Reforming the European Social Model and the politics of indicators.

From the unemployment rate to the employment rate in the European Employment Strategy (EES)\(^1\) (Level 1)

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Introduction (Level 2)

The Open Method of Coordination (OMC) was introduced for the purpose of monitoring the ‘modernisation’ of the European social model from a hypothetical ‘centre’ towards greater flexibility, better economic efficiency and lower costs. What verdict can be issued concerning the OMC, in the context of reform of the European social model? This chapter will focus on the European Employment Strategy as an exemplar of what could be called ‘a politics of indicators’, by which is meant the specific type of political action and monitoring introduced by the OMC.

Under the European Employment Strategy (EES) the benchmarking of national employment policies, by means of a set of indicators, plays a key role. In benchmarking management techniques, identifying good practices is the precondition for finding ways of applying them (Tronti 2001). The performance gaps between firms have to be measured in a consistent and reliable manner and properly correlated with the objectives of the firm. They must be clearly attributable to the causes, i.e. the good practices. It is at this decisive point that the indicators appear on the scene. While, in the case of a
firm, it is fairly easy to agree on objectives (profit, growth, cost reduction, share value, productivity, and so on), on how they are to be quantified, and on some of their interrelationships, this is much more difficult for public policies, the purposes of which are extremely varied and, in some cases, mutually contradictory. It is often quite impossible to disentangle the complex web of interactions existing between quantitative performance and the identification of good practices. In any case, political deliberation is needed for agreement – or minimum compromise – to be reached on the values and standards on the basis of which public decisions are to be taken. It is precisely from such political deliberation that the OMC is seeking to take its distance.

The general line of argument that will be followed here is that there exist, empirically and politically, so many obstacles to the effective and efficient use of this method within the EES that benchmarking ultimately boils down to little more than scoring [SUPPRESS points]. Member states are simply ranked by performance on a series of quantitative indicators, with the worst performers then being urged to do better. The way thus lies open for the degeneration of the method into a game in which member states and Commission implicitly collude with one another. The purpose of the game relates to the statistical yield (or return) of the national employment policies, assessed from the standpoint of the selected indicators. However, such degeneration is likely to have very real consequences on the ways of conceiving the functioning of labour markets and the reform of social policies in Europe. Far from any effort to eradicate unemployment (as might seem to be implied by the policy orientation in favour of higher employment rates),
there is encouragement for public policies in Europe to make optimal use of it for economic purposes (namely price and wage stability).

In section two, the author examines the selection bias of action variables made by the table of European indicators, with regard to their most important issues, employment and employability. Section three offers a reminder that the origins of the EES and the OMC are to be found in the national labour markets’ need for flexibility, as required by the European economic and monetary authorities. Section four stresses the risk that the EES could well degenerate into a rational game in which statistical improvement of indicators would no longer be linked with any real improvement in employability or in the operation of labour markets. Section five concludes on the possible emergence on a European scenario by which unemployment would be subject to a process of pure ‘fabrication’. The worries are that such a process can achieve neither flexibility nor employment growth.

The ‘anomalies’ in the benchmarking of employment policies (Level 2)

Under the EES, benchmarking by means of indicators is carried out in two ways, respectively labelled as performance indicators and key indicators (see Table 1 appended). There are several anomalies that need to be pointed out.

Characteristics of the table of indicators (Level 3)
The main performance indicators (which appear at the top of the EES list) are the employment rates. These are gross targets, covering all types of job and, in particular, they are not calculated in full-time equivalents. Any kind of task counts, regardless of length, number of hours worked per week, status, or any other aspect – in a word, quality! – on the sole condition that it is regarded as a ‘job’ by the national or European statistical source in question. Though a part-time equivalent rate is now used for the working-age population aged 15 to 64, the annual reports on the EES continue to pay political attention to the gross employment rate alone.

The data used for the performance indicators come, for the most part, from EUROSTAT. They are known as ‘harmonised’ data. The national sources have been designed, either upstream in devising the questionnaire, or downstream in the statistical processing procedures, to supply figures that fit the categories and accounting frameworks defined at European level. Beyond harmonisation, notwithstanding the naive positivism displayed by so many users of figures, institutional and instrumental formatting of this data at the national level remains considerable and distorts comparability at European level. In relation to employment contracts, for example, national legislations differ and countries where labour law is rather loose and minimalist are at an advantage in employment rate scoring insofar as any task at all can be counted as a job. Similarly, inequalities in education and vocational training and the various forms taken by it – whether, for example, training takes place outside or within the company – call into question the pertinence of the category “young persons aged 15 to 24”. The employment rate of “young persons aged
“15 to 24” is statistically low for those countries which have longstanding investment in training of their workforces (whose access to the labour market is accordingly delayed). Are these countries going to be required to reduce their commitment to education, when the priority objective of Lisbon is precisely to develop a knowledge economy? These examples, while to some extent caricatures, are nonetheless symptomatic of the internal contradictions and the way distortions are generated under the OMC as it is currently applied, which will be examined in section 4.

For the key indicators, the results are supplied by the member states in their National Action Plan on Employment (NAPE). From three standpoints – prevention, activation and return to employment – indicators are designed to evaluate the effectiveness of the NAPE in terms of what offers (and how soon after the beginning of the unemployment period) are made to unemployed persons to improve their employability; what degree of participation in employment policy schemes takes place; what returns to employment have been made. No serious control is undertaken by the Commission to ensure reliability of national data.

All these data remain beset by a range of problems, both statistical and theoretical.

*No definition of ‘job’ or ‘unemployed person’ (Level 3)*
On the definitions and computations for either a ‘job’ or an ‘unemployed person’ depend the estimate of employment and unemployment rates and the extent to which the national figures may be legitimately interpreted and compared. Two problems remain unaddressed.

a) Administrative categories concerning what constitutes a job search or an unemployed person in receipt of benefit differ from one country to another. The data on job search are closely dependent on the particular rules of registration, administration and deletion from the records applied by the employment agencies; moreover, the data relate to an individual period of search and not to the seeker. Data on unemployed persons in receipt of benefit depend on the rules applicable under the unemployment benefit systems (eligibility, duration and level of benefit, reasons for its withdrawal). All these rules are at the discretion of the governments (in some cases the social partners). Changes made to them do not only affect the terms of assistance but also have a direct impact on the statistics concerning job-seekers and beneficiaries, as well as their composition. Not only is comparability not guaranteed but there may be inbuilt bias. For example, if the counter for the period of unemployment registration is switched back to zero when a job-seeker returns to the agency after a short-term placement or contract, the period of unemployment and hence the long-term unemployment statistics are artificially reduced, the effect of which is far from marginal. Who, in Europe, is aware that in France the monthly statistics on job-seekers (a figure which has a major political impact) include ‘reduced-activity’ job-seekers? These are
job-seekers working less than 78 hours a month and their inclusion raises the average duration of unemployment.

b) Depending on the definition of a job and, especially, of its quality, the employment rate, and hence the evaluation of performance, may vary significantly. Depending, for example, on whether or not the rate is corrected for the varying incidence of part-time work, levels and scoring will change. For example, correcting for part-time work reduces the female employment rate in the UK from 65.1% to 50.2% in 2001; the corresponding fall in France is from 56.1% to 50%. On the basis of these corrected figures, the performance of the two countries becomes comparable and France moves up from 10th to 7th position. A further conclusion may be that women’s employment is on average of rather better quality in France than in Britain. Similarly, assessment of the effectiveness of activation could drop sharply if criteria concerning the quality of return to employment were introduced (for example, length and type of contract, or wage compared to previous wage).

No evaluation of the effectiveness of the national employment policies (Level 3)

Measurement of effort takes place by counting the number of unemployed persons who began (and thus who were offered) an ‘individual action plan’ before they had been unemployed for 6 months (young persons) or for 12 months (adults). The activation rate is measured by counting the number of participants in ‘training measures or similar’ previously registered as
unemployed. But there is no examination of the effectiveness of the measures with regard to the future of the beneficiaries on the labour market. Nor is any definition of an action plan, or of what constitute ‘training measures or similar’, recommended by the European Commission. Yet the content of the plans and the nature of these measures – especially the extent to which they are appropriate to the job-seekers’ situation and capabilities – significantly influence their return to work and the quality and duration of employment.

The overall problem is the strategic bias in the decisions of the Commission. This bias is exacerbated by the weakness of the Commission’s position in seeking to build a presence (dixit Teague, 2001) in a field where its competences are barely enshrined in law and hence open to question. The strategic advantage of the procedure takes precedence over a debate on norms and values that, under different circumstances, would be considered indispensable. It eliminates in advance from the EES what constitutes the essence of a public policy, namely the obligation to justify its means (instrumental) in the light of its ends (normative). Any technical decision (especially that relative to indicators) is full of normative consequences which ought to be debated and explicitly taken on board. Yet it obeys considerations of what appears strategically opportune, for example the need to obtain the agreement of such and such a country under specific current circumstances. Outcomes are not neutral from this standpoint. What, for example, can be the meaning of an employment rate that is measured without regard for the quality of the jobs which it covers? Differing standard models are in this way implicitly placed in (unequal) competition, according to indicators which in
fact favour specific models and, above all, the liberal market model. At the same time, member states are given a free hand to draw up national replies according to their own lights and preferences, provided the outcome is that best suited to the accounting expectations of the Commission.

_A selective and biased presentation of the labour market and employment: towards a market model approach (Level 3)_

As shown in Figure 1, there are two aspects in labour market dynamics: employability (returning to employment) and vulnerability (losing a job and falling into unemployment). According to the conception of the labour market validated by the European indicators, the return-to-employment rate is acquiring target status in connection with policies specifically designed to enhance individual employability. The vulnerability to unemployment experienced by those currently in work is the subject of none of the indicators. Yet analysis of probability differentials in falling into unemployment has been a pillar of labour economics since 1970. This is an essential complement for understanding labour market dynamics. The ‘employability’ part (‘half’ of the labour market) alone is covered by the list of indicators. The ‘vulnerability’ aspect is missing from the EES.

Insofar as employment is of relevance for economic and monetary policy, the EES is geared to the optimum operation of the labour market, leading to a special conception of ‘prevention’. It is supposed that the prevention of unemployment becomes an issue only once the individuals have arrived on the
labour market. The dynamics of employment and its determinants (number of jobs, job and staff management by firms: recruitment, mobility, redundancies, dismissals) are thus missing. Employment policies so conceived exclude all the many efforts at prevention of unemployment made within the world of employment. Be they undertaken at workplace, sectoral or territorial level, these efforts should be encouraged by Europe. They include, for instance: changes to products, jobs and organisation in the workplace in order to reach new demands and markets; in-company training; collective bargaining on modernisation of workplaces.

*Unveiling the normative background (Level 3)*

In short, far from representing the pursuit of knowledge, the use of indicators has to be described as politics, albeit not acknowledged as such. Indeed, it is presented in a technical and ostensibly neutral form. But this neutrality does not stand up to scrutiny. This is why one can speak about the EES as a ‘politics of indicators’. Such a politics leaves room for instrumentalisation by member states through specifically designed activation measures.

Argument in the next two sections will be structured around two [REPLACE by: conclusions]:

1. The category of ‘unemployment’ acquired meaning historically in the shaping of full employment policies by means of which, through a variety of devices, states took on the collective responsibility of
ensuring employment for those wishing to work. The disappearance of this category would by no means signify the disappearance of unemployment and employment statistics. But, via economic and monetary policy, unemployment would come gradually to be considered as a matter of fact. Far from working to eradicate it, public action would be devoted to exploiting this fact in a threefold – economic, social and political – and coordinated effort.

2. Through the OMC, Europe is encouraging employment policies to be ex ante devised for the purpose of maximising their performance scores. Such policies become instrumental and self-referential in the pursuit of statistical returns along a range of indicators. Do they really, in this form, represent a move in the direction wished for by the European economic and monetary authorities, that of an increased flexibility of the labour market? Or do they merely ‘smash the thermometer’, thereby risking causing bias in the informational basis on which these authorities seek to found their policy?

The employment rate or the search for labour market flexibility (Level 2)

Since the Lisbon Summit (22-24 March 2000), maximising the employment rate has become a key European policy target.

Is the employment rate a good economic policy choice? (Level 3)
Other things being equal, a high employment rate seems good for society because it enables integration into employment of a larger proportion of the working-age population and represents a move in the direction of reducing unemployment. The argument becomes even more acceptable if accompanied by a rhetoric of ‘better employment’. By widening the tax and social security contribution base, a high level of employment offers a virtuous route to the reduction of public and social deficits. But there exist simple economic counter-arguments to this apparent common sense. First, if the increase in participation in employment is accompanied by a correlative increase in contract terminations leading to unemployment (for instance, increasing short-term contracts, hence precariousness), then, under given conditions of registration and declaration, the unemployment rate will not diminish in spite of the rise in the employment rate. Secondly jobs must be financially profitable, that is to say, they must bring in more in terms of taxes and social security contributions than they cost in terms of subsidies and reduced contributions. They must therefore produce enough added value and hence be of a certain minimum quality in productivity terms. Otherwise, assuming constant conditions of contribution, eligibility and benefit, the increase in the employment rate will be accompanied by continuing deficits. A cost-benefit analysis of the employment policy measures would presumably not be in favour of creating low quality jobs, with low added value.

Furthermore, using a dynamic modelling of the labour market\(^3\), Figure 1 shows that employability is more a consequence of macroeconomic imbalance
on the labour market than a policy action variable. The employment sphere constantly feeds the market with flows of new jobseekers, especially those who, because of their condition or their situation, have turned out to be the most vulnerable to employment fluctuations. It also controls the extent of returns to employment by means of the volume and the quality of recruitments which are, in turn, the result of new job creation and vacancies arising in existing posts. The stock of jobseekers is thus constantly increased by the flows of new arrivals and reduced by the exit of unemployed workers who have found employment (or fallen prey to discouragement). Over time there will be an effect of accumulation (or absorption). If the employment level stagnates or falls (job cuts, for example, as a result of restructuring; or little job creation), the number of arrivals on the labour market will be, each month, higher than the number of exits. The stock increases and the average duration of unemployment rises. This affects employability which will tend to deteriorate. Whatever his/her competences, each unemployed person will take longer to find a new job, which will frequently be a worse quality job than the previous one. There are, quite simply, more candidates for fewer jobs so that selection inevitably becomes more stringent. By improving information and job search facilities, it may be possible somewhat to reduce the average time spent on the job market, [REPLACE by: but creating good jobs would have much more impact].

It would be thus economically efficient to supplement the employment rate with indicators relative to the employment sphere (job quality and security, for example). However, the European authorities are promoting only the
employment rate and employability. They interpret these variables within the – very different – theoretical and practical framework put in place in monetary and macroeconomic policies. Here lies the real change of structural standpoint which accompanies the transition from unemployment rate to employment rate as the key economic policy indicator.

The European macroeconomic action framework and the NAIRU (Level 3)

Current European economic policy has been much criticised, because of the excessive limits it sets on the member states’ budgetary policies. It is considered that it prohibits any economic recovery, imposes a state of chronic unemployment and, overall, excessively weak growth. While not without relevance, such criticisms omit to consider that, for the European Central Bank (ECB) and the Council of ministers for economic and financial affairs (EcoFin), unemployment remains an important target. These authorities are simply devising and putting in place a decision-taking model in broad agreement with the ideas of Milton Friedman, the famous monetarist economist.

In this model, below a certain rate of unemployment (the so-called ‘natural unemployment rate’ or its abbreviated variant, the NAIRU), any increase in the money supply translates exclusively into inflation. The NAIRU is thus the unemployment rate that is compatible with an absence of inflationary pressure in the short term. A gap is, however, to be observed between the real GDP and the potential GDP which could be achieved in the absence of inflationary
pressure. Maximising the employment rate means reducing the output gap, that is succeeding in creating jobs to make up the difference between the actual unemployment rate and the NAIRU, while respecting price stability. This should be achieved, first by adequate monetary policy, secondly by making the labour market more flexible (in European [REPLACE by: language], developing ‘employment-friendly’ regulations).

In effect, maximising employment under the constraint of price stability will be achieved all the more rapidly if employment and unemployment react promptly (through job cuts or recruitments) to cyclical fluctuations in the economy. For example, if, in the event of an economic upturn, employment and unemployment make a rapid adjustment, the increase in growth will be greater. The reasoning is short-term but the intended result is medium-term. Let us consider a 100m race. The athlete who ‘steals’ the start has good chances of retaining an advantage at the end of the race, and even of gradually increasing it. But perhaps the economy is a long-distance race in which long-term concerns should be uppermost?

The need for flexibility and the OMC (Level 3)

In any case, the need for flexibility is, as a result, the true foundation of the open method of coordination. The single currency and the convergence process have deprived the Member States of two of the three levers that formerly enabled adjustment to external shocks: the exchange rate and, by and large, budgetary policy. This leaves adjustment by means of market
mechanisms. However, for the ECB, labour markets being mostly national, adjustment to shocks cannot be directly effected on the European scale but must be achieved via a coordination of national-level adjustments. For this task, the main remaining instrument is the flexibility of national labour markets. National political initiatives to make these markets flexible are of the utmost importance (Hodson and Maher 2001), for only the member states have sufficient knowledge and understanding of their labour markets; only they, accordingly, are in a position to devise the most appropriate policy to be followed.

In this economic framework, the EES is expected to encourage national adjustments, in other words to constitute above all a coordinated approach to making national labour markets more flexible. It has to take charge of what the monetary policies cannot handle, namely, the structural reduction of the NAIRU. The stakes are far from negligible, for the estimated NAIRU is much higher in Europe than in the United States. Refocusing the operation of labour markets on improving individual employability is seen as facilitating adjustments of labour supply to job offers. The limitations of this model will be developed in section 4.

In such a politics, the category ‘unemployment’ is losing its status as the goal of full-employment policies. Activation deprives the ‘unemployment’ category of support. Insofar as every supposedly employable person, though s/he may frequently pass through the labour market, spends very little time there, no serious foundation remains for the payment of passive benefits. The
job search becomes a private matter to be handled as a question of individual freedom and responsibility. Meanwhile, unemployment becomes functional for the purpose of promoting growth (price and wage stability). Far from striving to eradicate it, public action should be devoted to deriving optimum benefit from it. It is therefore perfectly honest to speak, as the European Constitution almost invariably does, not of ‘full employment’ but of ‘a high level of employment’.

The instrumental drift of the EES (Level 2)

In general, political science takes the EES as if it were a purely political procedure, with virtual disregard for other factors. Most of the studies have focused on the wide range of actors for whose involvement the European texts contain provision and on the procedures laid down to organise their complex interactions; this is the famous ‘multi-level governance’, the rules and foundations of which are described in the closest detail. As actors are assumed to be rational and involved in a strategic interplay of transactions, public policy is mostly conceived of, in such approaches, as no more than regulation designed to prevent opportunist behaviour. The actual content of the actions and their (in a broad sense) material outcomes become of little concern to public authorities and, thus, research. As opposed to such biases, discourses and arguments are to be benchmarked against practices and their outcomes. Empirical observation of what actually goes on within the processes, committees and various bodies has to be undertaken.
A set of unmet conditions (Level 3)

A further danger is to assume that the hypotheses underlying the principle of the OMC are necessarily sound. Yet these hypotheses, on which its effectiveness – and, in turn, that of the EES – depend, are far from self-evident. They consist of mutual learning, the creation of knowledge through exchange of experience (‘good practice’) and the possibility of substantially correcting, in accordance with the results of the benchmarking, the national and European policies conducted.

What emerges from a number of studies is a tremendous paradox: to be effective would require for the OMC a set of conditions by which this method in fact declines to be bound.

a) The Commission would need to be strong in political and operational terms in order to further its objectives. Yet it is in fact weak in both respects. Since the competences of the member states must be respected, the process rests on their goodwill and would require a greater degree of commitment than the ordinary process of national implementation of directives and regulations (according to Jacobsson 2001 quoted in De la Porte and Pochet 2002). The European Union has at its disposal no dissuasive instrument of the type necessary, such as the granting of subsidies or issuing of credible threats (Teague 2001). The Commission is in possession of far less information than the member states (Teague 2001), an asymmetry all the more prejudicial in that the Commission does little to remedy it.
b) In order to promote collective learning, the process should be transparent and reflective (Zeitlin, 2002 [ADD, 2005]). Yet it is for the most part opaque and confined to a limited sphere of experts lacking any real democratic mandate. Committees interact with one another and demarcation and exercise of responsibilities are imprecise. The agendas of the Cambridge Process meetings (peer review) of the EES are too overcrowded to allow in-depth discussion. “The problem is that the Council merely endorses the committees’ conclusions, so it is at this level that the essential work takes place. During the Council ministers confine themselves to formal and high-flown speeches on the importance of employment and the need to combat difficulties attributable to economic cycles. It is a recording studio.”

The reversal of the order of priorities – strategic, technical, political – from what should be the case (the political should influence the technical decision and this should be implemented by an appropriate strategy) systematically encourages actors to select options in a purely instrumental manner.

The EES builds on national instrumental employment policies (Level 3)
The EES was launched in the context of a political opportunity that arose in 1997 to kill two birds with one stone: on the one hand, to show public opinion that, in the face of a high level of unemployment, the member states were not contemplating the situation idly; on the other hand, to move in the direction of a strategy of labour market flexibility. The former objective aided digestion of the latter which, at bottom, was the more important. But there had been some
underestimation of the impact that would be exerted on its development by the fact that the member states had not waited for Europe in order to exploit employment policies for their own purposes. They had themselves embarked on this path long before – with the beginnings of mass unemployment in the 1970s. The member states adjusted to the EES in such a way that they could continue with these policies by fine-tuning them (and, if possible, so as to have at their disposal new arguments and means).

These policies have been guided by two objectives, namely, to alleviate the plight of persons affected by unemployment and to influence the political indicator constituted by the unemployment statistics. Half-way houses (the so-called transitions) have been created between traditional standardised positions shown in Figure 1. Between ‘return to employment’ and ‘recruitment’, various schemes have been inserted, such as different kinds of traineeship or assisted contract or forms of recruitment requiring derogation from labour law. Between ‘return to employment’ and ‘chronic long-term unemployment’ a range of schemes have been intercalated to provide help such as access to the labour market or specific social welfare. Efforts have also been made to slow down, by means of early retirement systems, the inflows into unemployment resulting from mass redundancies. Social funds and public money not originally intended for this purpose have been diverted and channelled in this direction. All these schemes (assisted contracts, traineeships, dispensation from contributions in the case of recruitment of unemployed or young workers), as well as a series of reforms of employment agencies (tighter controls and shorter periods of eligibility), or the tightening of conditions of eligibility, systems of early retirement, changes in definition
of the barometer (in France there are now eight different categories of job-seeker), and so on, have been used in most European countries not for this purpose alone, but always with the motive to optimise the statistical yield of the employment policies. Though some of the beneficiaries of such schemes are able to return to (mostly short-term) employment, the main objective was to reduce the number of people registered as unemployed.

In the case of France (but the same could said of other countries\textsuperscript{10}), Benarrosh (2000) and Martinon (2002) reveal to what extent the merging of these two objectives – assistance for job-seekers and statistical return – is apparent in the daily operation of the local employment agencies. Applicants attending a local agency are assessed with regard to their likely employability. At the lowest level (lack of autonomy, no improvement possible), applicants are not registered as job-seekers. At upper levels, every applicant still on the books after six months is offered an employment policy scheme. Within a national quota set by budgetary constraints, the number and distribution of benefits and schemes offered are linked to objectives fixed for each individual agency. As a consequence, the range and quality of schemes offered to applicants are targeted according to an employability scale. The most employable people benefit from schemes that individually cost little and can lead to cumulative results; less employable ones from schemes that are much more costly (because of the distance to be covered before employment becomes likely) and, thus, offered to a much smaller number of persons. So the outcome will be mostly to reproduce the hierarchy of individuals in accordance with their employability, without any substantial improvement (Aucouturier, 1993, 1998). Whatever the – frequently considerable – competence and involvement
of the staff who counsel the applicants, the organisation exerts material pressure on them to observe the recruitment selection criteria and to sort the applicants according to an employability standard.

If employability is taken as a selection criterion *ex ante*, it is pointless to expect an average increase in employability at the end of the schemes, other than by exclusion of the least employable. It is accordingly not surprising that evaluation of the effect of the employment policy measures is generally rather inconclusive. The longitudinal studies that are available on what becomes of the unemployed describe their difficulty in finding new jobs equivalent, in terms of stability, security and pay, to the ones lost. The arrival in the queue of new applicants exacerbates competition and drags down the recruitment conditions of those who have been in the queue for some time. Accordingly, the emphasis placed by the EES on assisting applicants immediately they arrive in the queue is actually likely, at best, for any given number of available jobs, to improve the stakes in favour of those newly arrived in the agencies and to create increased inequality to the detriment of those who have been unemployed for longer. In its five-year evaluation (1997-2002) the Commission has not succeeded in determining the impact of the EES taken alone on the major economic variables, like the number of jobs created or the reduction in unemployment.

*Improving the score is different from improving the true situation (Level 3)*

Improving the score should not be confused with true improvement in the corresponding employment situation. Traineeships or temporary jobs in the public sector take the beneficiaries out of the job-seeker statistics (better score on the corresponding indicators) but does not necessarily improve their future
employability on scheme’s termination (the actual substantive goal). The obligation – as in the British New Deal – to accept one of the offers made removes those who refuse from statistics (sometimes they prefer to remove themselves by no longer turning up to sign on at the local agency). But will these individuals become any more employable as a result? If, as rather often happens, the active measure selected fails as a step towards a proper job, the beneficiary returning to register is regarded as a new job-seeker. The “percentage of long-term unemployment” indicator undergoes ‘mechanical’ improvement without any actual change in the reality of long-term unemployment. As a first step, the Indicator Group (EMCO, 2004) has recommended that short breaks (less than one month) between two unemployment spells have to be cancelled for computing the number of long-term unemployed people. But several member states lack technical tools for implementing this recommendation. For the Commission, it would be better to have free and full access to the internal rules through which the member states manage their employment (and other) agencies or design their measures, which is far from being the case.

The type of behaviour described above would be encountered, were one to embark on a systematic search for it\textsuperscript{14}. It is not a question of deliberate cynicism or cheating. The concern is much more serious, for it relates to models for action that have been incorporated into rules and organisations. That decision-makers and government departments do seek genuine remedies is not in question or diminished. They are simply in the position of having to try their best to reconcile incompatible demands: to achieve real improvements in the situation; to remain within a set budget; to demonstrate
quantitatively favourable results which affect the benchmarking and granting of future funding.

The EES as proxy of a rational cooperative game (Level 3)

How are these limits, constraints and specific features of the EES to be explained? Quite simply by considering that it operates as if it was a cooperative game among rational actors. The point is that benchmarking by means of these indicators serves to politically monitor the EES and not to economically evaluate its outcomes.

Such a game would sound like this. Its mechanism is familiar to economic theory. Take the Commission and the member states as the players. The aim of the game is to maximise the key indicators, those intended to evaluate the policies being followed. Actors know in advance the formatting of future evaluation of their actions. Insofar as any learning outcome takes place, it is of a rational order and likely to affect the procedure. Cooperation consists, for each member state, in manipulating the rules of its own measures and their implementation to meet the requirements of European indicators. It is not a collective action aimed at genuinely improving employment in Europe. Due the limited competences given to the European level, member states are not held responsible for a substantial improvement in European employment, nor do they feel themselves accountable to such improvement when they define their employment policy actions and coordinate with the others in the EES framework. The only constraint is that they have agreed – and this commitment derives from the management by objectives of the OMC – to be accountable vis-à-vis the Commission with regard to their scores over the whole set of indicators.
All the EES actors (the Commission included) have – albeit for differing reasons – a political interest in arguing and publicly declaring that the EES is a valuable European achievement. Each party behaves in a manner designed to exhibit measurable progress. The behaviour in question has to be described to others (‘exchange of good practice’) and made public (this being the purpose of the Joint Annual Employment Report).

Some conditions are required for the game to be played at all and this largely accords with what can be observed. The member states display their willingness to play this game, albeit in measured doses in order to avoid any irreversible commitment. But, should disagreement arise, this willingness stops at the point where the Commission pressures would imply moving beyond procedural cooperation. The number of genuinely active players remains limited, for to publicise the rules is to place the smooth functioning of the game in jeopardy. The Commission, for its part, neither interferes in the choice of policies nor checks up on the scores reported for the key indicators, except in case of excessive abuse. At first glance, it seems that the recommendations issued by the Commission to badly rated countries could have a binding aspect. However, as it is natural that some countries will be better at the game than others these recommendations can act as no more than a reminder to potentially recalcitrant member states – as well as any that may be experiencing difficulties – of the rules of the game.

Playing that game is far from pointless. A community of thought is formed within the realms of senior civil servants meetings in Brussels. The member
states thereby gain new arguments or European backing to strengthen their own arguments and this facilitates the taking of unpopular decisions which they believe or know to be inevitable. The results are not necessarily negative, for in some cases the national agencies concerned do provide a better service to their users. For instance, in France, the EES has constituted a turning point, according to its management, in the life of the *Agence Nationale pour l’Emploi* (ANPE – national employment agency)\(^\text{15}\) whose services have been [*SUPPRESS: much*] improved. It has obtained additional resources in terms of both funding and manpower, in part from the European Social Fund (ESF) and in part from the State budget. Counsellors spend an average of half an hour rather than twenty minutes with each job-seeker. But this improvement merely emphasises the tension between two conceptions of individualised monitoring. Does it mean compelling the individual to acknowledge his/her responsibility to accept a job adapted to his/her ‘employability’ (instrumental logic). Or are the job-seekers to be enabled to use the facilities and resources in order to really increase their employability (genuinely personal logic)?

To adopt a different approach would also be to enter a risk zone for the survival of the EES. For it would be a question of evaluating to what extent the employability of beneficiaries has *genuinely* improved as a result of the EES. Such evaluation would not be politically beneficial, for the initial results could be rather discouraging. It would be necessary, in particular, to look at what becomes of the beneficiaries of active measures in terms of their incorporation into employment, the types of job found and their quality, the progress of their competences by means of representative panels. It would
require also that the member states agree to supply detailed accounts of all stages in the process of production of statistics on the labour market, jobseekers and the management of agencies and employment measures. This is a complex chain which, starting with the registration of claimants, includes the monitoring of progress, signing off, and possible re-registration at a later date. It includes also the ways in which individual registrations are aggregated to form national statistics (coding, nomenclatures, and so on). It concludes with the translation of national data into operational European indicators. The devil is in the details.

If progress is to be observed in the evolution of the indicators, is this anything other than an artefact produced by a satisfactory performance in the game being played between the member states and the Commission? The problem is that such artificial effects require, to be significant and above all lasting, a costly and inefficient increase in public expenditure, given the need to provide ever increasing numbers of places in which the unemployed can be temporarily accommodated.

**The European political process and the future of the ESM (Level 2)**

The most likely medium-term scenario is of an uncontrolled drift towards implementing, for politically instrumental purposes, market rules in a social universe to which they are quite alien. One would have the fiction of the market, without the actual conditions of it, a scenario hardly favourable to growth and employment. As information had been framed to serve political
ends, it would be of no help, insofar as it would forfeit its economic and social relevance\textsuperscript{16}.

The irony of this prospect is that it is precisely the preference given to the employment rate as key policy variable that would foster it. The policies of the ECB, EcoFin and the EES are built on theoretical models which might not be the most appropriate models for durably increasing the employment rate. In particular, these models, if spelt out, entail aspects quite unacceptable in a social dialogue. This is their political weakness and it cannot be regarded as negligible since political commitment to Europe is thereby placed in jeopardy. Let it be considered that, according to these models, it is necessary to accept a certain level (admittedly as low as possible) of unemployment in order to maintain wage moderation and price stability. Relaxing the employment protection regulations enables a weakening of the position of the insiders and places them in competition with outsiders, with the result that jobs become more insecure. Employability has to be as great as possible for each individual but must not be too high on average over the market as a whole, for otherwise job-seekers would not lower their reservation wage sufficiently.

An employability policy makes sense only if it goes hand in hand with a policy to counter vulnerability to unemployment (as indicated in Figure 1). But it is then no longer an employability policy but the first step towards a politics of capabilities as described by Amartya Sen (Salais and Villeneuve, 2004). In such politics, the market is a last-resort solution and not a universal panacea. By giving priority to prevention \textit{upstream from the market},
the approach would continue to require a high standard of employment option (an aspect referred to as quality of employment) and to give a clear status to gender equality, local-embedded policies, a role for social dialogue and personalised follow-up. Hence, it is not a question of despairing of the OMC once and for all, but of substantially re-designing it. The OMC has to be included in a true configuration of deliberative democracy, to choose a new set of indicators, suited to the development of capabilities, and to be carefully coordinated with the development of European legislation and social dialogue. Recent political trends (De la Porte and Pochet 2005) leave room for scepticism in that respect. Generally speaking, involvement of all types of non-state actors (social, local or civil actors) are still impeded or, at least, geared by democratic ‘ambiguities’. However, such genuine involvement is more than ever needed if the building of Europe is to escape from the game played by the Commission and the member states.
References


Table 1: Main key economic indicators within the EES monitoring

Source: Joint Employment Report, year 2003, Annex 1

**Unemployment rate**
Definition: Total unemployed persons as a share of total active population (by gender).
Source: Eurostat unemployment harmonised series.

**Employment rate**
Definition: Total employment rate (age group 15-64), breakdown by gender and breakdown for older workers (age 55-64). Persons in employment as a proportion of total population in the same age group.
Source: Quarterly Labour Force Data (QLFD), Eurostat.

**Growth in labour productivity**
Definition: Growth in GDP per capita of employed population and per hour worked
Source: ESA95, DG ECFIN.

**Long-term unemployment rate**
Definition: Total long-term unemployed people (12 months or more) as a proportion of total active population (by gender).

**New start (a)**

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Definition: Share of young/adult unemployed becoming unemployed in month X, still unemployed in month X+6/12, and not having been offered a new start in the form of training, retraining, work experience, a job or other employability measure (LMP categories 2-7) [SUPPRESS [target value 0%] ] (by gender).
Source: National data.

New start (b)
Definition: Share of young/adult unemployed becoming unemployed in month X, still unemployed in month X+6/12, and not having been offered a new start in the form of training, retraining, work experience, a job or other employability measure (LMP categories 1-7) [SUPPRESS [target value 0%] ] (by gender).
Source: National data.

Activation of long-term unemployed
Definition: Number of long-term registered unemployed participants in an active measure (training, retraining, work experience, or other employability measure) in relation to the sum of the long-term unemployed participants plus registered long-term unemployed (yearly averages). Broken down by types of measures and gender (LMP categories 2-7).
Source: National data (in the medium term the LMP database).

Follow-up of participants in active measures
Definition:
1. Rate of inflow of LMP participants into employment (3 or 6 months after participation in a measure).

1. Rate of return of LMP participants into unemployment (3 or 6 months after participation in a measure).

Source: National data.

**Employment growth**

Definition: Annual change in total number of employed persons, overall and by main sector (by gender).

Source: Quarterly Labour Force Data (QLFD), Eurostat.


3 See definition in annex

4 France appealed in vain for selection of the 20-64 age group rather than the 15-64 group in order to avoid the statistical bias caused by casual jobs for youngsters. Source: Interviews in Salais et al (2002).

5 Adapted from Salais (1980). The reference is not recent but, with all due respect, the Phillips wage-unemployment relationship and the Okun Law, the monetary policy references, are no more so.

6 The expression “full employment” appears only once in the European Constitution (article I.3). When monetary and economic policies are developed in part III, full employment is replaced, repeatedly, by an objective of a different nature, namely, “a high level of employment”.

7 Trubek and Mosher (2003).

8 Point made by a member of the French permanent representation in Brussels. Source: Salais et al (2002).

9 This dimension was flagrant, for the statisticians questioned, in the debates on the choice of the employment policy objectives in advance of Lisbon. Concerning the employment rate of 55-64 year olds: “There is hypocrisy: the
Dutch have their invalids; the French and Germans their early retired. If in France public funding of early retirement has diminished, it has been offset by the development of collective agreements (ARPE). The British make full use of ‘spontaneous’ labour market withdrawal”. “In short, everyone is instrumentally using European indicators, every country pushing the definition which is most favourable for it.” Source: Salais et al (2002).

10 See, in case of Germany, Rudischhauser and Zimmermann (2004).

11 For example, Canceill and Huyghues-Despointes (1999).

12 The drop in employability as the period of unemployment lengthens is massively documented by econometric studies, whether on account of a selection effect (the most employable are the first to be taken on, without requiring any special assistance to this end), or on account of discouragement and stigmatisation which leads people to become gradually resigned to their condition.


14 As pointed out, for example, the creation of ‘invalids’ on the Dutch labour market. Under the British New Deal, a young person who returns after a failed work experience is regarded as a new job-seeker, and so on. Undertaking such studies should be a EUROSTAT priority.

15 “When we devised the 3rd Contrat de progrès we were obliged at that time to take into account the discussions and guidelines that were being finalised at European level”. Interview of the deputy director-general of the ANPE (source: Salais et al 2002).
It must also be noticed that, when facing this process, social sciences have to choose between mirroring the process, denunciation or critical participation (see the French version for details).