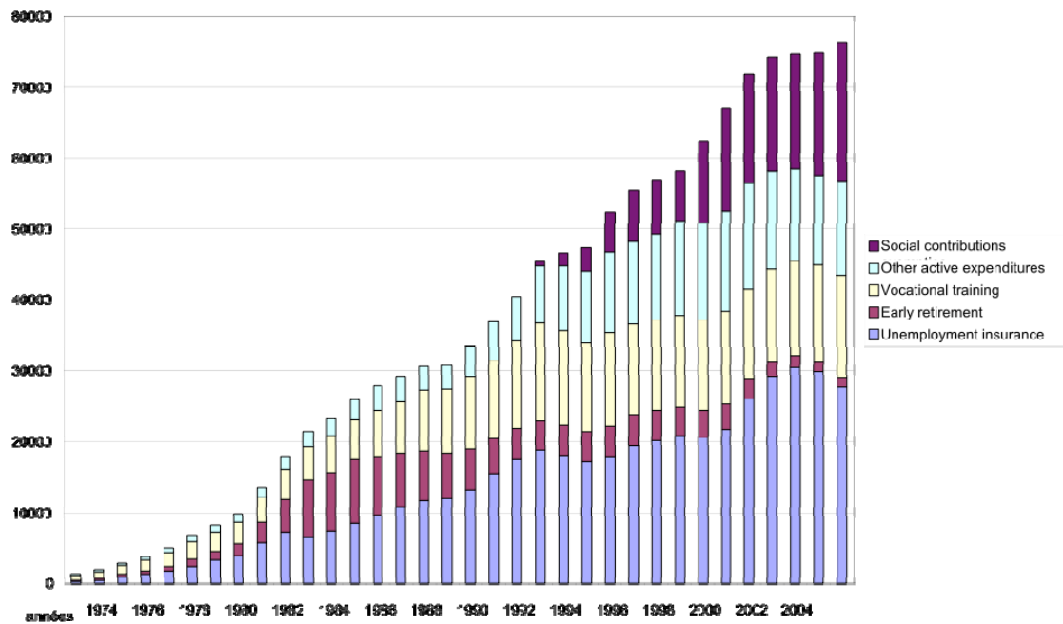
The “Making work pay” principle has been generalised since the election of President Sarkozy in 2007, and applies also to the employed. If they work overtime,, the corresponding wage is exempted from social contributions and income tax (TEPA law, 21th of August 2007).

¹⁷ This analysis does not aim at being exhaustive, but focuses on the main reforms.

¹⁸ *Plan d'Aide au Retour à l'Emploi/ Plan d'Action Personnalisé*

Active labour market policies have also been reformed in 2005 through the Social Cohesion Law. However, the reform dealt more with formal aspects than with content. Targeted labour market policies rely on two main types of subsidised contracts, in the private sector (Contrat Initiative Emploi) and in the public sector (Contrat d'Accompagnement dans l'Emploi) respectively. Over the last years these schemes were no longer a priority of the government, and their relative share has decreased (see figure 8). But this trend should be reversed following the economic downturn. As far as labour demand is concerned, the main tool of French labour market policies remains the progressive reduction of social contributions that has been in place since 1993 (figure 8). This orientation coincides with the employment guidelines (see guideline n°22), but it was introduced in France before the set-up of the EES.

Figure 8- Labour market policy expenditures in France since 1973 (millions of Euros)



Source: DARES

This figure shows the evolution of labour market policy expenditure in France during the 1990s, especially the very sharp increase in social contribution reductions. It does not take into account supply-side programs, like the Prime pour l'Emploi, that belong to social and fiscal policies. It also shows the decreasing share of early retirement programmes that belong to the second main reform orientation.

Indeed, several types of measures have been introduced in order to increase the employment rate of older workers. First, the inflows into early retirement programs, that were very high in France in the 1980s, have been strongly reduced: these schemes are now targeted at those working in specially hard conditions. Besides, the pensions reform of 2003 has created incentives to work longer: the minimum number of contributory years that is necessary to get a full pension was increased (40 years) and an incentive mechanism (*surcote/décote*) was introduced to relate more directly the number of contributory years to the amount of the pension.

The 2006 National Plan for Older Workers' Employment also introduced a specific short-term contract (18 months maximum) for workers aged over 57. It confirmed that older workers belong to priority targets of active labour market schemes. Besides, it launched a communication campaign in order to convince the employers that older workers can be an asset for firms.

All these tools are very similar to those that have been introduced in other European countries exhibiting low employment rates of older workers. Finland for instance has been a reference in the academic literature about labour market reforms concerning this target group, with its 2005 Programme.

Reforms aimed at increasing the employment rates of women were a confirmation of previous orientations. Indeed the French so called “family policies” provide for a mix of support measures for childcare (both public structures and private care assistants), and some parental leave schemes that allow for interruptions in women’s career when a child is born. The reform of 2004 (called PAJE) is atypical example of these ambiguities, since it extends parental leave for the first child and at the same time tries to develop diverse types of childcare. Despite these ambiguities, these policies can be considered as a success, considering the outcome in terms of both employment (especially full-time employment) and increased fertility, but it clearly precedes the launch of the EES and the Lisbon Strategy.

The third trend concerns the flexicurity approach, whose influence has been growing after the revision of the Lisbon Strategy in 2005. Despite several reports and recommendations and an emphasis on this topic in governmental and social partners’ discourse, the implementation of flexicurity remains quite chaotic in France. An attempt to introduce new forms of employment contracts led to a strong political opposition (in 2006 with the *Contrat Première Embauché* –CPE, a flexible contract that was targeted at youth and that was never implemented, as well as between 2005 and 2007 with the *Contrat Nouvelle Embauché* –CNE-, targeted at small firms, that was finally suppressed because it appeared not to respect international labour standards). The only adopted measures are a temporary contract for older workers (see above) in 2005 and a new temporary contract for “white collars” (*contrat de projet*, project contract) in 2008. On the security side, the goal to favour the transferability of rights is enshrined in the agreement of 11th January 2008, especially in the case of further training, but its implementation will take some time. Nevertheless, the idea of lifelong learning and the necessity of moving from job security to employment security has been progressing in France over the last years.

Two major conclusions can be drawn from this policy analysis:

- first, there is a high level of coherence between French reforms and European guidelines, especially around the three priorities activation (including making work pay), older workers’ employment and, more recently, flexicurity;
- second, these priorities have remained rather stable over time, despite political shifts. The 2002 change of majority led to a reinforcement of the focus on labour supply and of the “making work pay” objective, at the detriment of demand-oriented programmes (active labour market policies and working time reduction). But these orientations were already present in policies introduced by the Jospin government (especially the negative income tax). In the field of employment and social policies, the 2005 revision of the Lisbon Strategy does not seem to have impacted these trends, except of the focus on flexicurity. The reference to social cohesion has also regressed in the last NRP, but it is difficult to say if this is a result of merely internal factors (change of President and government in 2007) or a consequence of the evolution of the Lisbon Strategy.

1.4 The “leverage” effect

Another angle from which the impact of the Lisbon Strategy can be assessed concerns the position of the various actors and institutions involved and the use they make (or made) of European coordination tools, such as the EES and OMC processes. Several research projects about the EES and the OMC social inclusion have shown that these policies do not have a direct effect on national policies and reforms, but rather a “leverage” effect (Erhel, Mandin, Palier, 2005), i.e. they favour internal coordination (between ministries, national services and different levels of the administration), and also a strategic use of the guidelines to support some reforms.

The interviews we carried out for this study confirm these two main effects:

- a coordination effect inside the administration, especially at the ministerial level. Compared to our previous study, vertical coordination was never mentioned by the actors interviewed. On the contrary, they stress the lack of participation of regional and local authorities (see part 1).
- second, the Lisbon Strategy serves to reinforce the legitimacy of certain national initiatives when the tools or arguments provided by the OMC are used in the national debate. The reference to European dynamics or to other countries sometimes helps to introduce new items (for instance flexicurity) or to reformulate national policies. Such an effect was clearly present in 2001 when the MEDEF used the employment guidelines as a reference in order to put forward the individualisation of unemployment insurance and job search assistance through the PARE/PAP. François Fillon also used European comparisons as an argument for his pensions reform in 2003. The National Action Plan for Older Workers was also inspired by European benchmarks and by the examples of other countries, especially Finland. Since 2005, references to the flexicurity approach (and especially to the “Danish model”) became more and more common, but as it was clarified above, it has not met a real success in France up to now. At a very general level the EES has legitimated the idea that labour market reforms were needed.

“The effects of the EES and Lisbon Strategy on the reforms are clear. Reforms of public employment services have taken place everywhere in Europe: individualization, regressive allowances, one-stop job centres, etc. Some other trends are common to all countries, like making work pay, lifelong learning... A consensus has been progressively built beyond political differences. As early as 2005 there was a kind of common conception of priority reforms.¹⁹”

Despite this influence, the reference to Europe is not always explicit in the political discourse: «There is a will not to refer to the European level. But it has an effect. Lisbon is a leverage, a sting²⁰.

Nevertheless, some major reforms cannot be related to European orientations: social contribution cuts and, more recently, the RSA. In these cases, French governments tried (or are trying, in the case of RSA) to put forward this kind of policies at the European level. This shows that, as far as France is concerned, interactions between the national and the European levels are increasing.

«At the moment, at the Social Protection Committee, Martin Hirsch is promoting the idea of social experimentations to fight poverty, and the example of the RSA.²¹ »

In general, more attention is paid to the experiences of other EU Member States, despite a lack of awareness in the public opinion (see part 1).

“For French politicians, as well as for the press, the legitimacy of European comparisons is now quite clear. There are new questions in front of a reform: what are the others doing?”²²

«We do some more comparisons: ‘the Danish do it’. We put the stress on good practices, which can be more efficient than the guidelines in political terms²³ ».

On the whole our study, as well as recent reports (especially Cohen Tanugi, 2008), confirm an impact of the Lisbon Strategy on public discourse (references to the guidelines, but also to the experiences of other countries): this impact is quite clear within the administration, or even among social partners, but remains limited at the political level or in the media.

¹⁹ Interview SGAE 03-12-2008.

²⁰ Interview DAEI 23-12-2008.

²¹ Interview SGAE 03-12-2008.

²² Interview, SGAE, 03-12-2008

²³ Interview, CAS, 09-01-2009

There is no evidence of a specific effect of the 2005 reform on this trend,, even if the recent French presidency in 2008 seems to have helped improve the awareness of the Lisbon Strategy among the politicians as well as in the media and the public opinion.

1.5 Overall assessment and conclusions

Main conclusions

The implementation of the Lisbon Strategy in France has produced some positive effects, but it is also characterized by some important limitations.

According to the actors involved that we have interviewed, and to the relevant documents, the administrative process around the NAPs and the NRPs can be considered as a success.

“Administrative coordination has never been bad thanks to the SGAE. This institution is a French specificity. [...] More generally, inside the French administration, the management of European matters is quite good and rather democratic». ²⁴

Furthermore, in the field of employment, but also of social policies, it is evident that the procedure of drafting the National Action Plans has favoured rationalization, as well as new modes of coordination inside the administration, between Ministries (and even services) in charge of employment-related policies (Labour and Employment, but also Education, Economics and Finance), and even between the central and decentralized levels of the administration. Given the dispersion of responsibilities inside the French administration, such a coordination effect appears positive (Erhel, Mandin, Palier, 2005).

The Open Method of Coordination is also generally considered as a success in the French context: its usefulness is rarely questioned by the actors involved in the process.

This coordination effect has also some limitations, especially concerning the implementation of Lisbon priorities. According to a CFTC (Confédération Française des Travailleurs Chrétiens, one of the French trade union confederations) representative, there is no link between the priorities discussed at the CDSEI and the implementation of the European Social Fund financing. The management of ESF funds is purely administrative according to him:

“The use of the ESF has more to do with the responsible organisation than with the content of the projects. There is some dispersion towards all types of labour market policy actors especially at local level. This has nothing to do with Lisbon objectives »²⁵.

The participation of social partners has globally improved over time, except in the most recent years (see above). This has produced for them important learning effects on European policies and greater openness to foreign experiences.

«The social partners have always been involved and this can be considered as a success. There has been an impact on trade unions that used to consider Europe as the « Trojan Horse of Liberalism». Moreover, their presence at bilateral meetings with the Commission has enhanced their awareness of European matters²⁶».

Nevertheless, the political visibility of the whole Lisbon process remains very limited. This can be related to the absence of debate on the Lisbon Strategy in Parliament and to a limited popularity of Lisbon-related topics among political staff (members of cabinets, ministers, local authorities etc.).

«The degree of political appropriation is low. There is a club of French «Lisbonians»: people receiving information about the process are about 150. The question that arises then is the following: what is their influence on the Minister cabinet and on the Minister him/herself?»²⁷

²⁴ Interview, SGAE, 03-12-2008

²⁵ Interview, CFTC, 23-01-2009

²⁶ Interview, SGAE, 03-12-2008

²⁷ Interview, CAS, 09-01-2009

More generally, French political discourse is characterized by the absence of positive references to European Union initiatives, even when the actions discussed are consistent with the Lisbon Strategy and with the European guidelines (Cohen Tanugi, 2008). This was confirmed by most of the actors we interviewed.

The dissemination of these ideas is therefore very limited. "It remains an issue for initiated people²⁸». This statement is confirmed by more global studies on the appropriation of the Lisbon Strategy, like the one presented by Pisani Ferry and Sapir (2006). According to them, France belongs to a group of countries where the level of appropriation by civil society, Parliament and social partners is relatively low, compared to most new Member States (and especially Estonia where it stands at the highest level in the EU). This level is even lower, however, in other Member States, especially the UK and Germany.

What are the possible explanations for this lack of political appropriation? This may be partly due to the French political system, which encourages localism: a large number of French politicians are more interested in local matters than in European policies. According to Cohen Tanugi (2008), this might also be related to the size of the country: because France is a large country, the degree of internal heterogeneity is high, which makes it more difficult to build a consensus on common principles. Another explanation is the type of references to Europe in the French political discourse, which tends to stress the most unpopular consequences of European decisions. Finally, some surveys show that the French tend to have a negative perception of internationalization in general (they perceive it as a threat to the employment situation for domestic workers rather than an opportunity), which may influence the way they see European integration.

Policy recommendations and debate

In this last subsection of our work we will try to assess the scope for improvements, as emerging from official reports, scientific articles and stakeholders' suggestions.

Three main areas of analysis can be presented: the content of the Strategy and the indicators used, procedural aspects (governance) and resources available. All of them are quite controversial and correspond to more general issues about the future of the Lisbon Strategy (Begg, 2006), but some French peculiarities also appear.

Priorities and indicators of the Lisbon Strategy

Although the main message emerging from the 2005 reform was that the Lisbon Strategy had to become more focused, the lower number of guidelines has not really clarified the priorities or the number of indicators to be considered for benchmarking.

This opinion is developed in the Cohen Tanugi (2008) report, which highlights the excessive number of objectives and the potential contradictions between some of them. For instance, increasing employment rates and productivity seems contradictory, since short-term job creation policies are mainly targeted at low qualified in the service sector and therefore tend to reduce productivity. In the long run, investment in human capital and productivity gains in the service sector may give a solution to this dilemma, but in the short run this contradiction cannot be solved. The same problem applies to job quality: in the short run there might be a trade-off between job creation and job quality.

Other priorities are not clear, and in particular the reference to social cohesion has been vague since 2005, due to a lack of political communication and to internal contradictions between the guidelines. For instance, whereas the focus on human capital and lifelong learning appears clearly like a progress, doubts may arise around the socially desirable nature of one of its consequences, i.e. the postponement of the average age of retirement for 5 years.

²⁸ Interview, DAEI, 23-12-2008

There are of course other important contradictions between the resources needed to achieve the main Lisbon goals (R&D expenditure, education objectives, etc.) and the constraints imposed by the Stability and Growth Pact (more generally, by the macroeconomic constraints). This problem was mentioned by the CAE report (2006) that followed the French “no” at the Constitutional referendum. In the present macroeconomic context this contradiction will become even more striking, since fighting unemployment (and maintaining high employment rates) requires additional public expenditure (labour market policies, budgetary and fiscal policy, etc.).

The authors of the CAE report recommended reconsidering the role of countercyclical policies in Europe.

According to Cohen Tanugi (2008), the Lisbon Strategy should concentrate on innovation and competitiveness. On a more conceptual level, it should distinguish more clearly between final and intermediary goals, as in the case of monetary policies.

As far as indicators are concerned, there might be a contradiction between the will to reduce their number and the need to integrate some complementary information. In our interviews, all actors agreed on keeping the employment rate as a goal for the Lisbon Strategy, but most of them are in favour of using a complementary full-time equivalent employment rate. This position used to be defended by the Ministry of Labour during the first years of the EES, and, as shown above, it has consequences on the diagnosis about the French situation. In addition, most actors would prefer a reduced number of indicators, and the MEDEF representative would be favorable to a synthetic indicator for labour market and social conditions.

Another issue is the adaptation of the goals to the national context. A proposal could be to consider a global EU27 objective that would be declined country by country on the basis of their demographic and structural characteristics. Such a process (which is similar to the indicators in the Kyoto protocol, for instance) could facilitate political appropriation, even in countries that lag far behind (for example, in the case of productivity or research expenditure in the new Member States, or childcare services and female employment in Southern countries). This proposal was developed by the CAS expert and is also present in the Cohen Tanugi report.

Governance

As to governance, the French experience of the Open Method of Coordination seems to be rather good. The assessment presented in reports, scientific articles and our own interviews stress its usefulness in domains where the European Commission does not have the legitimacy to impose any constraint on the Member States. Moreover, according to economic analysis (fiscal federalism), it is not clear that centralization would be the best solution for labour market policies, since spillovers are very limited given the low mobility of labour and, besides, decentralization provides incentives for innovation. In such a context soft coordination through the Open Method of Coordination provides a framework to enhance cognitive convergence and spread policy innovation through mutual learning.

Nevertheless, beyond the consensus on the method, some disagreement remains about its tools: in particular there is no consensus about the opportunity to realize a more explicit benchmarking, including a “naming and shaming” procedure, which would be conducted by the European Commission itself.

However, the main problems originate from the lack of political appropriation and public awareness of the Lisbon Strategy. In official reports, the main proposal is to involve the French Parliament by organizing a yearly debate on the National Reform Plan. Another way to improve the visibility of the Lisbon Strategy would be to create a Ministry of European Affairs and to merge the SGAE and the Service for European Affairs of the Ministry for Foreign Affairs.

But the main challenge is to change the way Europe is perceived and presented by the politicians: "Fillon (the current Prime Minister) should go to the evening news and talk about Europe and the Lisbon Strategy. That's what French politicians did for the Euro at the end of the nineties."²⁹

The financing issue

Different options also exist on the issue of financing. First, the use of the ESF should be more clearly related to the Lisbon Strategy objectives. At a more general level, however, the problem of financing priority policies in a context of budgetary constraints remains. According to some positions, a better use of existing funds (ESF and the European Globalisation Adjustment Fund) would be sufficient, whereas others would be in favour of supporting Lisbon-related investment through the Community budget (for some proposals, see Begg, 2006).

The debate on this issue falls clearly within the powers of the European Parliament and could be integrated in the discussions on the Community budget.

All these proposals and subjects for debate should be kept in mind when discussing the future of the Lisbon Strategy.

Considering the French case, the assessment of the Strategy as a whole (starting in 2000, and even in 1997 with the EES) is rather positive in terms of policy effects and convergence with other European countries.

Lisbon-related labour market and social policy outcomes in France are quite disappointing, but for most of the indicators the trend has remained positive. The impact of the 2005 re-launch appears very limited: changes that have taken place in policy priorities or governance are more related to national considerations (elections, administrative reorganization...) than to the Lisbon Strategy.

Attempts to improve the political and democratic legitimacy of European policies through a better dissemination of the Lisbon Strategy has had very limited results up to now. It is also clear that in this perspective the ability of the European Commission and Parliament to react to the economic recession and to adapt European priorities to the new context in the forthcoming months will play a crucial role.

²⁹ Interview, MEDEF, 15-01-2009

ANNEX: Overall assessment of the implementation of the Lisbon Strategy in the employment and social fields

I/ Employment policies	Fields							
	General impact		Effects			Governance		Impact of LS itself
	Political relevance	fostering EU perspective	Reforming processes	Achievements regarding guidelines	Internal Administrative reforms	Efficiency of tools (coordination, strategic approach) v)	Implementing partnership vi)	Catalysing innovation in policies
More growth and jobs i)	High	Limited influence	Important reforms (LMP)	Positive trend, but targets are not met	Yes, Public Employment Service	Good administrative coordination around NAPs and NRPs	Quite good participation of social partners to NAPs and NRPs	Positive impact
Better jobs ii)	Limited	Very limited influence	None	None	None	Good administrative coordination around NAPs and NRPs	Quite good participation of social partners to NAPs and NRPs	No impact
Better human capital iii)	Limited	No influence	Decentralisation of further training	Positive trend, quite good performances	None	Limited coordination effects	Limited partnership effects	Limited impact

II/ Social policies	Fields							
	General impact		Effects			Governance		Impact of LS itself
	Political relevance	fostering EU perspective	Reforming processes	Achievements regarding guidelines	Internal Administrative reforms	Efficiency of tools (coordination, strategic approach) v)	Implementing partnership vi)	Catalysing innovation in policies
Social inclusion	High	Limited influence	Social Cohesion Law and minimum income reforms	Positive trends, average performances	None	Good administrative coordination around OMC inclusion and NRPs	Quite good participation of social partners to OMC inclusion and NRPs	Positive impact
Sustainability of social protection systems iv)	High	Very limited influence	Pensions reform	Positive trends	None	Good administrative coordination around OMC pensions and NRPs	Quite good participation of social partners to OMC pensions and NRPs	Very limited impact (pensions reform was adopted before European orientations)
Health care and long-term care	Limited	Very limited influence	Health care reforms	?	None	No information available	No information available	No information available

i) Enlarging the workforce

ii) Improving skills, innovation in work organisation, increasing employability

iii) Improving education; reducing early school leavers, life-long learning strategies

iv) Coordination of social security systems national reforms: modernizing social protection

v) Learning from others Member States

vi) Approach both institutional and participation of stakeholders

2. IMPLEMENTATION AND IMPACT OF THE LISBON STRATEGY 2000 – 2010 ON EMPLOYMENT AND SOCIAL POLICIES IN GERMANY

Eckhard Voss & Jakob Haves (Wilke, Maack and Partner)

2.1 Introduction

This report summarises the results of a survey on the implementation of the Lisbon Strategy in Germany since 2000. It also takes into account the brief pre-Lisbon period (1997-2000) covered by the European Employment Strategy.

Our survey is part of a larger comparative European project conducted for the European Parliament (Committee on Employment and Social Affairs) and coordinated by our Spanish partner Labour Asociados. The main purpose of this project is to provide an overview of the development, implementation and results of the Lisbon Strategy in the field of employment and social policies on the basis of seven national case studies (apart from Germany, these involve Spain, France, the Netherlands, Hungary, Poland and the United Kingdom). The purpose behind this analysis and evaluation of the methods used and results achieved is to prepare the ground for debate during the legislative period 2009-2014. Regarding the scope, the analysis looks solely at the Lisbon Strategy's employment and social aspects, excluding such other dimensions as energy or the environment.

Against this background, the main aim of our research was to collect field information on the practical implementation of the Lisbon Strategy, looking at the problems involved, the degree of penetration into national employment and growth strategies, the involvement of government and other key players.

The research was carried out between December 2008 and March 2009, based mainly on an evaluation of existing documents¹ and research literature and on expert interviews with a selected group of key informants from the government² and the German social partners³.

The report covers the following three principal issues:

- implementation of the Lisbon Strategy in Germany, focusing on the question of the extent to which the Lisbon Strategy has reinforced, complemented or interacted with the country's broader economic and social policy orientations.
- an assessment of the effects of the Lisbon Strategy both in terms of measurable quantitative indicators and on major reform processes and policy developments in the field of employment and social policy in Germany.

¹ German official documents, i.e. the National Action Plans for employment (1998 – 2004) and the National Reform Programmes (since 2005) for the purpose of evaluating main focuses, shifts in them (following the 2005 change of government) and trends in the implementation of the Lisbon Strategy in Germany. Moreover, the annual implementation reports and other official documents were evaluated in the context of our research. The regular Progress reports and suggestions of the European Commission regarding the German Lisbon implementation practice were a further source of documentation. Finally we also took into account Documents illustrating public debates and the positions of key stakeholders with regard to the Lisbon Strategy and its implementation in Germany. Here, in particular, the positions of the social partners, the Federal States and political parties were analysed, together with the minutes and associated documents of parliamentary debates in the two chambers of Parliament.

² Background interviews were conducted at the end of January with representatives of the Federal Ministry of Labour (BMAS), the Federal Ministry of the Economy (BMWi) and the Federal Ministry of Finance (BMF).

³ Representatives from both the two German Employers Federations (BDA and BDI) and the Trade Union Federation DGB were consulted in the survey's preparatory phase.

- our report also analyses how the Open Method of Coordination (OMC) as the main implementation instrument of the Lisbon Strategy is applied in German politics and what effects the OMC has had in terms of policy transfer processes and initiating political reform processes. In the context of the Lisbon governance model, our report also addresses the question of coordination of Lisbon-relevant policies with other national policies in the economic and social sphere and the involvement of different groups of players.

Following this logic, the report is structured as follows. In Chapter 1, key political developments in German politics regarded as relevant for the Lisbon process are described, covering the period from 1997 until today. The basic aim of Chapters 2 and 3 is to describe the overall national approach to the Lisbon Strategy adopted by successive German governments. In this context the way the Lisbon Strategy has been implemented within the German system of governance, how the OMC method is functioning, the way the strategy is coordinated and communicated, and other relevant issues, are described.

A detailed assessment of the implementation of the Lisbon Strategy and the Lisbon targets in the field of employment and social policy is provided in chapters 4 to 6. This part comprises the following sub-sections: first, a qualitative assessment of six specific aspects regarding the implementation of the Lisbon Strategy in Germany with regard to process- and governance-related issues; secondly, a mixed qualitative-quantitative assessment of the specific preliminary results obtained until now with regard to the objectives and targets contained in the Integrated guidelines.

The analysis is mainly based on the structural indicators defined in the context of the Integrated guidelines. Depending on the degree of achievement of the targets, an assessment mark or score between 1 and 5 has been awarded. For each structural indicator corresponding to a target, the allocation of marks was carried out in line with the criteria included in the annex to this report.

A more comprehensive overall impact assessment of policy transfer issues and national governance is carried out in chapters 7 and 8, taking also into account the positions of relevant stakeholders (political parties, social partners) and results from other evaluations and research projects.

Finally, chapter 9 presents an overall assessment of the past and attempts to give some recommendations on the post-2010 Lisbon process.

2.2 Overview of key developments

Since the inauguration of the European Employment Strategy (EES) at the Employment Summit in Luxembourg 1997, key developments were its integration in the Lisbon Strategy in 2000 (Lisbon I), the 2005 review (Lisbon II) and the current discussion (mainly at expert level) on the fundamental concepts behind a "Lisbon III" process. These key developments are reflected only to a limited degree in political developments in Germany.

In Germany, as in other Member States, key developments in the political debate (including the perception of European politics) are dominated by domestic issues, in particular overall macro-economic trends, employment issues and, to a lesser degree, social policy trends and challenges. The last two decades have been characterised by three distinct periods:

- First, the final stretch of Chancellor Helmut Kohl's long-standing Christian-Democratic government (1982 – 1998) which was greatly influenced by the 1989/1990 German reunification and the significant economic and social effects associated with integrating the ex-German Democratic Republic into the Federal Republic.

- Second, a period of intensified reform in particular in the field of employment and labour market policy against the background of a worsening economic situation and high unemployment under Gerhard Schroeder's 1998 – 2005 SPD/Green coalition government.
- Finally, the most recent period of the conservative-led coalitions under Chancellor Angela Merkel, first with the SPD (the so-called "Grand Coalition" until September 2009) and then with the liberal FDP.

The influence of European politics and European employment, social and economic policy on these governments – and vice-versa - has changed significantly over time and is not easy to grasp. However, perhaps with the exception of a short phase at the end of the last decade, the influence of the broader European objectives and strategic orientations on Germany has been quite marginal in terms of politics when compared with other European developments such as the completion of the EMU and the introduction of the Euro from 1999 onwards or the 2004 enlargement of the EU with the accession of ex-Communist Eastern European States.

The only period with significant conformance – in the policy fields covered by this report – between the broad paths of European politics and key developments in Germany was the initial phase of the Schroeder government in 1998, when the reduction of unemployment and improvements in employment policy became a top priority on the policy agenda for the coming years. With the German government holding the presidency of the European Council in that period, an active role was played in shaping the European Employment Strategy. This involved the introduction of the European Employment Pact at the 1999 Cologne European Summit and the introduction of stricter benchmarks (in particular regarding youth and long-term unemployment) and methods (tripartite employment summit) in the context of the European Employment Strategy.

However, this period was short-lived. The German government's strategy at that time, both in the European arena and in the context of the German political debate, was far from straightforward and not clearly defined. Within a short time, German politics became completely overshadowed by domestic issues, in particular the major reform packages in the field of employment and social policy introduced at the beginning of this decade. Interestingly, these reforms were politically justified (though not solely) by requirements stemming from the Lisbon Strategy.

The Schroeder labour market and social policy reforms proved to be very unpopular with the trade unions and large parts of the Social Democratic Party itself (partly contributing to the significant success of the new leftwing party "Die Linke" in West Germany). Since then, the term "Lisbon" in Germany has virtually become a synonym for neo-liberal macro- and micro-economic strategy, with deregulation in the field of social and employment policy.

This led to the revision of the Lisbon Strategy and the birth of Lisbon II being at best discussed between policy experts, professional researchers and governmental departments dealing with European issues. There was no wider public debate at all. In addition, the launch of Lisbon II coincided with the 2005 election campaign and the change in government.

In the post-2005 period, i.e. in the context of the completion of the first Lisbon II cycle in 2007-2008, it is hard to detect any major debate on the Lisbon Strategy in Germany. Even during the 2007 German EU Presidency the Lisbon process played no significant role. The government simply had other priorities on the European agenda (environment, globalisation, etc.).

Finally, a political debate on the future of the Lisbon process after 2010 can hardly be detected at all at present. Again "Lisbon" is overshadowed by other issues and topics with a greater influence on German politics, including how to best manage the recovery of the German economy from the sharp financial and economic downturn that began in mid-2008. Though naturally the need for stronger European coordination and cooperation is stressed by all political actors, the dominant term used to describe this is "Stability and Growth", rather than any direct association with the Lisbon objectives.

2.3 The national approach to the Lisbon Strategy

At the beginning the European Employment Strategy had no significant influence on Germany's employment policy. The first National Action Plan (NAP) in 1998 was drawn up in the final months of the Christian Democrat-Liberal coalition government and was little more than a summary of all important social and economic reforms of the 1994 – 1998 legislative period categorised under the headings of the various guidelines, notwithstanding the fact that some of them had already been in force for several years.⁴ It was obvious that none of the measures presented by the German government had been influenced by the Employment guidelines. Similarly, no proposals regarding labour market reforms or employment policy initiatives were put forward in the 1998 NAP. Instead, the German government highlighted its employment policy achievements in the NAP, stressing in particular its reform measures for fighting long-term unemployment and promoting job creation implemented in 1997.

One reason behind the Kohl government's reticence was its deep and general scepticism towards the whole European employment policy strategy. This had already been articulated in the context of the negotiations on the Treaty of Amsterdam in 1997, during which the German government had unsuccessfully tried to avoid the chapter on employment becoming part of the treaty. The German government also voiced its objections against the introduction of quantitative objectives in the guidelines in the run-up to the Luxembourg Employment Summit that same year.

This position changed significantly when the Social Democratic Party came into power in 1998. Even during the election campaign, the SPD had been stressing the importance of including the employment issue in the Amsterdam Treaty and highlighting the need for an active European strategy to fight unemployment. A concrete proposal articulated in the election campaign was the SPD's demand for the establishment of a "European Employment Pact" and the definition of more binding objectives, including for example the objective that no young person should become unemployed after finishing school. The SPD was supported by its coalition partner, the Greens, in this position.

In its first NAP, the Schroeder government highlighted several new projects that were supposed to implement the guidelines: first, the 'Emergency Programme for the Reduction of Youth Unemployment', then the 'Women and Work' programme and finally the 'Alliance for Jobs, Training and Competitiveness' that was to play a key role in the national employment strategy (NAP 1999, 7–9). No significant influence of the EES on these programmes can, however, be assumed as the SPD, as the larger coalition partner, had announced all of them in its election manifesto.⁵

However, there were other reform projects directly connected to the EES and to be seen as major landmarks in the reform of German employment and job promotion policy. The 1999 law amending the Work Promotion Act was intended to focus job promotion measures on disadvantaged groups such as the over-55s, the long-term unemployed and unemployed women, thereby reflecting the main target groups of the employment guidelines. Reference to the guidelines was made repeatedly in its explanatory notes, with the first two employment guidelines being mentioned explicitly. Similarly, the 2001 Job-AQTIV⁶ Act reflected the EES and in particular the issue of employability, which became a key term for describing the rationale behind Germany's labour market policy:

⁴ See: Zohlnhöfer, R./ Ostheim, T. 2005: Paving the way for employment? The impact of the Luxembourg Process on German labour market policies, in: *European Integration*, Vol. 27, No. 2, p. 155.

⁵ *Ibid.*, p. 156.

⁶ AQTIV = *Aktivieren, Qualifizieren, Trainieren, Investieren, Vermitteln* (Activate, qualify, train, invest and help find a job)

"Most of the guidelines' key elements reappear in the law: lifelong learning and strengthening of the preventive approach to labour market policies; offering an opportunity to obtain a secondary school qualification retrospectively to prevent youth unemployment; promoting the participation of older persons in working life; gender mainstreaming; the targeted promotion of women and the reintegration of housewives into the labour market. In addition, the explanatory statements explicitly refer to the guidelines six times."⁷

However, other laws like the pre-retirement part-time employment (1999) and laws concerning the reduction of unemployment among severely disabled people (2000) contained no significant reference to the guidelines and reflected internal German debates rather than European strategic objectives.

Furthermore the controversial "Hartz reforms"⁸ carried out in the context of the government's "Agenda 2010" show significant parallels to the suggestions made in the context of the European employment policy.

Labour market reforms of the 1998 – 2005 SPD-Greens government

An overview of the most important core elements of the labour market reforms:

- Clear increase in the preventative approach in labour market policy
- Pooling of unemployment assistance and social welfare for persons capable to work into a new benefit system "'Grundsicherung für Arbeitsuchende" (Basic Security for Job Seekers), while "Fördern und Fordern" (actively supporting and demanding) has been established as the basic principle of a new labour market policy
- Reorientation of tools of a proactive labour market policy aimed at enhancing integration opportunities
- Transformation of the labour administration into a service agency whose core tasks focus on job placement and on new organisational, management and control structures
- Flexible dismissal protection

Source: NAP 2004, p. 7.

In general, there was a clear similarity between the German government's overall reform strategy during the first half of the decade and the European Employment Strategy. This is also illustrated by the following quote from the 2004 NAP:

As such, German employment policy is oriented, in particular, to the four priorities defined by the European Employment Task Force: adaptability among the workforce and companies, integration of people into the labour market, investment in human capital and lifelong learning as well as the forging of reform partnerships. The Task Force that was set up at the request of the European Council was responsible for conducting an in-depth, independent study of the key challenges in terms of employment policy and for defining practical reform measures on this basis. The Federal Government was fully supportive of setting up this Task Force. (NAP 2004, p. 5)

Though not clear whether the European Employment guidelines acted as a guiding principle for these reforms, it is quite obvious that the German government used the European policy orientations as a point of reference to justify its policy.

In the context of the mid-term evaluation of the Lisbon Strategy, the Schroeder government fully supported the Kok Report and the calls, in particular from José Manuel Barroso, President of the European Commission, and Guenter Verheugen, Commissioner for Enterprise and Industry, to focus the Lisbon Strategy more strictly on growth and jobs.

⁷ Ibid., p. 156. See also: Blancke, S.; Schmid, J. 2003: Bilanz der Bundesregierung Schröder im Bereich der Arbeitsmarktpolitik 1998–2002, in: Egle, C., Ostheim, T. & Zohlnhöfer, R. (eds): Das rot-grüne Projekt, Wiesbaden.

⁸ The Hartz reforms were based on the suggestions of an expert group coordinated by the Volkswagen HR Director Peter Hartz. This committee "Modern Services on the Labour Market" (the so called "Hartz Committee") was set up by the Federal Government early in 2002. One of the most controversial reforms was the merger of unemployment benefits and social benefits (now called "unemployment benefit II").

In a German government publication issued in 2004, this was clearly stated:

“In particular against the background of muted economic growth, the German government therefore backs the efforts of other EU Member States to focus the strategy more strongly on sustainable growth and employment. This refocusing must also be reflected in public finances at European and national level. For one thing, it is important here that any reorientation of the Lisbon Strategy must stay strictly within the confines of the EU budget for 2007 – 2013. In this context Germany and five other EU-Member States call for the EU budget to be limited to 1% of the EU-gross national income. For another thing, against the background of current developments in public-sector budgets of the EU Member States, the precepts of the Stability and Growth Pact must also be observed. The German government will therefore conduct the present talks on the Stability and Growth Pact with the objective that in future the Pact should provide clear incentives for more growth and employment as well as for structural reforms ensuring sustainable public finance. For these reasons the German government – precisely in the face of tight budget restrictions – accords great importance to redirecting public-sector funds to growth-stimulating expenditure in the fields of real capital and human capital as well as to strengthening the knowledge-based society. At EU level, this process must be founded on joint analyses of the effects on growth and employment of individual political measures and must be supported by an intensive exchange of the experiences of each country.”⁹

A remarkable feature of this position paper issued by the government is that the employment dimension is only mentioned in the context of “growth and employment” and not by any reference to a strategic approach or set of guidelines. Instead, the paper very much concentrates on issues such as economic growth, competitiveness, the emergence of China and India, the need for innovation, efficiency, etc. There are major chapters on the importance of implementing the internal market and focusing more on “Innovation, Growth and Environmental Protection”, together with suggestions on how to improve the Lisbon Strategy regarding its practical implementation and how to raise public awareness, but there is not even a sub-chapter on the employment dimension.

In the National Reform Programme for the first Lisbon II cycle, presented by the new Merkel government under the heading “Driving innovation – Promoting security in times of change – Completing German unity”, any changes in German policy orienting it towards the Lisbon Strategy are hard to detect (though this is also attributable to the new character of the Integrated guidelines and the National Reform Programmes).

In the context of the 2005-2008 National Reform Programme, the German government established six priority areas of action. The core objective was to extend and support the knowledge society which was regarded as a “prerequisite for sustainable, modern societies, for social participation and justice” (NRP 2005-2008, p. 2). Other objectives were to foster market liberalisation and competitiveness, improve conditions for entrepreneurship and sustainable public finances as well as “ecological innovation”. The aim of continuing with the reform of the structure of the German labour market, strengthening adaptability and employability, is mentioned as the sixth priority. The Merkel government thereby stressed the need for “making labour-market policy demographics-proof” and improving the balance between “family and career”.

This list of priority measures was re-defined for the current Lisbon cycle in the 2008 – 2010 NRP under the Leitmotiv “Building on Success – Continuing with the Reforms for More Growth and Jobs”.

⁹ “Growth and Employment for the Years through 2010. Position of the German Government on the Mid-term Review of the Lisbon Strategy”, Berlin 2004, p. 4.

In contrast to the Schroeder government with the 1999 EU summit in Cologne, the German EU presidency in 2007 left no major landmark in the context of further developing the Lisbon Strategy. A publication summarising the positive results of the Germany presidency¹⁰ focused mainly on achievements in the field of fostering an “integrated climate and energy policy” and removing internal market barriers. In the field of employment and social policy, activities during the German presidency were quiet modest, concentrating mainly on health and safety issues (“Euro-Med Conference”, simplification of safety regulations) as well as family policy (Germany’s successful “Alliance for Families” initiative was adopted for the whole of the EU).

Looking forward to the post-2010 period and any “Lisbon III” approach, the German government has so far remained remarkably silent. This is quite understandable from the beginning of 2009 onwards, with public debate in Germany becoming very much focused on the effects of the financial and economic downturn and economic recovery. Though in this context the need for international and European coordination is regularly stressed by all political actors, this is not done with reference to the Lisbon Strategy but rather in the overall context of the growth and stability pact.

2.4 Governance at national level

Coordination and institutional involvement

Besides the Federal Ministry of the Economy (BMW_i), the Federal Ministry of Employment and Social Affairs (BMAS) and the Federal Ministry of Finance (BMF) are involved in the Lisbon coordination process. Differences in the interests and overall objectives regarding the Lisbon process and assessment of the Lisbon Strategy’s impact on German politics are quite obvious between the different government departments. While the BMAS is stressing the social focus of the Lisbon Strategy and is concerned about the focus having shifted towards economic stability and growth issues, the BMF regards the latter as priority issues, stressing the crucial importance of economic stability, structural reform processes and growth. In between these sometimes contrary interests, the BMW_i has to play not only the role of overall coordinator but also as mediator of diverging interests.

Stakeholders’ involvement in the context of consultation, preparation, implementation and monitoring the Lisbon reform plans follows the general consultation procedures involving social partners, opposition parties and other players in German politics in general. This includes the involvement of players and institutions below the level of national politics. In its 2005-2008 NRP the German government states that:

“The Länder (federal states) were also involved in drawing up the report and formulated shared objectives for the National Reform Programme. These are to be implemented independently by the individual states. The report has been distributed to the parliamentary groups in the Bundestag, the German associations of cities and municipalities, trade associations and trade unions. Given the unusual circumstances this year the Bundestag, the Länder, associations and social groups are to be more closely involved in updating the National Reform Programme. The German National Reform Programme also provides the platform for an extended and intensive parliamentary and public debate on the further development of the national Lisbon Strategy.” (NRP 2005-2008, p. 3)

However, recent surveys and evaluations of the participation and involvement of various groups of players in the Lisbon process come to somewhat more critical conclusions with regard to the involvement of social partners and other players in the field of employment, social and economic policy. In an overview of the involvement of civil society in the national Lisbon reform processes, it is stated that, from the point of view of the German civil society organisations, there are deficits with regard to the quality of involvement and consultation practice regarding social partners and other groups, for example in the context of the national reform programmes and annual progress reports.

¹⁰ “Europa gelingt gemeinsam - Bilanz der deutschen EU-Ratspräsidentschaft”, Federal Government, Berlin 2007.

This view was also taken by the European Commission in its 2009 assessment of the German National Reform Programme and the progress made on the Lisbon process:

“The involvement of stakeholders has improved. Nonetheless, a wider group of stakeholders could be consulted (for example ecological and welfare institutions) and the national Parliament as well as the Länder could be involved more actively.”¹¹

Communication and role of “Mr Lisbon”

The Schroeder government was aware of the “communication problem” in the context of the Lisbon process. In a 2004 position paper on the revision of the Lisbon Strategy it is stated that:

“National parliaments, the European Parliament as well as labour and management, civil society and also our citizens in general must recognise the Lisbon Strategy as one of the central social reform projects in Europe and adopt it as their own (“ownership”). The German government wants significant improvements in the transparency of this reform process. Therefore, it will be widely disseminating its position on the mid-term review of the Lisbon Strategy and discussing it in an appropriate form with all the relevant social groups. Part of the German government’s communication strategy will be to make greater use of “success stories” as well as describing the direct effects of the Lisbon Strategy on citizens. The German government is convinced that citizens will adopt its reform policies as their own only if the concept of reform means something positive to them. The German government is further convinced that this approach will accelerate implementation of the Lisbon Strategy and thus also significantly improve the credibility of the strategy. It expects that these measures will enrich and enhance the Lisbon reform process as a whole and in future will define its respective position in light of this consultation process. Against this background, the German government calls upon the Commission, the European Parliament as well as the other European institutions to promote a comparable discussion process at the European level.”¹²

Due to the 2005 change in German government, we do not know which effects this assessment and the suggestions made therein would have had on German policy.

But what is clear is that the suggestions made in 2004 were hardly implemented. In the German public policy debate the Lisbon process was obviously not regarded as “one of the central social reform projects in Europe”, to be pro-actively communicated.

With the following German government the Lisbon process and the Lisbon cycle were seen mainly as a process of European policy coordination of quite different policy fields, carried out on the basis of a methodological tool (OMC) and seemingly extremely difficult to communicate to a wider public.

Against this background, the position of “Mr Lisbon” is interpreted in Germany rather technically, in line with its coordination function and not in the context of public policy communication.

This is illustrated very clearly by the fact that – on the establishment of the “Mr. Lisbon” function in 2005 - the German government initially nominated a high ranking civil servant to carry out this function. Only after some critical intervention from the European Commission was a high ranking government representative, i.e. the Federal Minister of Economics and Technology (BMW_i) nominated for the post. However, the “Mr Lisbon” position is still not widely known in the German political arena, as the position is not interpreted as a political position but as the BMW_i’s coordinating role for all ministries involved in the Lisbon process.

¹¹ EU Commission 2009: Implementation of the Lisbon Strategy Structural Reforms in the context of the European Economic Recovery Plan, Brussels, COM(2009) 34/2, p. 22

¹² “Growth and Employment for the Years through 2010. Position of the German Government on the Mid-term Review of the Lisbon Strategy”, Berlin 2004, p. 12.

The Open Method of Coordination (OMC)

As the OMC was initially introduced as a European coordination instrument in the field of employment and social policy, the players in this field (Federal Ministry, regional ministries in the field of employment and social policy, social partners, professional organisations) are those most familiar with this method of policy-making.

There are quite significant differences in the perception of the OMC in the Federal Ministries involved as well as at sub-Federal levels of governance. The BMAS acknowledges the OMC as the best possible way of European policy coordination, involving different political positions throughout Europe. For the Ministry of Labour, with several of its departments involved in the OMC in the context of the European employment and social policy, the OMC is seen as quite a valuable instrument for learning from each other in the longer term, defining benchmarks, comparing different systems and jointly searching for the best possible solutions regarding the way certain challenges are faced up to in different national environments. The BMAS considers the OMC to have three main functions: first the OMC can support certain national reform initiatives; secondly with its best-practice method the OMC has a cognitive function; and thirdly, the OMC has a medium-term influence on policy issues, for example in such areas as childcare facilities in Germany or gender mainstreaming. Concerning employment and social issues, the BMAS distinguishes between the OMC used for social policy and the OMC used for employment policy. The latter is regarded as being quite an influential method mainly due to its quantifiable indicators and targets, whereas the OMC for social policy is based much more on "soft" targets and benchmarks.

The other Ministries involved display a different and more critical position, whereby the OMC is mainly regarded as a "soft" process cycle causing a significant bureaucratic burden (reporting) but often lacking a clear added-value. The BMF in particular is critical of the OMC and its voluntary character, which are not seen as making any real contribution to a coordinated policy in fields regarded as the "core" of the Lisbon process, i.e. economic growth triggered by structural economic reforms.

It should also be stressed here that the OMC is also questioned or at least viewed critically by many political actors against the background of the federal nature of the German State.

The federal states view the concentration of contacts and cooperation at the national political level as being a problem and even counterproductive to OMC aims. The German federal states are only involved in the OMC process via the Bundesrat, their parliamentary representation on a national level. There is no formal involvement of other important federal state institutions or institutions of federal consultation and policy-making, or of local authorities, with these only being able to contribute indirectly to the process. This means that, in the case of decentralised or federal countries, political levels and groups of actors with significant competence in the field of employment, social and economic policy are not involved in the OMC. This lack of involvement results in mistrust, criticism and in some cases even open opposition to European initiatives, since the European coordination is not seen to respect national principles of subsidiarity.¹³

Against this background, the Bundesrat sees the OMC mainly as an instrument for comparing Member States' performance on the basis of benchmarks and best practices and as a method of mutual learning, yet remaining strictly outside the legislative competence of the federal states:

¹³ See: Linsenmann, Ingo 2004: „Die (Offenen) Methode(n) der Koordinierung. Formenvielfalt und erste Erfahrungen, Ergebnisse eines vom 5. EU-Forschungsrahmenprogramm geförderten Projekts zu Koordinierungspolitiken in der EU. Umfassende Informationen dazu unter: www.govector.org.

“In fields outside the legislative competence of the European Union (e.g. education) the “Open Method of Coordination” should not result in concrete measures and action programmes violating competence regulation and the principle of subsidiarity; in contrast to this the general purpose is the exchange of experience and information as well as best-practice identification.”¹⁴

Also with regard to the involvement of non-government stakeholders, OMC achievements up to now are at best mixed. With their limited resources in terms of personnel and time, the rather complicated OMC procedure makes it difficult for social partners and other groups to maintain a pro-active involvement at all stages of the OMC cycle. Furthermore, social partners’ involvement in general is concentrated on the national level, with representatives of the central organisations (DGB, BDA/BDI) participating but with only very limited involvement by regional actors or sectoral representatives. From the social partners’ point of view, the tight and usually narrow timetables for the preparation of lengthy reports, statements and comments often makes active involvement rather difficult.

This participation deficit was acknowledged by the German government in the context of the 2004 discussions on the revised Lisbon Strategy (see above).

Monitoring and evaluation

In the context of the Lisbon process, the monitoring of achievements and targets in Germany is not carried out on a regular basis or using a standardised monitoring method. However, the assessment of employment policies is quite advanced due to relatively clear indicators. Here the German government makes use of European measurement methods, linking them to national measurement processes. Monitoring of the implementation of other Lisbon objectives is much more difficult due to unclear (i.e. controversial) indicators. For example the German government opposes the indicators measuring the results of the lifelong learning strategy used by the European Commission. These result in a bad German performance in this area, with a German refusal to enhance its performance as it views the indicators as not being appropriate. There are further indicators which are at least questionable (see the controversial debate on poverty reduction indicators).

2.5 Overall assessment of Germany’s contribution to the achievement of Lisbon targets

According to the most recent “Lisbon Review” conducted by the World Economic Forum¹⁵, Germany, with a score of 5.34, was ranked 6th in 2008 with regard to the main Lisbon progress indicators, both above the EU15 (5,07) and EU27 (4,73) average.

¹⁴ Beschluss des Bundesrates Position der Bundesregierung zur Halbzeitbilanz der Lissabon-Strategie (Oktober 2004) - Wachstum und Beschäftigung für die Jahre bis 2010, Bundesrat Drucksache 917/04 (Beschluss), 18.02.05. Own translation.

¹⁵ World Economic Forum 2008: The Lisbon Review 2008. Measuring Europe’s Progress in Reform, Geneva.

Progress on Lisbon indicators (2008)

	Final Index		Sub-indexes							
			Information Society	Innovation and R&D	Liberalization	Network Industries	Financial Services	Enterprise	Social Inclusion	Sustainable Development
	Rank	Score	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank
Sweden	1	5.71	1	2	3	4	1	7	3	2
Denmark	2	5.64	3	3	4	2	2	6	1	4
Finland	3	5.64	7	1	6	6	4	1	2	1
Netherlands	4	5.44	2	5	1	7	3	5	4	7
Austria	5	5.34	6	8	2	5	5	11	6	6
Germany	6	5.34	9	4	5	1	9	15	9	5
France	8	5.12	10	9	10	3	10	13	14	11
UK	9	5.12	5	7	11	9	11	8	15	12
Spain	17	4.52	17	14	14	13	14	23	19	18
Hungary	22	4.18	22	19	21	22	23	19	24	22
Poland	26	3.76	26	22	25	26	25	25	26	24

Source: World Economic Forum – The Lisbon Review 2008

On the sub-indexes innovation and R&D, liberalisation, network industries and sustainable development Germany ranks higher than the overall average score, while on information society, financial services, enterprise and social inclusion it is below the overall average.

In its most recent assessment of the progress made by the German government on the Lisbon Strategy, the European Commission stresses that the 2008 – 2010 National Reform Programme addresses all key challenges and that there is a high degree of policy integration in crosscutting areas as the knowledge society, industrial policy and “better regulation”. However, the Commission also states that this is less visible with regard to “flexicurity”. The Commission is particularly critical of the German NPR not defining a “flexicurity pathway”, but merely describing recent initiatives taken on different aspects in this context.¹⁶

With regard to employment policy in general, the Commission’s assessment stresses the following challenges in particular:

“Notwithstanding the improvement of labour market conditions since 2006, Germany’s labour market remains characterized by relatively high unemployment, particularly high long-term unemployment and unemployment amongst the low-qualified. The education system seems to reinforce inequalities between young people from diverse social backgrounds. The main challenges are therefore to improve the labour market participation of low-skilled persons including migrants, and to ensure lifelong access to, and quality of, education and skills development.”¹⁷

The Commission also stresses that the German government should be more active with regard to upgrading incentives to take up work and move to full-time jobs. Similarly, the Commission regards the improvement of continuous vocational training as an important challenge for reform in the area of German employment and training policy.

¹⁶ EU Commission 2009: Implementation of the Lisbon Strategy Structural Reforms in the context of the European Economic Recovery Plan, Brussels, COM(2009) 34/2, p. 22 and p. 24.

¹⁷ EU Commission 2009: Implementation of the Lisbon Strategy Structural Reforms in the context of the European Economic Recovery Plan, Brussels, COM(2009) 34/2, p. 22 and p. 24.

With regard to the main structural indicators defined by the European Commission to measure progress towards the Lisbon targets, it is not possible to draw a clear conclusion or reach an assessment. While in general Germany performs better than the EU27 average, though with some significant exceptions (e.g. youth and female educational attainment, at-risk-of-poverty rates, long-term unemployment rate), there are some areas where EU indicators show the German performance to have deteriorated when 2007 data are compared with 2000-2006 data. As illustrated in the following overview, these include expenditure on R&D, the employment rate of older workers and long-term unemployment rates.

Germany's performance compared to EU-27

	DE						EU27			
	2000	2004	2005	2006	2007	2010 National target	2000	2006	2007	2010 EU target
GDP per capita in PPS	118.4	116.3	114.6	113.6	112.8		100.0	100.0	100.0	
Labour productivity per person employed	107.8	108.1	107.1	106.7	105.4		100.0	100.0	100.0	
Employment rate	65.8	65.0	66.0b	67.5	69.4	3.0	62.2	64.5	65.4	70.0
Total	65.8	65.0	66.0b	67.5	69.4		62.2	64.5	65.4	70.0
Women	58.1	59.2	60.6b	62.2	64.0		53.7	57.3	58.3	
Men	72.9	70.8	71.3b	72.8	74.7		70.6	71.7	72.5	
Employment rate of older workers	37.8	41.8	45.4b	48.4	51.5		36.9	43.5	44.7	
Total	37.8	41.8	45.4b	48.4	51.5		36.9	43.5	44.7	
Women	29.0	33.0	37.5b	40.6	43.6		27.4	34.9	36.0	
Men	46.4	50.7	53.5b	56.4	59.7		47.1	52.7	53.9	
Gross domestic expenditure on R&D	2.45	2.49	2.48	2.54	2.63e		1.85e	1.84e	1.83e	3.0
Youth education attainment level	74.7	72.8	71.3b	71.6	72.5		76.6	77.9	78.1	
Total	74.7	72.8	71.3b	71.6	72.5		76.6	77.9	78.1	
Women	74.8	74.2	72.5b	73.5	74.4		79.3	80.8	80.8	
Men	74.8	71.5	70.4b	69.8	70.6		73.8	75.0	75.5	
Comparative price levels	106.8	104.7	103.7	103.3	103.2		100	100	100	
Business investment	19.7	16.1	16.0	16.8	17.2		18.4	18.2	18.7	
At-risk-of-poverty rate after social transfers	10	:	12b	13	:		16e	:		
Total	10	:	12b	13	:		16e	:		
Women	11	:	13b	13	:		17e	:		
Men	10	:	11b	12	:		15e	:		
Dispersion of regional employment rates	5.4	6.0	5.6	5.2	4.8	13.0	11.4	11.1		
Total	5.4	6.0	5.6	5.2	4.8	13.0	11.4	11.1		
Women	6.5	5.8	5.0	4.9	4.8	20.0	16.1	15.8		
Men	5.8	7.3	7.0	6.3	5.6	9.6	9.4	8.8		
Long-term unemployment rate	3.8	5.5	5.7b	5.5	4.7	4.0	3.7	3.1		
Total	3.8	5.5	5.7b	5.5	4.7	4.0	3.7	3.1		
Women	4.0	5.2	5.3b	5.3	4.7	4.6	4.0	3.3		
Men	3.7	5.7	6.0b	5.7	4.8	3.5	3.5	2.8		
Total greenhouse gas emissions	82.7	83.4	81.5	81.5	:	90.9	92.3	:		
Energy intensity of the economy	180.10	161.01	158.33	154.75	:	213.90	202.45	:		
Volume of freight transport relative to GDP	100.0	104.7	106.2	110.1	112.1	100.0	107.5e	107.1e		

Source: EU Commission 2009: Implementation of the Lisbon Strategy Structural Reforms in the context of the European Economic Recovery Plan, Brussels, COM(2009) 34/2, Statistical Annex.

2.6 Assessment regarding specific aspects

Strengthening pro-Europeanism

Interviews with relevant players in the Ministries and elsewhere indicate that the Lisbon process is not regarded as a factor strengthening pro-Europeanism. Nevertheless, in some areas the Lisbon process seems to have prepared the ground for further actions, with new ideas being developed in the mindsets of those people and professional groups involved in European politics.

The assessment of the European guidelines is also ambivalent. In some cases – such as the guidelines concerning the employment of older workers – the European targets and objectives are welcomed, being seen as fostering necessary reform processes in national politics.¹⁸

¹⁸ This for example is illustrated by the setting up of a „small OMC“ carried out by the BMAS in the field of the integration of older employees in the labour market in Europe in the context of the German EU presidency 2007. See: Bundesministerium für Arbeit und Soziales 2007: „Aktives Altern – Active Ageing – Die Politiken der Mitgliedsstaaten der Europäischen Union. The Policies of EU Member States“, Bonn.

In other cases – such as the flexicurity concept – German government representatives point to major problems in following European guidelines due to very different and specific national traditions and policy frameworks. In general, European guidelines and strategic orientations are welcomed for those areas where they fit well into the respective national policy agenda, but in other areas the Lisbon process either has little impact or is regarded as a concept which simply “doesn’t fit”.

Concerning the public’s perception of the Lisbon process and the potential strengthening of pro-Europeanism, the main problem is that the Lisbon process is to a large extent unknown to the German public. Many processes within the Lisbon Strategy are ambiguous and difficult to communicate. Although the Lisbon Strategy is presented on official Ministries’ and German government’s websites, the whole process is perceived and treated as an administrative and mostly technical issue. According to a Ministry’s spokesman, this strategy remains a method for experts and not for the broader public.

Balance between the goals of competitiveness, sustainable development and social cohesion

While before 2005 there was a clear separation of employment and social cohesion objectives, on the one hand, and macro-economic objectives, on the other hand, within the Lisbon Strategy, these two have been merged in the context of Lisbon II. This has led to a situation where objectives related to financial stability, growth and competitiveness on the one hand and to the field of employment, the quality of work and social cohesion on the other hand are constantly subject to compromise. This is of course a difficult task, with diverging and sometimes conflicting interests needing to be integrated.

This was illustrated by the 2007 German Presidency. Though the German government stated in its Presidency achievement report that the European Council had underlined “the need to strengthen social Europe, to develop the European Social Model further and to stronger take into account the joint social objectives of the member states in the context of the Lisbon Strategy”¹⁹, only very few concrete activities were actually carried out in this context.

The difficulty of finding a compromise between economic and social objectives is also mirrored by the points of view held by the Ministries involved in the Lisbon Strategy in Germany. While the BMAS focuses on issues related to employment and social affairs as a major pillar of the Lisbon Strategy and is therefore interested in an intensified and comprehensive process of policy coordination, cooperation and OMC processes on a European level, the Ministries of both Economy and Finance tend to highlight the orientation of the revised Lisbon Strategy towards objectives in the field of economic and financial stability, growth and structural reforms.

As a result of these quite different points of view, there are also significant differences with regard to the assessment of the 2005 revision of the Lisbon Strategy and expectations regarding Lisbon III. While the Ministry of Labour would like to see the employment and social pillar further strengthened in the future, the BMWi and the BMF are very much in favour of increasingly focusing the main Lisbon targets on economic and financial stability and growth.

Against this background, the official position and likely priorities of the German government with regard to Lisbon III remain unclear. They will without doubt also depend on the development of the general economic climate in the next months.

¹⁹ “Europa gelingt gemeinsam - Bilanz der deutschen EU-Ratspräsidentschaft”, Federal Government, Berlin 2007, p. 17.

Effects of the 2005 review on the weight of employment policies and gender mainstreaming

According to many commentators, the 2005 review led to the Lisbon Strategy focus being shifted towards an economic orientation, weakening the focus on employment policies and social issues. Representatives from the BMAS, the Federal Ministry of Labour and Social Affairs, in particular, are critical of this development and would like to see a renewed strengthening of employment and social issues in the context of the Lisbon III/ post-2010 process.

Since the 2005 revision of the Lisbon guidelines, there is no longer any direct reference to gender mainstreaming. Gender equality is hidden in the 24 guidelines and in the eight guidelines specifically referring to employment, becoming more a sub-target. This has resulted in actions against gender inequality being scattered throughout the guidelines in post-2005 NRPs. This development is illustrated by the fact that in the post-2005 German NRP the word "gender" appears only once - in the context of gender-specific pay differences. By contrast, pre-2005 NAPs are full of the expression "gender". Concerning gender-specific actions post-2005, employment-related actions concentrate on raising the female employment rate and improving the balance between family and career. Since 2005 Germany has reached the goal of a 60% female employment rate and the Council recommendations in 2007 compliment Germany on its increase in childcare facilities. Nevertheless a general gender dimension is missing in most actions, for example in the flexicurity debate.

Interaction with globalisation and the current economic crisis

In November 2008 the European Economic Recovery Plan was agreed upon as a major policy response to the current economic crisis. The Recovery Plan is closely linked with the Lisbon Strategy.

The strategic aim(s) of the Recovery Plan are to help Europe to prepare to take advantage when growth returns so that the European economy is in tune with the demands of competitiveness and the needs of the future, as outlined in the Lisbon Strategy for Growth and Jobs. That means pursuing the necessary structural reforms, supporting innovation, and building a knowledge economy. (...) The Plan is anchored in the Stability and Growth Pact and the Lisbon Strategy for Growth and Jobs.²⁰

According to the EU Commission, the Recovery Plan should not only have a positive effect in the current economic crisis but should also contribute to achieving the EU's longer-term economic and employment objectives, i.e. the Lisbon targets. The combination of EU policies and recovery funds is intended to act as a catalyst for achieving the Lisbon targets. In positive terms, the additional funds stemming from the recovery plan can be used to promote the Lisbon goals.

Of course, it is not possible at this stage to assess whether the positive effects of the recovery package will strengthen the Lisbon Strategy or whether the negative effects of the economic crisis will make its implementation more difficult. However, according to the majority of German political players, the current global financial and economic crisis is illustrating the importance of coordinated and joint action on both a global and European level.

Efficiency of the governance model, including the OMC and legislative and non-legislative instruments

The German governance model for implementing the Lisbon Strategy in general must be regarded as very efficient. According to the Ministries directly involved in the coordination of the Lisbon cycle (BMW, BMAS and BMF) the tasks to be carried out by government institutions with regard to reporting on measures, indicators and other aspects in the context of the process cycle are functioning well.

²⁰ EU Commission: "A European Economic Recovery Plan", November 2009.

With regard to consultation procedures with social partners and other relevant stakeholder groups and to parliamentary information and consultation procedures, the Lisbon governance model is following the procedures applied in all legislative and non-legislative processes in Germany.

However, with regard to the OMC and its specific instruments for policy development and implementation, there are more fundamental difficulties - as described above.

Coordination with social protection and social inclusion policies

In the opinion of the players involved in the employment and social policy fields of the revised Lisbon Strategy, the 2005 reform and the Lisbon II process have clearly had a weakening effect on the integration of social protection and inclusion policies. The separate OMC process in place covering social policy issues allows for little coordination between this OMC process and the one connected to the Lisbon Strategy.

2.7 National performance and achievements

Developments in macroeconomic indicators 2000 - 2008

German GDP growth in real terms averaged 2% over the 1996-2000 period. It fell to half that rate by 2005, before recovering to a rate of 3.0% in 2006 and slightly declining to 2.5% in 2007. Up to 2008 Germany experienced a strong economic recovery after a prolonged period of stagnation in the early years of the current decade.²¹ With corporate balance sheets and profitability robust and the government structural budget almost balanced, a solid foundation had been laid for the continuation of the upswing. The current financial crisis has put a (temporary) stop to this upswing. In 2008 Germany achieved a GDP growth rate of 1.3% in real terms. For 2009 a negative growth rate of -2.3% was forecast at the time this report was prepared. Even so, Germany's per capita GDP growth rate remains higher than the EU-27 average.

Real GDP growth rate – percentage change to previous year

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
3.2	1.2	0.0	-0.2	1.2	0.8	3.0	2.5	1.3	-2.3*

* According to the January 2009 economic forecast of the European Commission - Source: Eurostat

Per capita GDP in Purchasing Power Standards (PPS) (EU-27=100)

2000	2001	2002	2003	2004	2005	2006	2007	2008
118.5	116.6	115.2	116.5	116.4	116.9	115.8	114.8	112.5*

Source: Eurostat. * Estimation

Over the last decade, growth in labour productivity has been slightly above the EU average, and has been improving in recent years. Since 2000 Germany's labour productivity rate as compared to the EU27 level (=100) changed from 107.9% in (2000) to 107.4% (2007) and to an estimated level of 104.3 in 2008.

Labour productivity per person employed - GDP per capita in Purchasing Power Standards (PPS) per person employed relative to the EU-27 (EU27=100)

2000	2001	2002	2003	2004	2005	2006	2007	2008
107.9	106.7	106.2	108.5	108.2	109.2	108.7	107.4	104.3*

Source: Eurostat. * Estimation

²¹ OECD Policy brief: Economic survey of Germany 2008, p. 3.

Increase and improve investment in R & D (Guideline 7)

From 2000 to 2007 Germany increased expenditure on R&D slightly, moving from 2.45% of GDP to 2.53%. With this rate Germany belongs to the top four EU Member States and is close to attaining the Lisbon target of 3% of GDP.

In the 2000 and 2005 guidelines increased R&D expenditure is not mentioned as a principal goal. Nevertheless this aim crops up in several different connections. The revision of the Lisbon Strategy has led to R&D expenditure becoming part of the main guidelines and thus appearing in a much more explicit way in National Reform Programmes.

Gross domestic expenditure on R&D (GERD) - Percentage of GDP

Year	2000	2001	2002	2003	2004	2005	2006	2007
Rate	2.45	2.46	2.49	2.52	2.49	2.48	2.54	2.53
Score*	1	2	2	2	2	2	2	2

* On the scoring see the note in the introduction of this report and the information in the annex - Source: Eurostat

In the National Action Plans from 2000 to 2004 R&D expenditure is in most cases connected to education strategies and such human capital development issues as lifelong learning programmes. The late-effects of German reunification were still playing an important role at the beginning of the Lisbon process. Due to this, early National Action Plans put a special emphasis on R&D expenditure in Eastern Germany. R&D was used here to improve the regional economic structure, with support for research- and technology-based businesses and industrial investments strengthening the regional potential for innovation. For example the 2003 programme "Förderung von Forschung und Entwicklung bei innovativen Wachstumsträgern in benachteiligten Regionen" (Promotion of R&D in Innovative Organisations with Growth Potential in Disadvantaged Regions) replaced several special programmes to reach this goal.

Since the revision of the Lisbon Strategy R&D expenditure has become part of the integrated guidelines. The associated guideline sets a concrete goal of the 3% of GDP being spent on R&D and provides advice on how to reach this goal. The 2005–2008 and 2008– 2010 National Reform Programmes show clearly that this advice is being taken. Centres of excellence in educational and research institutions are being developed within the framework of the "Excellence initiative" which should promote outstanding German institutions of international renown.²² Another aim of the Integrated guidelines is to leverage private R&D activities and enhance the cooperation between private enterprises and public research institutions. Due to this, Germany will be establishing sustainable partnerships between scientific institutions and industry, promoting young scientists and enhancing global competitiveness by creating flexible general conditions through the Pact for Research and Innovation.²³ The Commission emphasizes the good progress Germany has made on R&D and innovation policies, notably the "Excellence Initiative" bolstering the position of its top universities, the "Pact for Research and Innovation (2006-2010)", and the "High Tech Strategy", adopted in August 2006.²⁴

²² NRP Germany 2005 – 2008, p. 10.

²³ Ibid., p. 10.

²⁴ EU Commission on the assessment of Germany NRP 2006, p. 3.

Attracting and retaining more people in employment (Guideline 17)

Notwithstanding the improvement in labour market conditions since 2006, Germany's labour market remains characterised by relatively high unemployment, particularly high long-term unemployment and unemployment amongst the low-qualified.²⁵

With regard to the overall employment rate Germany has achieved an increase from 65.6% to 69.4% between 2000 and 2007. With the EU targeting a 70% employment rate, Germany is close to this target and above the 2007 EU average of 65.4% .

Employment rate total, in %

Year	2000	2001	2002	2003	2004	2005	2006	2007
Rate	65.6	65.8	65.4	65.0	65.0	66.0	67.5	69.4
Score	1	1	1	1	1	1	1	2

Source: Eurostat, based on EU Labour Force Survey

Structural unemployment – such as long-term unemployment or the gap between the unemployment rate of low-skilled workers and the overall unemployment rate - remains a key labour market challenge. Although decreasing, the 2007 long-term unemployment rate remains at 4.7%, above the EU average of 3.0%. Relatively high overall unemployment and particularly high long-term unemployment together with high unemployment amongst the low-qualified are also highlighted by the EU Commission as major challenges for future labour market policy in Germany.²⁶

Long-term unemployed (12 months and more as a percentage of the total active population)

Year	2000	2001	2002	2003	2004	2005	2006	2007
Rate	3.8	3.8	4.0	4.6	5.5	5.7	5.5	4.7

Source: Eurostat

The difficult labour market situation in Germany is also illustrated by regional employment and unemployment disparities. 18 years after reunification, the differences between the rates in the ex-FRG states of West Germany and the ex-GDR states of East Germany remain high. With regard to the dispersion of regional employment rates, Germany has a 2007 rate of 4.8, clearly better than the EU-27 average. However, the improvements made between 2000 and 2007 in Germany with regard to this indicator (5.4 to 4.8) are less considerable than those achieved on an average in the EU as a whole (13.0 to 11.1).

Dispersion of regional employment rates

Coefficient of variation of employment rates (of the 15-64 age group) across regions (NUTS 2 level) within countries:

Year	2000	2001	2002	2003	2004	2005	2006	2007
Rate	5,4	5.8	5.7	5.9	6.0	5.6	5.2	4,8
Score	1							

Source: Eurostat

²⁵ Implementation of the Lisbon Strategy Structural Reforms in the context of the European Economic Recovery Plan, EU-Commission January 2009, p. 23.

²⁶ European Commission: Council Recommendation on the 2009 up-date of the broad guidelines for the economic policies of the Member States and the Community and on the implementation of Member States' employment policies, COM 2009/34/2, p. 24.

Promoting a life-cycle approach to work (Guideline 18)

One of the main goals of the Lisbon Strategy is the fight against youth unemployment. Since the beginning of the Lisbon process Germany's youth unemployment rate has been lower than the European average. Nevertheless the rate in Germany fluctuates greatly, with a peak in 2005 (14.2%, EU27: 18.3%) and the lowest rate in 2000 (7.5%, EU27: 17.4%). In comparison to the other Member States in 2008 (average: 15.4%) Germany has a rate of 9.8%.

Under-25s unemployment rate –yearly averages in %:

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008
Rate	7.5	7.7	9.1	9.8	11.9	14.2	12.8	11.1	9.8

Source: Eurostat

To reduce youth unemployment more quickly the Federal Government took the decision in November 1998 to launch the "Immediate Action Programme to Reduce Youth Unemployment", coming into effect on 1 January 1999.²⁷ This programme includes training offers for young persons who have failed to find an apprenticeship and qualification and employment offers for young unemployed people. In 1998 the Federal Government together with the social partners initiated the "Bündnis für Arbeit, Ausbildung und Wettbewerbsfähigkeit" (Alliance for Work, Training and Competitiveness). Within this alliance measures were developed in the field of youth unemployment, including agreements on more apprenticeships for young people. Another important reform programme was announced in 2003. With its "Agenda 2010" the German Federal Government implemented a range of reforms in the field of social and labour market policies, making direct reference to the Lisbon process in its title. As part of the "Agenda 2010" the German Federal Government and German industry concluded a training agreement whereby 30,000 additional apprenticeships a year were to be created for a three year period. The programme for the Provision of Vocational Training for Young People (EQJ) supports industry's pledge to create 25.000 on-the-job apprenticeships.²⁸ Germany has set an objective of ensuring that no young person remains unemployed for more than three months. This would go further than the European commitment, but has not yet been fully achieved.²⁹ Nevertheless the progress in tackling youth unemployment is highlighted by the Council as one of the main strengths in the 2007 German Implementation Report.³⁰

To promote a life-cycle approach, the Lisbon goals aim at a better reconciliation of work and private life. Getting more women into employment is an important part of this target. The female employment rate has steadily increased since 2000 (58.1%), reaching 64% in 2007 (EU target: 60%).

Female employment rate in %

Year	2000	2001	2002	2003	2004	2005	2006	2007
Rate	58,1	58,7	58,9	58,9	59,2	60,6	62,2	64,0
Score	2	2	2	2	2	3	3	3

Source: Eurostat

To achieve this goal the German Federal Government is putting a special focus on developing part-time working models and expanding childcare facilities. Within the framework of the "Alliance for Families", the Federal Government is cooperating with the four umbrella organisations of German industry and the trade unions to make concrete improvements in the areas of modern labour policies, flexible working hours and human resources development that take family commitments into account.

²⁷ NAP Germany 2000, p. 13.

²⁸ NAP Germany 2004, p. 8.

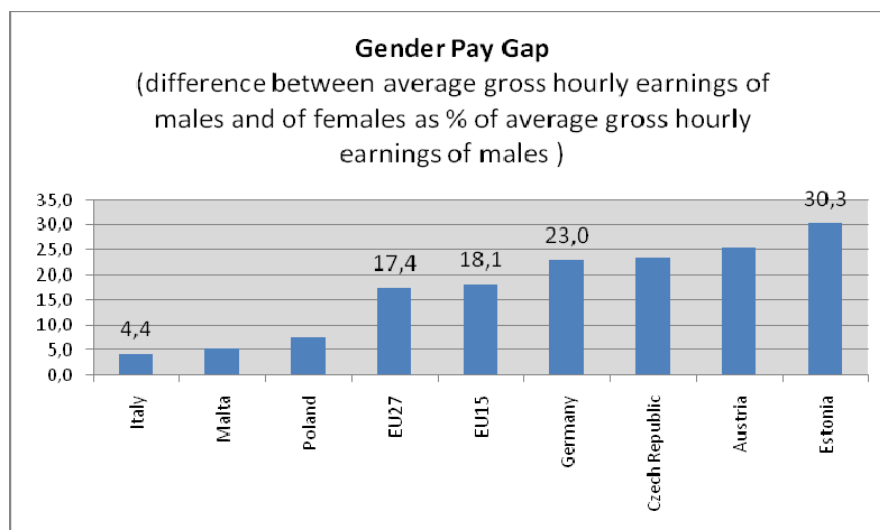
²⁹ EU Commission on the assessment of Germany NRP 2006, p. 1.

³⁰ Council Recommendations on the implementation of MS employment policies 2007, p. 15.

Additional laws like the “Act on Part-Time Work and Fixed-Term Employment Contracts” (Gesetz über Teilzeitarbeit und befristete Arbeitsverträge) or the “Federal Child-Raising Allowance Act” (Bundesperziehungsgeldgesetz) round off these efforts. Regarding the participation of women in the labour market and the reconciliation of work and family life, some progress has been made in the provision of childcare infrastructures. In 2006 the Commission criticised the number of childcare places as still being too low.³¹ One year later the measures adopted seemed to be helping improve the situation.

The Commission welcomed the more explicit measures, especially when Germany set a new national childcare target to provide places for 30% of all under-three year olds by 2013 (compared to 17% in 2006). Furthermore parents will also have a legal right to a childcare place. To achieve the new target, a Federal financial support plan for the local authorities in charge of implementation has been adopted.³² Even so, Germany currently lags behind the 33% target for childcare facilities for under-three years old. In 2005 only 16% of children belonging to this age group were participating in childcare in Germany. By comparison, the EU average for this year was 26%. In the category for childcare for children between three and the mandatory school starting age the score is much better. The European Employment Strategy defined a target of at least 90 % for this age group by 2010. Germany reached this target in 2006 with a rate of 92%.

Another problem is the high gap in pay between genders. This is not directly addressed in the latest NRPs and is a category where Germany lags behind most other Member States. The unadjusted Gender Pay Gap (GPG) represents the difference between average gross hourly earnings of male paid employees and their female counterparts as a percentage of average gross hourly earnings of male paid employees. GPG in Germany is broader than the European average. With a gender pay gap of 22.7% in 2006, Germany is performing significantly below the EU-27 average of 17.7%.



Source: Own graph based on Eurostat, 2009

Besides gender mainstreaming, a further focus is the employment of older people (those in the 55-64 age bracket). The Lisbon Strategy’s target is an employment rate of 50% in this category. Germany has been under-performing here for a long time. In the 2000-2004 period the German employment rate in this category was at least six points under target. Therefore it was not surprising that the 2000 to 2004 Council Recommendations criticised the high unemployment of older workers in Germany. However since 2005 the employment rate has increased (to 64% in 2007), meaning that Germany is currently achieving the European guideline target. Following the Commission's assessment, the tailoring of measures targeting a higher employment rate of older workers has been improved, but a greater focus on preventing older workers becoming unemployed is still needed.

³¹ Ibid.

³² EU Commission on the assessment of the German NRP 2007, p. 5.

Employment rate of older workers in %

Year	2000	2001	2002	2003	2004	2005	2006	2007
Rate	37,6	37,9	38,9	39,9	41,8	45,4	48,4	51,5
Score	0	0	0	0	0	1	2	3

Source: Eurostat

As part of labour market reforms, measures to raise the employment rates of older people were taken. These include wage subsidies which employers receive if they take on older employees or partial compensation if an older employee accepts employment less well paid than his previous job. With the 2006 "Initiative 50plus" the German government started a package of measures to bring more older people into work. This initiative is intended to back the gradual increase of the retirement age from 65 to 67 and to make greater use of this age group in the labour market. Official Federal Government statements linked the "Initiative 50plus" directly to Lisbon Strategy aims and the target of a 50% employment rate of older workers³³. To fulfil this goal the "Initiative 50plus" promotes vocational training for older workers and takes specific topics such as health into account to reduce early retirements. In addition the Federal Government focused on regional employment pacts within the programme "Perspektive 50plus – Beschäftigungspakte für Ältere in den Regionen" (employment pacts for older workers in the regions). This programme should lead to the development of 62 regional projects within two years and has a total funding of €250 million.

Similar to its measures fighting youth unemployment, the Federal Government also tried to reach binding agreements with the social partners on ways to improve the employment situation of older employees. These covered such topics as training, maintaining and improving their ability to work, structuring working hours in ways that take age into consideration, and ways to promote work.

Finally Guideline 18 includes the aim to develop modern social protection systems, including pensions and healthcare, ensuring social adequacy, financial sustainability and responsiveness to changing needs, thereby supporting participation and better retention in employment and longer working lives. Since the beginning of the Lisbon process German efforts have been focused on the reform of the social security systems necessary as a result of the demographic change.³⁴ As an answer to this, the retirement age will be gradually raised to 67. Furthermore, the German Federal Government is encouraging citizens to make private old-age provisions, in the form of the so-called Riester pensions.³⁵ According to the Commission this step should enhance the sustainability of public finances.

Additional emphasis lies on improving the cost efficiency and quality of the healthcare system, for example through the "Gesetz zur Modernisierung der Gesetzlichen Krankenversicherung" (Act on Modernising the Statutory Health System).³⁶ As listed in the 2005–2008 Implementation Report and in the draft law, the main focus of healthcare structural reforms is directed at improving efficiency and fostering competition, for example through the "central health fund" (Gesundheitsfonds) which came into force in 2009.

Evidence on the effects of the 2007 healthcare reform is still lacking. Competition among the public health insurers may intensify if the insurers deviate from the collectively agreed fee structure for outpatient services and negotiate individual contracts. However, only few public health insurers have used this possibility so far.

³³ BMAS: Information on the „Initiative 50plus“, http://www.bmas.de/coremedia/generator/2876/property=pdf/50plus__hintergrundpapier__eckpunkte.pdf

³⁴ Cf. NAP 2000, p. 18.

³⁵ NRP Germany 2008 – 2010, p. 24.

³⁶ NAP Germany 2004, p. 20.

The extent to which it [the central health fund] can improve competition and increase the efficiency of the healthcare system remains uncertain.³⁷

Certain measures implemented under Guideline 18 belong to the rare examples which can be linked with the social OMC, i.e. actions within the field of social integration, the reform of healthcare and social protection systems and measures to enhance retirement provisions³⁸. Actions taken under the social OMC are based much more on “soft” targets and benchmarks, in contrast to the relatively clear and measurable guidelines of the employment OMC. Due to the voluntary form of these “soft” targets, implementation can be problematic. The reduction of poverty objective mentioned in the social OMC is a good example for this. Since 2002 the Lisbon Strategy has aimed at considerably reducing poverty by 2010, but achievements remain quite minor. Several political actors are calling for quantitative targets in this field to reach notable results.³⁹ But political reality demonstrates how difficult it is to reach a common understanding on measurable indicators, especially in the context of social protection. According to the BMAS, it is difficult to compile statistics in such an area, some of the given indicators are controversial and, finally, comparability between Member States in the field of poverty reduction is questionable. Such problems will be central to the post-2010 Lisbon process.

Ensuring inclusive labour markets (Guideline No 19)

Between 2003 and 2005 the SPD/Greens coalition government put through a series of reforms involving the social system and labour markets. They were named after the president of a commission set up in 2002, Peter Hartz. Today, the Hartz reforms are associated with a paradigmatic shift from active to activating labour-market policies. Three main pillars of this reform programme can be distinguished. First, reforms directly targeting increasing the labour supply; second, organisational reforms to improve job counselling by the public employment service (PES), and finally a reform of the unemployment benefit system, which itself is intended to increase labour supply by ‘activating’ the formally inactive social welfare recipients.⁴⁰ Whether and how these reforms were affected by the European employment guidelines is a widely discussed topic in Germany.⁴¹

In 2002 the Job-AQTIV-Act led to a realignment of German employment promotion policy. It was developed on the basis of the recommendations developed by the above-mentioned Hartz Commission. By 2005 four laws providing for modern services for the labour market had come into effect, with several measures enhancing the reintegration of the unemployed into the job market and changes in the bureaucratic structures of job-finding services. Some instruments of this active labour market policy were closely connected to business,- for example, wage subsidies, on-the-job training and the promotion of start-ups. Furthermore training for unemployed persons, such as computer courses or job application training, was upgraded. Different job creation measures such as “1 Euro Jobs” (low-paid temporary work contracts) and temporary work were promoted. Despite these efforts the EU Commission still criticises Germany for not having developed active labour market reforms in the sense of strengthening the flexicurity concept.

³⁷ EU Commission 2009: Implementation of the Lisbon Strategy Structural Reforms in the context of the European Economic Recovery Plan, p. 23.

³⁸ BMAS: Nationaler Strategiebericht. Sozialschutz und soziale Eingliederung, http://ec.europa.eu/employment_social/spsi/docs/social_inclusion/2006/nap/germany_de.pdf

³⁹ Österreichische Bundesarbeitskammer 2008: Positionspapier zur Zukunft der Lissabon Strategie.

⁴⁰ Kemmerling, Achim and Oliver Bruttel (2005): New Politics in German Labour Market Policy? The Implications of the Recent Hartz Reforms for the German Welfare State, *West European Politics*, 29(1), p. 3.

⁴¹ Zirra, Sascha 2007: Varieties of European Flexicurity. Impacts of the European Employment Strategy on domestic institutions in Germany, Italy and France, Paper prepared for the Second joint Doctoral Workshop Development of Work and Welfare Reform in European Societies, p. 10.

"There is a high degree of policy integration in crosscutting areas such as the knowledge society, industrial policy and "Better Regulation", but this is less visible for flexicurity."⁴²

However, this criticism is valid for most Member States, with the exception of the Scandinavian countries.

Matching of labour market needs (Guideline No 20)

Guideline 20 calls primarily for the modernisation and strengthening of labour market institutions. The Hartz reforms led to comprehensive changes in this area. The Public Employment Service has been totally reorganised in the past few years, with the focus now mainly on the employment agencies' customer centres and with the administrative tasks associated with job placement having been transferred to other sectors⁴³ The combination of unemployment benefit and social welfare in 2005 to create the "basic security for job-seekers" led to the reorganisation and the creation of joint agencies in the Public Employment Service and municipalities. A second aspect of Guideline 20 is a modern immigration policy with active labour market integration. Due to globalisation trends and demographic changes, Germany is becoming particularly dependent on an influx of highly qualified foreign workers. The 2005 "Immigration Act" facilitated immigration for well-qualified and self-employed people and enabled foreign students to stay on for another year after they graduate to look for work.⁴⁴ Germany is however one of Europe's main immigration countries, having to face up to the challenge of poorly-qualified foreign workers. Since the beginning of the Lisbon process the integration efforts concerning these workers have mainly been concentrated on improving their German language skills. Recently such programmes have led to so-called integration courses, though the focus remains primarily on language skills. Even so, the integration of immigrants – especially young immigrants – remains a major problem in the German labour market, together with the education system, which still discriminates against people with an immigration background.

Improving the adaptability of workers and enterprises: flexicurity approach reducing labour market segmentation (Guideline No 21)

In its most recent Joint Employment Report the EU Council again stressed the concept of "flexicurity" as being the key approach for improving labour market performance throughout Europe. At the same time the Commission reported that the performance of EU Member States was quite mixed.

"Flexicurity is now acknowledged as a key approach to making labour markets more responsive to the changes resulting from globalisation, as well as to reducing labour market segmentation. The analysis of the recent National Reform Programmes shows that several Member States are putting in place flexicurity strategies, but also that the overall efforts are still insufficient and must be strengthened, particularly in view of the economic downturn."⁴⁵

From the EU authorities' point of view, Germany clearly does not rank in the top league of countries implementing a satisfactory approach to flexicurity. In its annual country assessment of Lisbon Strategy implementation, the European Commission states:

"Germany's new NRP does not define a flexicurity pathway, but describes recent initiatives taken on all four components. There is particular scope for improvement in the field of life long learning including access to qualifications for low skilled. In the context of modern social security systems it remains important to review the tax benefit system in order to further increase incentives to take up work or move to a full time job."⁴⁶

⁴² EU Commission 2009: Implementation of the Lisbon Strategy Structural Reforms in the context of the European Economic Recovery Plan, p. 22.

⁴³ NAP Germany 2008 – 2010, p. 33.

⁴⁴ NRP Germany 2005 – 2008, p. 46.

⁴⁵ Council of the European Union: Draft Joint Employment Report 2008/2009, p. 8.

⁴⁶ EU Commission 2009: Implementation of the Lisbon Strategy Structural Reforms in the context of the European Economic Recovery Plan: Annual country assessments – a detailed overview of progress made with the implementation of the Lisbon Strategy reforms in Member States in 2008, Brussels.

In earlier assessments the Commission was already critical of Germany's performance with regard to its approach to combining flexibility and security on the labour market, though also acknowledging a certain extent of progress, for example in the field of its consultation process involving a large number of stakeholders⁴⁷. Even so, Germany has not sufficiently addressed the flexicurity concept in an integrated manner. In spite of the variety of contracts available, the labour market remains segmented between insiders and outsiders⁴⁸. In its previous recommendations the European Commission also stressed the need to do more in the field of work flexibility, training and setting up systems for the accreditation and recognition of formal and non-formal learning⁴⁹.

In contrast to the issues raised by the European Commission and others (e.g. the German trade unions), German governments during the last decade have focused very much on improving flexibility in the labour market system. At the beginning of this decade for example the regulation governing part-time/ temporary work and fixed-term employment contracts was reformed ("Gesetz über Teilzeitarbeit und befristete Arbeitsverträge")⁵⁰. Since then, labour market reform in Germany has been very much linked with the Hartz reforms implemented in various steps between 2003 and 2005. They have continued to play a major role, acting as a foundation for the 2005-2008 National Reform Programme.

The "Hartz Reforms"

Implemented in four successive reform steps between 2003 and 2005, the key measure of the 'Hartz IV' reforms was to bring together the previously separately administered long-term unemployment benefits and social welfare benefits under a new 'Arbeitslosengeld II' ('Unemployment Benefits II') scheme. Hartz IV claimants now receive up to 345 euros per month plus the cost of "adequate" housing. This equates approximately to the lower level of benefits claimants were receiving prior to the reform. In the first year of unemployment (1½ years for over-55s), the unemployed receive unemployment benefit equivalent to 60 to 67% of their last net salary. If still unemployed after this period, they then enter the Arbeitslosengeld II scheme. Unemployed people with savings or life insurance policies are not eligible for Arbeitslosengeld II until that money is used up. They are also not entitled to payments if they have close relatives who could provide for their living. In contrast to the previous scheme, unemployed people can also be forced to take any job, irrespective of whether it provides subsistence or whether the job is suited to the unemployed person's professional skills and qualifications.

Further initiatives have been taken to encourage job creation – especially in SMEs. The Act on the Protection against Unfair Dismissal (Kündigungsschutzgesetz) has been reformed in such a way that it no longer applies to all employees in the same manner. Furthermore, it has been amended in order not only to protect employees against unfair dismissal, but also to promote job creation⁵¹. Due to fundamental reforms affecting the supply of temporary workers, an all-time record figure of 430.000 temporary workers was reached in Germany in August 2004. In 2003 the programme for the implementation of so-called "mini-jobs" highlighted the considerable employment potential of poorly qualified workers in the service sector. By August 2005, there were 6.6 million such jobs⁵².

⁴⁷ EU Commission on the assessment of Germany NRP 2006, p. 2.

⁴⁸ EU Commission on the assessment of Germany NRP 2007, p. 5.

⁴⁹ Council recommendations on Germany of 2002.

⁵⁰ NAP Germany 2001, p. 54.

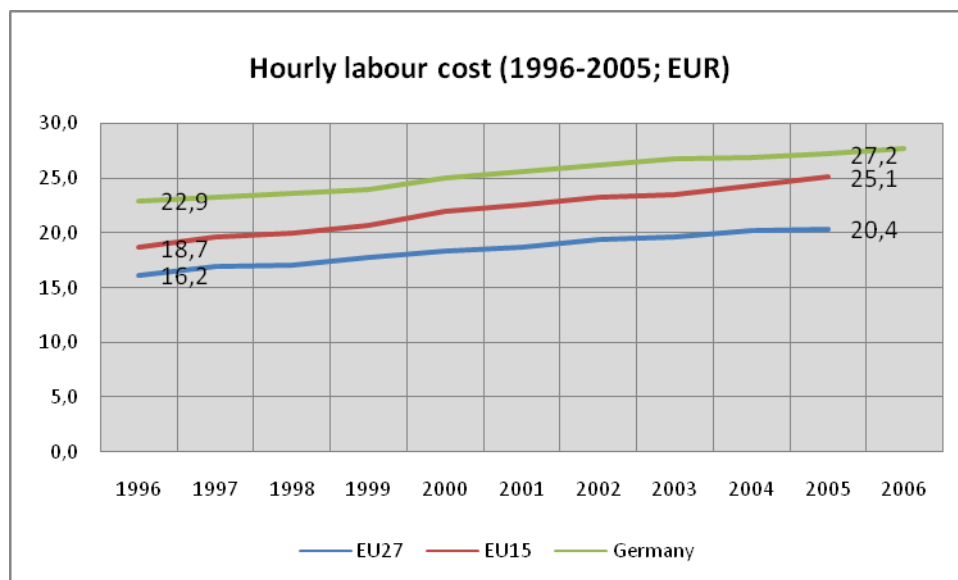
⁵¹ NRP Germany 2005-2008, p. 47.

⁵² *Ibid.*, p. 48.

According not only to the trade unions but also to other observers, the impressive increase in labour market flexibility and deregulation implemented since the Schroeder government has taken Germany "a big step away from a flexicurity-inspired model rather than towards it": "The central idea behind the Danish model is to keep workers motivated by offering them benefits (up to 90% of their last income) that allow them to keep their standard of living even in times of unemployment and to use these times for promoting their professional skills. The new German model, in contrast, lowers the level of social protection and forces those unemployed people who have made provision for their old age in the form of life insurance or savings to give those up, leaving them at a minimum social welfare level when they reach retirement age. In addition, Germany's relatively strict rules on protection from dismissal have hardly been touched. The result will be a continued reluctance on the part of employers to hire more workers than they are sure to be able to employ long-term. In particular small and medium-sized enterprises will feel the negative consequences of this policy. In the mid-term the number of people threatened by poverty in the retired population, which itself is growing, will lead to a decrease in consumption which will have further negative repercussions on the economy."⁵³

Employment-friendly labour cost (Guideline No 22)

According to the European guidelines the social partners should play an important role in the area of wage-setting. Both sides are encouraged to find solutions reflecting productivity and labour market challenges. In comparison to the EU-27, labour costs in Germany remain higher than EU averages.



Source: Own graph based on Eurostat, 2008

A further aspect of this guideline is closely linked with Guideline 18 and the aim to develop social security systems meeting up to the future challenges in the labour market, i.e. taking the demographic change into account. Measures were implemented to halt and reverse the steady rise in social insurance contributions that had begun in the 1990s⁵⁴. Even so, the reduction of non-wage labour costs resulting from the cut in the unemployment insurance contribution rate will partly be offset by an increase in contributions to the health and pension systems, so that the impact on employment will be lower than expected⁵⁵. The hesitant reduction of non-wage labour costs is criticized by the Council since the 2004 recommendations.

⁵³ "Flexicurity. Can it work for France and Germany?", EuroActiv.com, March 2006.

⁵⁴ Ibid., p. 31.

⁵⁵ EU Commission on the assessment of Germany NRP 2006, p. 2.

Investment in human capital (Guideline No 23)

Guideline 23 targets the expansion and improvement of investment in human capital. Efficient education and training policies are to be developed to get more people into vocational, secondary and higher education. Furthermore the rate of early school leavers needs to be reduced. Finally, Member States should develop lifelong learning strategies especially for low-skilled workers and older employees.

The quantitative target for early school leavers set in the guidelines is an EU-average of no more than 10% of the population aged 18-24. In 2000 the EU-27 average was 17.6%, dropping to 14.8% in 2007. In the post-2000 period Germany always performed better than this average, achieving a rate of 14.9% in 2000 and 12.7% in 2007. Even so, Germany remains beyond the aspired 10% target.

Early school leavers – Percentage of the population aged 18-24 with at most lower secondary education and not in further education or training

Year	2000	2001	2002	2003	2004	2005	2006	2007
Rate	14.9	12.5	12.6	12.8	12.1	13.8	13.9	12.7
Score	2	2	2	2	2	2	2	2

Source: Eurostat

With regard to lifelong learning strategies, Germany is an under-performer. The European target is to achieve an EU average of at least 12.5% of the adult working-age population. The EU-27 average participation in lifelong learning increased from 7.1% in 2000 to 9.5% in 2007. By comparison the participation rate in Germany grew from 5.2% in 2000 to 7.8% in 2007.

Lifelong learning participation in %

Year	2000	2001	2002	2003	2004	2005	2006	2007
Rate	5.2	5.2	5.8	6.0	7.7	7.4	7.5	7.8
Score	0	0	0	0	1	1	1	1

Source: Eurostat

The German efforts in this area are closely linked with the measures undertaken to fulfil Guideline 18. Education opportunities need to be improved by setting up more childcare facilities, bringing more young people into vocational training and by enhancing the transition from school to work. In the field of lifelong learning, the Commission criticises that, though the government has agreed on guidelines to create incentives for employees to finance their training, no concrete steps have yet been taken on incentives for employers. The Commission considers this to be a limited response⁵⁶. Since the beginning of the Lisbon process the European recommendations have shown Germany lagging behind in the field of lifelong learning strategies (see the controversial debate about the indicators in this field).

Education (Guideline No 24)

Guideline 24 is closely connected to Guideline 23, i.e. some measures can be related to both guidelines.

The Eurostat indicator "Youth education attainment" measures the percentage of the population aged 20-24 having completed at least upper secondary education. Looking at the evolution of the EU-27 average since 2000, the rate has increased from 76.6% to 78.1% in 2007. By contrast, the rate in Germany has decreased in the same period from 74.7% to 72.5%. Together with Luxembourg (-6.6%), Spain (-4.9%) and Slovakia (-3.5), Germany trails behind the rest of Europe with regard to this indicator.

⁵⁶ EU Commission on the assessment of Germany NRP 2007, p. 5.

Youth educational attainment level

Percentage of the population aged 20-24 having completed at least upper secondary education

Year	2000	2001	2002	2003	2004	2005	2006	2007
Rate	74.7	73.6	73.3	72.5	72.8	71.5	71.6	72,5
Score	0							

Source: Eurostat

To ensure the attractiveness of German universities for foreign students the introduction of Bachelor and Master Degrees within the Bologna process is being fostered. In comparison with other Member States Germany remains a popular country for studying in, with 5.6% of all students in Germany being foreign students in 2006. The EU-average in this category was 3.0% in 2006. On the other hand, there are a lot less German students studying in other EU Member States. In 2000 only 1.9% of all German students studied abroad. By 2006, this rate had slowly increased to 2.8% of all students (EU-average 2.7 in 2006). With such rates Germany matches up to other major and long-time Member States like France and Great Britain with similar or lower rates.

Students from EU-27, EEA and candidate countries in % of all students

Year	2000	2001	2002	2003	2004	2005	2006
Rate	5.1	5.3	5.5	5.6	5.7	5.7	5.6

Students studying in another EU-27, EEA and candidate countries in % of all students

Year	2000	2001	2002	2003	2004	2005	2006
Rate	1.8	1.9	1.9	1.9	1.9	2.2	2.8

Source: Eurostat

The Federal Government would like to open up universities, enabling students with vocational qualifications to enrol at universities of applied science and other universities⁵⁷. A characteristic of the German vocational system is a dual system of vocational training, geared very much to practical work experience. By amending "the Vocational Training Act" and the "National Pact for Training and the Next Generation of Skilled Workers in Germany", the Federal Government has further improved the quality and attractiveness of vocational training⁵⁸. This Act is intended to modernise Germany's vocational training system, aligning job profiles with current and future employment needs. Furthermore the act targets bringing more young people with an immigration background into vocational training. The Commission assessments value the Vocational Training Act as a measure defining "ambitious targets"⁵⁹. Furthermore the Commission welcomes the fact that a temporary programme offering on-the-job training to young people difficult to place has been transformed into a regular instrument of active labour market policy.

2.8 Impact assessment

Evaluation and research findings

According to various research studies, the impact of the European Employment Strategy remains unclear. While some authors state that German employment policies remain determined by national factors⁶⁰, others claim "impressive evidence" for clear effects of the European employment chapter on national policies.

⁵⁷ NRP 2005 – 2008 Germany, p. 10.

⁵⁸ Ibid., p. 10.

⁵⁹ EU Commission on the assessment of Germany NRP 2007, p. 5.

⁶⁰ See: Wally & Blümel 2000; Schwarzer & Uterwedde 2002, Zohlnhofer/Ostheim 2005.

The main source for the latter is a comprehensive national impact evaluation study published in 2002 as part of the 2002 review process. This came to the conclusion that the EES had had a considerable impact on German labour market policies, for example in the field of part-time work or temporary work contracts.⁶¹

However, the study is based on a rather controversial methodological basis, assuming that there are clear impacts on national policies in every case in which the national measures are compatible with the guidelines, even in cases where the regulations are obviously influenced to a great extent or exclusively by other factors.⁶²

In contrast to this, other research activities come to quite different conclusions, for example one review on the achievements of the Lisbon I cycle in which the following conclusion was drawn:

"If Europeanisation is defined as the determination of national policies by objectives on a European level, Europeanisation of German employment policies cannot be asserted. Taking into account that such a strict determination was never intended and is hardly possible within the framework of the EES, this is not at all surprising. Furthermore, it is evident that member states have resisted a far-reaching extension of benchmarking methods as suggested several times by the Commission. Likewise, the adoption of best practices from other countries, intended by the Luxembourg Process, does not play an important role, at least in the German NAPs and policies."⁶³

However, interviews with experts and government representatives also illustrate that causal impacts and effects of the guidelines and recommendations on German employment policies can be identified in at least some areas. One often quoted example of this is the paradigm shift in early retirement which is regarded as a "steering effect" of the Lisbon Strategy and the EES and needs to be distinguished from "intensifier effects" (Zohlnhofer/Ostheim).

Such intensifying and catalyst effects have been mentioned in particular with regard to the EES with its hard-cut quantitative indicators and the OMC instrument of peer-reviews. Representatives of the Ministry of Employment also see European guidelines, recommendations and comparative reports as having a supportive character, encouraging national players to either proceed in a certain direction or to avoid others. Thus, the employment objectives function as catalysts, contributing - at least in the longer term - to some kind of "institutional learning".

The impact of the guidelines is selective, varying greatly from one policy to another. It is also quite obvious that European guidelines and recommendations are used by political actors for their respective interests, as in the case of the Hartz reform proposals. While the government was stressing the need to increase the flexibility and efficiency of the German labour market mechanism, trade unions and other stakeholders vehemently criticised the negative effects on social security, equality and social cohesion.

With regard to the impact of Lisbon objectives it has also been stressed that policy transfer processes are facilitated by the definition of concrete targets and quantifiable benchmarks:

"(...) in agreement with theoretical expectations, the more concrete the objectives are, the stronger the impact tends to be. It is not merely by accident that stronger indications of an influence can be found where the Luxembourg Process sets quantitative objectives (preventive labour market policy) or concrete recommendations (early retirement, gender-mainstreaming). The impact of the recommendation also fits the assertion of lessons as political weapons in the electoral competition."⁶⁴

⁶¹ RWI/ISG (Rheinisch-Westfälisches Institut für Wirtschaftsforschung/ISG Sozialforschung und Gesellschaftspolitik) (2002) Wirkungsbewertung nationaler Politiken im Zusammenhang mit der Europäischen Beschäftigungsstrategie, (Essen/Köln: RWI/ISG), p. 43 and 141.

⁶² For example: Zohlnhofer/Ostheim 2005, p. 150 and 163.

⁶³ *Ibid.*, p. 163.

⁶⁴ *Ibid.*, p. 163.

However, there are also indications that this type of “indirect coercive policy transfer” does not work or might even be counter-productive, as shown by the examples of lifelong learning and continuous vocational training or the whole flexicurity concept⁶⁵: the German government, i.e. the Ministry of Labour, has reacted to the rather negative assessment made by the European Commission with regard to such areas mainly by challenging the basic statistical indicators for measuring the assessment of German’s performance with regard to both policy fields.

With regard to flexicurity, many political actors and other observers have stated that, against the background of the significant differences between Germany and the Nordic countries regarding the financing of social security, industrial relations traditions and the role of collective bargaining versus legal regulations of the labour market, it is simply not possible to implement flexicurity in Germany.

Political parties

There is a general consensus in the political parties currently in power in Germany that the Lisbon Strategy is the main instrument of economic and social orientation, driving continuous improvement and reform and therefore crucial to the whole long-term orientation of European policy, not just now but also beyond 2010.

While the two conservative parties CDU and CSU stress the need to concentrate on growth, increased global competition and innovation in general, the Social Democratic Party is focusing much more on the social dimension of the Lisbon Process, with particular regard to the quality of work: “The Lisbon Strategy is targeting the creation not just of more jobs but also of better jobs. Therefore we need a clear “Good Work Leitbild” in the context of the further reform process. Moreover social objectives have to be stressed in the new 2008 – 2010 integrated guidelines, including a decent minimum income and fair wages.”⁶⁶

In contrast to this and in line with Conservative thinking, the FDP Liberal Party, a coalition partner in several Länder governments, is stressing the implementation of the internal market, consolidation of public budgets and the support for the role of competition as core areas of the Lisbon Strategy⁶⁷.

For left-wing opposition parties, the term “Lisbon” is used mainly as a weapon for criticising government policy on various issues, in particular topics the respective political party or actor is interested in.

The Greens (“Bündnis90/Die Grünen”), having been responsible for implementing the Lisbon Strategy in the first half of this decade in their role of coalition partner in the Schroeder government, are today criticising the government for not taking the Lisbon process seriously: instead of viewing the Lisbon Strategy as a political process the German government is “administering” Lisbon, with Ministry departmental staff producing lengthy reports (national implementation reports) which are regarded as a bureaucratic burden.⁶⁸

“Die Linke”, a party rooted in Eastern Germany but which in the last few years has become very successful in Western Germany as well, taking in politically disaffected members of the Social Democratic Party (amongst other things, as a result of the labour market reforms), is even more critical, criticising the Lisbon Strategy for its “pure market orientation” undermining social cohesion and social standards.

⁶⁵ A similar pattern of public reaction was very evident in the context of the OECD PISA reports and recent comparative reports on equal opportunities and/or the negative German record regarding the social inclusion of migrants.

⁶⁶ SPD Bundestagsfraktion: Lissabon-Strategie braucht klares Bekenntnis zur Guten Arbeit und zu sozialen Zielen. See also: Social Democratic Party (SPD): Europamanifest 2009

⁶⁷ Position paper of the Free Democratic Party concerning the German Council presidency 2007: Eine EU der Erfolge der Bürger.

⁶⁸ Statement in the German Parliament by the Member of the Bundestag, Thea Dückert, BÜNDNIS 90/DIE GRÜNEN Abgeordneten Thea Dückert, 25 September 2008.

Social partners and other stakeholders

Right from the beginning of the Lisbon process the social partners have welcomed its aims. However criticism of Germany's slow and incomplete implementation has arisen, in particular in the follow-up to the 2005 revision of the Lisbon Strategy.

The Confederation of German Trade Unions (DGB) criticises the dominance of a laissez-faire policy in which competitiveness is synonymous with deregulation and cutbacks in social security and good and safe work is seen as an obstacle to competitiveness and growth. The DGB stresses that such laissez-faire policy is on the one hand wrong from a content perspective and on the other hand detracts from any future acceptance of the European social model in the European population. The DGB is calling for qualitative growth. In the social context the EU should be extending minimum standards for employees, thereby strengthening the social dimension of the European integration.

On the other side of the fence, the Federation of German Industries (BDI) is emphasising its position that, though social security and sustainability are important goals, they can only be achieved if the EU is economically successful. It follows that less regulation and further liberalisation of industries is needed. Enhanced competitiveness, not social redistribution, need to be the aim of any future Lisbon process. With regard to any post-Lisbon Strategy, employer associations like the BDI are calling for a broad assessment of the strategy up to now. Successful best practices should be taken up in any post-2010 strategy, with the enhanced competitiveness being in pole position.⁶⁹ The BDI emphasises the need for worthwhile interim goals for ultimately reaching the final goals. In the opinion of BDI/BDA the efficiency of the Lisbon process needs to be enhanced in the post-2010 period. Procedures need tightening and Member States' reporting obligations must be reduced.⁷⁰

According to BDI/BDA, due to the current financial crisis the EU will not be able to achieve the Lisbon goals. This should however not lead to these goals being watered down. The consequence should rather be to upgrade the speed of reforms in the longer perspective, concentrating on economic growth and employment.⁷¹ These positions are examples of the political debate on the economic and employment-related issues of the Lisbon Strategy in Germany as well as in the whole EU. On the one hand efforts are needed to liberalise the European markets to achieve more growth, while on the other hand there is the necessity to prevent the deterioration of social security for wide parts of the European population. This dilemma – illustrated by the flexicurity debate – is at the core of wide parts of the discussion on the aims and limits of the Lisbon process.

Beside the general criticism about the Lisbon Strategy and its implementation in Germany, the social partners are complaining about the degree of cooperation with the German government which is often seen as insufficient. Stakeholders are normally invited to preliminary hearings on the National Progress Reports. These hearings are intended to give the social partners the opportunity of identifying areas where improvement is required. The social partners are complaining that these hearings are relatively short-termed and that they normally have no opportunity to change the proposed policy line.

For the most part, the social partners agree with the Commission's country-specific recommendations. As already mentioned the social partners are dissatisfied with the implementation progress made in Germany so far, especially in comparison to other EU Member States. In Germany, the Lisbon Strategy has not developed into a major policy instrument. According to the social partners, country-specific recommendations made by the Commission do not receive the necessary attention. Therefore the social partners are calling for the Commission to be more rigorous in assessing national reform measures and criticise the lack of progress at earlier stages. The Commission should make use of a range of various tools in order to obtain a realistic and comprehensive picture of the situation in each Member State.

⁶⁹ See position paper BDI 2009:

http://www.bdi-online.de/Dokumente/Presse/FaktenArgumente_2009_LissabonStrategie.pdf

⁷⁰ BDI/BDA 2009: Europas Stärken ausbauen. Handlungsempfehlungen für die kommenden Jahre.

⁷¹ Statement by Hans-Peter Keitel (BDI-President) and Dieter Hundt (head of BDA)

Though the German government has established a well functioning coordination of different policy departments, together with inter-ministerial consultation, coordination and cooperation in the context of the Lisbon Strategy, the impact on the national administration seems to be relatively weak. This is illustrated by the way the different aspects of the Lisbon cycle (National Reform Programmes, annual implementation reports, EU Commission's assessment) are dealt with, i.e. mainly in an administrative-technical manner. As outlined in various parts of this report, the OMC method remains a method regarded as somewhat "alien" to the German tradition of policy-making, consultation and decision-making.

The participation of social partners and other stakeholder groups as well as the involvement of institutional players at the regional and local level in the Lisbon process follow the general paths of policy coordination and decision-making generally used in Germany. According to major stakeholder groups (e.g. those represented in the European Economic and Social Committee) the quality of participation and involvement, for example in the context of the preparation of National Reform Programmes or with regard to assessing and commenting on the annual implementation reports, clearly needs improving. According to the stakeholders involved in the Lisbon cycle in Germany, stakeholders in general are informed too late and have no real chance to influence policies and programmes associated with the Lisbon Strategy.

2.9 Overall assessment and conclusions

A major problem involving the nature of the Lisbon Strategy is that, even after nearly one decade of working with it, it is still not clear whether it is a political project or more a technical method of policy coordination and "institutional learning".

While European and (sometimes) German politicians are regarding and communicating the Lisbon Strategy as a political project, i.e. the dominant European reform strategy and programme to improve economic, employment and social conditions, the reality is different: Mr. Lisbon is unknown, the objectives are only selectively communicated in public policy, and there is a "consensus of silence" between the major parties involved in managing the Lisbon process.

Furthermore, against the background of the rather complicated OMC method, the Lisbon process in Germany has been mainly carried out "behind closed doors", as an expert method of European policy coordination and – to a much lesser degree - transfer.

European coordination under the umbrella of the Lisbon process in Germany is taking place without any significant coverage in the media and the public. This lack of publicity and of open political communication and debate (even in national and regional parliaments) is resulting in a problem of legitimacy.

Against the background of the divergent political interests in Germany as a federal state (both within the federal government, i.e. between the Ministries of Labour and Finance and between the central government and the federal states), nobody seems to have a real interest in any significant change to the present situation.

To put it more bluntly: nobody, at least within Germany's political "establishment", has a real interest in making the Lisbon Strategy more effective and/or increasing its impact on national politics.

Given Germany's experience in working with the OMC, some doubts are also arising on the effects of the OMC on policy formation and with regard to policy transfers. In particular there seems to be a hiatus between the theoretical approach and political reality.

In the ideal world, the OMC certainly would be a perfect method of “soft” policy transfer as an alternative to “hard” legal regulations. According to the OMC logic, the comparative performance assessment of certain indicators, e.g. on continuous vocational training or social inequality, will result in comparative reports and policy recommendations made by the European Commission and/or the Council. Together with public pressure (by stakeholder groups, the media, etc.) these should lead to national debates on the respective policies and discussion of concrete solutions on how to improve the situation.

However, in practice, this aspect of the OMC will in most cases lead to defensive reactions of the political players in power. The OMC itself will be identified as the scapegoat (statistical data not reliable, methodological problems, etc.) or the respective reports will be criticised as politically tendentious.

Since by its very nature the OMC is based on voluntariness and the principles of change by convincing, learning and constructive discussions, this effect is counter-productive and can at the end of the day lead to the erosion of the OMC itself.

Looking at the post-2010 process and the shape of the Lisbon Strategy following the current policy cycle from the perspective of Germany’s past experience, it seems crucial to answer the following question: What is at the heart of the Lisbon Strategy? Is its aim to integrate equally weighted objectives and targets in the social and economic field or is the orientation towards growth and jobs to be seen as the priority? What is the nature of the Lisbon Strategy? Is it more about implementing structural and long-term reform processes in order to increase the EU’s global competitiveness or is it (also) a visionary social project based on common values and orientations?

The post-2010 Lisbon process needs to answer these questions in order to avoid a watering down of the whole project. Moreover, in this context the significant paradox identified throughout this report must be addressed. From the perspective of European institutions and the Commission, Lisbon is clearly a political reform project which should be communicated openly and widely to civil society in the EU. Contrary to this, German national and regional government authorities regard Lisbon mainly as a method of policy coordination in different fields of policy, though mainly focussing on economic stability and removing constraints and barriers to growth and job creation. Based very much on the OMC, this process is regarded as mainly involving experts and key stakeholders and therefore rather difficult to communicate to the wider public.

If this paradox is not resolved cooperatively by the new EU Commission, other EU institutions and national governments, it is likely that the Lisbon Strategy’s typical “muddling through” and stop-and-go, with its limited impact on national reform processes and policy-making, will continue after 2010.

Annex I: Germany's Progress achieved with the implementation of the Lisbon Strategy for Growth and Jobs

Selected indicators on overall progress with the Lisbon Strategy for Growth and Jobs

Indicators	Explanation		Germany	EU27 (weighted average)
Labour productivity	GDP at current market prices per hour worked (unit 1000 PPS)	2007 level	0.04	0.04
		2005-07 annual change p.p.	1.5%	1.4%
R&D spending EU target = 3%	R&D in % of GDP	2007 level	2.5	1.8
		2005-07 annual change p.p.	0.02	0.02
Employment rate EU target = 70%	Employed persons aged 15-64 as % of total population aged 15-64	2007 level	69.4	65.4
		2005-07 annual change p.p.	1.7	0.9
Older worker employment rate EU target = 50%	Aged 55-64	2007 level	51.5	44.7
		2005-07 annual change p.p.	3.1	1.2
Activation	Number of participants in LMP measures divided by the number of persons wanting to work	2006 level	37.4	33.8
		2004-06 annual change p.p.	3.2	2.5
Long term unemployment rate	Long term unemployed population (12 months or more) as % to total active population	2007 level	4.7	3.1
		2005-07 annual change p.p.	-0.5	-0.4
Participation in LLL	% population aged 25-64 participating in education and training over the four weeks prior the survey	2007 level	7.8	9.5
		2005-07 annual change p.p.	0.0	-0.5
Female employment rate EU target = 60%	Female in employment 15-64 aged as a % of total female 15-64 aged population	2007 level	64.0	58.3
		2005-07 annual change p.p.	1.7	1.0
At-risk-of poverty rate after social transfers	Share of persons (%) with an equivalised disposable income below the risk-of-poverty threshold (i.e. 60 %)	2006 level	13.0	16.0
		2004-06 annual change p.p.	n.a.	0.1
Early school leavers	% of population aged 18-24 with at most lower secondary education	2007 level	12.7	15.2
		2005-07 annual change p.p.	-0.6	-0.1
Tax wedge on labour cost	Tax rate on low wage earners (single earners)	2006 level	47.4	40.1
		2004-06 annual change p.p.	-0.2	0.1
Youth education attainment level	% of the population aged 20-24 having completed at least upper secondary education	2007 level	72.5	78.1
		2005-07 annual change p.p.	0.50	0.21

Indicators	Explanation		Germany	EU27 (weighted average)
Dispersion of Regional employment rates	Coefficient of variation of employment rates (of the age group 15-64) across regions (NUTS 2 level) within countries	2007 level	4.80	11.40
		2005-07 annual change p.p.	-0.40	-0.20
Average exit age from labour force	The average age of withdrawal from the labour market	2007 level	62.0	61.2
		2005-07 annual change	n.a.	0.3
Gender pay gap in unadjusted form	Differences between men's and woman's average gross hourly earnings as a percentage of men's average gross hourly	2006 level	22.0	15.0
		2004-06 annual change p.p.	-0.5	-0.1
		2005-07 annual change p.p.	56.1	25.1
Involuntary part-time and fixed-term employment	% of total employees	2007 level	7.7	10.2
		2005-07 annual change p.p.	0.4	1.2
Childcare (0-2 years)	For 30 hours and more	2006 level	7.0	12.0
		2005-06 annual change p.p.	-0.5	0.4
Childcare (3 years to compulsory school age)	For 30 hours and more	2006 level	27.0	37.4
		2005-06 annual change p.p.	0.5	0.2

Source: EU Commission 2009: Implementation of the Lisbon Strategy Structural Reforms in the context of the European Economic Recovery Plan, Brussels, COM(2009) 34/2, Statistical Annex

Annex II: Overall assessment of the implementation of the Lisbon Strategy in the employment field

Employment Policies	Fields							
	General impact		Effects		Governance		Impact of LS itself	
	Political relevance	Fostering EU perspective	Reforming processes	Achievements regarding guidelines	Internal administrative reforms	Efficiency of tools (coordination, strategic approach) ^{v)}	Implementing partnership ^{vi)}	Catalysing innovation in policies
More growth and jobs ⁱ⁾	High – in particular against structural unemployment	Small - focus is still on national challenges	Significant reform processes going on	Significant achievements – however, deficits stressed by EU Commission with regard to “flexicurity pathways”	Significant reforms carried out in the context of “Hartz I – IV” reforms	Learning from other member states mainly in the preparatory phase of the reform	Consultation yes but reform was carried out against the trade unions	Lisbon and employment guidelines used for legitimating and stressing the need for reform
	Still rather low – issue addressed mainly by trade unions and other social partners (employability)	Small	No significant reform processes in this area	Only minor progress made – for many the situation has worsened in the last decade	No reform so far	Low	Has not started yet	Small impact so far. Generally, the German government is hesitant with regard to better jobs and “Flexicurity pathways” – this is still regarded as a “Nordic” concept.
Better jobs ⁱⁱ⁾	Growing, due mainly to external pressure for reform by OECD, EU, etc. and increasingly trade unions, research institutions etc.	Mainly in the context of Germany’s position and ranking in Europe	To-date rather based on isolated projects and programmes rather than stringent reform processes	Only modest progress	Administrative reforms mainly resulting from Hartz reforms	Rather low - no significant learning from other Member States. Mainly due to the differences in national frameworks and traditions	Partnership approach and consultation in expert rounds and at departmental level	
Better human capital ⁱⁱⁱ⁾								

- i) Enlarging the workforce
- ii) Improving skills, innovation in work organisation, increasing employability
- iii) Improving education; reducing early school leavers, lifelong learning strategies
- iv) Coordination of social security systems national reforms: modernizing social protection
- v) Learning from others Member States

Annex III: Overall assessment of the implementation of the Lisbon Strategy in the social policy field

Social Policies	Fields							
	General impact		Effects		Governance		Impact of LS itself	
	Political relevance	Fostering EU perspective	Reforming processes	Achievements regarding guidelines	Internal administrative reforms	Efficiency of tools (coordination, strategic approach) ^{v)}	Implementing partnership ^{vi)}	Catalysing innovation in policies
Social inclusion	Problems in social policy are increasing in various fields of inclusion, social protection and the healthcare sector – however political relevance still low. Good	No EU perspective – growing inequality in such areas as immigration policy, education, etc. not yet seriously recognised	Many current problems and challenges in the field of social inclusion result from the labour market reforms – government very reluctant to acknowledge any need for reform	Small – Germany rather characterised by a worsening of social conditions and inclusion	No			Generally OMC method and in particular learning from experience and good practice of other EU member states is advanced in the social policy field. However main actors are the experts in respective government departments.
Sustainability of social protection systems ^{iv)}	example is the immigration issue where problems are not yet seriously addressed.	No	Reform pressure (healthcare) but EU recommendations and context plays no role in the debate	Small – significant criticism by EU Commission on Germany's reform progress	Significant administrative reforms in the context of reform of the healthcare system or the pension reforms			
Healthcare / long-term care		No						

- i) Enlarging the workforce
- ii) Improving skills, innovation in work organisation, increasing employability
- iii) Improving education; reducing early school leavers, lifelong learning strategies
- iv) Coordination of social security systems national reforms: modernizing social protection
- v) Learning from others Member States
- vi) Approach both institutional and participation of stakeholders

3. IMPLEMENTATION AND IMPACT OF THE LISBON STRATEGY 2000 – 2010 ON EMPLOYMENT AND SOCIAL POLICIES IN HUNGARY

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3.1 Introduction

Throughout the performance of this study Hungary and the world were faced with the spreading of the financial and economic crisis. There is a strong contrast between the comprehensive, long term strategy of the Lisbon process and the hurried, short term, often inconclusive measures that governments are forced to take under the pressure of unforeseeable crisis situations. When rational rules of business or fiscal management are violated under emergency conditions, nobody would waste time thinking of long term plans, monitoring the implementation of commitments made several years ago, evaluating institutions, or fine-tuning incentives.

This is why the author of this report is particularly thankful to the experts and government officials who in this stormy period took their time to have discussions and share their experiences on the national application of the Lisbon Process. The author is also thankful to the organizers of this valuable project which detaches thinking from the current, hopefully transitory issues, and looks beyond the day-to-day management of the national economies. After overcoming the threatening forces of the crisis, policy-makers in the European Union will have to resume a long-term thinking, to ensure sustainable growth, jobs, and increasing welfare for their citizens. This will be easier if we learn the lessons from the successes and failures of the Lisbon process, and, of course, the lessons from the current crisis.

3.2 Overview of key developments

The first steps taken in Hungary to implement the Lisbon Strategy

Hungary joined the EU in May 2004, so it could start formally implementing the Lisbon Strategy (LS) later than the old member states. Familiarizing with the process took all the more time since the country had not participated in the preparation and the adoption of the LS back in 2000. Nevertheless, much before May 2004, as part of the accession process, many officials and experts from the various Hungarian ministries took part in the work of the respective EU Council formations working on the deliberations of the Lisbon Agenda.

Reflections to the LS at the highest level of national policy making were initially positive, but scarce. Positive, because the LS summarizes development targets for the main spheres of the EU and individual Member States' development, and on the surface these targets do not imply conflicts, painful choices or trade-offs. Scarce, because even in the old member countries very few experts really sensed what was really behind this strange, unclear and complex concept called "the Lisbon Strategy/Agenda/Process".¹

¹ In 2004 and 2005 a comprehensive research was carried out about the Lisbon Strategy including numerous interviews with officials in Austria, Hungary, Italy and Sweden. The findings were summarized also for a non-specialist journal as follows: "[...]the real puzzles of the Lisbon Strategy are as follows: (1) the strategy was not preceded by competent professional preparatory work and research; (2) for years, awareness of it among the public in member countries was nil; (3) despite its evident and peculiar characteristics, it encountered no criticism for years[...].A similarly mysterious circumstance is that since the launch of the Lisbon Strategy in 2000 there has been simply no specialist literature on it[...].A good example of just how unknown the process was until very recently is the case of Jean-Claude Juncker, prime minister of Luxembourg, who started talking about Lisbon at an election campaign rally in 2004, only for his followers to interrupt him and tell him to stop talking about his holiday plans and turn to the real problems in hand." (Gács, 2005d)

As soon as gradually more politicians, stakeholders, scholars and journalists in Hungary learned about the structure and assumed importance of the LS, they started to make reference to the Lisbon process in public talks and discussions with the aim of seeking support to their own cause. For instance, the Minister of economy frequently mentioned it as a new source to boost the competitiveness of the country. Sociologists advocating social protection, the fight against poverty and social exclusion, referred to the LS as a framework and system of standards that would compel national policy makers to make stronger efforts for social inclusion.

The part of government administration that had developed a close relationship to the LS quite early was the Ministry responsible for employment affairs. Back in 1999 the European Commission initiated the JAP process in order to familiarize the then accession countries with the European Employment Strategy (JAP: Joint Assessment of Employment Policy Priorities). The Hungarian side was very active in this process which focused on identifying the main tasks and economic policy priorities with regard to employment, initiating monitoring of the implementation of priorities, as well as preparing the country for the effective and efficient utilization of future transfers from the European Social Fund.

Another part of the administration that built links early to the Lisbon process was the Ministry responsible for social affairs (called at that time the Ministry for Health, Social and Family Affairs). Starting at the beginning of 2002 the Hungarian experts were involved in the process in which every two years each Member State puts together its National Action Plan for Social Inclusion. The European Commission and various Council formations organized the first national seminar, supported the building-up of administrative and professional capacities at the national level, and participated in the preparation of the Joint Memorandum on Social Inclusion in Hungary. In 2004 the first Hungarian National Action Plan on Social Inclusion was prepared (NAPSINC, 2004).

In 2004, the Ministry of Foreign Affairs commissioned a study with the aim of assessing the nature of the LS, summarizing the tasks for the Hungarian administration, and evaluating Hungary's actual and likely progress in the Lisbon Process. Following this first comprehensive document (Gács et al, 2004), in the subsequent years several scholarly assessments were published² and stakeholders' opinions were issued.

By 2005 the first National Reform Programme for Growth and Employment 2005-2008 was put together, the connected public debate arranged, Mr. Lisbon was nominated and the broader public got some familiarity with the LS. An inter-ministerial network was established, and the annual cycle of preparing the action plans and monitoring and assessing their implementation was launched.

Fading importance of the Lisbon Strategy in Hungary

While the national mechanisms of the Lisbon Strategy were put into place in time, as from 2005, the importance of the LS started gradually to decline. The culprits for this were two developments that gradually crowded out the LS from the political arena. The first was the launch of comprehensive national political and reform initiatives. The other was the elaboration, discussion and implementation of nation development programmes utilizing EU structural funds.

Between 2000 and 2008 Hungary had five governments instead of the envisaged three. In addition to the general elections in 2002 and 2006, in 2004 the main government party replaced the prime minister, while in 2008 a small coalition partner left the government. Both these changes led to major reorganizations in the government. Although since 2002 the dominant party in the governments has been the same (the Hungarian Socialist Party – MSzP), the launch of each new government meant major changes in the program of the government, a renewed structure of the executive branch, including substantial redistribution of tasks and responsibilities.

² Cf. Frey (2004), Gács (2005a, 2005b, 2005d), Társadalom és Gazdaság (2005), Landau and Vince (2005), Magyar Tudomány (2006), Farkas (2007).

Moreover, whenever the present government or the prime minister felt that the reforms needed momentum, or perceived that in setting the political agenda a firm leadership was called for, repeatedly new initiatives and lists of reform steps were announced and launched.

Below is a list of major comprehensive initiatives and programmes of the governments since 2002 (with their starting month in parenthesis):

- First “100 days plan” (July 2002)
- Second “100 days plan” (September 2002)
- Europe Plan (February 2003)
- Work, Home, Security Programme (February 2005)
- 100 step plan (May 2005)
- New Hungary – Freedom and Solidarity Programme for 2006-2010 (May 2006)
- New Equilibrium Programme (June 2006)
- Hungary Tomorrow – round table discussions (2007-2008)
- 48 points Programme (September 2007)
- Cleanness Package (October 2007)
- New Embourgeoisement Programme (February 2008)
- Reconciliation Programme (August 2008)
- Crisis management programs (since September 2008)

Neither the government programs, nor the new national initiatives or lists of reforms were directly linked to the Lisbon Strategy. Nevertheless, in many cases parts of the national initiatives were either clearly drawn from the already prepared national Lisbon initiatives or had stronger or weaker relation to the main ideas of the LS.

From 2004 much of public investments in Hungary have been guided by the first National Development Plan (drawn up for 2004-2006), and the second such plan called the New Hungary Development Plan (2007-2013) co-financed by the EU structural funds.

Investment, as is usual in cohesion programs, is focused on the development of infrastructures, human capital, public institutions and providing subsidies to private firms in order to enhance growth and employment in the recipient country, as well as to support the catching up of underdeveloped or depressed regions.

There have been close institutional and personal overlaps between the management of the Lisbon process and of the national development plans in the country. In recent years the same government agency (the National Development Agency, formerly the National Development Office) has been charged with the coordination of the Lisbon process and the coordination of the development plans³. The person that we could call Mr. Lisbon in Hungary (although nobody uses this title) has been the same person who has been responsible in the government for the coordination and management of the development plans⁴.

³ Back in 2005, however, still another government institution, the Ministry of Economy and Transport was responsible for the coordination of drawing up the National Reform Programme 2005-2008.

⁴ Mr. Lisbon in Hungary was first Mr. Etele Baráth (in 2005 and the first half of 2006) with the position of minister without portfolio responsible for European affairs. Since mid-2006 Mr. Lisbon is Mr. Gordon Bajnai, whose position was first the Head of the National Development Agency, and later minister for various portfolios.

The question is however what pushed the LS into the background. Apart from a few months back in 2004 and 2005, in the past years there has been no public discourse about the LS, or about the Lisbon implementation at national level. Nobody knows who Mr. Lisbon is in Hungary, because the person who is officially entrusted with the coordination of Lisbon-related policies in the country only appears in the public as the main coordinator of the development plans (and more recently, as the Minister for general economic affairs). Apart from the annually organized 3-4 week long campaigns⁵ about the first version of the national action plan or its implementation report, there are no public occasions where the developments of the Lisbon Strategy can be discussed. No Hungarian politician mentions the LS anymore, and the Hungarian achievements in the framework of the Lisbon process are not discussed in the press or other mass-media.⁶ In the quite harsh competition between the political parties in Hungary, the government always emphasizes that the given new initiatives come from indigenous deliberations taken by the government (or the political parties behind it), and government politicians never hint on the Lisbon targets.

When summarizing the policy context of the Lisbon process in Hungary, we may state that it was eclectic. Initially the Lisbon process meant different things for different politicians and stakeholders, according to their own taste and interest. It was seen as part of the accession process, adopting European values, standards and targets. It was always biased towards developing and implementing employment and social targets, because these parts of the government administration were more familiar with the Lisbon process, put more emphasis on the strategy and used better and more qualified capacities to deal with it.

National political debate focused on many issues at the core of the LS, however, without reference to the Lisbon process. Most of the debates were initiated by the frequently changing comprehensive government programs and reforms and their implementation. Similarly, discussions about longer term development objectives, fights for funds to be allocated in the framework of the national development plans and fulfilling the related administrative procedures distracted interest from the Lisbon process, although the issues discussed (competitiveness, employment and social cohesion) had close links to the Lisbon targets.

Main policies and debates

In 1997-2001 Hungary could show quite impressive institutional developments and performance concerning growth, competitiveness and fulfilling EU-accession criteria. Further reforms were pending, answering to Hungary's very low employment rates, high proportion of economically inactive people in the demographically active population, entrenched poverty concentrated in certain regions and among the Roma population, broad and persistent hidden economy, underdeveloped physical and social infrastructures, outdated public educational system and an inefficient public sector.

Starting in 2001, however, the rivalry between political parties turned into irresponsible populist policies. These populist measures had increasingly negative consequences on the competitiveness of the Hungarian businesses first, and on the budgetary and external balance and growth prospects, thereafter. The main items of these populist policies were: a programme of generous public support to private housing investments, the doubling of the minimum wage in two years, a one-step 50% hike of wages in the public sector, the introduction of a 13th month pension for the elderly, and the abolition of taxes on the minimum wage. All these generous policies could only be financed from high taxes and excessive foreign borrowing. Hungary slipped back in all rankings of comparative international economic competitiveness and economic reform, and had to give up its plans of joining the euro-zone in 2009.

⁵ This includes queries circulated among experts and organizations, expert meetings, as well as possibilities offered to any citizen or organization to publicly comment on the web-site of the National Development Agency.

⁶ An important exception was the 2008 Summer Regional Meeting of Economists of the Hungarian Economic Association which was devoted to Hungary's development with special emphasis to the Lisbon Strategy.

Most of the debates in the years 2001-2009 were focusing on the need for reforms or the necessity to implement austerity measures to improve Hungary's competitiveness. In reality, however, very few reform measures have been adopted by the consecutive governments, despite ambitious reform agendas.⁷ Moreover, almost all the reforms that were adopted were attacked by the opposition parties, and many of these had to be withdrawn either through decisions by the constitutional court or by popular referenda. By 2006, the government could not help introduce an austerity program with macroeconomic adjustments. Even the good results of this course, however, could not help against the adverse effects of the world financial and economic crisis of 2007-2008 which hit Hungary particularly severely. Due to the country's vulnerability to financial market stress, in November 2008 the IMF, the European Union and the World Bank put together a standby loan of USD 25 billion to help Hungary avoid a currency crisis.

The current financial and economic crisis has fundamentally changed the meaning and scope of comprehensive strategies. A major factor is uncertainty, which means that the agenda of government measures for short and medium term action change from month to month, and even from week to week. It was not by chance that Hungary's National Reform Programme 2008-2010 (NRP, 2008) had to be partly rewritten in the fall of 2008, without discussions in the national Parliament, and the document was delivered to Brussels with a delay. Due to Hungary's excessive exposure to external financing and the implied vulnerability to international financial markets, as well as the conditions attached to the IMF-EU-WB package, the country cannot follow the usual policy of tempering output decline with macroeconomic stimulus. Looking for the best measures to revive financing for businesses, keep them viable and save jobs have been the main tasks of policy-makers in the last few months and they will remain for the coming months as well. This is a difficult task for a government that has a minority support in Parliament. Emergency measures will probably push comprehensive and fine-tuned reforms to the background. Even a large part of the EU structural funds that are usually earmarked to support long-term development projects will be used for financing short-term emergency aid to small and middle-sized companies.

National governance of the Lisbon Strategy

As mentioned above, the formal position of Mr. Lisbon (the Lisbon coordinator) is fulfilled by a person, who has got other responsibilities in the government, currently as Minister of National Development and Economy. He never appears in public as the person coordinating the Lisbon Process and, to our knowledge, so far he has not got the task of coordinating different ministers involved in the implementation of the Lisbon Strategy. The effective coordination is done on a lower level: the person who is currently the vice president of the National Development Agency has been doing the job in the past four years. Unfortunately, he very rarely appears in public. The invisibility of both Mr. Lisbon and the actual Lisbon national coordinator is partly responsible for the absence of the Lisbon process from the sphere of politics in Hungary; it was transformed into a professional or bureaucratic issue that is run by the administration. As one of our interviewees summarized this: "The Lisbon Strategy has not reached the stimulus threshold of the politicians, so it remained a matter for the state apparatus to deal with".

In recent years the coordination between ministries was organized along the following lines: the Government Commissioner responsible for the Lisbon Strategy and for national development policy established an inter-ministerial working group, whose task was to work out the National Lisbon Programme and perform the follow-up of the measures, including the preparation of the progress reports to be presented annually. The regular members of the working group were the ministries responsible for the preparation of the main three chapters (micro-economy – Ministry of Economy and Transport (2006-2008), Ministry of National Development and Economy (2008-2009); macroeconomy – Ministry of Finance; employment – Ministry of Social Affairs and Labor).

⁷ In 2006 the government established the State Reform Committee (ÁRB) for the harmonized development of the strategic steps for the reforms. Regular professional teams have been formed in the following reform areas: the system of local administration and financing, healthcare, education, pension system, public administration, social and unemployment benefits, de-regulation. While a series of reforms schedules were prepared, very few of these have been realized so far.

Other Ministries involved participate as permanent guests at the meetings of the working group. In 2006-2008 a regular guest at the working group meetings was the State Reform Committee (ÁRB). The inter-ministerial working group holds sessions according to need but at least every two months. Special thematic working groups (c.f. NRP, 2006 and NRP, 2008) may be established.

Among the ministries and other governmental departments involved in the national implementation of the Lisbon Strategy, the ministry responsible for employment and social affairs (under changing names in the course of 2000-2008) turned out to be the most active, deeply committed and interested part of the administration. It persistently searched for real and working solutions for the tasks associated with the Lisbon Process, developed the most comprehensive set of indicators, actively kept contacts and exchanged information with its peers in the EU through Brussels, made efforts to fund research, publications and public events dealing with Lisbon-related issues. Every year it was this ministry that produced the most substantive parts of the national action plans.

The Government conducts consultations on the national Lisbon action plan usually after the draft document is ready. In the organization of these discussions the National Development Agency cooperates with the Economic and Social Council whose member organizations are representing vested interests of major parts of the economy and society. The discussion and harmonization of opinions includes requesting comments on the draft action plan from selected organizations, organizing thematic workshops and inviting comments on the document to be posted in the dedicated online forum in the homepage of the National Development Agency. The usual participants of partnership discussion are the National Council for the Reconciliation of Interests (the Hungarian tripartite institution), the Economic and Social Council, the Council of National Spatial Development, the Hungarian Academy of Sciences and 150 branch partners.⁸ The organizations usually put their opinion into written form, and in a number of cases (such as with the Hungarian Academy of Sciences) the National Development Agency organizes further discussions between the coordinators of the action plan and those expressing critical remarks or recommendations for major changes.

Beyond organizing this campaign each year and making public the national action plan on the website of the National Development Agency, the government does not have any communication plan concerning the Lisbon Strategy and its national implementation.

3.3 The national approach to the Lisbon Strategy

The first national document related to the comprehensive implementation of the employment targets of the Lisbon Strategy was the Hungarian National Action Plan for Employment (NAPE, 2004). The JAP process (with its Joint Assessment in 2001 and subsequent progress reports in 2002 and 2003) identified the priorities and served as a basis for the policies and measures described in the NAPE. The starting point of the Hungarian employment strategy were the European Employment Policy Guidelines. The Hungarian authorities, however, very realistically, developed adjusted targets and policies for the specific Hungarian situation. A clear manifestation of the special Hungarian implementation line was the setting of national targets for different categories of employment for Hungary with target dates of 2006 and 2010 (see table 1). This was substantiated by the observation that "regarding the employment level, Hungary significantly lags behind the objectives identified in the European Employment Strategy (i.e. accomplishing a 67% employment rate by 2005 and 70% by 2010)." While the government identified raising the employment rate as the most important priority of its employment strategy, realistically it could not plan an average annual increase in the employment rate of more than 0.8 percentage points.

⁸ The author of this study participated in these annual discussions as contributor to and coordinator of the written opinions of the Institute of Economics, Hungarian Academy of Sciences prepared for the consultations. Experiences have been mixed whether the coordinators of the NAPs really wanted to utilize professional opinions to improve their draft documents, or they only considered partnership consultations as formal obligations.

Similarly to the NAPE, Hungary's National Action Plan on Social Inclusion 2004-2006 (NAPSINC, 2004) was put together in 2004. This programme established further country-specific quantitative targets, such as the one for the long-term unemployment rate (2.2%) to be achieved by 2006 and the participation rate in life-long-learning (10%) to be achieved by 2010.

Developers of the Hungarian employment and social strategies already in 2004 put much emphasis on an integrated approach to policy planning and implementation, including through close inter-ministerial co-operation. "The efficient and successful implementation of the strategy demands that an appropriate coordination is developed among the various policies, especially in three areas. Firstly, economic policy should pave the way to employment efforts, and the labour market impacts of the expected processes and envisaged measures should be calculated with. Secondly, education and training should be adjusted flexibly to the continuously changing demands of the labour market. Thirdly, social and employment policy measures should be coordinated, in view with making work attractive and strengthening social cohesion alike."

Table 1: Employment targets for the EU and for Hungary

Employment rate	EU average		EU target		Hungary	National target	
	Baseline (2003)		2005	2010	Baseline (2003)	2006	2010
	EU-15	EU-25	EU-25	EU-25			
Total	64.3	62.9	67	70	57.0	59	63
Women	56.0	55.0	57	60	50.9	53	57
Men	72.5	70.8	-	-	63.4	64	69
55+	41.7	40.2	-	50	29.0	33	37

Source: NAPE 2004, p. 6.

The commitment to develop a national approach within the Lisbon Strategy continued to be strong. Towards the end of 2004 (in the framework of the mid-term review of the European Employment Strategy) the ministry in charge of the employment strategy contracted the Institute of Economics, Hungarian Academy of Sciences to perform a comprehensive evaluation of the Hungarian employment policies and administrative measures between 2000 and 2005 in the context of the European Employment Strategy. (see Köllő ed., 2005) ⁹ It was planned that the conclusions of this evaluation would serve as the basis for the 2005 report on the implementation of the NAPE. Meanwhile, in March 2005, as a consequence of the mid-term evaluation of the Lisbon Strategy at the EU level, a new coordination and reporting mechanism was launched for macroeconomic, microeconomic and employment policies.

The first Hungarian Lisbon action plan (NAP, 2005) outlined the specificities of the Hungarian labour market that the Lisbon reform plans had to tackle. These were: "the particularly high number of people excluded from the labour market, the persistent mismatch between labour demand and supply, and the weaknesses of the small enterprises, including self-employment." (p. 39).

The special case of Hungary was a combination of relatively low unemployment rate and low employment rate suggesting that most non-employed people were not actively looking for a job. The low labour market participation was the result of a list of factors such as the low effective retirement age, the poor health condition of the population and a relatively broad access to income replacement benefits for those threatened by unemployment. The policies in the 1990s and the years after 2000 that had focused on reducing unemployment did not prove to be adequate in tackling the challenges of the Hungarian labour market.

⁹ The evaluator was chosen via an open public procurement procedure. The evaluation was co-financed by the European Commission.

Therefore it was decided that the measures aimed at improving the employment situation should focus on increasing the employment rate, promoting regular employment and facilitating restructuring of the economy, rather than just reducing unemployment.

More recently some researchers have underlined that the most important explanatory factors for the low rate of participation in the Hungarian labour market are the large share of population in active age with low levels of education and skills, the distance and difficulties to access thriving economic regions for most of the non-employed, as well as consequences of distorted incentives. It has been also clarified that poverty and social exclusion are mainly associated with the high level of inactivity developed in the early 1990s, as well as the regional and ethnic concentration of the non-employed.

Another special feature of the Hungarian labour market was the pervasiveness of undeclared (or hidden) work referred to as "black labour" or "grey labour". "Black labour" means fully undeclared work, while "grey labour" is partially undeclared (such as when the employer officially pays the minimum wage to the worker and the rest of the wage is paid directly into the pocket of the worker). The persistence of undeclared work has implications not only for the dire working condition and uncertain income of those employed this way, but also for the adverse consequences on the government budget, fiscal policies, taxes rates and competitiveness of Hungarian firms.

3.4 Effects and achievements

The idea of the Lisbon Strategy was first disseminated in Hungary in the years 2004-2005. Hungary was just completing the accession process including the fulfilment of the Copenhagen criteria and adopting the *acquis communautaire*. There was a kind of temporary saturation with European initiatives in the country. The accession itself was already a strong signal for Hungary's identification with the rest of Europe. Probably these were the reasons why both the Lisbon Strategy and the national development plans were considered as opportunities to establish long-term development strategies for the country rather than means to further promote and strengthen pro-Europeanism.

Achieving a balance between the major goals of the Lisbon Strategy is not an easy task since the initiators of the Lisbon Strategy seem to have failed outlining the relationships between these goals. They did not realize for example, that there are usually trade-offs between such goals -such as competitiveness (higher labour productivity) and more jobs - rather than simultaneous and harmonious development (see Gács, 2005a). The balance between these goals was not achieved in the Hungarian discourse on the strategy either. Supporters of competitiveness and social protection frequently argue with each other and very often the three parts of the national Lisbon action plans (macroeconomic, microeconomic and employment chapters) do not harmonize with each other. If one asks advocates of the competitiveness cause and supporters of social protection about the Lisbon action plans, each side thinks that the Hungarian Lisbon process puts too little emphasis on their respective cause. On the one hand, those advocating social cohesion complain that the revised Lisbon Strategy simply got rid of the goal of social cohesion and left it to another cooperation mechanism. On the other hand, supporters of competitiveness point to the fact that measures essential to enhance competitiveness (such as a comprehensive tax reforms) have never been put through. They criticize partnership discussions of the reform plans where representatives of the employees and the NGOs usually unite against pro-competition proposals of representatives of business.

The implications of the 2005 review of the Lisbon Strategy

The 2005 review of the LS had complex and diverse effects on the national implementation of the strategy. The streamlining of EU processes might have made their coordination more transparent for the state administration of the Member States, for their legislation and for the public. It offered the potential to eliminate contradictions between different parts of the LS, i.e. measures supporting growth and macroeconomic balance in the short run and the long run, competitiveness of indigenous firms, employment and social policies, etc. In fact, many such contradictions have been discovered and more or less eliminated from the documents.

Whether the implementation of the different parts of the LS was also consistent is indeed another question.

The integrated national action plans brought further benefits, such as the requirement that lists of concrete measures are linked to policy initiatives. This practice reduces the share of high flying ideas and slogans in these documents and makes the plans and the responsible administrations more accountable for national strategies.

Refocusing the Lisbon Agenda in 2005 meant that the theme "social inclusion" was left out from the new central mechanism of the Lisbon Strategy. It was assumed that there was a hierarchy of objectives, according to which strengthening growth and employment was "making for social cohesion". For the comprehensive group of themes "social protection and social inclusion" a new coordinated mechanism was launched based on the European Commission's Communication of December 2005 "Working together, working better". The collaboration between the new open method of coordination (OMC) and the Lisbon Process, however, did not work smoothly, let alone giving rise to positive synergies. The EU-wide experience concerning these problems were summarized in the "Feeding in and feeding out" synthesis report (Frazer and Marlier, 2008) of the OMC mechanism for social protection and social inclusion. The Hungarian part of this report criticizes the national action plans and their implementation reports taking as an example the Implementation Report on the National Reform Programme (NAP, 2007). This report "makes no reference to the national Reports on Strategies for Social Protection and Social Inclusion (NRSSPSI); in fact the concepts of social exclusion and social inclusion do not appear even once in this report". "The report includes problems related to the Lisbon recommendations, but cohesion goals have been put at the back, with the major effort going into alleviating economic problems." (Tausz, 2007) Many social problems are to be tackled by stand alone programs or measures included in the national development plans. However, by this way too many issues are to be solved exclusively through EU funds¹⁰, and too much is left to the mechanism of competition among projects to be co-financed by the operational programs in national plans. This mechanism leaves underdeveloped regions at disadvantage in tenders for funds, due to their weak capacity to prepare competitive tender documents.

Another – probably unintended – change following the 2005 review was the virtual disappearance of international peer learning activities from the employment process. Experts and administrators confirm that events of peer learning, which were quite common before 2005, have been almost non-existent in the past years. In the late 1990s and early 2000s, when the European Employment Strategy provided guidance for coordinated deliberations and regulation of employment, peer learning was one of the most useful means of devising innovative reforms and providing legitimacy for their national implementation. The disappearance of these events is a major component of the general feeling that OMC processes do not support strongly the LS anymore.

The 2005 review of the LS meant a major change for the theme of equal opportunity for women and men.¹¹ Before 2003, in the system of four pillars of employment guidelines, pillar IV was devoted to the recommendation of providing equal opportunities for genders. Starting in 1999, in addition, gender mainstreaming was prescribed for the application of all the guidelines. In the new system of employment guidelines introduced for 2003-2006, this prominent role was reduced to make gender equality one of the 10 specific guidelines complementing the three general guidelines. Since the 2005 revision of the LS national action plans are prepared on the basis of the integrated guidelines that give even less emphasis to gender equality than the 2003-2006 system of guidelines. The simple mentioning of this theme in the preamble of the integrated guidelines, plus the repetition of the term in guidelines 17 and 18 put this issue to the periphery in the revised Lisbon Strategy.

¹⁰ "The report includes problems related to the Lisbon recommendations, but cohesion goals have been put on a back burner, with the major effort going into alleviating economic problems." (Tausz, 2007)

¹¹ This paragraph is based on Frey (2008).

Following this “message” of the guidelines, gender equality is practically neither a horizontal consideration in the national action plan for Hungary, nor is it applied according to any special guideline. Hungary is not alone with the virtual neglect of the issue of gender equality. In a comparative analysis of the implementation of national plans in the EU it was shown that in recent years the attention paid to the enforcement of equal opportunity for women and man decreased in the Member States (Rubery et al, 2006). Experts consider this a major step back. Another example of not properly furthering the equality of women and men is the following: the government set up a Council of Equality of Women and Men in 2006; this council, however, never put the discussion of the Lisbon national plan on its agenda - and never screened any such document from the gender point of view. Unfortunately, the attitude of neglecting gender issues in main Lisbon documents reflects what is happening in real life: in the past years the emancipation of women made no progress either in the working place, or households, or in public offices at large. In general, political commitment towards enforcing gender equality is very low in Hungary.

Efficiency of governance models

Governance of the LS consists of two main parts: one between the EU Member States, the European Commission and ad-hoc Committees and Council formations (EU governance), and the other one within each country, in this case in Hungary (national governance). It is important to keep in mind that the efficiency of EU governance can only be felt in a Member State if national governance fits to the EU process and is equally efficient.

Among the instruments used in EU governance some elements are formal or weak themselves, some are less effective than they could be due to the specificities of national governance. The meetings of the Lisbon coordinators held twice a year are, for instance, too formal, with high level participants telling speeches full of slogans instead of using the opportunity to discuss substance. Peer learning has become rare and weak, thus underutilizing one of the most useful parts of the open method of coordination.

As discussed above, in Hungary governance of the LS has been undermined by frequently changing comprehensive national reform and development plans. The coordination of substance and timing of all the ongoing processes has not been easy for the Hungarian administration, and the instruments of EU governance did not help to overcome these problems either. Nevertheless, one finds EU governance of the LS most useful particularly in times when the government, due to temporary political impasse or reform fatigue, is ready to give up major national reform goals. In these times the reiteration of LS guidelines, the compulsory reporting about the implementation of plans, including quantified targets and fulfilment of recommendations, provide great help in keeping reform initiatives alive and encouraging government experts to seek new ways of promoting the Lisbon Strategy.

The 3-year cycles seem to work better than the former annual system, since there are no new directions and methods to be used each year for the long-term goals of the Lisbon Process. The prolongation of the guidelines of 2005-2008 to the next 3 years, however, was probably not a good idea, because this did not induce the national administrations to carry out a serious evaluation of past achievements, successes and failures, and did not encourage them to set new intermediary goals and look for new solutions.

3.5 Achievement of objectives and targets

National performance as reflected by the indicators

Below we analyze the Hungarian performance in the 2000s in the main fields of the Lisbon Strategy as represented by the principal structural indicators. The attached figures present developments of the indicators in Hungary compared to three regions: the old EU members (EU15), the enlarged EU (EU 27), and the region around Hungary, Central and Eastern Europe: the Czech Republic, Poland and Slovakia. The latter three countries are the most convenient ones to compare with Hungary, given their common historical roots with Hungary, similar patterns of development, and their being Hungary's natural competitors for markets and foreign capital. In some figures we present also the quantitative target rates or levels of the structural indicators set either for the EU or for Hungary, or – where applicable – for both. As the analysis below shows, in several fields Lisbon structural indicators serve only as starting points or guidelines to present the problems, tensions or achievements relevant for the member countries in the given sector. If we limited the examination to the targets and their fulfilment, in most cases we would be misled by the result.

The evolution of GDP per capita shows that, unlike the other Visegrad countries, Hungary's catching up came to a halt in 2003. It seems that the country could not utilize the advantage of accession, the bonus trust that investors and markets usually offer to new members of the EU. This was experienced especially after 2006, when the austerity measures put a brake on domestic demand, particularly government spending.

Hungary's labour productivity achieved a relatively high level in the late 1990s. Here the contribution of foreign owned companies should be emphasized and Hungary's business-friendly environment with regard to institutions and human resources. In the years following 2000, despite the advantages offered by the single market and the beneficial effects of the microeconomic reforms associated with the LS, Hungary lost its former attractiveness as a location for international companies. The reasons were: relatively high wages, high taxes and, due to worsening macroeconomic conditions, an increasingly insecure business environment. As a result, Hungary's regional leading position in labour productivity was lost.

The quantity and quality of human capital became a major concern in Hungary in the 2000s, including education at the primary, secondary and the tertiary level. While indicators of youth education attainment level and the share of early school leavers show a stable solid position in Hungary compared to European levels, these tell very little about other, adverse trends that seriously affect competitiveness and employment. These are: increasing educational segregation, the worsening quality of education at the primary and secondary level due to the fact that schools do not teach basic competences for the pupils, competences that they need for success in modern society (Hungary's bad scores in the PISA surveys confirm this); the mismatch between the output of secondary schools and universities on the one hand, and the demand of employers on the other. Most of the reforms in education in the past ten years focused on the quantitative expansion of higher level education. The achieved progress in this field, however, could not compensate for the backlogs in the acquirement of knowledge and skills in all the levels of education.

From the point of view of innovation and research, Hungary's solid youth attainment level and the rapidly increasing share of those finishing higher education are promising – at least from the quantitative point of view. The other indicator illustrating the level of R&D activities, i.e. GERD as a percentage of GDP, around 1%, shows no improvement. Since many years the explanation of the Hungarian situation in this field is the same: “[...] instead of the favourable 70%, the share of business expenditure is about 30%. On average EU Member States spend 2% of their GDP in research and development, with a greater proportion (about 55%) of this expenditure originating from the private sector.

This means that despite the low absolute level, investment as GDP share is approaching the EU average, but the expenditure of the private sector is far below the desirable level." (NAP, 2005) This mechanical explanation takes the burden away from the government as a funding source of R&D and transfers it to the business sphere, or more precisely to the State as a regulator. Despite several attempts directed at improving the regulatory environment in the past years (such as the adoption of the STI strategy, the frequent reorganization of the National Office of Research and Technology, attempts to enhance R&D contributions from companies), however, have not led to much progress at the national level, and the macroeconomic austerity measures and more recent responses to the crisis are not encouraging signals.

Economic and political transition in the early 1990s had pushed almost 1,5 million formerly employed Hungarians (about 25-30% of them) to non-employment, or provided incentives for them to leave the labour market. Even in the thriving years of the late 1990s the employment rate in Hungary was among the lowest in the EU. It was not by chance that one of the most important targets of the Lisbon Strategy in Hungary was attracting a substantial part of the inactive population back to the labour market. As mentioned above, the Hungarian Lisbon action plans formulated their own national targets for total employment, as well as for other classes of employment. These were realistically more moderate than the EU targets. As figures on total employment, male and female employment as well as employment of older workers show, even these national targets have not been met.

One cannot blame the lack of policy initiatives for this failure. We have seen many new projects, programs, government efforts focusing on various aspects of the problem. Different measures were taken to target young and older workers, women, people at a disadvantage, the long-term unemployed, etc. In fact, the rate of labour market participation in 2004-2007 increased from 60.5% to 61.9%, including an increase in both the employment rate (56.8% to 57.3%) and unemployment rate (6.1% to 7.3%).

Since the structure of the labour market and the web of incentives are very complex, some of the measures, even with the best intentions, turned out to be ineffective. A substantial part of the ineffectiveness of the measures, however, can be explained by the lack of coordination of employment policies with other policies, such as those affecting wages, taxes, pensions, education, etc. Another reason is the turn in macroeconomic policy, i.e. the austerity measures that the government introduced in 2006. These supported labour shedding rather than job creation.

A careful analysis needs to consider the time that policies need to bring fruit; many of the employment related reform measures were bound to have their impact after years, rather than months. Accordingly, some institutional reforms to increase participation in the labour market may not have brought their fruits yet. Moreover, any evaluation of reform programs needs not only to take into account the mere outcome following the introduction of the reform measures, but to compare the actual outcome with the potential outcome of an assumed counterfactual scenario.

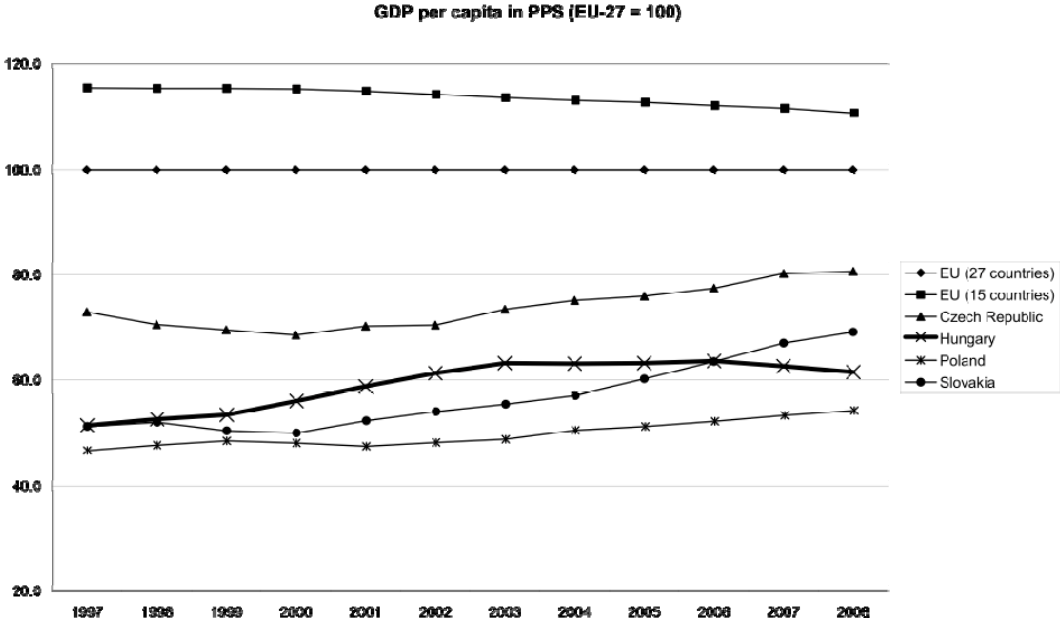
Finally, one has to consider that data on employment rates are calculated on the basis of surveys of declared employment. Due to the widespread use of undeclared work in Hungary, the actual use of the country's workforce is probably not so low, as official figures show.

The indicator of lifelong learning shows almost no progress in the period 2000-2007. Accordingly, Hungary stood and remained with the lowest rate in adult education among the countries and country groups presented in the figure. The EU 15 or EU 27 do not seem to approach their target rate (12.5%) set for 2010, but it is sure that Hungary will be far below the more modest target it set for itself (10%). This reflects partly the weakness of government efforts in this field, the lack of a culture of life-long-learning at large, and also the adverse incentives of social assistance programs.

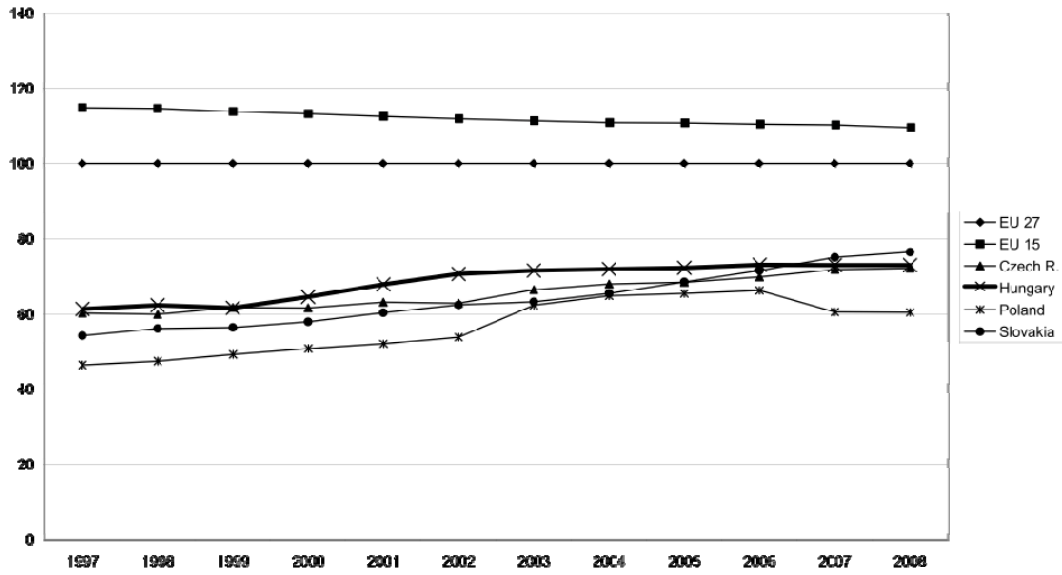
While there is no sufficient amount of data to compare Hungary's at-risk-of-poverty rate indicator with developments in many other countries in this field, the trend clearly demonstrates a lack of progress in poverty reduction. Social transfers have managed to keep the value of this indicator in Hungary at similar or lower level than in the EU 15, however, child poverty in Hungary has become a major concern. 10-15 % of children in Hungary live in jobless households and that means a continuous reproduction of poverty and deprivation in certain regions and strata of the population. In order to tackle this issue, in 2007 the government launched several programs to fight child poverty. These include income support for families with children, the development of child welfare and child protection services, the provision of equal opportunities in education, health protection as well as support for spare-time programmes (NSRSPSI 2008). It is to be hoped that the results of these programs will show up in a few years time.

Hungary's indicator on the share of long-term unemployed (calculated according to the EU structural indicators methodology) seems to be in line with the EU average, with a slight increase in recent years. However, if we use the other traditional index of long-term unemployment, where the denominator of the rate is the number of total unemployed rather than the total active population, Hungary's index is well above EU 15 and EU 27 averages (47%, 40% and 43% respectively). In its National Action Plan for Social Inclusion 2004-2006 Hungary set a target rate of 2.2% for its long-term unemployment rate to be achieved by 2006 (NAPSINC, 2004). As data show, Hungary could not reach that level. A peculiar feature of the Hungarian labour market used to be that the rate of long-term unemployed was higher for men than for women, but, as more recent data show, this trend changed in 2007.

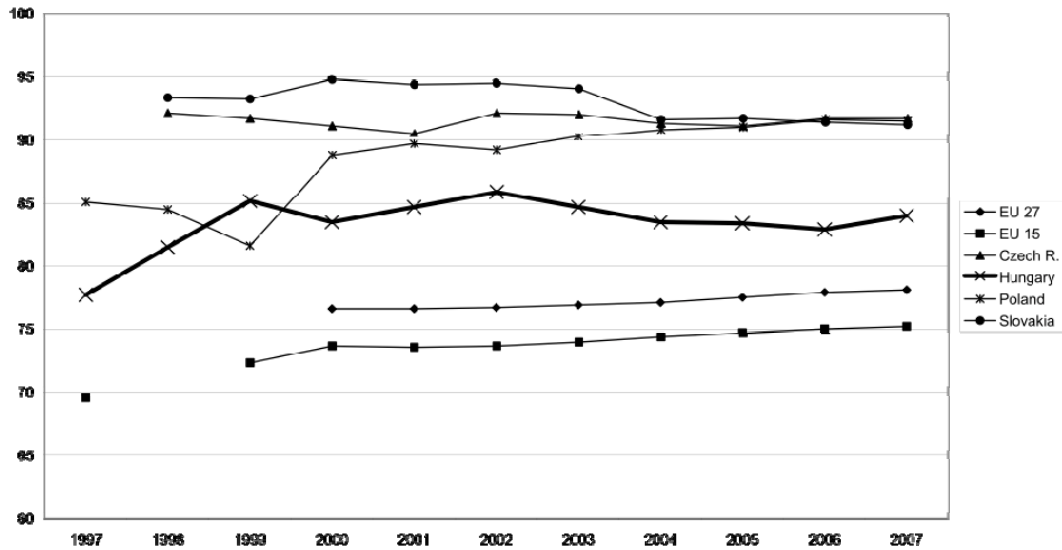
The dispersion of regional employment rates has not changed much in Hungary in the last few years: it remained below EU average but continues to be the highest in the Central and Eastern-European Member States. With Hungary's unusually low employment rate, however, this is a source of concern, particularly because, unlike in many other countries, in recent years Hungary has not been able to achieve any tangible improvement. Both the first and second national development plan aimed at reducing such differences through institution building as well as massive investments into physical and human capital in the backward regions. However, as mentioned above, since the distribution of funds in development plans is mostly decided through competitive tenders, backward regions, with low capacity in preparing tender documents, frequently lose out against more developed regions in their bid for funds.



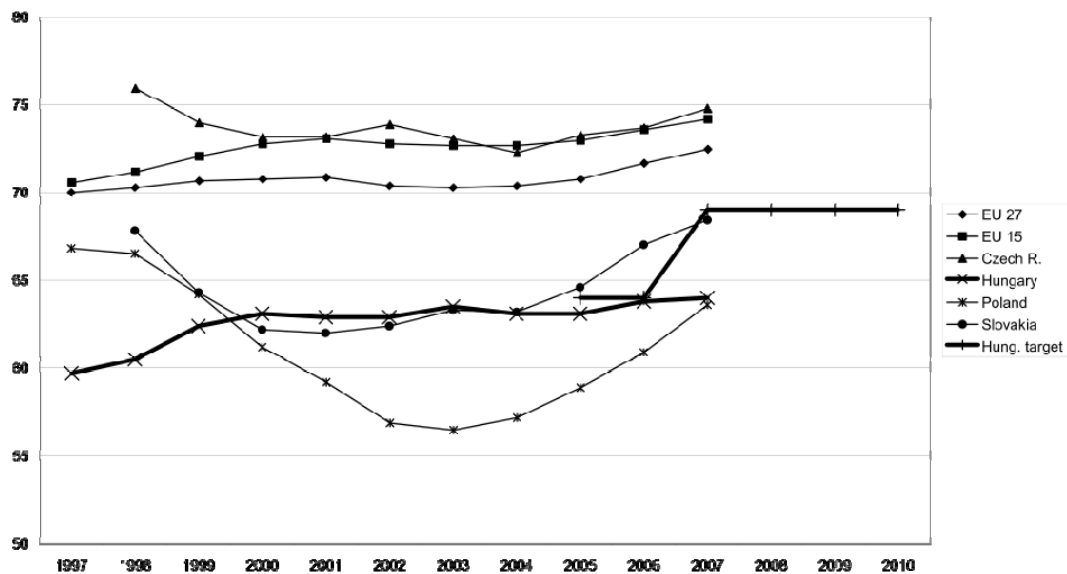
Labor productivity per person employed (based on GDP in PPS, EU-27 = 100)



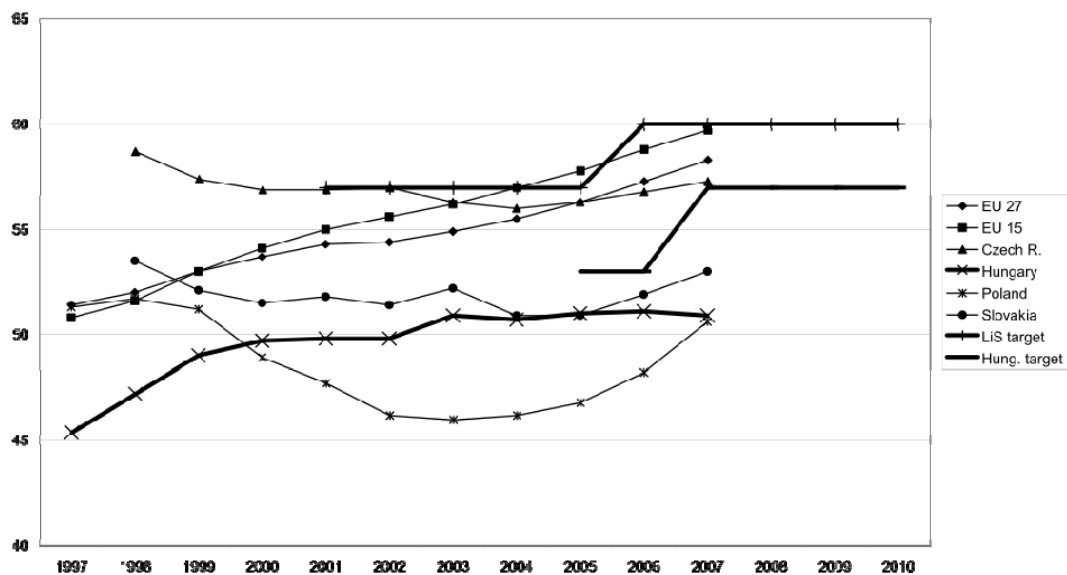
Youth education attainment level,
(% of population aged 20 to 24 having completed at least upper secondary education)



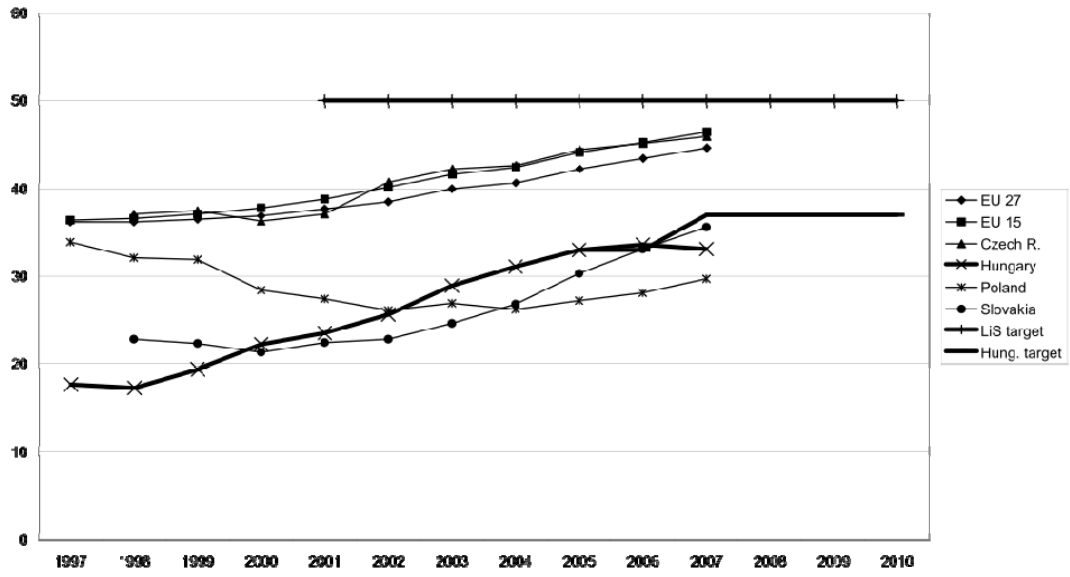
Employment rate, male, %



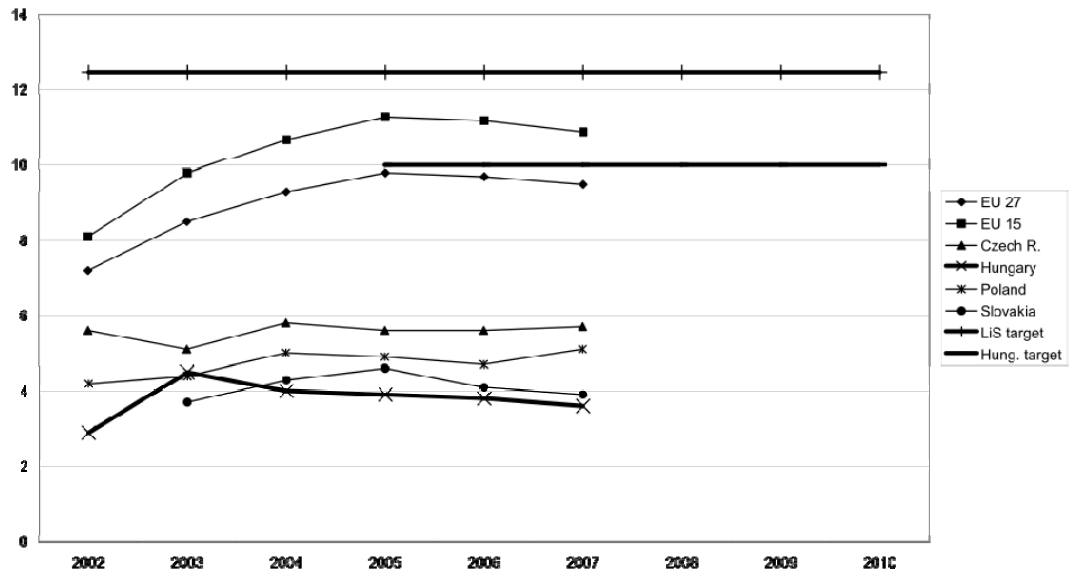
Employment rate, female, %



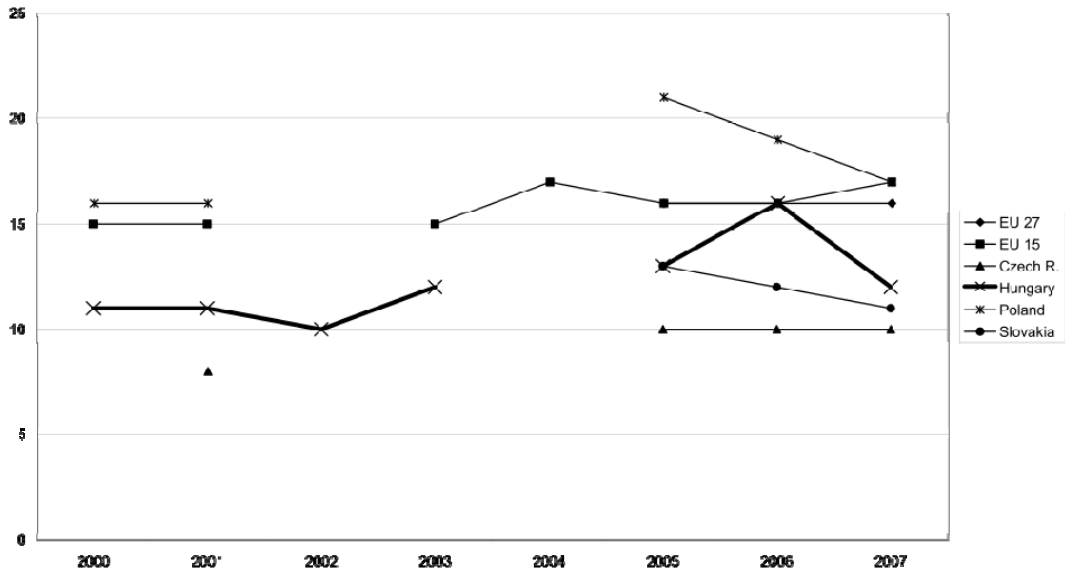
Employment rate of older workers, %



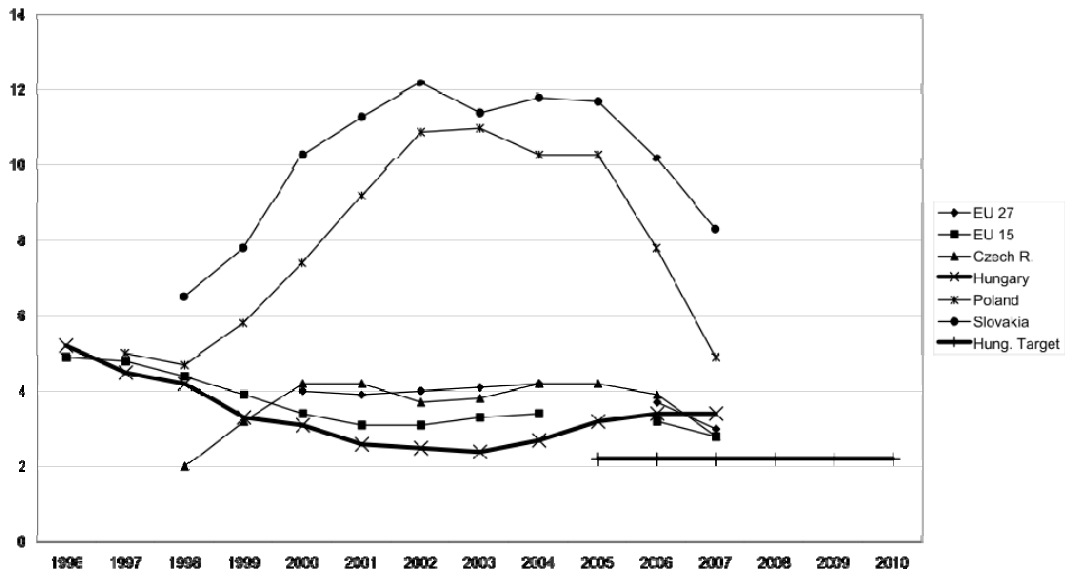
Life-long learning, % of the population aged 25-64



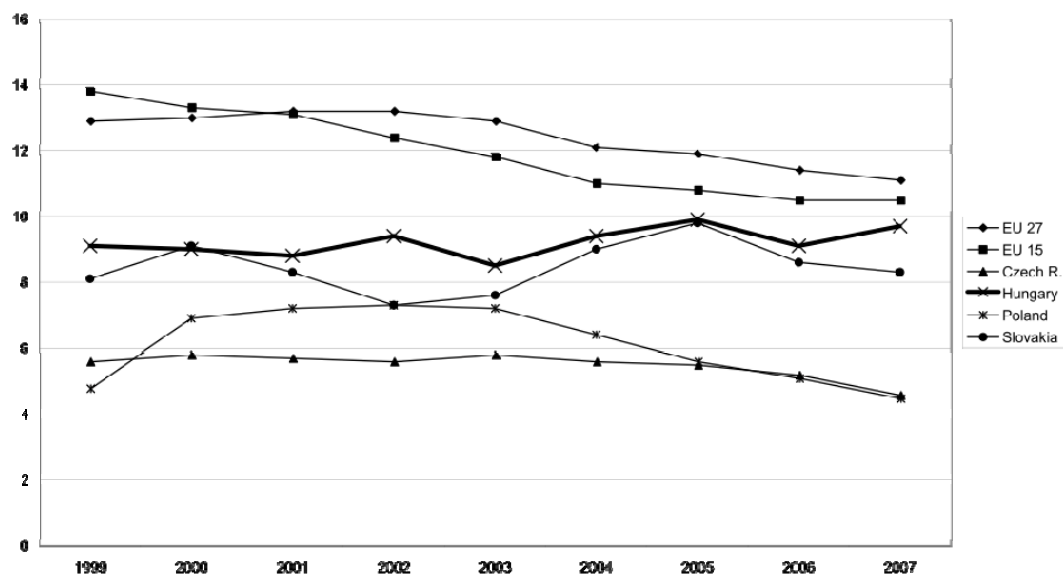
At-risk-of-poverty rate after social transfers



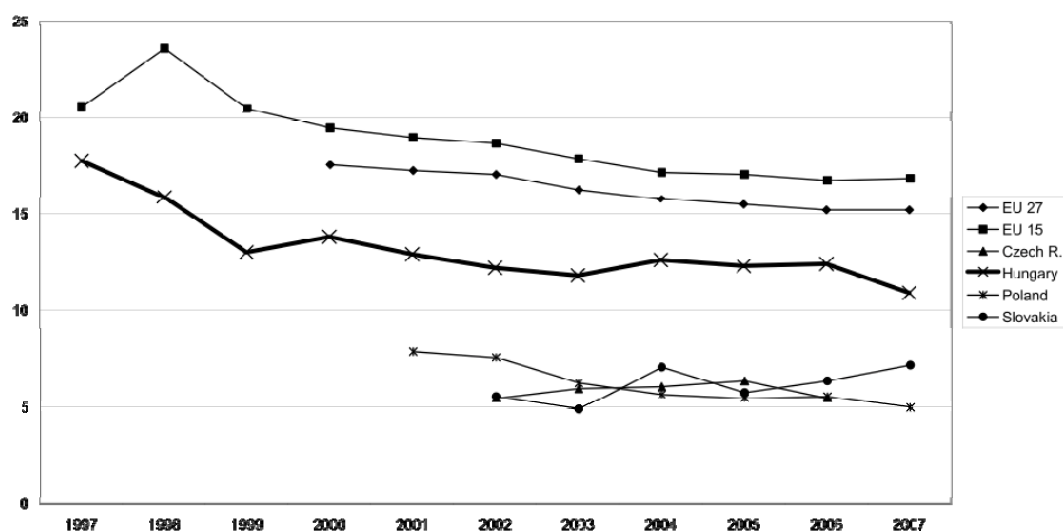
Long-term unemployment rate



Dispersion of regional employment rates



Early school leavers
(% of the population aged 18-24 with at most lower secondary education and not in further education or training)



We have summarized below Hungary's performance in the Lisbon Process according to the main Lisbon structural indicators. EU targets are selected from official EU documents, while national targets appear in national actions plans (NAPE, 2004 and NAPSINC, 2004). In the case of indicators where no precise targets were announced from either source, an appropriate benchmark was identified (GDP catching up, dispersion of regional employment rates, labour productivity, youth educational attainment).

As the results in Table 2 indicate, Hungary's performance was in general not spectacular: except for labour productivity and the dispersion of regional unemployment rates, the achieved marks are 0 or 1. This corresponds to the country-specific conclusions that the European Commission issues every year in its report: "Hungary has made limited progress in implementing its National Reform Programme over 2005-2007. Hungary has shown limited progress in fulfilling the commitments agreed by the 2006 Spring European Council in the four priority action areas." (CEC, 2007).

Table 2: Quantitative assessment of achieving EU targets or national targets

Structural Indicator	Assessment mark	Note
Real GDP per capita catching up	:	Early fast growth followed by slip back (own assessment scale)
Labour productivity	2	Early fast growth followed by long stagnation
Youth education attainment level	:	
Gross domestic expenditure on R&D	0	
Employment rate, total	:	Relative to national target
Employment rate, male	:	Relative to national target
Employment rate, female	0	Relative to national target
Employment rate of older workers	:	Relative to national target
Life-long learning	0	
Long-term unemployment rate	0	Relative to national target
Dispersion of regional employment rates	2	
Early school leavers	:	

A further way of assessing the reform process and the ensuing performance in the Hungarian labour market and social conditions is carried out by looking in more detail at the Lisbon guidelines and the corresponding policies introduced in Hungary. In Table 3 in the Appendix we present the results of this analysis. Policies are not listed for all the items touched upon in the guidelines, because many measures correspond to several subjects. The score in certain areas is subjective, but, to the best intentions of the author, reflect a kind of consensus opinion among experts.

3.6 Assessment of the impact of the Lisbon Strategy in Hungary: conclusions

The Lisbon Process is an invisible player in Hungarian politics and policies. It is present, it has an impact, but observers from the broader public, and even most of the analysts, do not see it. The LS promoted strategic thinking, persistency in deliberating institutional and regulatory reforms, readiness to face long-term economic and social risks, openness to learn from the experiences of other EU Member States.

It has not been easy to bring back the idea of long-term planning and emphasize its benefits in a country which had given up 40 years of central planning as a dead-end street. The Lisbon Strategy, in its original form, included also voluntary, extremely ambitious, incoherent targets, high-flying slogans, complicated, non-transparent and untested procedures; it was extended to new member countries when it appeared already as a more or less discredited EU initiative and it was not easy for the better part of the process to take roots.

It is impossible to pinpoint to specific reforms implemented in Hungary in the field of employment and social policies that have directly come from the Lisbon Strategy; on the other hand, the most destructive changes in these fields came from ideas that had nothing to do with the Lisbon process!

As indicated above, the most significant impact of the Lisbon Process was felt in the administration: a more strategic approach, the adoption of clearly formulated priorities, and the regular monitoring of policies are the fruits of Lisbon. The collaboration with European peers, the European Commission and different Council formations was also useful, although its intensity and efficiency was uneven.

The policies adopted and their outcomes, however, did not necessarily show the effects of such improvements in governance. The reasons for this are that Lisbon-type policies were not equally strong for each component of the process, the coordination of the different LS chapters was not efficient and the LS remained mainly the issue of the administration and only scarcely managed to break into the sphere of policy-making.

Annex: Assessing achievements according to the Integrated guidelines

Integrated Guidelines, objectives and targets		Policies	Type of indicator	Partial Assessment
Microeconomic policies				
Knowledge and innovation. (Guideline 7)	Overall objective investment in R & D for 2010 of 3 % of GDP	<p>STI Strategy and Action Plan</p> <p>The Government adopted its STI Strategy and a three-year action plan for the STI strategy operation It aims at the application of the principle of performance; fine-tuning of the business-friendly and innovation-encouraging legislative environment; implementation of a common public finance system for R&D&I; coordinated execution of domestic and EU co-finance aid programmes, and reorganization of the related institutional system. A new common system of government finance for the area is planned, involving coordination of the Research and Technological Innovation Fund, the Economic Development OP, the Social Infrastructure operational programme (TIOP), the Social Renewal operational programme (TAMOP) and other domestic sources of funds.</p> <p>Incentives</p> <p>The legislation for R&D contribution of business companies was amended to enhance R&D activities.</p>	Structural	0
Employment guidelines				
Implement employment policies aiming at achieving: (Guideline No 17)	Improving quality and productivity at work		Qualitative	2
	Strengthening social and territorial cohesion	A significant share of the sources of active labor market measures (see below) has been spent in a decentralized way. Within the framework of the New Hungary Development Plan a comprehensive development programme for the most disadvantaged small regions is running.	Structural	
	EU average employment rate of 70 % overall		Structural	
	EU average employment rate of at least 60 % for women		Structural	
	EU average employment rate of 50 % for older workers		Structural	
1. Attract and retain more people in employment, increase labor supply and modernize social protection systems				
	Assistance to career starters	In order to promote the employment of career starters, the Government launched the START Programme at the end of 2005. The programme aims at helping young people entering into the labor market by providing essential work experience. Nearly 41,000 young people found jobs with the support of the programme between 1 October 2005 and 1 August 2007. Recently the government extended it in order to raise the labor demand for disadvantaged workers and aid them in		3

Integrated Guidelines, objectives and targets		Policies	Type of indicator	Partial Assessment
		finding jobs. 'START Plus' support aims at assisting long-term unemployed, following care of small children or other dependant family members, to take up work after the end of child care benefit or while receiving such benefit. 'START Extra' support assists long-term unemployed over the age of 50 or with low educational level to find employment.		
Promote a life-cycle approach to work (Guideline No 18)	To increase female participation	In order to encourage the employment of women, parents receiving child home care allowance were allowed to take up or return to full time employment after the child is 1 year old. Besides changing of the regulations, also active labor market programmes encourage labor market integration of women with small children. Development of the child care services is also in course: by 2008, nearly 1,400 new capacities have been established. START Plus' support aims at assisting long-term unemployed, following care of small children or other dependant family members, to take up work after the end of child care benefit or while receiving such benefit. Improved protection for parents: the dismissal protection during the child care benefit period till the child's third birthday is valid also in the case, if the parent takes up (or resumes) work. Clarifications to the rules concerning temporary agency work have strengthened application of the principle of equal wage for equal work.	Qualitative	2
	Better reconciliation of work and private life		Qualitative	
	Modern social protection systems		Qualitative	
Ensure inclusive labor markets (Guideline No 19)	Development of ALMs	ALMPs: Every year 230-250 thousand persons participate in active labor market measures. In the HEFOP operation programme 35,000 persons involved into complex labor market programmes in 2004-2006. The support system has been transformed with the aimed of further harmonization with EU laws. Reducing regional labor market disparities: A significant share of the sources of active labor market measures has been spent decentralized. Within the framework of the New Hungary Development Plan a comprehensive development programme for the most disadvantaged small regions is running. Assistance for job-seekers' employment at micro, small and medium-sized enterprises and NGOs: The SME+ programme: 11,471 companies joined to the programme and 14,142 registered job-seekers has found a job in a year. Programmes assisting employment of Roma people: Hungarian Strategic Plan launched for The Decade of Roma Inclusion Programme. Integrated programmes aimed at addressing labor market disadvantages assisted in	Qualitative	3

Integrated Guidelines, objectives and targets		Policies	Type of indicator	Partial Assessment
		<p>improving the employability of 30,000 Roma people in a year. Plus "targeted" Roma programmes.</p> <p>Measures for the labor market integration of disabled people and job-seeking assistance for people on rehabilitation benefit</p> <p>The government transforms the disability benefit system. Public Employment Service (PES) has to extend active labor market services to people on disability benefit. A complex programme started providing tailor-made services and rehabilitation to disabled people in order to promote their employability.</p>		
	New sources of jobs in services		Qualitative	
Matching of labor market needs (Guideline No 20)	Modernization of employment services	<p>Integrated employment and social provision system</p> <p>The development of the integrated employment and social provision system has been started. Integration of the ministries responsible for social affairs and employment policy. County-based employment centres have been replaced by regional employment centres. A pilot programme in local cooperation among social and employment services was launched that should lead to the establishment of an institutional framework for local cooperation..</p> <p>New services for people under redundancy Service Centres have been set up in Budapest and 19 counties to provide tailor-made assistance for people dismissed from the public sector. The 'New Career' programme was launched for the dismissed.</p> <p>Modernization of the Public Employment Service (PES)</p> <p>The PES development programme supported by EU structural funds includes e.g. development of a new job brokering system and improvement of the infrastructural and IT system for some employment centres and local employment centres. So far 60 of the 174 local employment centres were modernized. PES will provide employment rehabilitation and job-brokering services for people on rehabilitation benefit. Thereby the PES will cover such groups of the inactive population who didn't belong to the clients of PES till now.</p>	Qualitative	3
	Management of economic migration	Not a relevant labor market issue in Hungary.	Qualitative	
2. Improve adaptability of workers and enterprises				
Flexicurity approach reducing labor market segmentation, involving social partners (Guideline No 21)	Adaptation of employment legislation	<p>Amendment of the Labor Code</p> <p>This removed legal obstacles to flexibility progress regarding employment security.</p> <p>Improved protection of parents: the dismissal protection during the child care benefit period till the child's third birthday is valid also in the case, if the parent takes up (or resumes) work. Clarifications to the rules concerning temporary agency work have strengthened application of the principle of equal wage for equal work.</p>	Qualitative	2

Integrated Guidelines, objectives and targets		Policies	Type of indicator	Partial Assessment
		<p>Temporary work</p> <p>The amendment of the regulation on temporary employment enhanced the employment security of those doing temporary work for private persons and reduced payroll tax obligations. As a result there has been a 50% rise in casual work in a year. Widespread misuse of this regulation, however, called for a correction of the system.</p> <p>Safety at work</p> <p>A coherent supervisory system for work safety was as established. The professional and organizational standardization contributes to healthier and safer workplaces with the coordination of the technical and medical work and completing prevention. The new organization drawn up a comprehensive prevention strategy and implements the inspections in a concentrated way.</p>		
	Fighting against undeclared work	<p>The government has taken measures principally targeted to sanctioning infringing behaviors.</p> <p>Special rules apply to contributions payable on low income</p> <p>Since September 2006, social security contributions have to be paid on the basis of at least twice the minimum wage except for people whose actual income is lower than this amount and report as such to the State Tax Authority (APEH).</p> <p>Developing individual health insurance accounts and contributions records</p> <p>Under the health care system reforms, health care is provided through an insurance arrangement from 1 January 2008. Reporting and declaring each person's individual contributions base and the contributions payable are registered electronically. Health insurance services will be provided only to persons in full benefit, and the system will immediately inform a citizen claiming health services if he or she does not have a regulated and declared working status. In the long term, this should raise the awareness of employees of the conditions of using public services, and thus contribute to combating undeclared work.</p> <p>Control of labor relations' ordered character, changes of the regulation</p> <p>In 2005, a new regulation entered into force, providing that exclusively companies with ordered labor relations may be awarded orders to be applied for under public procurement proceedings; since 2006, this has been completed by similar aggravations in respect of awarding – non-normative – state subsidies.</p> <p>Further strengthening of labor inspection</p> <p>State Tax Authority was reinforced by an additional 1700 employees, while the Hungarian Customs and Finance Guard, the Hungarian Treasury and the Government Control Office were expanded by an additional 500 employees. In order to make labor inspections more effective and to combat undeclared work, the Hungarian Labor</p>	Qualitative	2

Integrated Guidelines, objectives and targets		Policies	Type of indicator	Partial Assessment
		Inspectorate's staff capacity was expanded by 20 per cent.		
	Better anticipation and positive management of change (economic restructuring)		Qualitative	
	Promoting innovative forms of work organization		Qualitative	0
Employment-friendly labor cost (Guideline No 22)	Social partners revising the right framework for wage bargaining	In 2005, with the aim of putting wage policy and wage levels on a more predictable basis in the medium term, the government and the social partners accepted a tripartite defining the level of the national minimum wage in the 2006-2008 period and introducing the new system of "guaranteed minimum wage." The purpose of introducing the guaranteed minimum wage was to reduce informal economy, raise the legal earnings of skilled workers, and consequently boost the supply of skilled labor. Recent experience shows that the introduction of guaranteed minimum wage has not reduced employment.	Qualitative	2
	Reviewing the impact of non-wage labor costs		Qualitative	
3. Increase investment in human capital through better education and skills				
Investment in human capital (Guideline No 23)	Inclusive education and training policies	Measures to improve the effectiveness of education Schools are obliged to participate and cooperate in measuring and assessing students' performance and the results have to be made public. If the evaluation reveals deficiencies, the school maintainers (local governments) are obliged to take action to address them. Performance requirements for teachers are being raised. The revised National Core Curriculum (NCC) entered into force and focuses on the delivery and acquisition of key competencies at all levels of pre-school and school based education and training (ISCED 0,1,2,3). These developments aim primarily at the establishment of competence based education at all levels and forms of public education by 2013.	Structural	3
		Measures to improve equal opportunities The "Viaticum" scholarship programme has been continued. It currently provides financial support to more than 16,000 disadvantaged students and nearly 9000 mentor teachers. Supporting employee's training From 2005 on, enterprises could apply for non-reimbursable aid for the training of their employees. This measure provided training opportunities for nearly 47,000 people. The vast majority of the 1000 successful applicants were small and medium sized enterprises. Training of adults with a low-education, disabled people and older age groups The ESF-funded "One Step Forward" programme has increased the participation of workers with low levels of education in		

Integrated Guidelines, objectives and targets		Policies	Type of indicator	Partial Assessment
		training. 15,600 low-skilled people participated in the programme by mid-2007.		
	Significantly reducing the number of early school leavers		Structural	1
	Efficient lifelong learning strategies		Structural	0
Education (Guideline No 24)	Raising the quality standards of education and training	See above	Qualitative	2

4. IMPLEMENTATION AND IMPACT OF THE LISBON STRATEGY 2000 – 2010 ON EMPLOYMENT AND SOCIAL POLICIES IN POLAND

Dr Anna Kwiatkiewicz (BPI Polska Sp. z o.o.)

4.1 Introduction

The general feeling of “ownership” of the Lisbon Strategy among Poles – both stakeholders involved in the implementation of the strategy and common citizens - is low. Poland seems to be a relatively passive player on the European arena. This concerns especially such initiatives as the Lisbon Strategy - binding for the European Union as a whole, but voluntary for individual Member States and implemented via their own national policy mix. In this regard it is a paradox that Poland is among the most diligent Member States in terms of implementation of both Community law and the Lisbon Strategy. This situation can be explained by the fact that these regulations were necessary to implement important structural reforms irrespective of the Lisbon Strategy. There is a clear difference between “implementing Lisbon” and “introducing structural reforms in Poland”; sometimes the Lisbon Strategy is used as an additional incentive to speed up reform processes or a vehicle to put forward unpopular reforms. In general, the two remain separate and the Lisbon Strategy is not treated as a national priority.

There was a moment, right after Poland’s accession to the EU, when the Lisbon Strategy had its momentum: it was present in the political debate, was the subject of different seminars and conferences, and, last but not least, it was at the centre of a wide civil society discussion taking place within the framework of the Polish Lisbon Strategy Forum. Unfortunately, this momentum was lost because Polish priorities (i.e. free movement of persons or the services directive in its initial shape) were not treated as EU priorities and also as a consequence of the entry into power of a Euro-skeptical government. The further deterioration of the “climate around Lisbon” was caused by lack of knowledge and support from the members of Parliament, lack of personalities that would become “faces” of the Lisbon Strategy, lack of information campaigns and a general lack of Lisbon-related knowledge.

This report presents the role and perception of the Lisbon Strategy in Poland, offers an overview of the strategic documents related to its implementation, discusses the involvement of different stakeholders and reviews debates on the Lisbon Strategy. It also presents the national system of governance and the responsibilities of the involved institutions and offers a preliminary assessment of the Lisbon Strategy’s implementation in Poland.

4.2 Perception of the Lisbon Strategy in Poland

In the years 2000-2004, Poland was concentrating mainly on adopting the “acquis communautaire” rather than on non-legislative programs such as the Lisbon Strategy. It seems that prior to the 2005 review of the LS, the Strategy was understood mainly as the European roadmap in the global competition with the USA that had nothing – or very little - in common with the Polish reality and priorities. It was conceived as the strategy leading to “Europe becoming better than the US” without any detailed knowledge behind this slogan. Only after 2005 the perception has changed, together with a change in the LS ownership: implementing it became the responsibility of the Ministry of Economy and it became a policy fitting Polish needs for structural reforms. On this basis the first National Reform Programme (NRP, or Krajowy Program Reform, KPR) was drafted in 2005.

This change was also caused by the inflow of Structural Funds, part of which was earmarked for the realization of the LS goals. The representatives of the Ministry of Economy believe that the more recent interest in the LS is also a result of a different approach to national policy-making, i.e. it is now widely understood that national policies begin in Brussels, at the European level, not exclusively at the country level.

There are counter-opinions according to which the LS was more popular in Poland at the very beginning (years 2002 – 2006); one of the interviewees stated that “at that time it was a fascinating strategy, a creative and flexible project corresponding to the needs of modern countries, especially such elements of the Strategy as its liberal approach, the draft of the services directive and flexible labour markets”.

The first NRP was seen as a strategic document which was to enable using the EU level debate for a debate on internal issues. At that time the openly anti-European government under the Law and Justice Party (Prawo i Sprawiedliwość) was formed, and understandably, the European agenda took a back-seat. It was followed by a period of doubts and anxiety: “the LS goes in a wrong direction” (years 2006-2007) and a stage of complete disinterest in the LS priorities, “a quiet death of the Strategy and forgetting about it” (from 2007 up to date).

Some people believe that the Lisbon Strategy was “an empty bubble” from the very beginning and that the 2005 review did not change anything. The majority of our interlocutors is convinced that at present the LS in Poland is one of the European initiatives implemented “under compulsion” and does not influence the process of structural reforms.

Another aspect of the perception of the LS is its width: all interlocutors stressed that the Strategy is very wide and can encompass almost all reform processes; some of the interviewees perceived this as a strong side of the Strategy, while some criticised it as being too general and stated that “the death of the Strategy” took place already in 2002 when the environmental protection component was added, which basically was not coherent with the goal to stimulate innovativeness and economic growth.

Irrespective of the views on the Polish perception of the LS and its role, our interlocutors agree that the Strategy has never been known to a wide public, it has been recognized almost exclusively by a limited number of people interested in European affairs - experts, high level civil servants and academics. A large group of politicians and civil servants not directly involved in the LS implementation i.e. those working outside the Ministry of Economy, the Ministry of Regional Development and the Ministry of Labour and Social Affairs, remained relatively uninterested. The common citizens, not interested in European affairs, mix the Strategy with Structural Funds, especially the European Social Fund and the Lisbon Treaty. As far as social partners are concerned, they are involved in the process of consultations and, according to the Ministry of Economy, their awareness has grown over time.

4.3 Overview of key documents

The most important documents for the implementation of the Lisbon Strategy are the National Development Plan (NDP) 2004-2006, the National Development Strategy (NDS) 2007-2015 and the National Reform Programs (NRP) 2005-2008 and 2008-2011.

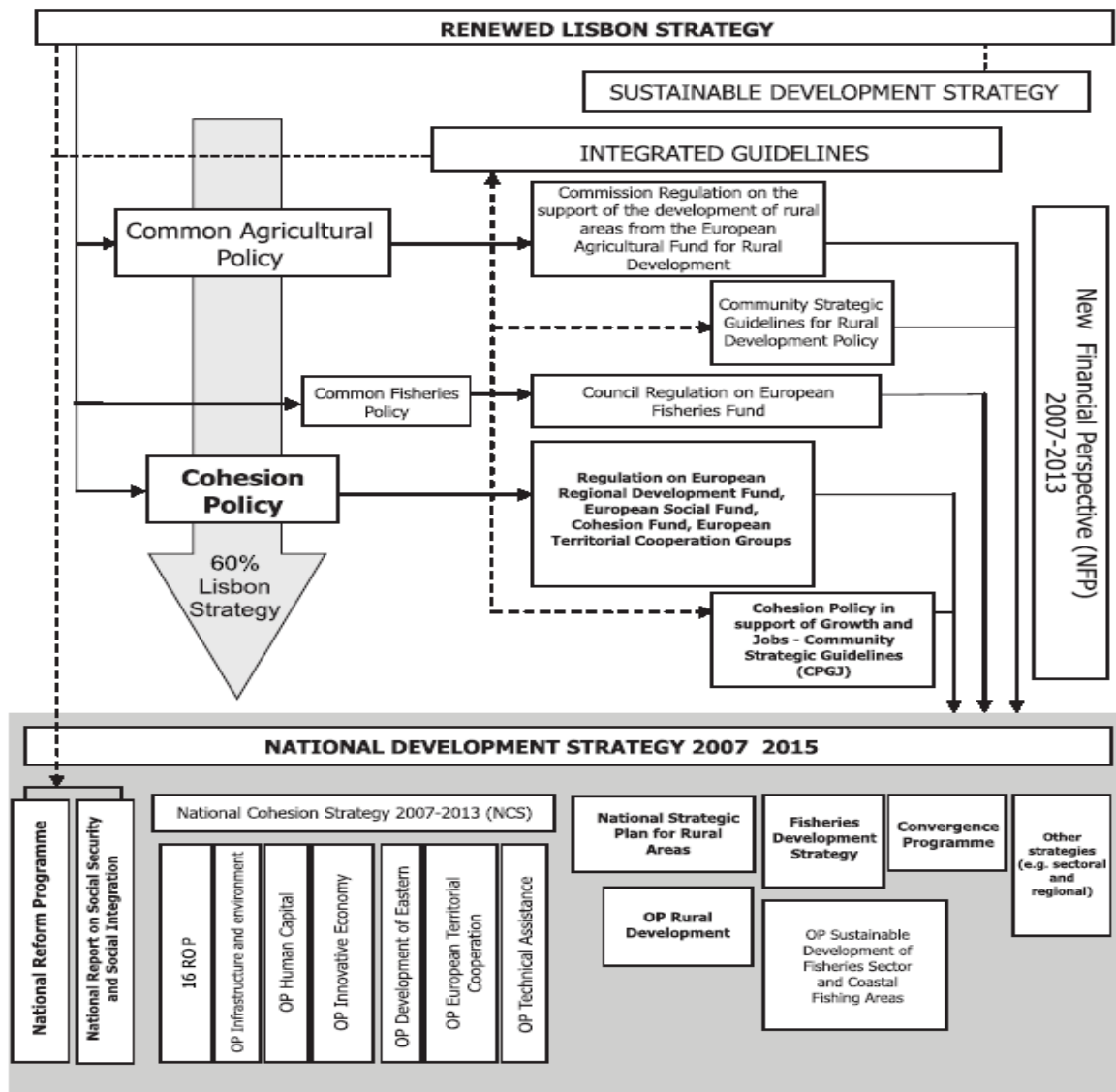
The National Development Plan 2004 – 2006 defined a comprehensive strategy for the socio-economic development of Poland in the first years of EU membership and served as the basis for preparation of the Community Support Framework for Poland. The document links national employment and job creation policies with the EU priorities adopted in the Lisbon Strategy in 2000.

The National Development Strategy (NDS) 2007-2015 was adopted on **29 November 2006**. The NDS 2007-2013 is said to be the main long-term strategic document for Poland corresponding broadly to the EU budgetary cycle.

It is worth pointing out that, in addition to the NRPs and NDS, a big number of strategic documents related to the implementation of the Lisbon Strategy were drafted (406 documents were in force in September 2006). The problem was the lack of clear hierarchy between them and illegible founding rules. Since the beginning of 2007 the Ministry of Regional Development in cooperation with other Ministries is working on reducing the number of strategic documents (in September 2008 the number of strategic documents was reported as 192).

The graph below presents the relations between the EU level and the Polish documents connected with the implementation of the Lisbon Strategy.

Graph 1. The relation between EU level and Polish documents related to the Lisbon Strategy.



Source: National Development Strategy 2007 – 2015, p. 105.

On 27 December 2005 the first National Reform Programme 2005-2008 was adopted by the Council of Ministers. Poland, as many of the recent enlargement countries, had problems with producing long-term, strategic documents of a good quality, which can be explained by the fact that the workload related to the accession process required great attention, thus leaving little time for strategic thinking. Moreover, there was also a lack of know-how and expertise in drafting such documents.

This was reflected in the NRP 2005-2008, which was criticized by the European Commission for its lack of indicators and a roadmap as well as its lack of allocated budgetary means to achieve the defined goals. An Annex had to be drafted to provide the missing information (Implementation Document of the National Reform Programme 2005-2008 adopted on 17 October 2006).

The NRP 2005-2008 was prepared by high level civil servants under the left-wing, government of Prime Minister Marek Belka. The first version was made public on 20 June 2005; on 25 September 2005 parliamentary elections in Poland were held and a few weeks later presidential elections took place. Presidential and parliamentary elections resulted in a landslide shift of power. A second version of the draft NRP was approved by the old Council of Ministers on 5 October 2005. On 31 October 2005 a new government was formed. Now again the NRP had to be changed. Eventually, on 27 December 2005 the Polish Government adopted the "National Reform Programme for 2005 – 2008 to implement the Lisbon Strategy" and it was presented by the newly elected, right-wing government of Prime Minister Kazimierz Marcinkiewicz.

The second, more elaborated National Reform Programme for 2008-2011 was adopted with a significant delay on 18 November 2008. Poland, together with Hungary, were the last countries to submit their NRPs to the European Commission. The Polish NRP 2008-2011 was drafted based on the Integrated Guidelines for Growth and Jobs 2008-2010, country-specific recommendations and points-to-watch indicated by the European Council in March 2008 for Poland and the Strategic Plan of Governing of the Prime Minister Donald Tusk's Government.

The NRP 2008-2011 is consistent with the National Development Strategy, the National Strategic Reference Framework 2007-2013 as well as the Convergence Programme 2007 Update¹.

It has to be pointed out that no significant differences can be noticed in the approach of the different governments to EU affairs and the Lisbon Strategy. Some of our interlocutors explained this situation by the fact that "EU is the national priority and is treated in the same way by all governments"; others believe that this lack of a clear ideological component is the sign of a lack of knowledge. It is believed that over the time the level of knowledge is improving and people with better understanding of European affairs, including LS, are gradually entering the government, but in general "there was a failure to internalise Lisbon Strategy into the national policies and understanding".

Comparison of the NRP 2005-2008 and NRP 2008-2011

According to the representatives of the Ministry of Economy, while analysing the content of the two NRPs as regards employment and social policy, a general observation is that there has been a shift from the social welfare state (vision of the former right-wing, conservative government) aimed mainly at reducing unemployment to the state playing a supporting role in creating employment, activating the unemployed, reforming the pension system, promoting vocational training systems and social partnerships on the labour market – in other words creating the appropriate environment for stimulating employment and the creation of good quality jobs.

The main objective of NRP 2005-2008 was defined as "Maintaining a high level of economic growth favouring job creation while respecting the principles of sustainable development". The main goals of NRP 2005-2008 were restoring the ability of the Polish economy to create jobs, ensure dynamic economic growth, restore the equilibrium of the public finance and easing the social tensions. Six priorities arising from the Polish socio-economic conditions were indicated in the NRP 2005-2008:

- Improved public finance and public funds management;
- The development of entrepreneurship;
- Increased innovativeness of enterprises;

¹ National Reform Programme for 2008-2011 to implement the Lisbon Strategy adopted by the Council of Ministers on 18 November 2008. p. 5.

- The development and modernization of infrastructure and the securing of competition;
- The creation and maintenance of new job opportunities and a reduction in the level of unemployment;
- Improved adaptability of employees and enterprises through investment in human capital.

The last two (Priority 5 and Priority 6) were explicitly related to the employment field.

Measures proposed under Priority 5 were the following:

- reduction of the charges imposed on employees with the lowest income;
- implementation of new organisational and financial solutions to improve access to labour-market services provided for the benefit of the unemployed, job-seekers and employers;
- an increased range and quality of services provided by the Poviats Labour Offices (public employment services at the local level)²;
- better information about the labour market;
- activation of the members of groups particularly disadvantaged on the labour market;
- activation of the disabled.

Measures proposed under Priority 6 were the following:

- increasing the flexibility and diversification of employment forms and work organisation;
- investing in human capital.
- The main objective of the NRP 2008-2011 was “to create in Poland the best conditions for business activity in Europe while providing the opportunity for development and high standard of living to the citizens”. Three priority areas were indicated in NRP 2008-2011:
 - active society; innovative economy; efficient institutions.
 - In the NRP 2008-2011 the measures related to labour market and social policies are reflected in the Actions listed under Priority 1 - Active Society. These are the following:
 - development of education in society and in a knowledge-based economy;
 - modernization of the social security system: realizing the social insurance reform and conducting actions leading to the postponement of employees’ exit from the labour market;
 - active labour market policies including such actions as improvement of public services in the labour market, implementation of a system of incentives encouraging people at risk of unemployment and social exclusion to be more active in the labour market, in particular extending the duration of professional activity and return of people aged 50+ to the labour market and implementation of a migration policy to fulfil the needs of the labour market (in particular with the aim of increasing the inflow of highly qualified employees);
 - development of institutions which facilitate civil society participation, supporting enterprises as well as strengthening the role of social partners’ organizations and social dialogue;
 - development of the information society, providing broadband access to the Internet and improvement of computer skills;

² Poviats corresponds to the notion of province/district (NUTS 4)

- improvement of the healthcare system including such actions as changes in healthcare financing and improvements in the functioning of healthcare providers.

According to one of the interviewed experts, the first NRP 2005-2008 was a very concrete document drafted by the Ministry of Economy, the Ministry of Labour and Social Affairs and the Office of the Committee for European Integration, while the second NRP 2008-2011 was drafted only by the Ministry of Economy and is a very general document. Critical voices concerning this document say that there is no “ownership” of the document, it is a “copy and paste” type of document, very general, to encompass all the subjects and avoid controversies.

In an interview realised at the Parliament it was pointed out that the current Civic Platform government seems to be more focused on the “50+ ” group of citizens, while the former Law & Justice government was more focused on the labour market perspectives of younger people. At the same time the former government paid more attention to job creation, whereas the present one is more focused on maintaining jobs and strengthening employability.

Some of the changes introduced in the second document were a result of the opinions and recommendations expressed by the European Commission. These were the following:

- there is a need to integrate disadvantaged persons and disabled people into the labour market;
- the target level for the unemployment rate for the year 2010 must be set;
- the target level for the employment rate should be set;
- gradual reforms envisaged to increase flexibility in retirement age and to equalise the retirement age of women and men should be introduced;
- more resolute steps are needed to reduce the very large number of inactive people, to raise the employment rate and to meet the ambitious goal of reducing unemployment to 14.6%;
- the youth unemployment rate must be reduced;
- the programme builds on existing policies, but given the scale of the challenge new measures are needed;
- the issue of undeclared work must be addressed;
- the creation of alternative jobs in rural areas should be considered,
- the issues of the reconciliation of work and family life and emigration of qualified workers should be taken up;
- the issues of strengthening territorial cohesion, reducing regional disparities or the marked urban-rural divide should be addressed;
- reforms which concentrate on reducing the tax burden on workers with the lowest incomes and on increasing flexibility and differentiation in forms of employment should be described in more detail;
- a widening of the use of flexible forms of employment should be backed-up by specific measures making them financially attractive;
- issues of health and safety at work should be covered;
- attention should be turned to industrial restructuring processes, which are still incomplete, may entail job losses in coming years, and also need special attention;
- the issue of occupational and geographical mobility should be treated in a more comprehensive way;
- a strategy for lifelong learning is to be developed and implemented;

- a fully-fledged strategy for vocational training is not visible in the programme, despite the fact that over half of employers do not invest in employees' training;
- the proposed measures in the area of employment seem too modest in both scope and scale³.

4.4 The Lisbon Strategy Review of 2005

It is difficult to talk about a shift in the approach to the NRP in the case of the 2004 enlargement countries, as the first Polish NRP was drafted and submitted in the light of the already renewed Lisbon Strategy. The Polish official opinion on the Report of the High Level Group chaired by Wim Kok stated that the report was in compliance with Polish priorities for the following five years⁴. Poland supported a choice of five priorities included in the Report as a basis for the Strategy's mid-term revision as well as the proposal to change the implementation methodology.

From the Polish point of view the most important part of the Report was the elimination of barriers which hampered the internal market, especially as regards free movement of services and persons. During a conference on 18 March 2005 in Warsaw with the President of European Commission, the Polish Prime Minister Belka stated that the final shape of the services' directive would be a test of the new streamlined LS and would also be decisive to understand - from the Polish point of view – if "the LS is worth engagement".

4.5 Lisbon Strategy and national policies

According to our interlocutors there is a very loose interaction between the Lisbon Strategy and national policies in Poland. The majority of reforms and activities would have been implemented irrespective of the Strategy, as these were the structural reforms required for the economic development of Poland.

It is important to note that Poland is still a country undergoing a reform process and post-economic and social transformation. Paradoxically, delays in introducing some reforms bring positive effects i.e. the pension reform is a very progressive one. Until Poland reaches the level of the "old" members of the EU, it would be naïf to expect closer interaction between national policies and LS; at this stage some LS-related aspects are ignored, such as the ones that are not of a predominant importance for Poland.

It can be stated that the LS influences national policies indirectly i.e. via evaluation of the compliance of the Polish legal system with the *acquis communautaire*. Representatives of trade unions believe that LS is a more sustainable development strategy than the neoliberal approach adopted in Poland, which assumes that economic goals are more important than the social ones.

³ Annual Report of the European Commission, COM(2006) 30, Part II POLAND

⁴ Source: <http://www.ukie.gov.pl/WWW/news.nsf/0/EA2234090CC1C728C1256FCC003B5E11d>

4.6 The main actors in the process

Public administration

The Ministry of Economy is the Ministry in charge of implementing the Lisbon Strategy in Poland and the Minister of Economy is “Mr. Lisbon”. Since Poland’s accession to the European Union there were three governments involved in implementing the Lisbon Strategy.

It is very hard to precisely define the priorities derived from the Lisbon Strategy by each of the subsequent governments. At present Polish priorities correspond to the priorities of the renewed Lisbon Strategy (employment and an innovative economy). The Ministry of Economy and Mr. Lisbon do not enjoy any special status or prerogatives linked to the fact that they are responsible for implementing the Lisbon Strategy in Poland. It is said that the only difference is more responsibility and the workload connected with this assignment.

There is also an Inter-Ministerial Team for the Lisbon Strategy Implementation, as in Poland decisions are taken collectively at the governmental level⁵.

The European Union Affairs Committee in the Parliament

The European Union Affairs Committee’s role is to discuss documents and draft legal acts sent by the Ministry of Economy. According to the representatives of the Ministry of Economy – this opinion was confirmed by the Chairman of the European Union Affairs Committee - there is no parliamentary debate on the Strategy and its implementation in Poland and the Committee usually plays a passive role of consultation on the documents received. This is explained by the fact that the Polish parliament has very weak relations with the European Institutions, due to the lack of EU-related knowledge and awareness.

Social partners

Another actor involved in the Lisbon Strategy implementation process is the informal social partners’ consultation group that was created by the Ministry of Economy.

Representatives of both trade unions and employers’ organisations complain about the purely formal character of the consultations and the fact they are not guaranteed sufficient time to prepare their opinions. In their views this process is sometimes a very formal one and is based on placing the documents on the website of the Ministry of Economy without actively seeking to receive social partners’ opinions⁶.

As indicated by a representative of the employers’ organisations, the process of consultation is a facade one. There is a bilateral cooperation mechanism between the trade union representatives and the government, based on ready-to-adopt solutions agreed by them, which are presented to the employers’ organisations.

Other stakeholders

The Polish Lisbon Strategy Forum (PLSF) was created in 2003 and was to serve as an independent platform for an exchange of views and opinions between representatives of the civil society, government, business and academia.

Besides the publication of policy papers and other relevant documents, the main events of the Forum were its Congresses: in the years 2003-2006 four Congresses were organized. The first Congress was organized on 30 May 2003 and was held in the Royal Castle in Warsaw. Both the location and the list of prominent guests ensured that the event was given the right attention in the media.

⁵ More on the national system of governance can be found in part II of the report; see “Lisbon Strategy and national governance”.

⁶ As above.

The Congress was opened by the President of the Republic of Poland Aleksander Kwaśniewski and the Prime Minister of the United Kingdom Tony Blair was the guest of honour. The second Congress was also held in the Royal Castle in Warsaw on 26 May 2004, hosted by the President of the Republic of Poland Aleksander Kwasniewski and the Chancellor of Germany Gerhard Schroeder. The third Congress took place on 2 December 2005 with Lech Kaczyński, the President of the Republic of Poland and Matti Vanhanen, the Prime Minister of the Republic of Finland as a guest of honour. The fourth Congress was held on 13 October 2006 with Lech Kaczyński, the President of the Republic of Poland as a guest of honour. In each of these events Danuta Hübner, the member of the European Commission responsible for Regional Policy, was involved.

It is worth noticing that for each of the Congresses the Forum prepared a publication in form of a White Book – the first White Book was published already in 2003 with the title “Poland and the Lisbon Strategy”. It described the peculiarities of the Polish economy, pointed out at relevant constraints and the need to adapt the Lisbon Strategy to Polish priorities. In the years 2004-2006 three White Books were published; moreover, in 2005 the Green Book commenting the review of the Lisbon Strategy was published by the Forum.

After 2006 the activity of the Forum decreased significantly, some publications were issued, but these were more thematic reports than a commentary to the implementation of the LS in Poland. According to the leader of the PFSL Dr. Jan Szomburg, this slowdown was caused by the general lack of interest of the parties involved and past failure in transforming discussions into more concrete instruments. It was a serious loss that the dynamics created around the Forum got wasted: around this platform an impressive group of academics and practitioners had gathered and they were ready to work together in order to propose solutions that could improve the implementation of the Lisbon Strategy in Poland.

Besides PFSL activities, at the moment of the accession and soon after (2004-2005) there were some 100 regional conferences organized with a view to promoting the implementation of the Lisbon Strategy in Poland. At that time the Office of the Committee for European Integration was also conducting a poll to examine the social perception of the Lisbon Strategy. After 2005 these activities stopped.

4.7 The Lisbon Strategy in academic, political and public debate

The debate around the LS and its implementation initially took place at three levels: a debate organized at the level of the policy-makers involved in the implementation of the strategy, , a little wider, but still rather specialized debate organized by the Gdańsk Institute for Market Economics (GIME) and the Office of the Committee for European Integration (Urząd Komitetu Integracji Europejskiej, UKIE) within the framework of the Polish Lisbon Strategy Forum (Polskie Forum Strategii Lizbońskiej, PFSL) and, as described above, the public debate stimulated by regional conferences and seminars organized by the Office of the Committee for European Integration, altogether some 100 regional conferences organized in the years 2004-2005.

The main issues of the policy-level debate were the following: the European social model (Poland was leaning more towards adopting the anglo-saxon social model), the services' directive, the opening up of the labour markets and the liberalization of networks. From the very beginning it was clear that in Poland economic goals were given priority over social ones: already in the White Book 2003, “Poland towards the Lisbon Strategy”, Dr. Jan Szomburg of GIME stated that “The centre of gravity must lie significantly closer to the economic goals than to the social - and especially environmental - goals. (...) We must achieve our social goals primarily through economic goals - mainly through growth in employment”.

Other issues touched upon in the e-debates organized by PLSF over the course of 2004 included such topics as reflections on the directions of economic development, the conditions for creating an entrepreneurship-friendly environment, challenges for the new pensions system and the activation of people aged more than 50 and people with low skills, discussions on the environmental pillar of economic development or the challenges of the knowledge-based economy.

An analysis of the most relevant developments shows that the LS was also vigorously discussed at the time of the presentation of the Wim Kok Report. The Kok Group report itself was criticized in Poland, for example by Dr. Jarosław Pietras, former Minister for European Affairs and currently Director General at the EU Council Secretariat. His criticism concerned such issues as maintaining the 2010 deadline, which seemed unrealistic and not corresponding to the budgetary constraints of the EU for 2007-2013. Additional criticism concerned the lack of proposals for concrete actions. Thirdly, the report was said not to recognise the benefits of the free movement of persons, perceived as crucial from the Polish perspective.

Another wave of "hot" debate took place after the review of the LS in 2005. The Polish press welcomed enthusiastically the 2005 streamlined Lisbon Strategy as for example in the article "Niech żyje nowa strategia!" (Long live new strategy!) in *Gazeta Wyborcza* of 3 February 2005. At the same time, however, much more attention was devoted to the Services Directive. This Directive was perceived as more crucial for Poland than the little-known and non-compulsory Lisbon Strategy.

During the conference "Lisbon Strategy – new challenges for Poland" organized by the European Union Affairs Committee on 8 March 2005, the revised Lisbon Strategy was criticised as being too **general, too visionary and too unspecific, as well as** due to the fact that the elements which seemed to be important for Poland (i.e. the free movement of persons, especially workers from the construction sector) were treated as of smaller importance.

The year 2007 brought a new issue in the debate on the LS – the regional aspect of the Strategy implementation. A conference entitled "How to implement the Lisbon Strategy in the Regions" was organized on 1st June 2007 in Warsaw by the GIME in cooperation with the Ministry of Economy. The objective of the conference was to better understand how economic growth could be strengthened through the regionalization of pro-growth policies. It was pointed out that the regions should be involved more actively in the implementation of the Lisbon Strategy via Regional Operational Programs and that better cooperation between national and regional governments was needed, as well as tripartite partnerships with the European Commission.

In 2006-2008 some attention was devoted to the achievements of the Lisbon Strategy, for example in *Rzeczpospolita*, which reported on the findings of the Center for European Reform ("Europe will be more competitive than the USA" [*Europa będzie bardziej konkurencyjna niż USA*], 5 March 2008). The article underlined the poor results of the implementation of the Lisbon Strategy in Poland, pointing out with surprise that even Bulgaria and Romania were performing better. The Lisbon Strategy was also very often mentioned in the context of a bad record as regards R&D investment in Poland (ex: "A Polish problem with innovativeness" [*Polski problem z innowacyjnością*] *Rzeczpospolita*, 15 February 2008). On a more positive note, in several sources it was reported that Poland spends well the EU funds, namely the ESF, to improve the situation on the labor market and realize the Lisbon goals (ex. "Brussels praises Warsaw" [*Bruksela chwali Warszawę*], *Rzeczpospolita*, 24 June 2008) – but once again this is an example of identifying the Lisbon Strategy merely with the use of Structural Funds.

According to the majority of our interlocutors, the LS and its implementation have not promoted better awareness of the European integration process. The Strategy is still identified with very general slogans and the sentence about Europe "becoming the most competitive economy in the world" is sometimes quoted with jokes, especially after the start of the ongoing crisis.

4.8 Specific aspects

It is interesting to analyse whether the LS is a factor stimulating innovation, gender equality and pro-European awareness and how the present economic and financial crisis can influence the implementation of the strategy.

LS as a catalyst of innovation policies

In Poland the knowledge triangle "Education – Innovation – Research" is the field which is rated worst among all the Lisbon Strategy indicators. During the 1990s Poland experienced an "educational boom", due to the emergence of private education institutions, which resulted in a growing number of students getting degrees, but for qualifications not always of a good quality or corresponding to labour market needs. This situation is reflected in the findings of the Lisbon Council Policy Brief on Higher Education (November 2008), which noted that: "Poland is good at accepting lots of students, including students of relatively low skill levels upon entering university (as measured by Inclusiveness and Access) [...] But it does very badly at matching skills to the local labour market and at attracting foreign students (as measured by the Effectiveness and Attractiveness sub-indicators)"⁷. This results in a very weak interconnection between the science and business and research application into business. Only 0,19 % of Polish students enrol for Ph.D. programs (against for example 1 % in Germany) and even less in the applied and bio- sciences⁸.

It is estimated that Poland will only catch-up with the average EU level of innovation (currently represented by France, Holland or Belgium) in 20 years. This is the conclusion of the EC Report on Innovation published in February 2008. The innovation factor for Poland is 0,24 out of 1. Poland was optimistically described as a "catching-up country", which means that the level of innovativeness is low, but rising. The EU experts gave good marks for the level of secondary education, budgetary expenses for R&D and the number of new products brought into the market. They were critical about the private R&D expenditure, the accessibility of venture capital, and the level of activity of inventors (number of patents). In the interviews it appeared that Poland, instead of being a genuine innovator (as Sweden or Germany) aspires to be an "innovation imitator", rather following in the steps of Ireland, France or Austria, to name just a few examples⁹.

Influence of the current economic and financial markets crisis

In the last week of January 2009 the Polish Prime Minister stated that the crisis was also affecting the Polish economy and the forecasts concerning economic growth in 2009 had to be corrected to 1,7% economic growth, which was even worse than the EC forecasts from the fall 2008.

At the end of December 2008 the Advisory Group to the Prime Minister published the report entitled "The chances of the Polish development in times of crisis". According to this report the crisis would influence the fulfilment of the LS goals, for example the employment rate indicator, as a consequence of plant closures and collective dismissals already announced at that time. Among the most vulnerable sectors are such industries as steel, automotive, real estate (including construction) and furniture production. The anti-crisis package of 91,3 bln PLN - including the guarantees for companies and banks, simplification of the EU Funds allocation procedures (pre-payments) and infrastructural investments - was believed to be able to prevent the "worst case" scenario from occurring¹⁰.

⁷ P. Ederer, P. Schuller and S. Willms, University Systems Ranking: Citizens and Society in the Age of the Knowledge, Lisbon Council Policy Brief, 19 November 2008, Brussels.

⁸ „Polacy i Niemcy o brakach edukacji”, *Gazeta Wyborcza*, 8 December 2008.

⁹ *European Innovation Scoreboard 2007. Comparative Analysis of Innovation Performance*. February 2008, http://www.nordforsk.org/_img/european_innovation_scoreboard_2007.pdf

¹⁰ *The chances of the Polish development in times of crisis* ("Szansa Polskiego wzrostu w kryzysie"), Michał Boni i Zespół Doradców, Prime Minister's Office, December 2008.

In the interview at the Parliament it was suggested that a lack of credit is a major threat for future growth and should be compensated with advanced payments from the European Funds. During the interview at the Ministry of Economy it was mentioned that the Lisbon Strategy and other structural reforms should not be discontinued due to the economic crisis. One of the experts of the European Affairs Committee believes that the crisis can be perceived as a chance for economic progress and described it as “importing the tsunami from outside” and “escaping ahead surpassing the others”.

One of the experts also declared that the LS could indirectly contribute to adopting strategies to cope with the crisis by promoting flexicurity-related measures, i.e. temporary reductions of salary or working time.

Principle of gender equality

The principle of gender equality and equal opportunities is a horizontal policy present in all EU-sponsored programs and projects. In this respect the idea of gender equality has become a widely known and discussed principle; it is also associated with the concept of improvement of the work-life balance.

All our interlocutors agreed that the Lisbon Strategy has not been particularly useful in promoting this idea, which is not, however, reflected in the initiatives of the Polish government. It was more the Structural Funds that brought the principle of gender equality into the spotlight.

4.9 The Lisbon Strategy and national governance

Institutional involvement and coordination - The Minister of Economy – Polish “Mr. Lisbon”

The Minister of Economy acts as the coordinator of the Lisbon process in Poland. He is in charge of drafting the National Reform Programme and he also is responsible for the implementation, coordination and monitoring of the NRP, as well as for the submission to the Council of Ministers of annual information on the progress realised¹¹. So far three annual progress reports were submitted.

The first government under which the LS was implemented was the pro-European government led by Marek Belka, with Jerzy Hausner as the Deputy Prime Minister and the Minister of Labour and Economy (11 June 2004 -19 October 2005). Under the Law & Justice government led by Kazimierz Marcinkiewicz (31 October 2005–14 July 2006) and Jarosław Kaczyński (14 July 2006-16 November 2007), this task was carried out by the Minister of Economy Piotr Woźniak who was perceived as one of the most competent members of the government and reluctant to the idea of European integration. Since 12 February 2008 Poland has its Mr. Lisbon in the person of the Minister of Economy and Deputy Prime Minister, Waldemar Pawlak¹². It should be said that Minister Pawlak, the leader of a Polish Peasants Party (Polskie Stronnictwo Ludowe, PSL) is not a politician with a spontaneous pro-European attitude, however according to the representatives of the Ministry of Economy his identification with the role of “Mr. Lisbon” is very strong. The main objectives of the present Mr. Lisbon is the reform of the pensions system, the increase of investment in R&D and the modernisation of infrastructure.

Since the government in Poland works according to the rule of collegiality, in this case through the European Committee of the Council of Ministers that meets regularly twice a week, Mr Lisbon’s main task is to assess the coherence of strategic documents produced by the administration. He is also responsible for preparing position papers for EU-level meetings as well as organising the process of consultations of social partners. Since February 2008 Mr. Lisbon heads an advisory body to the Prime Minister - the Inter-Ministerial Team for the Lisbon Strategy Implementation¹³.

¹¹ National Reform Programme for 2005-2008 to implement the Lisbon Strategy. Adopted by the Council of Ministers on 27 December 2005.

¹² Uchwała Nr 26 Rady Ministrów z 12 lutego 2008 r. w sprawie koordynacji procesu lizbońskiego w Rzeczypospolitej. Before the coordination process was based on the so called Government Information (Informacja Rządu).

¹³ Międzyresortowy Zespół do spraw realizacji Strategii Lizbońskiej.

According to the Decision of the Prime Minister of 17 of September 2007 the Inter-Ministerial Team is composed of Deputy-Ministers (Secretaries and Under-Secretaries of State) and Deputy-Directors of the central administration¹⁴. The Inter-Ministerial Team convenes at least once every four months - it has met four times in 2008 and two of these meetings were attended by Mr. Lisbon – and Mr. Lisbon reports to the Prime Minister at least with the same scheduling. The Polish Mr. Lisbon participated in the annual meeting of the National Coordinators of the Lisbon Strategy that took place in Brussels in May 2008.

As it was clarified above, Mr. Lisbon does not enjoy any special status linked to his role of national coordinator for the LS implementation.

Inter-Ministerial Team for Lisbon Strategy Implementation

The Inter-Ministerial Team for Lisbon Strategy Implementation is responsible for the following tasks:

- drafting proposals for socio-economic reforms that are to be implemented at the Community level and the national level with a view to accelerating economic growth and contribute to higher levels of employment;
- reviewing the NRPs and the annual progress reports on the implementation of the NRP and other related documents;
- evaluating the cohesion of draft strategic documents linked with the implementation of the LS, with the NRP and with other EU documents;
- reviewing government's draft positions papers as regards EU documents linked with the LS, as well as the implementation of Community law and the EU initiatives important for achieving the LS goals at the national level;
- participating in public consultations and in bilateral consultations with the European Commission as regards the implementation of the NRP.

The Team assists the Chairman of the Council of Ministers (the Polish Prime Minister) in monitoring the implementation of the LS and other reforms; within the Team there is a special Working Group for NRP Implementation.

All decisions related to the implementation of the LS in Poland are taken according to the ordinary decision-making procedure at the central government level. Involvement of the regions implementing the LS can be only assessed by their effectiveness in the absorption of the EU funds earmarked for realisation of the LS via Regional Operational Programs 2007-2013 - 40% of the total EU structural funds were allocated to implement the Regional Operational Programs. It is worth mentioning that the European Commission has set up a general rule that minimum 50% of structural funds should be devoted to the achievement of Lisbon Strategy's goals. Poland has committed itself to set up the level of interdependence to 64%, out of which 40% at the regional level. In 2004-2006 the realised level was over 60%, which did not prevent Poland from being the least achieving country in terms of the Lisbon Strategy scorecard.

National Parliament

The Polish Parliament has remained (as in case of most of European policies and initiatives) purely reactive to the initiatives connected with the Lisbon Strategy. The EU Affairs Committee has devoted little attention to LS even though the Draft NRPs and the yearly reports are submitted for opinion by the Ministry of Economy. As recognised in the interview with the EU Affairs Committee Chairman, the Committee was more concerned with evaluating technical problems.

¹⁴ Zarządzenie Nr 99 Prezesa Rady Ministrów z dnia 19 września 2007 r. w sprawie powołania Międzyresortowego Zespołu do spraw realizacji Strategii Lizbońskiej w Polsce.

After the Polish accession to the EU, surprisingly it was the Senate (who does not have much influence on the development of policies related to the LS) who tried to respond actively to LS-related European initiatives. A conference on LS was organized by the Senate on 8 March 2005 under the auspices of the Deputy Marshal of Senate, Kazimierz Kutz. It was also the upper chamber of Parliament that was more active in the first inter-parliamentary meeting in Brussels on the LS on 16-17 of March 2005.

Despite this, during the second meeting (31st January – 1st February 2006) only the representatives of the lower chamber were present. The third and fourth meetings (5-6 of February 2007 and 11-12 of February 2008) were more popular among the MPs again, the general pattern being that the Chairmen of the Committee on the European Union of Sejm and Senate are present, together with a chairman of one of the committees involved with the LS (Committee of Finance, Economy, Social Policy or Science). Generally speaking, one may observe that after an initial interest in the LS after the accession, when a number of conferences and studies were made (i.e. Parliament's Bureau of Analysis)¹⁵ the focus shifted from a general approach to a more detailed discussion in parliamentary committees and during parliamentary debates the LS was mentioned rather by the representatives of government or European institutions than the MPs themselves. The government positions on the LS are prepared in conformity with the Act of 11 of March 2004 on the co-operation between Sejm and the Polish government and matters relating to the EU are presented in the European Affairs Commission in Sejm and adopted without major debate.

Finally it is worth noting that the December 2007 Strategic report on the renewed Lisbon Strategy for growth and jobs concluded that: "Consultation and efforts to develop ownership of the NRP [in Poland] at the level of central and local governments and with Parliament and the social partners have been reinforced. In order to increase public awareness, the government organised a number of seminars and public events."¹⁶ Indeed, it seems that on the parliamentary level the main outcome of LS-related activity could be such increase of awareness.

Some of the MPs have been particularly active. This involvement is reflected in parliamentary records. That was the case of the debate on the EC document (COM 2007 803) on the Lisbon Strategy for Employment of 7 March 2008 discussed at the EU Affaires Committee.¹⁷

During our interview at the Ministry of Economy, the involvement of Parliament was criticised based on the observation that none of the MPs show up at the informal Consultancy Group meeting, which has held five meetings as of December 2008. It was also pointed out that the word "Lisbon Strategy" very rarely appears in parliamentary interpellations. Little debate takes place in the EU Affairs Committee of the Sejm.¹⁸ As a general remark it was observed that, within the central administration, it is the Parliament that stands out as the institution which is the least-exposed to the daily contacts with the European Union institutions, and more interestingly, refuses to be more involved. Finally, the representatives of the Ministry of Economy expressed their surprise at the weak interconnections between the Sejm and the EP, while this channel of communication functions rather smoothly in countries like France, Germany or Great Britain.

¹⁵ Ewa Czerwińska, *Strategia Lizbońska*, Kancelaria Sejmu Biuro Studiów i Ekspertyz, Informacja Nr 1111, Grudzień 2004.

¹⁶ Communication from the Commission to the Spring European Council Strategic report on the renewed Lisbon Strategy for growth and jobs: launching the new cycle (2008-2010) - *Keeping up the pace of change Assessment of the National Reform Programmes (Part II/V)*, Brussels, 18 December 2007.

¹⁷ The MPs Mirosława Nykiel and Bożena Kotkowska presented the document, while MPs Marek Krzakała, Ewa Tomaszewska and Jarosław Pięta took the floor on the subject. MPs Grażyna Ciemniak, Andrzej Gałazewski, Senator Edmund Wittbrodt have been the most active in the yearly Joint Parliamentary Meetings.

¹⁸ Interview in the Ministry of Economy.

Experts' and social partners' involvement

Open consultations are organized on the basis of the Council of Ministers Resolution of 12 February 2008¹⁹ and Mr. Lisbon is responsible for conducting them.

The stakeholders participating in the Monitoring Committees of the Operational Programs (Regional Development) are employees' and employers' organizations, NGOs (appointed by the Public Benefit Work Council, Rada Działalności Pożytku Publicznego), environmental organizations (appointed by the Main Council of Higher Education, Rada Główna Szkolnictwa Wyższego). Moreover, the Ministry of Economy established a list of specialists (scientists, experts) that are consulted on thematic issues.

Consultations took place on the draft of the Polish NRP. After its adoption by the Council of Ministers, the NRP was presented before the Sejm of the Republic of Poland. In March 2006 the NRP was discussed during a joint meeting of the Committee on the Economy and the Committee on Administration and Internal Affairs. In the Sejm there was a plenary debate on the NRP on 27 April 2006, the result of which was the Sejm's "taking note" of the NRP.

In order to develop the broadest possible support in the public for the proposals presented in the NRP 2008-2011, the Government carried out broader consultations. On 20 July 2006, the government held a meeting with representatives of Marshals' Offices, trade unions, employers' organisations, agencies, the scientific community and NGOs. The subject of the meeting was to present and discuss the Implementation Document of the National Reform Programme. Document of the NRP (ID) and the Reports on the implementation of the NRP are envisaged.

The process of preparing the NRP 2005 – 2008 took into account contributions by the social partners and representatives of the Polish Parliament and Senate. Consultations began on 22 June 2005 with a national conference attended by a wide range of representatives from the scientific, academic and specialised circles, associations of businesses and employers, trade unions and non-governmental organisations. Similarly, broad consultations on the NRP were launched in August 2005 by the Interdepartmental Group on the preparation of the 2007-2013 National Development Plan.

The main way of communication on the LS is the webpage hosted by the Ministry of Economy: www.kpr.gov.pl. Stakeholders are invited to express their written opinions on the draft documents via this portal. Occasional meetings were organized by the Ministry of Education with partners, for example on the post-LS. The Ministry of Economy has drafted a list of 82 social and economic partners that includes four groups of actors: all Marshalls of Voivodships (16), MPs presiding the thematic Committees such as Economy, Social Policies and Family, Territorial Self-Governance, EU Affaires (21), public and private research institutions, trade unions, employers' organizations, local authorities (40), and the representatives of the associations of municipalities, Universities and the National Bank of Poland (8).

The representatives of the Ministry of Economy describe the process of consultations as a standard one. It can be organised either by sending the draft documents to the social partners to ask them for their opinion or by publishing the draft document on the Ministry's website (www.kpr.gov.pl). The written opinions expressed by social partners are not attached to the official documents. The representatives of the Ministry of Economy stress that the level of knowledge of social partners and other stakeholders has grown over the time significantly and at present it is possible to hold detailed and ad-hoc discussions.

¹⁹ Uchwała Nr 26 Rady Ministrów z 12 lutego 2008 r. w sprawie koordynacji procesu lizbońskiego w Rzeczypospolitej. „§ 3. Koordynator jest odpowiedzialny za prowadzenie konsultacji społecznych dotyczących procesu lizbońskiego, w szczególności w zakresie przygotowywania propozycji reform, informowania o stanie realizacji KPR oraz działań podejmowanych na poziomie Unii Europejskiej.”

The Open Method of Coordination (OMC)

The OMC is believed not to match the way the Polish administration functions as it is not familiar to this culture. Our interview at the Ministry of Economy revealed that the “peer review technique” (PRT) is not working, primarily because of different administrative practices in the Member States which are considered as non-transferable. The added value of the PRT was described as a “chance to meet interesting people and get some inspiration”.

It has to be pointed out that some new elements have appeared, such as the consultations with stakeholders or the preparation of guidelines, but these are rather single initiatives and are not combined into a coherent system. One of the interviewees expressed the view that the LS has started changing the “thinking process” in the Polish administration and this is its added value. The 3-year programming cycle was described as “secure”, as introducing changes on the annual basis is possible.

Our interlocutors from the Ministry of Economy stated that the reporting system linked to the Lisbon Strategy is very complicated, time-consuming and results in additional workload for the administration. These opinions are said to be shared also by representatives of the public administration from other Member States.

Monitoring

The Monitoring System of the NRP was described in the Implementation Document to the NRP 2005- 2008, where it was stated that the process is based on the following elements:

- an Operational Data Base (ODB) including detailed information on the tasks implemented by the ministries and offices within the framework of the NRP; the database is updated on a regular basis;
- a system of quarterly reports on the implementation of specific tasks submitted by the relevant ministries and offices.

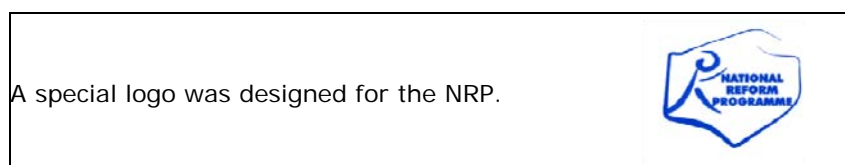
The Inter-Ministerial Team for the Implementation of the Lisbon Strategy in Poland, together with the Working Group on NRP implementation operating within the Team, is responsible for regular monitoring of the LS implementation.

Mr. Lisbon submits his Information on NRP implementation to the Council of Ministers every three months. These reports are used as the basis for drafting the Progress Report on NRP implementation that is submitted to the Council of Ministers and the Sejm of the Republic of Poland.

Communication

At present there is no communication strategy on the LS and the NRP implementation. Some information is disseminated via the consultations on the draft documents with the social partners and other stakeholders.

Another tool is the website dedicated to the LS in Poland and the NRP (www.kpr.gov.pl), managed by the Ministry of Economy. The website is used to publish all the relevant documents and materials related to the LS and serves as one of the channels for consultations.



The Lisbon Strategy was also discussed at a series of conferences and seminars where the banners with the NRP logo are usually displayed, but all these activities cannot be described as a coherent communication campaign or a promotional strategy. Some general information on LS is also disseminated through the Center of European Integration.

At the very beginning of the LS implementation in Poland it was the Office of the Committee for the European Integration that was charged with the task of communicating the LS to the public. This arrangement was linked to an ad-hoc budgetary allocation. This division of the workload worked out rather poorly as no communication strategy was in fact organised by the government and the coordination between the Ministry of Economy and the Office of the Committee for the European Integration was non-existent.

At present the LS is the subject discussed rather in the specialized than in the more popular media. According to the Chairman of the European Union Affairs Committee "certain activities, although directly linked with the LS, are not associated by the citizens with the Strategy. Not many people realize, that when we speak of competitiveness, life-long learning, human capital, we actually speak of the LS. This is partly the fault of the media, which do not explain this link, they are not interested in the European affairs unless there is a scandal".

In our interview at the Ministry of Economy our interlocutors declared that up to 90% of the information appearing in the media is not of a good quality, it is rather superficial and no in-depth analysis is performed. Sometimes the problem consists in bad quality translation that creates confusion. The common citizen's knowledge of EU-related issues and the Lisbon Strategy is so limited, that any reporting on them is perceived as "confusing, useless and not interesting".

The two exceptions mentioned during the interviews included the "Gazeta Wyborcza", EU affairs journalist Konrad Niklewicz as being "a journalist with a sound knowledge of the European affairs" and the TVN 24 News Channel because "they broadcast the news as they are".

4.10 Assessment of the Lisbon Strategy's implementation

It is very hard to provide a comprehensive assessment of the implementation of the LS due to the lack of detailed information and indicators that would prove the progress achieved. The assessment below is based on available data, although fragmented, and opinions gathered during interviews.

The 2007 Report on the implementation of NRP states that the most important LS-related reforms in Poland included the retirement and disability pensions' reform and the reform of the healthcare system. In the framework of the first reform, after conducting appropriate analytical work, the following proposals were drafted: the act on early retirement, the act on pension funds and the act amending the act on retirement and disability pensions paid out of the Social Insurance Fund and amending certain other acts.

The aim of the first act is to gradually reduce the possibilities for early retirement and adjust the retirement system to the demographic situation in our country (declining fertility rate and growing life expectancy cause population ageing).

The draft act on pension funds lays down the rules for making payments out of the funds accumulated by the Open Pension Funds (OFE). The Act is the last element of a major pensions reform initiated in 1999.

The goal of the third act currently being drafted is to ensure cohesion between the method of calculating incapacity benefits granted from the Social Insurance Fund (SIF) with the method for calculating retirement pensions under the new system.

The information on the implementation of NRP in 2008 adopted on 30 September 2008 state that in the first quarter of 2008 some acceleration in the implementation of reforms was visible. Work on the pensions' reform was intensified, while efforts in the area of lifelong learning have been delayed.

In March 2008 the Centre for European Reform published its report on the implementation of the Lisbon Strategy in Poland, which was ranked as almost the last country, only before Malta. The fact that Poland is a new Member State and has to make up the distance to old Members prevented it from being included into the group of “black sheep” countries. Instead, like Hungary, Poland was recognized as a country that had to “try better”.

An optimistic assessment of the LS was included in the Lisbon Council Report in March 2008²⁰. Poland ranked fifth in the group of the fourteen biggest EU economies - behind Finland, Ireland, Denmark and Sweden but before Germany, the Netherlands or France, but as the only country of the “new” EU Members. This relatively high mark was due to high growth rate (1st) and increased productivity (3rd). In the other fields the assessment was more critical: the employment rate was far from the targeted 70% and a small number of workers possessed higher education (11th). The report concluded that: “Poland has to tackle huge challenges in the field of human capital, if it wants to move away from an economy whose growth comes from being in transition to an innovative economy”²¹.

In the opinion of the Polish Chamber of Commerce concerning the period 2006 – 2007 most of the changes in the legal system proposed in the NRP were not being implemented. They believe that some acts essential for socio-economic development were still being drafted: the priorities of the NRP should be implemented based on the contribution of all social partners, yet the entrepreneurs’ voice has been continuously ignored in the process²².

On 9 January 2008 the Polish Confederation of Private Employers “Lewiatan” published its opinion²³, according to which the European Commission’s assessment is fair and impartial when it recommends paying more attention to the consolidation of public finances, improving the functioning of the national labour market, creating incentives for offering and taking up new jobs, improving the vocational education system and supporting innovation. The Confederation emphasised that the poor level of implementation of the guidelines is alarming as Poland belongs to the worst performing Member States.

Weaknesses in implementing the Lisbon Strategy

According to our informants the main difficulties in translating the Lisbon Strategy into national policies in Poland originate from the following reasons:

- lack of a clear hierarchy of priorities;
- too many fields included in the LS; the most radical opinion was that the LS died in 2002 when the environmental component was included in the Lisbon agenda;
- the importance of the LS is not reflected in the organisational structure of the government: different components of the Strategy have been delegated to different departments in different ministries and coordination is not sufficient;
- a lack of continuity in the public administration: changes in the government usually bring an intensive staff turnover i.e. at the level of the Secretaries of State or the Under-Secretaries of State, which prevents knowledge accumulation in the Ministries;
- weaknesses in the follow up on the implementation of the LS: lack of data on the indicators related to the LS implementation;

²⁰ Lisbon Council report on Lisbon Strategy, 4 March 2008, Brussels.

²¹ Ibidem

²² October 2007. Opinion of Polish Chamber of Commerce on Report of implementation of NRP 2005-2008, Source: http://www.pwg.iph.bialystok.pl/pokaz_tresc_artykulu.php?id_art=199&id_dzialu=3

²³ Source: http://www.pkpplewiatan.pl/?ID=161492&article_id=195707.

- lack of “nationalisation of LS”: it is necessary to ensure that there is a national ownership of this non-mandatory strategy; the European Commission and other European Institutions cannot do anything about this, as this is the role of the national parliament and the national administration to accept the Strategy and “nationalise” it; as to Poland, this is also a result of the fact that the LS priorities are thought not to match the national interests anymore;
- it is impossible to effectively implement the Strategy without earmarking appropriate funding: the LS should be backed by a sort-of “Lisbon Strategy Fund”;
- a lack of knowledge and awareness in the political elites; moreover, a “LS public administration elite” was not created and over time the rank of those involved in LS-related tasks deteriorated;
- lack of budgetary resources for promotion campaigns as well as for experts: the Ministry of Economy drafts alone all the strategic documents, social consultations are said not to be effective;
- a lack of appropriate legal regulations i.e. stimulating private investment into R&D;
- lack of a motivation lever to raise Member States’ interest in the implementation of the LS.

Another factor explaining the generally poor Polish performance was a number of problems that appeared in the process of consultations on the first Polish NRP. The timing of consultations was very unfortunate, 2005 being an election year, both parliamentary and presidential, which ended in a complete shift of power. This hampered and limited the consultation process. Already in 2005, Maciej H. Grabowski in a publication of PFSL - “National Reform Programs: Key to Successful Future of the European Project?” was predicting: “The NRP did not gain strong political ownership and leadership. (...) The NRP 2005–2008 will be a product of high level civil servants, politicians and - to a lesser extent - experts. The voice of the stakeholders will probably not be heard. The role of the document for domestic policy will be therefore rather limited”.

These predictions were confirmed by the Polish Confederation of Private Employers „Lewiatan”, a major partner in the political life of Poland, in its comment to the European Economic and Social Committee’s Summary report to the European Council on the implementation of the Lisbon Strategy in 2006: “PKPP Lewiatan developed a number of recommendations in regard to NRP 2005-2008. Unfortunately the process of consultation on the NRP with social partners, including with employers organisations, was treated relatively formal, and its short deadlines ruled out the possibility of thorough preparation of position papers”²⁴. It seems that the situation was repeated while drafting the NRP 2008-2013, but this time the social partners were more realistic – they simply did not believe that their voice would be heard.

Suggestions for making the implementation of the LS more effective

According to our informants there are some initiatives that could result in improving the effectiveness in implementing the Lisbon Strategy:

- closer relations between the national governments and the European Parliament in order to ensure that the national governments are updated on initiatives taken up in the European Parliament and offer their input;
- making better use of the width of the LS so that everyone can find out its own priorities;
- defining a clear set of priorities;
- a reflection on the elements that can be implemented via legal instruments;
- globalisation should be taken into account in designing the “post-LS” after 2010;

²⁴ Source: http://www.pkpplewiatan.pl/?ID=161492&article_id=125672

- the NRP should be a "living document", with two categories of items, notably permanent and adjustable points; at present it is more a type of "copy and paste" document;
- more government investments to facilitate the absorption of the Structural Funds and facilitating SMEs' access to such funds;
- the voluntary nature of the LS is believed to be the only appropriate approach, however a decentralization of the process should be considered to ensure more involvement of the regions - at present such involvement is based only on the regional allocation of the structural funds, so that it can be stated that the financial means are the "transfer tools" for the LS to the regions;
- more involvement of the Polish parliament: there is a need for better EU-related knowledge and wider debate, i.e. there was a suggestion to hold a debate about the LS in the Parliament on a yearly basis;
- there could be a more specialized Committee in Parliament, i.e. the sub-committee of the Economic Committee, that would be able to provide a more substantial input in policy-making related to the implementation of the Lisbon Strategy;
- a system of reporting on LS implementation should be put into place;
- there should be more public debate related to the LS;
- active participation in designing the next LS – "our voice has to be heard, the goals should correspond to the Polish reality, otherwise it will end up again in the same way - lack of serious commitment and recognition";
- considering some more revolutionary ideas: "it should be admitted that the LS has not worked out and we should forget about it";
- it is advisable to concentrate on innovativeness, competitiveness and regional development; Member States could be asked to prepare their own strategies on improving competitiveness and possibly organize a wide-debate, i.e. every 6 months, on how to support competitiveness, with the involvement of the regions;
- make an attempt to find new subjects for the Strategy;
- introduce a better, more effective and coherent system of communication;
- choose 2-3 priority areas and concentrate on them;
- it is necessary to find a "personality" interested in the Lisbon Strategy and putting his/her face on the Strategy; the Prime Minister would be a possibility, with a "PM plan on the implementation of the Lisbon Strategy";
- there is a serious threat of "Lisbonisation" of the new financial perspectives: significant share of the structural funds is earmarked for R&D, innovation, etc.; this means new MS may have difficulties in accessing these funds, so a two-fold approach should be proposed;
- ensuring more effective and wider consultations with social partners and inviting all relevant social partners, not only chosen ones.

Annex 1: Performance indicators for NRP 2005-2008 - priorities and activities

Priority 1 performance indicators

Indicator	2004	2005	2006	2007	2008
• number of working people aged 55-64 against total population of that age	26,2%	27,2%	28,1%		

Priority 5 performance indicators

Indicator	2004	2005	2006	2007	2008
• total unemployment rate (annual average)	19%	17,6%(b)	14,8%(b)	11,2%(b)	8,9% (Sept.2008)
• unemployment rate per age group:					
- youth (15-24 years)	40,80%	37,80%	30%(a)	21,6%(a)	17,0%(a)
- older people (50 years and above)	12,90%	12,60%	11,0%(a)	7,9% (a)	5,4% (a)
• Unemployment rate for women	19,9%	19,1%	14,9%	10,1%(a)	7,7%(a)
• long-term unemployment (% share of persons unemployed for more than 12 months in total unemployed population)	47,9%	52,2%	50,4%	45,8%(a)	42,9%(c)
• long-term unemployment rate (over 12 months)	10,3%	10,2%	7,8%	4,4%(a)	3%(a)
• diversity index for regional employment rates (BAEL data for fourth quarter)	7,8pp	7,0pp	7,8pp		9,6pp(b)
• employment rate (15-64)	51,7%	52,8%	53,6%(a)	53,5%(a)	53,9%(a)
• employment rate for women (15-64)	46,2%	46,8%	46,2%(a)	45,9%(a)	46,2%(a)
• percentage of population at risk of poverty after social transfers – percentage of persons with disposable income lower than poverty risk threshold, i.e. 60% of national disposable income average	21%	19%			

Source: NRP 2007 Report, Central Statistical Office, (BAEL, annual average).

a) - BAEL Q2 2008; b) - Dept. of Labour Market in Ministry of Labour and Social Policy; c) - Registered unemployment I-II quarter 2008 (data for Q2 of 2007 and 2008)

Priority 6 performance indicators

Indicator	2004	2005	2006	2007	2008
• index of educational achievements of young people (percentage of persons with secondary and basic-vocational education in population aged 20-24) (ISCED 3)	89,50%	90,00%	91,7(a)		
• percentage of people aged 25-64 in study or qualification improvement (BAEL data, annual average)	5,50%	5,00%	4,7%(a)		

Source: NRP 2007 Report, Central Statistical Office, Eurostat

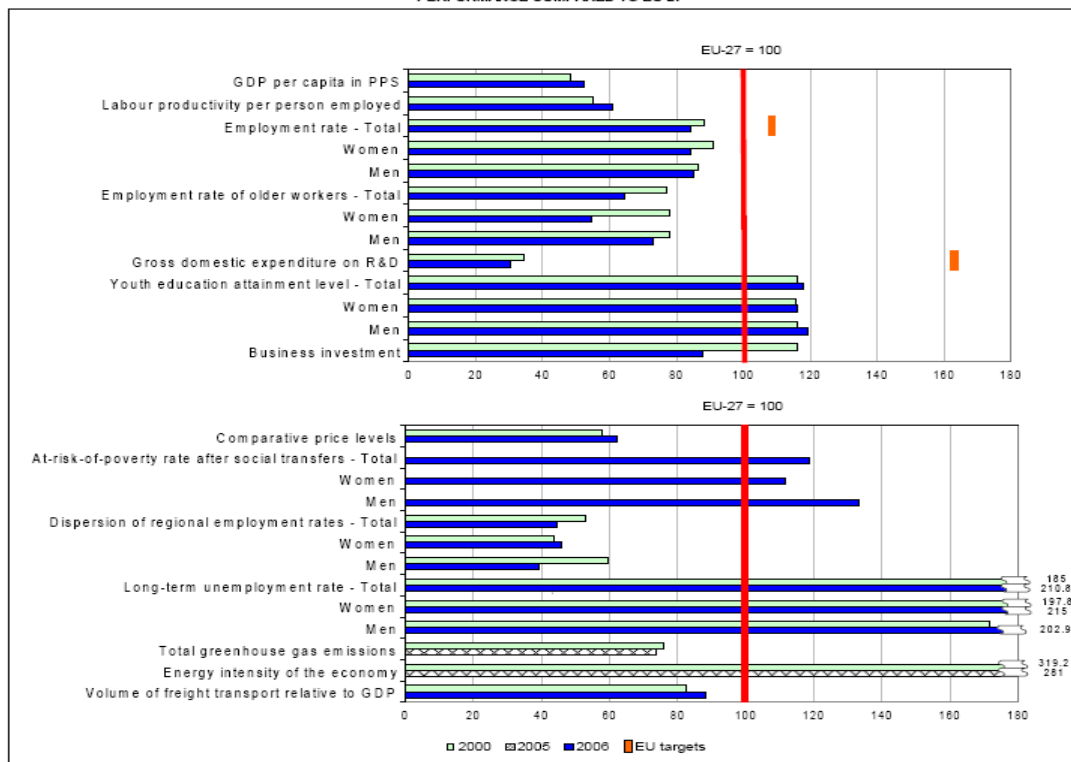
a) Eurostat yearbook 2008

Annex 2: Update of the Statistical Annex to the 2008 Annual Progress Report from the Commission to the Spring European Council, Structural Indicators

POLAND

	PL							EU27			
	2000	2001	2003	2004	2005	2006	2010 National target	2000	2005	2006	2010 EU target
GDP per capita in PPS	48.4	47.7	49.1	50.8	51.3	52.4		100.0	100.0	100.0	
Labour productivity per person employed	55.2e	56.0e	60.0e	61.5e	60.9e	60.9e		100.0	100.0	100.0	
Employment rate											70.0
	Total	55.0	53.4	51.2	51.7	52.8	54.5	62.2	63.5	64.5	
	Women	48.9	47.7	46.0	46.2	46.8	48.2	53.7	56.3	57.3	
	Men	61.2	59.2	56.5	57.2	58.9	60.9	70.8	70.8	71.6	
Employment rate of older workers	Total	28.4	27.4	26.9	26.2	27.2	28.1	36.9	42.4	43.5	
	Women	21.4	20.4	19.8	19.4	19.7	19.0	27.4	33.6	34.9	
	Men	36.7	35.6	35.2	34.1	35.9	38.4	47.1	51.6	52.7	
Gross domestic expenditure on R&D		0.64	0.62	0.54	0.56	0.57	0.56	1.86e	1.84	1.84e	3.0
Youth education attainment level	Total	88.8	89.7	90.3	90.9	91.1	91.7	76.6	77.5	77.9	
	Women	91.7	91.8	92.8	93.1	93.3	93.8	79.3	80.2	80.8	
	Men	85.8	87.7	87.9	88.7	88.9	89.6	73.8	74.9	75.0	
Comparative price levels		57.9	64.8	54.4	53.2	61.3	62.1	100.0	100.0	100.0	
Business investment		21.4	17.3	14.9	14.7	14.8	16.0	18.4	17.8	18.2	
At-risk-of-poverty rate after social transfers	Total	16.0	16.0	:	:	21.0b	19.0	:	16.0e	16.0e	
	Women	16.0	15.0	:	:	20.0b	19.0	:	17.0e	17.0e	
	Men	16.0	16.0	:	:	21.0b	20.0	:	15.0e	15.0e	
Dispersion of regional employment rates	Total	6.9	7.2	7.2	6.4	5.6	5.1	13.0	11.9	11.4	
	Women	8.7	8.9	8.7	7.6	7.0	7.4	20.0	16.7	16.1	
	Men	5.8	5.9	6.4	6.0	5.1	3.7	9.7	9.9	9.4	
Long-term unemployment rate	Total	7.4	9.2	11.0	10.3	10.2	7.8	4.0	4.1	3.7	
	Women	9.1	10.8	11.7	11.0	11.4	8.6	4.6	4.4	4.0	
	Men	6.0	7.8	10.3	9.6	9.3	7.1	3.5	3.8	3.5	
Total greenhouse gas emissions		89.0	68.5	68.4	67.6	68.0	:	90.7	92.1	:	
Energy intensity of the economy		680.2	673.5	623.1	596.4	584.7	:	213.1	208.1	:	
Volume of freight transport relative to GDP		81.8	79.8	81.7	88.4b	89.0	94.2	99.1e	105.4e	106.7e	

PERFORMANCE COMPARED TO EU-27



Source: <http://ec.europa.eu/eurostat/structuralindicators>

Annex 3: Structural and complementary indicators for Poland available in Eurostat

Structural indicators	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Economic Background									
1. GDP per capita in PPS	48.2	47.5	48.3	48.9	50.6	51.1	52.2	53.6	55.5 (f)
2. Labour productivity	50.8	52.1	53.9	62.4	64.9	65.1	66.1	67.2	68.1 (f)
2a. Real GDP growth rate	4.3	1.2	1.4	3.9	5.3	3.6	6.2	6.6	5.4 (f)
Employment									
3. Employment rate (by gender)	55.0	53.4	51.5	51.2	51.7	52.8	54.5	57.0	
4. Employment rate of older workers	28.4	27.4	26.1	26.9	26.2	27.2	28.1	29.7	
4a. Life-long learning	:	4.3	4.2	4.4	5.0 (b)	4.9	4.7	5.1	
Innovation and Research									
5. Youth education attainment level by gender	88.8 (b)	89.7	89.2	90.3	90.9	91.1	91.7	91.6	
6. Gross domestic expenditure on R&D	0.64	0.62	0.56	0.54	0.56	0.57	0.56	:	:
Social Cohesion									
9. At risk-of-poverty rate after social transfers	16 (i)	16 (i)	:	:	:	21 (b)	19	17	16 (i)
10. Long-term unemployment rate	7.4	9.2	10.9	11.0	10.3	10.3	7.8	4.9	
11. Dispersion of regional employment rates	6.9	7.2	7.3	7.2	6.4	5.6	5.1	4.5	
11a. Early school leavers	:	7.9	7.6	6.3	5.7 (b)	5.5	5.6	5.0	

Complementary indicators	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Economic Background									
Labour productivity per person employed	50.8	52.1	53.9	62.4	64.9	65.1	66.1	67.2	68.1 (f)
Labour productivity per hour worked	41.0	41.3	43.1	48.7	50.9	51.5	52.7	54.7	
Employment growth by gender	-2.4	-3.2	-1.9	-12.5	-0.3	1.0	1.9	2.5	
Employment growth by gender - males	-2.3	-3.6	-2.3	-12.6	0.2	1.8	2.0	2.0	
Employment growth by gender - females	-2.6	-2.7	-1.3	-12.4	-0.9	-0.1	1.8	3.0	
Inflation rate	10.1	5.3	1.9	0.7	3.6	2.2	1.3	2.6	
Real unit labour cost growth	-2.1	2.7	-4.0	-13.4	-5.6	-1.7	-1.4	-0.2	1.4 (f)
Public balance	-3.0	-5.1	-5.0	-6.3	-5.7	-4.3	-3.8	-2.0	

Complementary indicators	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government debt	36.8	37.6	42.2	47.1	45.7	47.1	47.7	44.9	
Employment									
Employment rate by gender – males	61.2	59.2	56.9	56.5	57.2	58.9	60.9	63.6	
Employment rate by gender – females	48.9	47.7	46.2	46.0	46.2	46.8	48.2	50.6	
Employment rate of older workers by gender – males	36.7	35.6	34.5	35.2	34.1	35.9	38.4	41.4	
Employment rate of older workers by gender – females	21.4	20.4	18.9	19.8	19.4	19.7	19.0	19.4	
Average exit age from the labour force by gender	56.6	56.9	57.9	57.7	59.5	: (i)	59.3	56.6	
Average exit age from the labour force - males	57.8	58.1	59.8	60.0	62.0	: (i)	61.4	57.8	
Average exit age from the labour force - females	55.5	55.8	56.4	55.8	57.4	: (i)	57.5	55.5	
Gender pay gap in unadjusted form			7.5				7.5	7.5	
Tax wedge on labour cost	42.2	41.8	41.7	42.0	42.2	42.2	42.5	41.6	
Tax rate on low wage earners by marginal effective tax rates on employment incomes	:	82.00	82.00	82.00	82.00	83.00	82.00	79.00	
Implicit tax rate on labour	33.6	33.2	32.4	32.7	32.7	33.1	34.4		
Life-long learning by gender - males	:	3.7	3.6	3.9	4.3 (b)	4.3	4.3	4.7	
Life-long learning by gender - females	:	4.9	4.7	4.9	5.7 (b)	5.4	5.1	5.5	
Serious accidents at work by gender	85	78	76	82	84	80			
Serious accidents at work by gender – males	86	78	85	80	82	78			
Serious accidents at work by gender - females	85	80	81	90	92	90			
Fatal accidents at work	96	92	89	90	86	81			
Unemployment rate by gender	16.1	18.3	20.0	19.7	19.0	17.8	13.9	9.6	
Unemployment rate by gender - males	14.4	16.9	19.2	19.0	18.2	16.6	13.0	9.0	
Unemployment rate by gender - females	18.2	19.9	21.0	20.5	20.0	19.2	14.9	10.4	
Innovation and Research									
Spending on Human Resources	4.87 (i)	5.42 (i)	5.41 (i)	5.35 (i)	5.41 (i)	5.47 (i)			

Complementary indicators	2000	2001	2002	2003	2004	2005	2006	2007	2008
Gross domestic expenditure on R&D (GERD) by source of funds – Business enterprise sector	29.5	30.8	30.1	30.3	30.5	33.4	33.1	:	:
Gross domestic expenditure on R&D (GERD) by source of funds – Government sector	66.5	64.8	61.9	62.7	61.7	57.7	57.5	:	:
Gross domestic expenditure on R&D (GERD) by source of funds – Abroad	1.8	2.4	4.8	4.6	5.2	5.7	7	:	:
Level of Internet access - households			11	14	26	30	36	41	48
Science and technology graduates by gender	6.6 (i)	7.6	8.3	9.0	9.4	11.1	13.3		
Science and technology graduates by gender - males	8.3 (i)	9.7	10.6	11.8	12.4	13.9	15.9		
Science and technology graduates by gender - females	4.8 (i)	5.5	5.9	6.1	6.4	8.3	10.6		
Patent applications to the European Patent Office (EPO)	1.11	1.52	2.12	2.92	3.05	3.03 (e)			
Patents granted by the United States Patent and Trademark Office	0.79	1	1.14 (e)						
Venture capital investments by type of investment stage – early stage investments	0.022	0.012	0.005	0.001	0	0	0.001	0.001	
Venture capital investments by type of investment stage – expansion and replacement investments	0.086	0.057	0.042	0.043	0.047	0.042	0.008	0.024	
ICT expenditure by type of product – Information Technology Expenditure					1.9	2.4	2.6		
ICT expenditure by type of product – Communication Expenditure					4.6	4.8	5.0		
E-Commerce via Internet			:	:	1.3	1.6	:(u)	3.2	
Youth education attainment level by gender	88.8 (b)	89.7	89.2	90.3	90.9	91.1	91.7	91.6	
Youth education attainment level by gender – male	85.8 (b)	87.7	86.5	87.9	88.7	88.9	89.6	89.7	

Complementary indicators	2000	2001	2002	2003	2004	2005	2006	2007	2008
Youth education attainment level by gender - female	91.7 (b)	91.8	91.9	92.8	93.1	93.3	93.8	93.4	
E-government on-line availability			:	:	10		20	25	
E-government usage by individuals by gender	:	:	13	13	:	15	16	:	:
E-government usage by individuals by gender - males	:	:	13	13	:	15	16	:	:
E-government usage by individuals by gender - females	:	:	12	12	:	15	16	:	:
E-government usage by enterprises				:	74	64	61	64	68
Broadband penetration rate			:	:	0.5	1.9	3.9	6.8	
High-tech exports	2.84	2.71	2.45	2.71	2.73	3.2	3.11		
Social Cohesion									
Inequality of income distribution	4.7 (i)	4.7 (i)	:	:	:	6.6 (b)	5.6	5.3	
At-risk-of-poverty rate before social transfers by gender	30 (i)	31 (i)	:	:	:	30 (b)	29	27	
At-risk-of-poverty rate before social transfers by gender - male	31 (i)	31 (i)	:	:	:	31 (b)	30	27	
At-risk-of-poverty rate before social transfers by gender - female	30 (i)	30 (i)	:	:	:	29 (b)	28	26	
At-risk-of-poverty rate after social transfers by gender	16 (i)	16 (i)	:	:	:	21 (b)	19	17	
At-risk-of-poverty rate after social transfers by gender - males	16 (i)	16 (i)	:	:	:	21 (b)	20	18	
At-risk-of-poverty rate after social transfers by gender - females	16 (i)	15 (i)	:	:	:	20 (b)	19	17	
At-persistent-risk-of-poverty rate by gender	N/A								
Dispersion of regional employment rates by gender	6.9	7.2	7.3	7.2	6.4	5.6	5.1	4.5	
Dispersion of regional employment rates by gender - males	5.8	5.9	6.3	6.4	6.0	5.1	3.7	3.4	
Dispersion of regional employment rates by gender - females	8.7	8.9	9.2	8.7	7.6	7.0	7.4	6.7	
Early school leavers by gender- males	:	9.7	9.5	7.8	7.7 (b)	6.9	7.2	6.4	
Early school leavers by gender- females	:	6.0	5.6	4.7	3.7 (b)	4.0	3.8	3.6	

Complementary indicators	2000	2001	2002	2003	2004	2005	2006	2007	2008
Long-term unemployment rate by gender – males	6.0	7.8	9.8	10.4	9.6	9.3	7.1	4.6	
Long-term unemployment rate by gender – females	9.1	10.8	12.3	11.8	11.1	11.4	8.6	5.4	
Jobless households - children	:	:	:	:	:	:	11.1	9.5	
Jobless households by gender	:	13.6	15.0	15.0	15.5	14.8	13.2	11.6	
Jobless households by gender - men	:	12.8	14.1	14.0	14.5	13.5	11.9	10.4	
Jobless households by gender – women	:	14.4	15.9	16.0	16.5	16.0	14.4	12.7	

The following flags are used in the data table:

b break in series,

f forecast

e estimates

: not available

p provisional value - not relevant

Source: These indicators and their updated information are available at:

http://epp.eurostat.ec.europa.eu/portal/page?_pageid=1133.47800773.1133_47802588&_dad=portal&_schema=PORTAL

Annex 4: Comparison of achievements of UE-27 and Poland in chosen categories of the revised Lisbon Strategy

	UE-27	Poland
Unemployment	Estimates say that the reforms introduced with a view to make the labour market more flexible resulted in reducing structural unemployment by 1,4 percentage point in 2006 as compared to 2005. Unemployment rate dropped to 7% in 2006.	During the 4 years of the Poland's membership in the EU the unemployment halved – drop from 20% in 2003 to 9,6% in June 2008. Nominal increase in salary level resulted in increase of consumption.
New jobs	In the years 2006-2007 7,5 mln of new jobs were created, out of which 5 mln in the eurozone.	Thanks to a significant FDI inflow – 12,8 mld euro in 2007 – it became possible to create over 1,2 mln new jobs till 2007.
Employment	Employment has increased from 62,5% in 2001 to 64,4% in 2006. Significant share of women taking up employment – 57% was employed by the end of 2006.	There were 15,6 mln employees in March 2007- it is one of the best results achieved since 1989.
Economic growth	The economic growth was at the level of 1,7% in 2005 to reach the level of 2,7% in 2007.	The economic growth was at the level of 3,6% in 2003 and reached the level of 6,6% in 2007.

Source: Debata nad Strategia Lizbońską po 2010, („The debate on the LS after 2010), UKIE, Warsaw 2008, p. 4-5.

Annex 5: Comments on other benchmarks set in the framework of the European Employment Strategy

The following targets and benchmarks were agreed in the context of the European Employment Strategy in 2003:

- an increase by five years, at EU level, of the effective average exit age from the labour market by 2010 (compared with 59.9 in 2001); the completion of this objective will be particularly difficult to implement as Poland remains the country with the youngest pensioners in the whole EU. The 2008 was a record year in Poland in terms of number of people retiring prematurely. Until 2007 the average number of people taking their retirement was at 100.000 a year. In 2008 though 250.000 people retired, out of which 80% used the early retirement option. This excessive exodus out of the labour market is due to the most liberal retirement rules in the EU. Artists, railwayman, journalists or dancers all benefited from the scheme. Due to the bridging retirement being toughened by the Civic Platform 900.000 lost this opportunity. Future planned legislative changes include making equal the retirement age of men and women (which can now work 5 years less) and restrict the "uniformed workers" privileges²⁵;
- an EU average rate of no more than 10 % early school leavers; in 2000 the average rate of early school leavers was 19,3 % for the whole EU. In Poland, according to the educational law, the compulsory schooling period ends with the attainment of 18 years of age. The 2008 report by the Supreme Chamber of Control (Najwyższa Izba Kontroli, NIK) assessed the management of numbers of school-leavers aged 16-18 by the Ministry of Education between 2004 and 2007. It turned out that the Ministry did not include the goal in the annual educational policy and that the problem of early school leavers was avoided. There is no data base in the Ministry. According to the numbers of the Central Statistical Office, GUS in 2005/2006 81,8 thousands of pupils aged 16-18 did not attend school, which amounts to 5% of that age's population, while the Ministry of Education estimate is 55 thousands. A new draft of legislation is currently under consideration in the Parliament. One novelty is the obligation for the school Directors and employers to notify the local authorities on the registration of pupils' under-18. A database is currently created in the Ministry that will allow noticing discrepancies between the due and real numbers of pupils. According to the school principals, there should be more counselling at the stage of leaving a gymnasium (16 years) to prevent the subsequent drop-out rate once the youngsters find themselves in an inadequate system²⁶.
- that the EU average level of participation in lifelong learning should be at least 12.5 % of the adult working-age population (25 to 64 age group); work on developing a Lifelong Learning Strategy for Poland is delayed.

²⁵ According to Zbigniew Chlebowski, Civic Platform parliamentary club leader.

²⁶ Renata Czeladko, „MEN nie dba o uczniów porzucających szkołę”, *Rzeczpospolita*, 20.03.2008

5. IMPLEMENTATION AND IMPACT OF THE LISBON STRATEGY 2000 – 2010 ON EMPLOYMENT AND SOCIAL POLICIES IN SPAIN

Javier Calvo (Universidad de Sevilla)

5.1 National Approach to the Lisbon Strategy

In order to understand the Spanish approach to the Lisbon Strategy, it is necessary to use two basic factors as our point of departure. First, the profoundly pro-European leanings of the greater part of the Spanish society, which are a result of the association of the concept of Europe with both the democratisation process of the 1980s and the marked development experienced in the past few years. It is doubtless due to this that neither of the two major Spanish political parties – the Socialists and the Conservatives – has substantially or publicly questioned the Lisbon Strategy. Nor have they tended to use it as a means to justify the imposition of unpopular reforms, although it is true that some of the most controversial ones can easily be linked to concepts such as “flexicurity”, which is one of the elements contained in the Lisbon Strategy.

The second factor is that discussion – beyond scientific and academic debate – has focused on isolated issues, on specific aspects of European Union actions, rather than on the Lisbon Strategy as a whole. Aspects including the services’ directive or, more recently, the directive on working time, were the main subjects of discussion, far more than the Lisbon Strategy as a whole. In short, the Strategy itself has, to a large extent, remained absent from public debate.

Furthermore, as was the case for the European Employment Strategy, many of the core ideas of the Strategy have been broadly accepted in our country. This was the case, just to mention a few examples, with the transition towards a knowledge economy, the importance of implementing ICT, encouraging entrepreneurship, or the fight against discrimination or social exclusion. Other issues such as budget stability and the subsequent reduction of public investment, have only been questioned by organisations with limited weight in Parliament.

From this perspective, the political change which took place in Spain in 2004 with the rise to power of the Socialist party coincided to a great extent with the renewal of the Lisbon Strategy. When comparing the National Reform Plan with previous National Action Plans, we note that there was a reduction in importance in the measures or policies for employment.

What is clear is the decidedly innovative impact that discussions at European level have had on policy and practice in our country. Areas including the modernisation of employment policies, a clear and determined commitment to new technologies, active employment policies, lifelong learning, the formula “RTD & innovation” and the progressive interest in the issue of ageing all exhibit the notable impact that this strategy exerted on public authorities and even social partners. This does not concern only the central administration, but also the regional administrations, many of which have policies which strictly follow the Lisbon Strategy guidelines, as shown, for example, in Annex III of the 2008 Annual Progress Report for the Kingdom of Spain, which includes a catalogue of Regional Economic Reform Plans.

5.2 A general overview of the current Lisbon Strategy governance in Spain

The Spanish Government decided to maintain the structure and objectives of the NRP for the cycle 2008-2010, consistently with the decision of the 2008 Spring European Council to confirm the Integrated guidelines for the previous period.

On 11 October 2008, the Cabinet discussed the 2008 Progress Report on the National Reform Programme submitted to the European Commission. This Report completes the first cycle of implementation of the renewed Lisbon Strategy.

The body in charge of coordinating, drafting and updating the NRP is the Permanent Lisbon Unit (UPL) created by the Government Delegate Commission for Economic Affairs on 16 June 2005. This Unit works under the coordination of the Director of the Economic Bureau of the Prime Minister, as National Coordinator of the Lisbon Strategy. Its members represent the Ministry of Finance, the Ministry of Labour and Social Affairs, the Ministry of Industry, Tourism and Trade, the Ministry of the Environment and the Economic Bureau of the Prime Minister.

Monitoring

Compliance control is conducted by the OEP itself, by means of the Annual Progress Reports, prepared in collaboration with several ministries and approved by the Council of Ministers. In line with what was established in the 2005 NRP, the Government hosts a dialogue to prepare these reports with the participation of the social partners' representatives, the representatives of the Regions, the Parliament, the Chambers of Commerce and the rest of the players which collaborate in the NRP, and meets with them "at least twice a year coinciding with the various monitoring phases of the Reform Programme".

Running alongside this monitoring mechanism, in order to have an independent evaluation of the NRP, the State Agency for the Evaluation of Public Policies and Service Quality has commissioned an annual evaluation of the level of application and success of the main measures in each of the 7 axes of the National Reform Programme. This evaluation must have the support of the Observatory for Sustainability.

5.3 Institutional and stakeholders' involvement

The Government of Spain, "convinced of the need to make the whole society aware of the importance of the Lisbon Strategy objectives", established mechanisms to encourage the public to participate in the preparation and monitoring of the National Reform Programme. For this purpose, social partners' representatives (the employers' organisation CEOE-CEPYME, and the trade unions UGT and CCOO), the Chambers of Commerce, the national Parliament (Congress and Senate), Regional Governments and Local Authorities (Spanish Federation of Municipalities and Provinces) were invited to express their priorities, contributing to the National Reform Programme from the start. It was also highlighted that they would be "called to undertake a continuous evaluation and monitoring" of the Programme.

Parliamentary participation

During the first years, it was noted that "the involvement of representatives named by the Parliament in the new Lisbon Strategy was very limited, and the relationship with Regional parliaments non-existent (where representatives for this matter have not even been appointed)¹.

¹ C. MULAS GRANADOS, "La Estrategia de Lisboa, el Programa Nacional de Reformas y las políticas de Oferta en España", in *Política Económica en España*, 2007, n. 837, p. 244.

However, at present this situation appears to be changing. In its session of 14 October 2008 the Joint Commission of the Congress for the European Union decided to create a Committee for the implementation of the Lisbon Strategy. This accordingly entails dialogue with the relevant members of the Government, authorities and public civil servants, as well as experts, a need to obtain better information and documentation from the government and the public administrations involved. Upon conclusion of its mandate, it was requested to draft a paper on the work conducted, to be submitted to the Joint Commission for the European Union.

Involvement of social partners

Participation of social partners' representatives in the implementation of the Lisbon Strategy has been coordinated since 2006 through a Work Protocol, which the trade unions and employers' organisations consider to be a useful tool to improve participation in the process of monitoring and updating the NRP. In practice, in the past few years in September the government, through the Economic Bureau of the Prime Minister (OEP), presented a draft of the Annual Progress Report to the main trade unions and employers' organisations. These organisations accordingly gave their contribution by underlining aspects they disagreed on or issues which, in their opinion, should be better clarified. Once the document has been finalised, they attach an evaluation of it, which is made public through the OEP's website.

In general this Protocol and its application tend to be highly valued by social partners. For example, it is noteworthy that a trade union said that "our formal involvement has been improved by systematising briefing sessions on the decisions made by the European authorities throughout the year (Council meetings, update of the guidelines, etc.)". However, they also usually highlight the fact that their "specific contributions to the Annual Progress Report are not taken much into account, beyond those measures previously agreed within the Social Dialogue framework and which are a part of the Report".

From the employers' perspective, it has also been noted that "more progress on contacts with the various Departments of the Spanish administration would be desirable and business contributions should be better reflected in the final content of the annual progress reports"².

Other regional administrations and governments

The participation of other regional administrations, in particular the Autonomous Communities, seems to have improved over the years. Even so, some Autonomous Communities complain that participation "is limited to responding to occasional surveys from those in charge of the national NRP"³, which contradicts the European proposal of multi-level governance and involvement of the various administration levels in the strategy.

In some cases - for example, the Autonomous Community of the Basque Country⁴ - this gap has been expressly pointed out, underlining that for most of the 24 guidelines an intervention at regional or local level is essential, due to the federal distribution of competence within the Spanish State.

However, quite often the administrations of the Autonomous Communities adopted the objectives of the Revised Lisbon Strategy as their own, even up to the point of considering them to be the defining axes of their own actions, and creating specific administrative units for their coordination⁵.

² CEOE, Evaluation of "Spain's National Reform Programme (PNR). Update Report 2008" Madrid, 15th October 2008. Available at

<http://www.la-moncloa.es/NR/rdonlyres/E947FAEC-18A0-4E4B-A799-EEF699E4CED0/91615/VALORACI%C3%93NPNR2008CEOE.pdf>

³ Autonomous Community of the Basque Country

⁴http://www.ogasun.ejgv.euskadi.net/r51-19240/es/contenidos/informacion/planificacion/es_planific/adjuntos/11.pdf

⁵ See, for example, in the abovementioned case of Euskadi, the role of the Undersecretariat of Economy, Budget and Economic Control with relation to its coordinating function for the Lisbon Strategy, while at the

They also prepared Regional Reform Programmes⁶, in many cases in the framework of social agreements such as, for example, the Agreement for Competitiveness, Employment and Welfare of Asturias, signed by the Autonomous Government of Asturias⁷.

Civil Society Participation

Civil society participation has been highlighted as one of the elements with the greatest deficiencies. It is true that there were initiatives such as the creation of a specific web page, www.pnr.es, subsequently incorporated into the website of the OEP. Conferences and other awareness raising activities were carried out. Yet civil society participation in monitoring, evaluating and debating the Lisbon Strategy, before and after the 2005 review, has been scarce. One of the reasons identified for this is the fact that no provision was made for the framing of sectoral policies as part of a whole, and public debate only focused on very specific aspects of each policy or reform initiative.

5.4 National objectives and their implementation

The 2005 Spanish NRP was formulated around two major objectives to be met by 2010:

- to achieve full convergence in income per capita;
- to reach the 66% employment rate which, though lower than the 70% EU objective, would have constituted a great improvement, given how far behind other EU Member States the labour market in Spain was at that time⁸.

Initially, it might seem that macroeconomic objectives and employment objectives enjoyed parity within the Spanish NRP. But if observed more carefully, it is obvious that this balance was more an appearance than a reality, since:

- the NRP analyses the rate of activity, in particular, as an element or determining factor of real convergence⁹,
- the central role granted to productivity, is also to be understood as key to real convergence¹⁰,
- when the two major objectives are broken down into seven sub-objectives, only one, N°6, refers expressly to the labour market and its specific elements,
- it is expected that female employment will rise from 48% to 57%,
- the youth unemployment rate is to fall from 22.1% to the UE-25 average (18.6%) in 2010, establishing an intermediate objective of 19.3% for 2008,
- reductions are set for the occupational accident rate¹¹,
- the halving (to 15%) of the school drop-out rate is integrated into the axis devoted to the improvement of human resources.

On the other hand, the other “six specific objectives” are markedly macro or microeconomic in nature, focusing on aspects such as:

- significantly reducing the public debt ratio with relation to GDP, to 34% by 2010;

same time a Technical Unit has been created incorporating the tasks of coordination, technical secretariat and drafting.

⁶ The 2008 Annual Progress Report includes a collection of Regional Plans which, in general, have been subject to prior agreement with social representatives at the corresponding regional level.

⁷ http://www.cesasturias.es/actualizaciones/memoria_socieconomica/pdf/2007/CONTEXTTO.pdf

⁸ Convergence and employment, p. 7 and 47.

⁹ Convergence and employment, p. 17 ff.

¹⁰ Convergence and employment, p. 34.

¹¹ These specific objectives were extended in line with the development of the sixth axis (p. 125) with the following: increase occupation rate of workers over 55, reduce the high rate of fixed-term contracts, unemployment rate, long-term unemployment and improve labour intermediation by public employment services.

- improving the railway network up to 35 km/1,000km², and reducing the road accident rate by 40% by 2010 (32% in 2008);
- doubling investment in R&D to 2% of GDP by 2010 and 1.6% by 2008;
- converging with Europe in the information society, with resources devoted to ICT increased to 7% in 2010 (6.3% in 2008);
- improving the Spanish ranking according to competitiveness indicators, matching the European average by 2010 in those areas in which the country was lagging behind, and improving regulations to support more dynamic markets for goods and services;
- increasing business creation by 25% by encouraging entrepreneurship, especially among youth and women. The aim here was to achieve an annual business creation rate of 11.5% in 2008 and 12.5% in 2010.

Finally, and only additionally, a core objective was set: increasing the energy efficiency and reducing CO₂ emissions from 40% to 24% between 2008 and 2012.

In other words, the eight Integrated guidelines of the Lisbon Strategy related to employment are translated almost exclusively into two axes – the aforementioned N^o 6, and N^o 3 (increase and improve human capital), which are occasionally supplemented by axes N^o 1 and N^o 5, versus the much greater importance devoted to microeconomic guidelines.

Consequently, either due to the new “administrative” arrangement for the implementation of the strategy, or the 2005 review with the new Integrated guidelines, the truth is that the NRP is clearly positioned under the umbrella of economic policy, and far away from the social aspects that were predominant in the NAPs. In the words of the NRP itself, it is basically a matter of “economic policy actions”¹², whereas actions concerning the labour market are integrated into a simple economic scheme, closely linked to the phenomenon of globalisation. Social aspects are watered down in this search for greater productivity, competitiveness and convergence in income per capita with Europe (which was achieved in 2006, four years earlier than expected).

Moreover, the NRP seems to show, following the review of the Lisbon Strategy, a minor role for gender equality aspects when compared to previous NAPs. From being a core objective, gender equality was integrated into the actions for disadvantaged groups, such as youth and immigrants, related to the seventh axis, “Business development”.

5.5 Originalities and weaknesses of the Spanish system

In order to understand some of these aspects we must first examine the deep process of political and administrative decentralisation that resulted from the development of the regional model in Spain. As a consequence of this model many of the objectives and measures included in the Lisbon Strategy fall, to a greater or lesser extent, under the competence of the different Autonomous Communities or regions. These Communities are not competent to hold international relations, which means that the relationship between central and regional administrations had to be strengthened in the management of issues covered by this OMC. Moreover, the role and coordination of other local administrations and civil society interest groups must also be taken into account in this multi-level governance process.

While we would hesitate to make any clearer assertions, the comparison with previous NAPs and Annual Progress Reports seems to show – especially at first glance – a greater overlapping of actions carried out by central and autonomous administrations, as well as local authorities, not to mention non-governmental and non-profit organisations.

¹² Convergence and employment, p. 11.

It is therefore reasonable to posit, despite mention of their role in the Progress Reports prepared by the OEP (2008, 2006), that the Autonomous Communities have now less room for manoeuvre in the development of each axis than it was the case in the NAPs. The latter not only included regional experiences, but also best practices that facilitated mutual learning across the various Autonomous Communities. In fact, in the evaluation of some trade unions, there were references to a "lack of leadership (from the central administration) to coordinate actions with the Autonomous Communities"¹³.

Likewise, it appears that in the NAPs greater attention was given to the possible contributions of civil society organisations, particularly noticeable in such fields as social cohesion and the labour market access of socially disadvantaged groups. Yet there is no doubt that this is also a consequence of the reduced attention given to social cohesion aspects in the more recent NRPs .

In contrast, the participation of social partners is clearly regulated since 2006. Reference to social dialogue for any measure that affects the labour market is one of the main peculiarities of the Spanish model, aimed at increasing the effectiveness of the actions undertaken. This is limited, however, to Axis N° 6, while in general social partners complain about the limited weight given to their opinions and contributions.

The impact that the revised Lisbon Strategy is having on social dialogue in Spain is evident in the Declaration to drive the Economy, Employment, Competitiveness and Social Progress signed by the main social partners. Also significant is the name given to the 2006 Agreement between the main trade unions, employers' organisations and the government: "Agreement for the Improvement and Growth of Employment", which has obvious similarities with the basic terms of the Lisbon Strategy.

On the other hand, the tri-annual duration of the strategy seems reasonable or even relatively short as far as certain objectives are concerned.

With certain notable exceptions, the open method of coordination has been highly valued as an instrument to set common objectives and spread general ideas throughout the EU Member States, without the European recommendations generating any frictions with the Spanish Government or society.

5.6 Assessment of the results obtained up to 2008

Knowledge society and innovation

Microeconomic Guideline 7 is monographically developed through Axis 4 of the NRP. The essential objective set for this axis is to double the investment in R&D, reaching a level of 2% of GDP in 2010, with an intermediate objective of 1.6% by 2008.

In the 2008 Progress Report the most relevant achievements are the major budget increase by the central and regional administrations for the period 2004-2007, i.e. 125% and 120% respectively, and the Cenit, Consolider and Avanza programmes, complemented with the 2007 implementation of the EuroIngenio Programme and the consolidation of the Comprehensive Monitoring and Evaluation System (SISE). The Report also highlights an increase in e-commerce: the percentage of companies that use the Internet for purchases went up from 3% in 2004 to 15% in 2007 thanks to the agreements with several Autonomous Communities to develop e-business and e-billing and the creation of the Ministry of Science and Innovation among many other actions.

Data available to date - from both the EUROSTAT and the INE – only go as far as 2007, but they point to notable progress, already observed in the 2008 Progress Report. Nonetheless, it is clear that in 2007 Spain was very far from the intermediate objective of 1.6% expected for 2008, and, certainly, very far from the 2% for 2010 or the overall objective of 3%.

¹³ In this regard, evaluation by CCOO of the 2007 Annual Progress Report, available at <http://www.comfia.net/archivos/ValoracionPNR2007-CCOO.pdf>

Table 1: Gross domestic expenditure on R&D (GERD)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
EU (27 countries)	1.78 (s)	1.79 (s)	1.84 (s)	1.85 (s)	1.86 (s)	1.87 (s)	1.86 (s)	1.82 (s)	1.82 (s)	1.84 (s)	1.83 (s)
EU (15 countries)	1.83 (s)	1.84 (s)	1.89 (s)	1.91 (s)	1.92 (s)	1.93 (s)	1.92 (s)	1.89 (s)	1.89 (s)	1.91 (s)	1.91 (s)
Euro area (15 countries)	:	:	:	1.84 (s)	1.86 (s)	1.87 (s)	1.86 (s)	1.85 (s)	1.84 (s)	1.86 (s)	1.86 (s)
Spain	0.8	0.87	0.86	0.91	0.91	0.99	1.05	1.06	1.12	1.2	1.27

Source: EUROSTAT

Furthermore, if we look at expenditure across different sectors, we will observe higher levels of progress by the public administration and business, with higher education lagging behind.

Table 2: Total internal expenditure in R&D by sector

	GDP (1986)	(Expenditure I+D/GDP)*100: Total	(Expenditure I+D/PIB)*100: Public Administration	(Expenditure I+D/PIB)*100: Higher education	(Expenditure I+D/PIB)*100: Companies and IPFSL
2003	782.929,0	1,05	0,16	0,32	0,57
2004	841.042,0	1,06	0,17	0,31	0,58
2005	908.792,0	1,12	0,19	0,33	0,61
2006	982.303,0	1,20	0,20	0,33	0,67
2007	1.050.595,0	1,27	0,22	0,33	0,71

Source: INE

To implement employment policies leading to full employment, improving the quality and productivity of work and strengthening social and territorial cohesion (IG nº 17)

According to the 2005 NRP, implementation of this guideline would essentially take place through the development of the employment policies identified within Axis Nº 6, in order to achieve the specific objective for Spain of a 66% employment rate by 2010. Beyond this general objective, the NRP established other specific objectives for this axis:

- To improve the female employment rate from 48% to 57%, exceeding the European average;
- To increase the employment rate for older workers (aged 55-64), though no concrete figures were specified;
- To reduce the youth unemployment rate from 22.1% to the UE-25 average (at the time, 18.6%) in 2010. An intermediate objective of 19.3% was set for 2008;
- To reduce the rate of accidents at the workplace by 15%;
- To reduce the high number of short fixed-term contracts;
- To reduce the unemployment rate;
- To reduce long-term unemployment;
- To improve the effectiveness of Public Employment Services.

Work quality and productivity

It is difficult to try to analyse the progress made by Spain in the area of work quality and productivity.

If we try to provide an overall picture through a comparison with the EU-15 based on productivity per hour worked, we will observe a certain level of stagnation, if not a reduction, during the period 1997-2006. There is little doubt that this is due to the marked levels of job creation experienced in Spain in recent years especially in activities with limited added value and intensive use of labour, such as the construction industry. As early as 1997 the trade unions had already complained for the lack of reform in the production and growth model, and this is undoubtedly one of the causes of the huge impact which the current financial crisis and collapse of the property market has on the Spanish labour market.

Table 3: Labour productivity per hour worked. GDP in Purchasing Power Standards (EU-15 = 100)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
EU (27 countries)	:	:	:	:	:	:	86.6	87.7	88.1	88.3	88.6	89.0
EU (25 countries)	:	:	:	:	90.0	90.5	90.9	91.9	92.2	92.3	92.5	92.7
EU (15 countries)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Euro area (13 countries)	102.9	102.7	102.7	102.5	102.1	102.1	101.8	101.5	101.0	101.5	101.4	101.5
Euro area (12 countries)	103.4	103.1	103.1	102.8	102.5	102.5	102.2	101.8	101.3	101.8	101.7	101.8
Spain	94.4	93.0	92.1	90.5	88.6	88.5	89.8	89.7	89.7	89.9	91.5	94.1

Source: Eurostat

When analyzing productivity per employee based on the EU-27 average, it can be clearly observed how productivity in Spain underwent a marked decline during the period of greatest growth in property. It is highly plausible that this explains the sharp increase in the working population without a corresponding rise in GDP. This also helps to explain the recovery process that has been taking place over the past two years accompanied by a marked drop in employment, especially in the construction sector.

Table 4: Labour productivity per person employed - GDP in Purchasing Power Standards (PPS) per person employed relative to EU-27 (EU-27 = 100)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
EU (27 countries)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0 (f)
EU (25 countries)	104.8	104.8	104.9	104.8	104.6	104.5	104.4	104.2	104.1	103.9	103.7	103.7 (f)
EU (15 countries)	114.8	114.6	113.8	113.2	112.5	111.9	111.4	110.9	110.8	110.5	110.3	109.4 (f)
Spain	108.0	107.5	105.3	103.6	103.1	104.7	103.7	102.1	101.1	102.1	103.6	105.5 (f)

Source: Eurostat

Strengthening social and territorial cohesion

The main data provided by Eurostat concern the level of dispersion of regional employment rates. This is one of the aspects where different types of actions to be undertaken by the regions are most clearly needed, depending on the characteristics of each territory. In 1999 Spain boasted lower levels of dispersion than the Community average and these continued to fall at least until 2007, the last year for which Eurostat figures are available.

Table 5: Dispersion of regional employment rates. Coefficient of variation of employment rates (of the age group 15-64) across regions (NUTS 2 level) within countries

	1999	2000	2001	2002	2003	2004	2005	2006	2007
Total									
EU (27 countries)	12.9	13.0	13.2	13.2	12.9	12.1	11.9	11.4	11.1
EU (25 countries)	:	:	:	:	:	:	:	:	:
EU (15 countries)	13.8	13.3	13.1	12.4	11.8	11.0	10.8	10.5	10.5
Euro area (13 countries)	13.3	13.0	12.7	12.1	11.5	10.5	10.6	10.6	10.8
Euro area (12 countries)	13.3	13.0	12.7	12.1	11.5	10.5	10.6	10.6	10.8
Spain	10.8	10.7	10.0	9.3	9.0	8.7	8.3	7.8	7.5

Source: Eurostat

The second indicator that could be used is long-term unemployment, defined as the situation of individuals who have been unemployed for more than twelve months. Calculating their percentage on the total working population, we observe the excellent progression over the 2001-2007 period in Spain. If in 1996 the rate stood at 9.4%, in 2007 it amounted to only 1.7%. However, the worrying trajectory of these figures from 2008 onwards opens completely different question, although it may be claimed that these developments were mainly determined by factors exogenous to Spain and the EU.

Table 6: Long-term unemployed (12 months and more) as a percentage of the total active population

		1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
	Total												
EU (27)		:	:	:	:	4.0	3.9	4.0	4.1	4.2	:	3.7	3.0
EU (25)		:	:	4.4	4.1	3.9	3.8	3.9	4.0	4.1	:	3.7	3.0
EU (15)		4.9	4.8	4.4	3.9	3.4	3.1	3.1	3.3	3.4	:	3.2	2.8
European Union		4.9	4.8	4.4	3.9	3.4	3.1	3.1	3.3	3.4	:	3.7	3.0
Euro area		5.4	5.4	5.0	4.4	3.9	3.6	3.6	3.9	4.0	3.9	3.8	3.2
Euro area (15)		:	5.4	5.0	4.5	4.0	3.6	3.6	3.9	4.0	3.9	3.7	3.2
Euro area (12)		5.4	5.4	5.0	4.5	4.0	3.6	3.6	3.9	4.0	3.9	3.8	3.2
Spain		9.4	8.7	7.5	5.7	4.6	3.7	3.7	3.7	3.4	2.2 (b)	1.8	1.7

Source: Eurostat

Employment rates: total, women and older workers

a) Employment rate: the NRP objective was an increase of up to 66% in 2010 and 57% for women.

In this case the figures provided by Eurostat show extraordinary levels of growth for Spain. By 2007 the 66% target had almost been achieved for the total workforce, while the employment rate of women had risen to 55%.

Table 7: Employment rate by gender

		1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
	Total												
EU (27)		:	60.7	61.2	61.8	62.2	62.6	62.4	62.6	63.0	63.6	64.5	65.4
EU (15)		60.3	60.7	61.4	62.5	63.4	64.1	64.2	64.5	64.8	65.4	66.2	67.0
European Union		60.3	60.7	61.4	62.5	63.4	64.1	64.2	64.5	64.8	64.0	64.9	65.4
Spain		47.9	49.5	51.3	53.8	56.3	57.8	58.5	59.8	61.1	63.3 (b)	64.8	65.6
	Male												
EU (27)		:	70.0	70.3	70.7	70.8	70.9	70.4	70.3	70.4	70.8	71.7	72.5
EU (15)		70.4	70.6	71.2	72.1	72.8	73.1	72.8	72.7	72.7	73.0	73.6	74.2
European Union		70.4	70.6	71.2	72.1	72.8	73.1	72.8	72.7	72.7	71.4	72.1	72.5
Spain		62.9	64.5	66.8	69.3	71.2	72.5	72.6	73.2	73.8	75.2 (b)	76.1	76.2
	Female												
EU (27)		:	51.4	52.0	53.0	53.7	54.3	54.4	54.9	55.5	56.3	57.3	58.3
EU (15)		50.2	50.8	51.6	53.0	54.1	55.0	55.6	56.2	57.0	57.8	58.8	59.7
European Union		50.2	50.8	51.6	53.0	54.1	55.0	55.6	56.2	57.0	56.6	57.6	58.3
Spain		33.1	34.6	35.8	38.5	41.3	43.1	44.4	46.3	48.3	51.2 (b)	53.2	54.7

Source: Eurostat

Nonetheless, it should be noted that we still lack integrated data on these indicators for the more recent period, when a very sharp drop in hiring and employment has been taking place.

The quarterly figures provided so far by EUROSTAT show that, while the crisis is resulting in a significant drop in the total employment rate, which went from 66% in the third quarter of 2007 to 64.5% in the same period in 2008, female employment increased slightly, going from 55 to 55.1%, perhaps due to a lower female presence in the construction sector, which is the one suffering the most from the crisis.

Table 8: Employment rate (15 to 64 years).

	2007q03	2007q04	2008q01	2008q02	2008q03
European Union	66	65,7	65,5	66	66,4
European Union (27 countries)	66	65,7	65,5	66	66,4
European Union (15 countries)	67,4	67,3	67	67,4	67,7
Spain	66	65,5	65,1	65	64,5
	Women				
European Union	58,8	58,8	58,6	59,1	59,5
European Union (27 countries)	58,8	58,8	58,6	59,1	59,5
European Union (15 countries)	60	60,1	60,1	60,5	60,7
Spain	55	55,1	54,8	55,2	55,1

Source: Eurostat

Occupational accident rate

The NRP objective was to reduce accidents at the workplace - which appears as one of the Laeken indicators related to job quality - by 15%. The main measure taken was to approve the Spanish Strategy for Health and Safety at Work for the years 2007-2012, aligned with the objectives of the Community Strategy for Health and Safety at Work, as well as an initial Action Plan with specific, short-term measures.

Of equal interest were previous measures such as the Law on subcontracting in the construction sector, aimed at limiting the accident rate in this specific sector.

The main relevant indicator provided by Eurostat is the rate of severe accidents at work for every 100,000 employees. In the case of Spain we can observe a clear downward trend since 1998.

Table 8: Index of the number of serious accidents at work per 100 thousand persons in employment (1998=100)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
EU (27 countries)	:	:	:	:	:	:	100	97	91	90	88	86
EU (25 countries)	:	:	:	:	100	88	87	85	81	80	76	72
EU (15 countries)	122	116	113	106	100	91	88	85	80	78	75	74
Belgium	194	190	177	100	100	106	100	124	82	78	93	84
Bulgaria	122	116	120	116	100	96	100 (b)	104	85	83	84	85
Czech Republic	110	103	112	116	100	76	96	96	87	84	78	71
Denmark	90	106	97	74	100	71	61	55	65	57	35	71
Germany	168	136	159	123	100	109	95	89	112	105	100	82
Estonia	:	120	102	114	100	79	56	78	81	67	75	58
Ireland	66	71	56	120	100	: (i)	: (i)	: (i)	100 (b)	121	84	117
Greece	116	116	100	76	100	170	73	78	104	81	67	43
Spain	127	127	107	115	100	91	85	81	79	67	59	64

Source: Eurostat

If we add in the data provided by the Ministry of Labour and Immigration up to 2007 (the last year for which data are available), although good, results fall short of the set national objective. Nonetheless, the 2008 Progress Report estimates a reduction of 8.9% in the period 2003-2007, which allows for a certain degree of optimism that the target may be met by 2010¹⁴.

Table 9: Accident rate during working hours requiring a leave, by sector (per one hundred thousand workers)

	2000	2001	2002	2003	2004	2005	2006	2007	% 2007 vs 2005
TOTAL	7,558.4	7,349.9	7,057.2	6,386.7	6,136.4	6,011.8	5,880.1	5,760.3	95.8%
SECTORS									
Agriculture	3,492.6	3,172.0	3,039.8	2,792.3	2,919.5	2,944.5	3,019.5	3,106.8	105.5%
Non agriculture	8,013.2	7,792.0	7,467.0	6,745.5	6,433.1	6,273.2	6,103.7	5,957.3	95.0%
Industry	11,511.6	11,044.5	10,516.4	9,957.4	10,236.5	10,174.3	10,244.5	9,995.1	98.2%
Construction	18,769.8	18,307.1	17,315.9	15,298.6	13,895.5	13,498.0	12,909.4	12,600.5	93.4%
Services	5,062.9	4,971.7	4,842.1	4,340.3	4,086.3	3,952.9	3,809.0	3,759.5	95.1%

Source: Labour Statistics Annual Report and own data (MTIN)

a) Reduction of part-time/short fixed-term contracts and unemployment rate

Reduction of part-time/short-term work contracts: in this area results are good. The reform that was agreed in 2006 and the subsidized process of transforming temporary contracts into permanent ones, as well as other measures to reduce unemployment contributions for permanent contracts, had already made a visible impact by 2007, the first year in which a notable fall in part-time rates could be detected, with drops from 34% in 2006 to 31.7% in 2007.

Table 10: Part-time/short-term contract employees as a percentage of the total number of employees for a given sex and age group (%)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
EU	11,80	12,20	12,80	13,30	13,70	13,50	13,20	13,10	13,50	14,50	15,00	14,50
EU12	11,80	12,30	12,90	13,30	13,70	13,50	13,20	13,10	13,50	14,40	14,80	14,80
EU15	11,80	12,20	12,80	13,30	13,70	13,50	13,20	13,10	13,50	14,30	14,70	14,80
EU25					12,60	12,90	12,90	13,10	13,70	14,50	15,00	15,10
EU27					12,20	12,50	12,40	12,60	13,20	14,00	14,40	14,50
Spain	33,70	33,60	32,90	32,80	32,30	32,00	32,00	31,80	32,10	33,30	34,00	31,70

Source: Eurostat.

If we look at national statistics, we can also see that there was a considerable reduction, with figures falling to 27.9%. This drop was especially significant for men, as a result of the decrease in employment in the construction sector, marked by the strong presence of male workers and temporary employment contracts.

¹⁴ 2008 Annual Progress Report, p. 76.

Table 15: Employees by sex and type of contract or employment relation. Percentages related to the total of each sex

	2007Q1	2007Q2	2007Q3	2007Q4	2008Q1	2008Q2	2008Q3	2008Q4
Both sexes	32.00	31.80	31.90	30.90	30.10	29.40	29.50	27.90
Male	31.00	30.80	30.90	29.60	28.70	27.90	27.70	25.90
Female	33.20	33.30	33.30	32.70	32.00	31.20	31.80	30.40

Source: INE (EPA)

b) Reduction of the unemployment rate

Eurostat figures exhibit a significant drop, with the unemployment rate of 15% in 1998 falling to 8.3% in 2007. However, the strong impact of the economic crisis on the Spanish labour market has led to a truly dramatic rise in this rate in the past two years, with figures returning to levels similar to those seen at the start of the decade.

Table 11: Unemployment rate

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
EU (27 countries)	:	:	:	8.7	8.5	8.9	9.0	9.0	8.9	8.2	7.1	7.0
EU (25 countries)	:	9.4	9.1	8.6	8.4	8.8	9.0	9.0	8.9	8.2	7.2	7.1
EU (15 countries)	9.8	9.3	8.5	7.7	7.2	7.6	7.9	8.1	8.1	7.7	7.0	7.1
Euro area	10.6	10.0	9.1	8.2	7.8	8.3	8.7	8.8	8.9	8.3	7.4	7.5
Euro area (15 countries)	10.5	10.0	9.2	8.3	7.8	8.2	8.6	8.8	8.8	8.3	7.4	7.5
Euro area (13 countries)	10.5	10.0	9.2	8.3	7.8	8.2	8.7	8.8	8.9	8.3	7.4	7.5
Euro area (12 countries)	10.6	10.1	9.2	8.3	7.8	8.3	8.7	8.8	8.9	8.3	7.4	7.5
Spain	16.7	15.0	12.5	11.1	10.3	11.1	11.1	10.6	9.2	8.5	8.3	11.3

Source: Eurostat.

This goes a long way to explaining the series of national and regional emergency measures that have been taken since mid-2008. These focused primarily on trying to facilitate the transition of workers in the construction sector to other sectors which were considered to be less affected by the fallout from the financial and property crises. Subsequent measures include the provision of incentives for public works, especially those carried out by local authorities.

Promote a life-cycle approach to work

The challenge of female employment and the fight against discrimination are the main objectives of Organic Law 3/2007, which was followed by a series of regional laws. This regulation transposes Directive 2006/54 and obliges large companies to negotiate and implement equal opportunity plans aimed at turning collective negotiations into an instrument for achieving real equality for women in the labour market. Measures to achieve a life-work balance are also encouraged, through measures such as paternity leave and co-responsibility in family obligations.

It was agreed, within the social dialogue of 2006, to provide greater support for the employment of women and young people.

The gender pay gap is still 17.6%, which means 2.6 points less than in 2002, which is very close to the European average.

Table 12: Activity rates, unemployment and employment

	2008 Q IV		
	Activity rate	Unemployment rate	Employment rate
Both	60,13	13,91	51,77
Male	69,21	12,96	60,24
Female	51,38	15,14	43,60

Source: INE, EPA

Table 18: Gender pay gap in unadjusted form - in % (Structure of Earnings Survey source - 2002 and 2006 onwards)

	2002	2006	2007
EU (27 countries)	:	17.7 (p)	17.4 (p)
EU (25 countries)	:	18.1 (p)	17.6 (p)
EU (15 countries)	:	18.7 (p)	18.1 (p)
Euro area	:	17.2	17.2 (p)
Euro area (13 countries)	:	17.1	17.2 (p)
Euro area (12 countries)	:	17.2	17.2 (p)
Spain	20.2	17.9	17.6 (p)

Source: Eurostat

Law 39/2006, of 14 December, for the Promotion of Personal Autonomy and Care of dependent people was approved. This extremely important piece of legislation does not only aim at facilitating work-life balance and promoting social inclusion,, but it can also turn this sector into an important source of new jobs, especially for women with low qualifications and traditionally excluded from the labour market, thus improving the female employment rate.

The modernization of social security was also undertaken (Law 40/2007), through measures agreed in the framework of social dialogue:

- to extend the minimum contributory period to 15 years;
- to streamline the calculation of Permanent Disability pensions;
- to limit the possibility of partial early retirement;
- to continue restricting the possibility of early retirement;
- to foster employment of older workers and work beyond the age of 65, by means of multiple financial measures.

Ensure inclusive labour markets - People at risk of exclusion

The following measures were taken:

- a Strategy for the Employment of People with Disabilities, with renewed incentives and new forms of sheltered employment,
- the 2006 Programme for Employment Development, which provided incentives to hire people at risk of social exclusion,
- a regulation of company integration plans (Law 44/2007),
- the marked activity of several Autonomous Communities and their employment development plans,
- the Strategic Plan for Civic Responsibility and Integration 2007-2010 subsidised activities aimed at promoting easier access to the labour market, self-employment initiatives and support for professional diversification.

- Self-employment also received significant support with the approval of the Statute for the Self-Employed (Law 20/2007), comprising the following measures:
- to promote self-employment and entrepreneurship, especially among youth, by reducing social security contributions;
- the creation of the status of the “financially dependent self-employed”, even providing for a protection system in the event of an involuntary interruption of activity.
- In this same area of active policies, the share of unemployed who participate in job promotion actions and measures, labour integration or professional retraining within the first six months of unemployment, remains quite high. In 2007, the percentage of participants in these measures exceeded 92%, both for people under 25 (92.6%) and for those over that age (92.9%)¹⁵.

Matching labour market needs

As far as the adaptation of the immigration flow is concerned, legislative measures have been developed - the “Training and Hiring at the Place of Origin” system - alongside merely administrative ones, such as the creation of the Large Companies Unit, to manage procedures in order to fill highly-qualified jobs.

The sharp increase in unemployment has led to the recent development of financial support measures to help immigrants return to their country of origin, by paying them in advance the total amount of unemployment benefits they are entitled to, should the maximum legally established term be exceeded.

In this regard, it should be noted that the employment rate of immigrants from countries not belonging to the EU-27 in Spain in 2007 was one of the highest in the European Union, although it is arguable that the current situation of employment crisis may have an especially negative impact on this group.

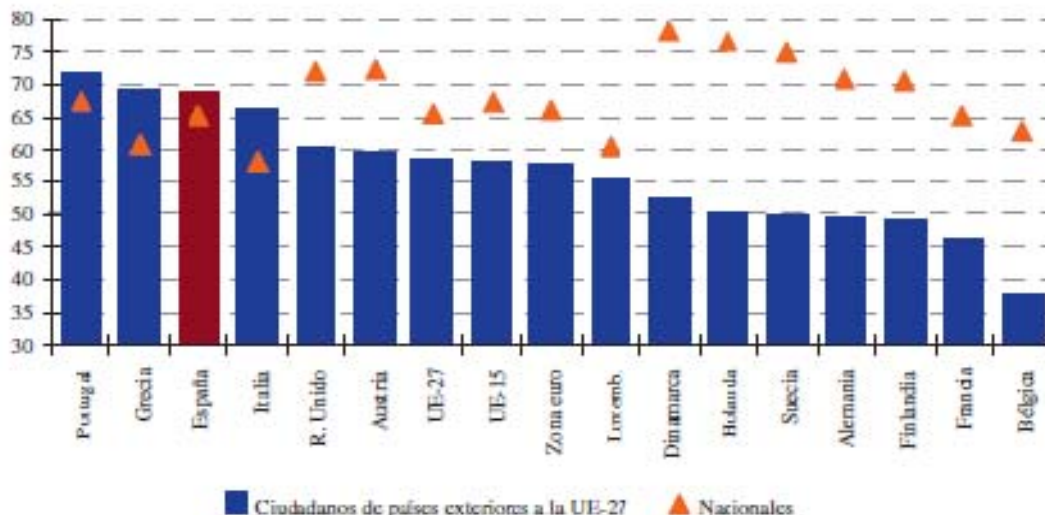
Table 13: Employment rates by groups and nationality (%)

		2006	2006	2007	2007	2007	2007	2008	2008	2008	2008
		Q03	Q04	Q01	Q02	Q03	Q04	Q01	Q02	Q03	Q04
ES	Ext-27	71,2	70,5	68,5	69,2	69,6	68,1	67,2	66,2	65,5	61,7
	Nat.	64.4	64.5	64.5	65.3	65.4	65.2	64.7	64.8	64.4	62.9
EU	Ext-27	58,7	57,9	57,1	58,6	59,5	58,4	58,9	59,6	60,2	
	Nat.	65.6	65.5	64.8	65.6	66.2	66.0	65.7	66.2	66.6	
EU27	Ext-27	58,7	57,8	57,1	58,6	59,5	58,4	58,9	59,6	60,2	
	Nat.	65.2	65.0	64.8	65.6	66.2	66.0	65.7	66.2	66.6	

Source: Eurostat and own elaboration

¹⁵ 2008 Annual Progress Report.

Diagram 1: Employment rate by nationals and citizens of third countries. 2007



Source: IAP 2008

Flexicurity approach, reducing labour market segmentation, involving social partners

Although the debate on flexicurity in Spain only reached the wider public after the Commission published its Green Paper on “Modernising Labour Law”, some of its rationale was already present in the important Royal Decree Law (RDL) 5/2002 of 24 May, which met great social opposition. Among other measures, this Royal Decree Law reduced compensation for dismissal and linked unemployment benefits to claimants’ commitment to stay active. Not to mention the fact that the compensation for the termination of fixed-term contracts had already been increased by RDL 5/2001.

Consequently, the segmentation between temporary and permanent workers became one of the core issues in social dialogue¹⁶, establishing a maximum time period for the repetition of contracts for the same job. The European Commission identified this initiative as an example of flexicurity in Annex II of Communication “Towards Common Principles of Flexicurity: More and better jobs through flexibility and security”¹⁷.

In the current context of financial crisis, other measures are being launched, theoretically under the banner of flexicurity. Experts have proposed the simplification of the currently existing types of employment contracts that correspond to different dismissal compensation systems. As a result of pressure on this issue, especially from the Employers’ Organisations Confederation, fixed-term contracts (excluding internship contracts) are set to disappear, while single open-ended contracts would be introduced for new contracts, with dismissal compensations proportional to years in service, therefore increasing with seniority. The introduction of this type of contract would unify grounds for dismissal, maintaining legal protection for unfair discriminatory dismissal.

Thus, the argument is that workers would have open-ended contracts from the start of their employment relationship, whilst employers would not have to cover the large gap between compensation costs for fixed-term contracts (8 days wage per year worked) and the compensation costs of current open-ended contracts. According to this theory, this would contrast the main reason for an excessive rotation of contracts for the same job. This new contract would also help to reduce the inequality of opportunities experienced by certain groups of the population, especially young people, women and immigrants, who are affected the most by excessively short employment contracts.

¹⁶ Agreement for the Improvement and Growth of Employment of 2006. Main content transposed in Royal Decree-Law 5/2006, of 9 June.

¹⁷ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions of 27 June 2007, “Towards Common Principles of Flexicurity: More and better jobs through flexibility and security”. COM(2007) 359 final

This proposal was criticised by many other labour law experts, and was openly rejected by most trade unions. The Government also declared not to be in favour of such radical labour market reform.

Anyway, for the implementation of this guideline the Spanish NRP mentioned four core measures, only two of which were purely related to labour market and employment policies: measures aimed at reducing the number of fixed-term contracts by reviewing existing types of contract and the costs connected to temporary and permanent employment; strengthening inspections to combat irregular contracts

The two remaining measures were linked to Axis 1– regularisation of immigrant workers - and Axis 5 – creating a public rental agency to revitalise the market for rented accommodation. The latter initiative aimed at facilitating the mobility of workers within the national territory¹⁸.

Reduction of temporary employment (fixed-term contracts)

Some of the measures introduced were examined above. The economic crisis speeded up the implementation of some of these initiatives since, unlike previous economic downturns, it showed particularly severe in hitting the temporary employment market.

Inspection campaigns against irregular contracts were carried out. These campaigns, mainly of an informative nature, gave rise to a high number of transformations from irregular fixed-term to open-ended contracts without sanctions for the employers.

The process through which immigrant workers in illegal situations were offered the opportunity to access regular employment was previously agreed with the main trade unions and employers' organisations, but it was rejected by the Conservative opposition; according to several indicators, however, it was a clear success.

Employment-friendly labour costs

On this subject, the 2005 NRP based its response on a single measure, focusing on "support to maintain and consolidate Interconfederate Agreements resulting from Collective Negotiations, which existed in our system since the beginning of this decade".

These Agreements, signed by the main trade unions and employers' organisations, traditionally provided for salary rises of about 2%, proportionate to the inflation expected in the Euro zone, together, with a "safeguard clause" authorising a higher increase in the event that the Consumer Price Index was higher than the European Central Bank's forecast.

Investment in human capital and adapting education and training systems to address new skills requirements

The guideline to which probably the largest number of implementation measures was associated in the 2005 NRP was the one regarding the increase and improvement of investment in human capital. However, the objectives of such interventions were varied. For instance:

- in some cases, it seems that the reconciliation of work and family life is the main goal – 2% annual increase in the availability of childcare opportunities for 0 to 3 years; 100% schooling of children aged 3 to 6, and complete coverage for all children by 2010;
- in the majority of cases, an effort to reduce school drop-out can be appreciated: reducing the so-called school drop-out in secondary education, without decreasing the quality of education; increasing primary education participation rates to over 95%; promoting the acquisition of basic competencies to allow for further learning; detecting learning difficulties, identifying support measures and mechanisms; devoting greater resources to activities that facilitate the integration of immigrant students, etc.;

¹⁸ For instance, support to mobility in RDL 2/2008.

- in other cases, the main thrust seems to be to favour guidance and the most suitable training options according to the needs and interests of students, teaching a second foreign language in the third cycle of primary education as an optional subject or reinforcing learning opportunities for foreign languages, more attention to diversity programmes, or organising secondary education in a flexible way, so as to encourage students to continue on the training paths that are most suitable to their interests and expectations;
- only few links with vocational training are mentioned, namely the creation of a National Qualifications and Vocational Training System and the transfer of credits through the European framework or the facilitation of flexible access and transfer between vocational training, secondary education and university. Most of the measures regarding Guideline 24 focus on:
 - the reform of the continuous training system,
 - the creation of the Vocational Training Subsystem,
 - new training plans in undertakings,
 - the improvement of continuous training for civil servants in public administrations,
 - guaranteeing the validation of professional competencies acquired through training or job placement experiences,
 - the creation of a bonus system based on the training fees paid by employers to training providers.

A large number of these measures have already been developed.

1. A rough indication of the results of these initiatives is the percentage of young people aged between 20 and 24 who have completed secondary education. As far as this issue is concerned, the results for the past few years are quite bleak, with a decrease from 66% in 2000 to only 61.1% in 2007. This is well below the European average.

Table 19: Youth education attainment level by gender

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
EU (27 countries)	:	:	76.6	76.6	76.7	76.9	77.1	77.5	77.9	78.1
EU (25 countries)	:	:	76.6	76.5	76.7	77.0	77.3	77.6	77.9	78.0
EU (15 countries)	:	72.4 (b)	73.7	73.6	73.7	74.0	74.4	74.7	75.0	75.2
Euro area	:	71.2	72.7	72.6	72.7	72.8	73.5	73.7	73.9	74.5
Euro area (15 countries)	:	:	73.0	72.7	72.8	72.9	73.6	73.8	74.0	74.5
Euro area (13 countries)	:	71.6	73.1	72.7	72.9	73.0	73.6	73.8	74.0	74.5
Euro area (12 countries)	:	71.5	72.9	72.6	72.7	72.8	73.5	73.7	73.9	74.3
Spain	64.6 (i)	65.2 (i)	66.0	65.0	63.7	62.2	61.2	61.8	61.6	61.1

2. This trend is in line with the second indicator that we have examined: the percentage of the population aged between 18 and 24 who leave secondary education without a qualification. In this case, Spain's progress is equally disheartening, with a rate that is almost double the European average.

Table 20: Early school-leavers - Percentage of the population aged 18-24 with at most lower secondary education and not in further education or training

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
EU (27 countries)	:	:	17.6	17.3	17.1	16.3	15.8	15.5	15.2	15.2
EU (25 countries)	:	:	17.3	17.0	16.7	15.8	15.2	15.1	15.0	15.0
EU (15 countries)	23.6	20.5	19.5	19.0	18.7	17.9	17.2	17.1	16.8	16.9
Euro area	24.1	21.3	20.2	19.7	19.3	19.1	18.4	18.1	17.8	17.2
Euro area (15 countries)	:	:	20.0	19.6	19.1	18.9	18.2	17.9	17.7	17.1
Euro area (13 countries)	:	21.2 (e)	20.0 (e)	19.5 (e)	19.1	18.8 (b)	18.1	17.8	17.6	17.1
Euro area (12 countries)	:	21.2 (e)	20.1 (e)	19.6 (e)	19.2	18.9 (b)	18.2	18.0	17.7	17.2
Spain	29.6	29.5	29.1	29.2	29.9	31.3	31.7	30.8 (b)	29.9	31.0

3. A third and equally interesting indicator is the expenditure in human resources, translated as total public expenditure in education as a percentage of GDP. The following Eurostat series (up to 2005) shows a progressive decrease, quite the opposite of what is taking place across the rest of the EU, and a much lower level of expenditure (in practice half the level of other countries such as Denmark, for instance).

Table 21: Spending on Human Resources: Total public expenditure on education as a percentage of GDP

	1997	1998	1999	2000	2001	2002	2003	2004	2005
EU (27 countries)	:	:	:	4.68 (s)	4.94 (s)	5.06 (s)	5.14 (s)	5.06 (s)	5.04 (s)
EU (25 countries)	4.79 (s)	:	4.77 (s)	4.71 (s)	4.97 (s)	5.08 (s)	5.17 (s)	5.09 (s)	5.06 (s)
Euro area (15 countries)	:	:	:	:	4.89 (s)	4.91 (s)	5.01 (s)	4.93 (s)	4.87 (s)
Euro area (13 countries)	:	:	:	:	4.89 (s)	4.91 (s)	5.00 (s)	4.93 (s)	4.86 (s)
Spain	4.48	4.42	4.38	4.28	4.23	4.25	4.28	4.25	4.23

4. The mediocre performance of the Spanish education system is slightly mitigated by progress in the percentage of the population aged between 25 and 64 taking part in education or training courses, where a steady increase can be observed.

Table 22: Life-long learning by gender - Percentage of the adult population aged 25 to 64 participating in education and training

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
EU (27 countries)	:	:	7.1 (e)	7.1 (e)	7.2	8.5 (b)	9.3	9.8	9.7	9.5
EU (25 countries)	:	:	7.5 (e)	7.5 (e)	7.6	9.0 (b)	9.8	10.3	10.2	10.0
EU (15 countries)	:	8.2 (e)	8.0 (e)	8.0 (e)	8.1	9.8 (b)	10.7	11.3	11.2	10.9
Euro area	:	5.6 (e)	5.4 (e)	5.2 (e)	5.3	6.5 (b)	7.3	8.2	8.2	8.4
Euro area (15 countries)	:	:	5.2	5.2	5.3	6.5	7.4	8.2	8.3	8.4
Euro area (13 countries)	:	5.5 (e)	5.2 (e)	5.2 (e)	5.3	6.5 (b)	7.4	8.2	8.3	8.4
Euro area (12 countries)	:	5.5 (e)	5.2 (e)	5.2 (e)	5.3	6.5 (b)	7.3	8.2	8.2	8.3
Spain	4.2	5.0	4.1 (b)	4.4	4.4	4.7	4.7	10.5 (b)	10.4	10.4

Source: Eurostat

5.7 Overall assessment and conclusions

In our opinion, the implementation of the Integrated Guidelines undoubtedly had an impact in Spain.

Most of the activities aimed at increasing the employment rate (especially amongst women and the elderly), fighting discrimination against women and, in particular, promoting investment in R&D, limiting the use of temporary contracts and guaranteeing the sustainability of social protection systems, can be linked to the objectives and guidelines of the Lisbon Strategy.

The results obtained may be seen as inconsistent, as was probably to be expected given the ambitious nature of the reforms envisaged. Alongside relatively successful initiatives (i.e. those encouraging the conversion of fixed-term contracts into open-ended contracts or the reform of the social security system in 2007), or, however, positively valued, and clearly innovative initiatives (such as the Law for the equality between men and women, or the creation of a social support system for dependent persons), the initiatives in the field of education have been by far the least successful.

However, it seems doubtless that the weight of social policy as a whole, and certain issues connected with gender equality, suffered a certain decline since the 2005 review, at least on the surface.

The Integrated Guidelines had an impact not only on the activity of the central administration, but also on most of the reform plans or policies for the promotion of employment implemented at regional level. Similarly, the basic ideas contained in the guidelines have started to feed into social dialogue and to be transferred, to a lesser extent, into collective bargaining.

Governance model

The OMC and mutual learning from sharing experiences with other Member States are as a whole appreciated, but their usefulness is questioned since meetings rarely focus on specific subjects and participating countries are now very different in their productive structures or labour markets. Meetings between the 27 Member States often do not appear as particularly interesting and are perceived as long and tedious. Selective peer reviews between "truly equal" countries are positively valued, however. In any case, the effectiveness of this method still needs to be demonstrated; it is also not clear whether the information exchanged by Member States representatives is disseminated and shared with other governmental departments in charge of implementing the Lisbon Strategy or other levels of the administration.

One could easily argue that greater coordination between the different local administrations in Spain is one area needing improvement and that the central administration did not prove to possess great leadership capabilities. However, the lessons drawn from the Lisbon Strategy by Spanish regions and social partners are clear. As an example, wage limitations and the stricter link to labour productivity introduced since 2002 by the main Spanish trade unions and employers' organisations through Interconfederate Agreements do belong to the rationale of creating an employment-friendly environment.

As to the administrative model put in place for the implementation of the Strategy, with the transfer of responsibility for part of the guidelines from the Ministry of Labour to the Ministry of Education or to bodies of an economic nature (the President's Economic Office) may have contributed to watering down the more social aspects included in the Lisbon Strategy and the attention paid to them.

The lack of ownership of the Strategy is obvious, as is the lack of will to communicate its aims and progress to the public. From the perspective of institutional participation and involvement, the role of the Spanish Parliament has long been extremely formal and practically limited to providing information.

In any case, in Spain the Lisbon Strategy does not seem to have been turned into a justification for unpopular political decisions.

6. IMPLEMENTATION AND IMPACT OF THE LISBON STRATEGY 2000 – 2010 ON EMPLOYMENT AND SOCIAL POLICIES IN THE UNITED KINGDOM

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6.1 Introduction

The Lisbon Strategy or agenda does not have a significant profile among the general population in the UK, nor even much of a profile among the social partners, beyond those who might be described as experts or directly involved in the policy-making process.

There are a number of factors that help explain this. One is that key elements of the Lisbon agenda, and particularly the general notion of “labour market flexibility”, were already priority issues for Labour when it won the 1997 election. Therefore any debate on questions such as employability and lifelong learning had a life of their own before 2000.

Secondly, the approach of the Labour government is mainly to take the credit for initiatives and downplay any link to Europe, beyond perhaps referring to the fact that the UK is often ahead of the game in important aspects of the Lisbon Strategy. So while lifelong learning, childcare, equal pay and similar issues are widely debated, there is little awareness outside a small circle that these are part of the Lisbon agenda. This is reflected in a comment from a civil servant interviewed for this report¹. His view was that there are many elements of policy that are in line with Lisbon, but concern about the prevailing sceptical public view of the European Union means that there is no enthusiasm to link policy initiatives to the strategy.

6.2 National approach

The UK has had a Labour government since 1997, covering the whole of the period from just before the set up of the Lisbon Strategy to the current day. Its approach to the strategy is shaped very much by the fact that it was an initiator of the project.

An important point about the UK is that the new Labour government elected in 1997 set out to take a much more positive approach to the European Union than the Conservative governments under John Major and Margaret Thatcher that had been in power for the previous 18 years. Tony Blair had made clear his intention to get closer to the centre of Europe and his key role in Lisbon was a reflection of this. As one assessment puts it: “Blair’s European policy may well be seen as a moderate success story of his administration, transforming the UK’s position from that of the perennial “awkward partner” to that of a “normal” Member State: one that has been engaged with a European agenda rather than primarily and permanently opposed to the deepening of European integration.”²

The UK’s policy of greater engagement took effect almost immediately and in the lead up to Lisbon British ministers from a wide-range of Whitehall Ministries had been involved in several bilateral initiatives on economic reform, agreeing nine joint positions with different EU partners that shaped the Lisbon European Council conclusions.

A crucial issue is how the UK government approached the Lisbon Strategy and the emphasis that it put on the different elements within it. Tony Blair reported to Parliament on the Lisbon Council meeting by saying: this “Council marks a sea change in European economic thinking – away from heavy-handed intervention and regulation, towards a new approach based on enterprise, innovation and competition.”

¹ Interview with civil servant formerly responsible for Lisbon Strategy at the Treasury, 1 May 2009

² O’Donnell, C.M. and R.G. Whitman, (2007). “European policy under Gordon Brown: perspectives on a future prime minister”, *International Affairs*, 83:1, 253-272

Shortly afterwards the then Minister for Europe, Keith Vaz, used Blair's comment in one of his own speeches and followed it up with the comment that: "The EU of the late 1980s and most of the 1990s was characterised by the British press – not entirely unfairly – as pursuing social affairs regulation that ran counter to the best practice available in Europe."

For the Labour government it was clear that, while there were many different strands making up the Lisbon agenda, the spotlight was certainly on deregulation and competition. In May 2000 Energy Minister Helen Liddell focused on the energy deregulation part of the Lisbon agenda when she told a European conference that: "The UK has been the front runner in Europe in freeing up its energy markets," and she urged swift action from governments that had yet to take major steps in that direction. In June of the same year Keith Vaz went to the CBI (Confederation of British Industry) employers' organisation and spoke of "the pro-business agenda we secured at the Lisbon Special European Council in March," underlining the role played by the UK government in getting the economic reforms plan adopted.

A year later, Peter Hain had taken over as Minister for Europe and acknowledged that Lisbon was supposed to be about exchanging information and experience. He told a meeting of company finance directors: "Just as Europe can learn from the UK about creating an entrepreneurial culture, so the UK can learn from other Member States about high productivity and investment in Research and Development and training. The Lisbon Strategy allows us to identify best practice throughout the Union and draw up measures to improve UK performance across the board."

Despite the warmer approach to the European Union, the Labour government still had a tendency to view policy in terms of a British approach. Just three months before Lisbon the then Chancellor of the Exchequer Gordon Brown made a speech on the knowledge economy, what would soon be a central element of the Lisbon agenda. There was no reference to the European Union and just two to Europe – one in terms of potential co-operation between UK and other European universities and the other on the market that the rest of Europe provided for UK goods. He then went on to talk about the idea of making "Britain the centre for a new Hollywood of the creative interactive content industry" and how it could "lead the way in bridging the digital divide". For Brown it was all about "British values and the British people ready to rise to and surmount the newest challenges ahead."

As Prime Minister, Gordon Brown has not taken a fundamentally different approach from Tony Blair and continues to stress the importance of flexible labour markets. Brown is seen as being out of step with some of his EU counterparts: "There is a clear divergence between his position and that of other Member States concerning strategies to achieve the overall objectives that relate to labour legislation. He has stated strongly that he will continue to resist removing the UK opt-out from European working hours legislation, which he believes threatens jobs."³ Brown also takes the view that the UK is ahead of the field and "is particularly critical of the slow pace of reform in other Member States and the disparity between the collective position agreed by the EU's Member States and the pace and enthusiasm with which reforms are implemented."⁴ One assessment summarises his approach to the key issues and highlights his focus on putting Britain first which lay behind his controversial claim that he would deliver "British jobs for British workers": "Brown's preference for a light regulatory approach is one manifestation of his pro-business stance. This stance is also illustrated by other proposed reforms, such as the creation of a business-led advisory group to give business a clear voice in the EU legislative process, and by his rhetoric, as for example in the assertion that 'we will stand up for an approach that is pro-Britain, pro-business and pro-European single market'⁵.

³ Ibid.

⁴ Ibid

⁵ O'Donnell, C.M. and R.G. Whitman, (2007), "European policy under Gordon Brown: perspective on a future prime minister", *International Affairs*, 83:1, 253-272

To some extent, certainly in terms of social issues, there is reluctance on the part of the UK government to accept that there is a need for the UK to follow any examples from Europe. As O'Donnell and Whitman state: "Brown asserts that there is no common European social model, nor indeed any single 'right' model, but an appropriate model specific to each country"⁶. In a different way Brown also appears to take the view that the Lisbon reforms are less about what the UK should be doing and more about what is happening elsewhere in Europe.

With so much invested in the original Lisbon proposals, it is perhaps not surprising that the Labour government, while acknowledging slow progress in some areas, has tended to defend the process against its critics and particularly against attacks by the Conservative Party.

The following exchange in the Commons from 2005 is just one of several. The comment and question come initially from Dr. Liam Fox, the then shadow foreign secretary: "Yet again, the Government are trying to breathe life into the moribund Lisbon agenda. When will they realise that, although the EU can exacerbate economic problems — for example, through the social chapter and over regulation — real reform in the European economy can occur only when Member States adopt the sort of supply-side reforms that Conservative Governments in the 1980s introduced in the UK?" In response, the then foreign secretary Jack Straw asserted that: "The Labour model extends the idea of social responsibility across the UK, and is now seen as a beacon in the rest of Europe. Yes, progress on the Lisbon agenda has been very disappointing elsewhere in Europe, but the UK has met its targets under that agenda"⁷.

Earlier that year, Straw had also used a Commons question time debate to clarify the government's position by responding to a Conservative MPs' criticism of the Lisbon Strategy and affirming Labour's endorsement of José Manuel Barroso as the new president of the European Commission: "Progress on Lisbon has not been as good as it should have been — I am glad that he [the MP raising the issue] has read that section of the White Paper — but then said that, the European Union should secure more liberalisation, greater deregulation, better competition and a genuinely free market. What on earth does he think that the Lisbon agenda is about, if not deregulation, greater competition and a genuinely free market? Some people in the European single market are behind the action, which is why we have worked hard and successfully to get a Commission that represents our vision of the future and that will actively pursue the Lisbon agenda, which did not happen under the previous Commission"⁸.

The nature of parliamentary questions is that they tend to highlight the oppositional nature of exchanges within the Commons, rather than simply provide informed responses to serious requests for information. With parliamentary debate on the Lisbon process mostly restricted to these exchanges, it is not surprising that they seem contrived and aimed at scoring party political points. This is most obviously true of questions posed by Labour MPs to Labour ministers.

The following question and answer session took place in 2006 and illustrates not just how Labour tends to see Britain as the leading light in Europe, but also that the key issue is about the UK's economic performance on its own rather than as contributing to broader European competitiveness. Initially Labour MP Mark Hendrick asks Gordon Brown (as the then Chancellor): "If he will make a statement on progress towards meeting the Lisbon agenda," and Brown duly takes up this offer by talking primarily about the UK: "Britain is at or near the best for employment and enterprise. The report on science that we are publishing today shows the progress that we are making on research and development. Europe accounts for 50 per cent of British imports and exports. To speed up the pace of economic reform across Europe, we are proposing that Governments and business join together in a Europe-wide business forum." Not satisfied with his opening question, Hendrick then helps Brown out with his own glowing assessment and follows this with another cue for Brown to sing the UK's praises: "My right hon.

⁶ *ibid*

⁷ Hansard, 30 May 2005

Friend presides over one of the most dynamic economies in the world, with record levels of foreign direct investment, according to the United Nations, and massive levels of employment, according to the G7 Nations. In an age of globalisation and cut-throat competition, what is he doing to ensure that our European Union partners go the same way as we have?" To which Brown replies: "I am grateful to my hon. Friend, who has taken a broad interest in these matters. He is absolutely right about our economic performance, given that the shadow Chancellor has congratulated us on establishing economic credibility and on our success in macro-economic policy. On employment, despite the recent difficulties, the claimant count in Britain is 3 per cent and the labour force survey figure is 5 per cent. Our unemployment rate is about half that of the mainland European economies. I believe that we can continue to expand, even in a situation of massive global competition. Our aim is full employment for this country, and I hope that all parties will subscribe to that." So again a comment about the UK's (at the time) economic success without saying anything further about the broader question of how to make the Lisbon agenda work at European level.

The difficulty of assessing the impact of the Lisbon Strategy can be illustrated by looking at a specific policy area like skills and employability. This has been at the centre of government policy development from its election in 1997, since when it has actively promoted the idea of lifelong learning. There have been various stages in government thinking and a range of reports, white papers and legislation that have attempted to explain and tackle the skill needs of the UK economy. The skills White Paper, "Getting on in business: getting on at work" (March 2005), for example, was in line with the Lisbon process and identified the improvement of national skills performance as supporting the government's twin goals of social justice and economic success by: "Replacing the redundant notion of a 'job for life' with our new ambition of 'employability for life'; thus helping people and communities meet the challenge of the global economy." The government favoured a supply-side strategy that would reshape the training system so that it would be "driven by the needs and aspirations of employers and individuals". A National Employer Training Programme, later known as "Train to Gain", effectively put purchasing power in the hands of the employer to ensure that "public funds respond directly to employer priorities". Other policies followed, including developing a network of Skills Academies for each major sector of the economy and developing the role of colleges of further education by emphasising their role in providing skills and qualifications to meet the needs of employers, individuals and the economy as a whole. In 2006 the key Leitch review of future skills published its final report, "Prosperity for all in the global economy – world class skills" which recommended a range of targets for improving skills at all levels. The government accepted the targets and has underlined the need for a demand-led system of skills provision with employers at its heart.

There are two significant issues here. One is that those targets were produced independently of Lisbon and, second, that despite the Labour government's various policy initiatives in this area, this was the one aspect of its performance that the European Commission chose to highlight in its 2007 review of National Reform Programmes. The House of Commons European Scrutiny Committee's Ninth Report (December 2007) notes: "Government broadly accepts the Commission's assessment of the UK and its Recommendation to the Council for an Integrated Recommendation addressed to the UK, in the third annex to document (b), that it should, "implement recent plans to substantially improve skill-levels and establish an integrated approach to employment and skills in order to improve productivity and increase opportunities for the disadvantaged". In other words the Commission found it difficult to say anything about the UK government's progress on Lisbon beyond suggesting that it keeps doing what it was already trying to do.

⁸ Hansard, 3 February 2005

Conservative Party

The main political opposition to the Labour government is the Conservative Party. After losing the 1997 and 2001 elections by very large margins, the Party did not do so badly in 2005 but it still has only 193 MPs compared to Labour's 350 (the government has a working majority over all other parties of 63). However, the recent trend in opinion polls gives the Conservatives a lead over Labour and the prospect of a Conservative victory at the next general election which has to take place before June 2010.

A search through Conservative Party speeches and press releases reveals that the Lisbon Agenda is overwhelmingly discussed in a European context rather than part of a debate about what is happening in the UK. The emphasis for the Conservatives is also very firmly on the liberalising elements of the agenda and issues around the single market and competitiveness and invariably over the past few years they have been critical about what is seen as the failure of Lisbon. This comment from the Party's European spokesperson Graham Brady in 2006 is a reflection of their approach: "Not only has Lisbon made no real progress in the last six years – more than half way through a period that was meant to see the EU become the world's most competitive knowledge-based economy – but we can still see it moving backwards. There is increasing speculation that the UK may be forced to surrender our opt-outs from the Working Time Directive and there could be no clearer indication of how completely many of our EU partners have failed to grasp the realities of global competition and the importance of flexible labour markets."

More recently the shadow foreign secretary William Hague declared: "We all remember the famous Lisbon agenda which was grandly declared in 2000 with its great goal being to make the EU "the most dynamic and competitive knowledge-based economy in the world" by 2010. Well, 2010 is not so far off now and it would take an economic miracle to hit that target" (speech 8 February 2008).

6.3 The role of Parliament

The Lisbon Agenda has been the subject of some parliamentary debates and exchanges, although this is usually in the context of a wider debate about Europe, for example, around the Lisbon Treaty rather than specifically about the Lisbon Strategy itself. These kinds of debates tend to reflect the main party views of Europe and Lisbon, with the Conservative Party usually exploiting the opportunity to attack Lisbon as unsuccessful and use this as part of a series of critical points about the European Union and Labour policy on Europe. The government's response tends to involve a general defence of Lisbon, with a reference to the fact that other EU Member States are not managing to implement reforms quickly enough (as demonstrated in the exchange between Liam Fox and Jack Straw quoted earlier).

As a reflection of the level of debate within Parliament we can take 2005 as a key year in that it saw the re-launch of Lisbon and so the expectation might be of some significant debates in the House. In fact, there were 50 references to the Lisbon Agenda/Strategy in House of Commons debates, according to Hansard, the official verbatim record of Parliament. However, the vast majority of these involved passing references to the strategy that were part of wider debates on Europe. And invariably the issue revolved around Conservative criticism of what it saw as the failure of the Lisbon Agenda, while Labour supports the process but says that other countries need to do more.

The House of Commons does have a European Scrutiny Committee, but its main job is to vet incoming documents from the European Union rather than provide a forum of debate on how the UK is, or isn't, making progress on the Lisbon agenda. To take one example, in December 2007 the Committee examined the European Commission Communication: "The European Interest — Succeeding in the age of globalisation", that was published in October 2007 and that included references to the Lisbon Strategy.

The conclusion of the Committee was that: "Though this Communication tends, like so many similar documents produced by the Commission, to be over-ambitious in its claims and fairly general in the measures it advocates, its overall thrust appears to be unexceptionable, and we note that its broad direction is supported by the Government." Perhaps that final phrase is key – "its broad direction is supported by the Government". The implication is that no substantive action is required on the part of the UK to respond to this document, nor is any attempt made to try to assess whether any Lisbon-related policy implementation in the UK might be relevant to discuss as part of a response to the Communication.

The UK Parliament's tradition of ministers' questions has also provided various opportunities for the government to comment on the Lisbon Agenda, although often in a contrived way, with a question from a Labour MP intended specifically to elicit a positive response from the relevant minister.

The National Reform reports are submitted to the EU scrutiny committee each year, but these are noted rather than subject to any debate. As Armstrong confirms, certainly with regard to social inclusion issues: "While mechanisms have developed at both UK and devolved levels for parliamentary scrutiny of EU action, it is not evident that they have engaged to any significant extent with the OMC process on social inclusion."⁹

6.4 Learning from Europe

There is certainly evidence of examples of bilateral exchanges between the UK and other EU Member States on Lisbon-related issues. For example, UK and Dutch ministers met in March 2005 to discuss a range of topics under the heading 'How can Europe compete?'. Four workshops covered: preparing young people for work in the 21st century; promoting the knowledge economy; developing a wider, more flexible and better skilled labour market and promoting entrepreneurship. However, again it is difficult to see this as a result of the Lisbon process as it is one of a series of bilateral conferences that had been organised as part of an initiative taken in 1999 by the then Prime Ministers Tony Blair and Wim Kok. So, while in the "spirit of Lisbon", such contacts cannot be said to be directly the result of the strategy. However, some bilateral meetings and projects do appear to come under the Lisbon umbrella. In 2006 the Treasury collaborated with the Swedish Finance Ministry in publishing a joint report on labour market policies in response to globalisation. Central to the various proposals for providing training and social protection was the concept of improving employability rather than protecting jobs. UK contacts with Sweden were cited by a civil servant interviewed for this report with a suggestion that there was certainly some willingness to exchange information within the administration, even if it is still difficult to identify concretely any policy developments that emerged from this process.

6.5 Social partners

In a briefing document published in July 2008 the TUC (Trades Union Congress) called for a strengthening of the Open Method of Coordination in social protection and social inclusion in response to its experience in consultations around the Lisbon Strategy and social inclusion. The TUC said that its "experience has been that unions have only been involved as a part of a range of NGOs invited to advise the Department for Work and Pensions (DWP). Employers and employers' organisations are also invited to take part, but rarely bother. Their behaviour is understandable: although the DWP now devotes more resources to working with other organisations to draft and monitor the NAP (the Department was openly contemptuous of the whole process when it was first agreed) it remains difficult to discover any substantial impacts on the Government's policies. The UK Government continues to give the impression that it believes the main contribution this country can make is to provide a positive role model for the rest of the EU".

⁹ Armstrong, K.A., (2005), "Implementing the Lisbon Strategy: policy co-ordination through 'open' methods – how open is the United Kingdom to the OMC process on social inclusion?," Economic and Social Research Council Seminar Series

While regarding these as positive proposals, the TUC didn't think that they would address what it saw as the key factor determining the effectiveness of the open method of co-ordination on social issues in the UK: "the extent to which the UK government is willing to let its policies on social protection and social inclusion be influenced by comments from stakeholders outside government. These policies can be influenced, but through advanced lobbying, which is rarely best taken forward through discussions on the NAP Inclusion."

More generally the TUC can be seen as supporting Lisbon-type policy initiatives without being demonstrably enthusiastic about the strategy itself. In some cases, such as lifelong learning, the TUC and its member organisations have been and continue to be key actors who can appoint union learning representatives who have statutory rights to spend time at work helping and advising their members on training to help boost skills and employability. In contrast, trade unions have become increasingly concerned about other Lisbon-related policies that focus more on flexibility, benefit reform and deregulation. However, a search of TUC press releases from 2000 and of resolutions to the TUC Congress of that year failed to uncover a single reference to the Lisbon Council or the strategic goals set as part of the Lisbon agenda.

At the time, the CBI (Confederation of British Industry) employers' organisation did talk publicly and more directly about Lisbon, focussing on issues like innovation and enterprise and the need to compete with the US and Japan. However, even here there was the idea that the UK was setting the pace in Europe. The CBI statement on the Lisbon Council was that it was "good news for business and shows that the UK's agenda of economic and social reform is increasingly becoming common currency amongst its European partners (although our nearest neighbours may still need some persuading)." The starting point for the CBI was the need for reforms, particularly to what it sees as the elements of the European social model which restrict labour market flexibility, so with an emphasis on deregulation as well as incentives for entrepreneurs.

6.6 Consultation and the policy-making process

Following the re-launch of the Lisbon Strategy in 2005, the DWP began to organise stakeholder meetings to discuss the UK's National Reform Programme. On 24 July 2006, for example, there was a range of NGOs and employer organisations invited to a meeting with presentations from the then minister for Europe, Geoff Hoon, and civil servants from three different departments, Treasury (Finance), Trade and Industry (now Business and Enterprise and Regulatory Reform) and Work and Pensions. The meeting covered a wide array of issues, including research and development, equal opportunities, the role of local government and regional development agencies, government dialogue with business, sustainable development, the importance of information and communication technology, the need for balanced regulation, the need for greater transparency in the Lisbon process.

As Idema and Kelemen argue, there would appear to be considerable potential for Member States to learn from each other as a result of the open method of co-ordination that is at the heart of the Lisbon agenda. However, "it is difficult to separate out this process from all the various other means of sharing information – think tank reports, academic journals, other international organisations like the OECD and international newspapers and magazines like the Financial Times"¹⁰.

¹⁰ Idema, T. and R.Daniel Kelemen, (2006), "New Modes of Governance, the Open Method of Co-ordination and Other Fashionable Red Herring", *Perspectives on European Politics and Society*, 7:1, 108 – 123, May 2006

The extent to which Lisbon sets the agenda in the UK is very much open to question both in terms of actual targets and the timing of the policy-making process. As Armstrong points out: "While the UK can report on progress in respect of the Laeken indicators (agreed in 2001), it is not these indicators per se which drive the selection of national targets. Rather it is the Treasury-driven CSR [Comprehensive Spending Review] process"¹¹.

However, what Armstrong did recognise in his analysis of consultation over social inclusion and the Lisbon process, was a shift in the UK approach. He explains that the Department of Work and Pension's Poverty and Social Exclusion Unit took a conscious decision "to develop a shared understanding of the problems and strategies for tackling social exclusion by involving the devolved administrations, local and regional government as well as NGOs and grassroots organisations"¹² in drawing up the social inclusion reports.

The "Get Heard" project emerged as part of this process. It was established by a coalition of anti-poverty NGOs working in partnership with the Department for Work and Pensions. The aim was to raise awareness of the National Action Plan. The coalition also set out to provide help to enable people excluded from the political mainstream to participate meaningfully in the consultation process. They developed the Get Heard toolkit that was launched in 2004 and this contributed to a broader process of consultation, encouraging grassroots workshops that discuss anti-poverty policies and assess what works and what does not. The Get Heard project helped get consultative workshops set up across the United Kingdom discussing and debating issues around poverty and exclusion.

Nevertheless, it is still a challenge to identify what has emerged from this process and the extent to which broader and deeper consultation in drawing up the national report has contributed to the development of new policy. "Moreover, while the process may be different, substantively the policies and strategies indicated in the NAPincl [National Action Plan on social inclusion] are not developed through the NAP-building process itself but are simply reported in it. The danger then is that process triumphs over substance. We need to be vigilant in assessing whether what has emerged is a new and more open process that is at best producing more process rather than real substantive deliberation"¹³.

6.7 UK performance

The various elements of the Lisbon Strategy cover a wide range of policies the effective implementation of which may be open to different assessment. The summary table on the Lisbon Strategy produced by the Treasury for 2008 lists 70 different policies covering the Lisbon areas that are at various stages of development. In 2007 the summary table contained 115 measures that were deemed to contribute to the Lisbon objectives. It is certainly a matter of contention as to what should be included each year, the extent to which a policy might be seen as fully implemented and successful and even whether or not it really contributes to the Lisbon targets.

The 2007 summary table, for example, includes the following measures related to pensions:

- Restoring the link between earnings and the basic State Pension;
- Reducing the number of years required to build a full Basic State Pension (BSP) from 44 for men and 39 for women to 30 years (both sexes);
- Simplifying the State Second Pension by making it a flat rate benefit (rather than earnings-related) by around 2030;

¹¹ Armstrong, K.A., (2005), "Implementing the Lisbon Strategy: policy co-ordination through 'open' methods – how open is the United Kingdom to the OMC process on social inclusion?," Economic and Social Research Council Seminar Series

¹² *ibid*

¹³ *ibid*

- Linking the Guarantee Credit (GC) to earnings and targeting Savings Credit (SC) to those with small savings; and
- Raising the State Pension (SP) age from 65 to 68.

It will be several years before some of these measures take full effect and, while many advocates of pensions' reform will welcome initiatives such as reducing the number of years to build up a full basic State pension, there is a much more controversial debate behind the decision to raise the State pension age from 65 to 68. Such a move might keep the UK in line with the European Commission's recommendations to maintain a sustainable pensions system, but does not so clearly contribute to measures to improve social inclusion. The UK State pension system provides one of the lowest levels of earnings replacement among the EU15 and this is undoubtedly one of the reasons why the UK performs so badly in terms of social inclusion in the Lisbon reviews¹⁴ carried about by the World Economic Forum (WEF).

The WEF has published its biennial Lisbon reviews since 2002 and in contrast to the self-congratulatory assessments of the Labour government, they do not put the UK ahead of the game in most categories. In fact, the 2008 review uncovers a sharp fall in performance in the one category where the UK had been a leader: financial services. From being first, then second, then first again in the first three reviews (2002, 2004 and 2006), in 2008 the UK fell to 11th in the WEF assessment of "creating efficient and integrated financial services". Between 2006 and 2008 there was a decline in the UK's performance in all eight categories of the review and overall, the UK fell from sixth place to ninth. Social inclusion is the category in which the UK has had the lowest ranking and there was further bad news in 2008 when it fell from 9th to 15th. The review noted that: "A striking deterioration since the last assessment relates to the clear decline in the United Kingdom's financial services score, ranked first in the last Lisbon Review, and now way down at 11th place. This can be traced to a weakening across the board, most notably in the access to capital and concerns about the soundness of the banking sector, likely linked to turmoil in the financial sector, which has hit the United Kingdom particularly hard given the economy's strong dependence on the financial services sector."

6.8 Conclusion

The New Policy Institute research organisation undertook a European Commission funded project in 2005 that assessed the level of awareness of the European Employment Strategy in the UK and concluded that: it would "remain peripheral, something of academic interest only, for so long as it deals with subjects that are being addressed, more or less satisfactorily, in the UK already. The leading example of this are the various quantitative employment targets emanating from Lisbon, all of which the UK exceeds. The impression which this creates and it is, almost inevitably, one of the first thing that a person finds out about the EES because it is easy to understand, is that the EES is not really relevant for the UK. As a result, there is no need to understand it further."¹⁵

This assessment of general public awareness feeds into the wider problem of how Lisbon is tackled in the UK. As mentioned earlier, euro-skepticism among voters in the UK makes it less likely that politicians will announce economic or social policies and highlight the fact that they are part of a European process of reform. This applies more to the Labour government as an initiator of policy that could be linked to the Lisbon agenda. The approach of the Conservative Party is that Lisbon is primarily about deregulation and market reform and that the rest of Europe has failed to follow the UK in these areas.

¹⁴ *The Lisbon Review 2002, The Lisbon Review 2004, The Lisbon Review 2006, The Lisbon Review 2008*, World Economic Forum

¹⁵ New Policy Institute, *Raising Awareness of the European Employment Strategy in the UK*, May 2005

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