

# **Raising Awareness of the European Employment Strategy in the UK**

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**Final Report**

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## INTRODUCTION AND SUMMARY

1. This is the final report for the project ‘Raising Awareness of the European Employment Strategy in the UK’, undertaken by the New Policy Institute, an independent policy ‘think tank’ based in London. The main purpose of the report purposes of the report is to make suggestions that may help future efforts to raise awareness of the EES. It also provides a summery of the proceedings of the final project conference.
2. Our principal conclusion is that the goal of raising awareness of the EES would be greatly helped by some small changes both to the emphasis of the EES as it is applied to the UK, and to the way in which the EES ‘process’ operates. Specifically:
  - The EES would be more distinctive in the UK policy debate if it placed greater stress on matters which are seen as important in the UK but where the UK does badly and where its policy is under-developed. The leading example of this is the problem of raising both job quality and productivity, which is a key theme of the EES. The more distinctive the EES can be, the greater the awareness of it will be.
  - At present, the EES process is one in which the Commission challenges the national governments, who then respond. In the UK at least, this is a rather closed process. If, instead, the National Action Plan not only defended the UK but also, in turn, challenged the wide range of UK ‘partners’ whose actions contribute to achieving EES goals, there would be a greater need for awareness of the EES than is the case at the moment.
3. We also believe that the changes to the EES which are emerging in 2005 will do little to help raise awareness further, mainly because this is the second major change to the EES in just two years.

### The ‘Raising Awareness’ Project

4. The bulk of the project occupied a ten month period, from December 2003 to October 2004. In order to accommodate a date for the final conference, the project was formally extended to March 2005. In broad terms, the various attempts to ‘raise awareness’ of the EES took two forms:
  - explaining and discussing the EES with one, two or small groups of people, usually face-to-face (‘private’ awareness-raising);
  - describing the EES to an anonymous audience, via articles, conferences, and reports of conferences (‘public’ awareness-raising).
5. In practice, the former approach turned out to be more effective than the latter. The reason for this is, we believe, that the ‘public’ approach can only work if people are already somewhat sensitive to the underlying issues. This is not the case in the UK as far as the EES is concerned. By contrast, it is usually possible in more private, ‘face-to-face’ discussions to bridge the gap between what a person already knows and what the EES is talking about. Of course, these private attempts were held not with random individuals but with people who had already been identified as being likely to see the relevance of the EES once it was described to them.

6. This does not mean that other parts of the project lacked value. Because it did not attract attention from the news media and the final conference did little directly to raise awareness of the EES. Thanks to a well-informed and wide-ranging discussion, however, it did help deepen understanding of the EES for those already familiar with it. We shall develop this point later in the report.
7. The final conference was held at the end of January 2005, with the principal speaker being the then Secretary of State for Trade and Industry, Patricia Hewitt. An account of the conference proceedings, published immediately after the conference, is attached as an appendix to this report. In summary, the principal conclusions reached that day were that:
  - The UK's success in creating jobs needs to be combined with a greater emphasis on turning jobs into good jobs and good jobs into satisfying careers.
  - The UK needs to focus even more on skills, vocational education and lifelong-learning, taking full account of the importance of science, technology and engineering in education.
  - The UK's falling rate of productivity growth is a major concern and addressing it should be a priority.
  - The UK should learn the European lesson of the value of social dialogue.

## **OBSERVATIONS ON FUTURE EFFORTS TO RAISING AWARENESS OF THE EES**

8. As far as further efforts to raise awareness of the EES in the UK are concerned, there are three observations that we would make on the basis of our experience of this project. They are:
  - Recognising and overcoming, as far as possible, the fresh obstacles to awareness-raising presented by the new form of the Employment Guidelines that apply from 2005.
  - Extending the 'dialogue' over the EES beyond the Government and the Commission, so that the 'wide partnership of actors' in the UK who contribute towards meeting the EES goals, really understand the specific challenges that they face.
  - Focusing on the issues where the EES really does challenge the UK, in terms of both its performance and its thinking, for example, concerning the better quality jobs and higher productivity.

### **Obstacles to awareness-raising arising from the new Employment Guidelines**

9. We believe that the latest guidelines on employment, published this spring as part of the 'Integrated Guidelines For Growth And Jobs, 2005-2008'<sup>1</sup> will make it more difficult to explain the EES to a non-specialist UK audience in future. This is primarily because they represent another major change to the EES, just two years after the last major change in 2003.

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<sup>1</sup> [http://europa.eu.int/comm/employment\\_social/employment\\_strategy/prop\\_2005/prop\\_2005\\_en.pdf](http://europa.eu.int/comm/employment_social/employment_strategy/prop_2005/prop_2005_en.pdf)

10. Change itself need not be a barrier to awareness or understanding: indeed, as we said in one of our project briefings, we thought that the change that was made to the EES in 2003 improved it considerably, both by giving it a simpler structure and by using language which would be more familiar to a UK audience.<sup>2</sup> While this must be a matter of judgement, we do not find the new list of eight guidelines, some of which conflate a series of different issues under a single heading, to be either clearer or simpler than the previous list of ten guidelines<sup>3</sup>
11. The changes to the guidelines come, moreover, despite the Commission's judgement in 2004 that the emphasis should be placed on 'an intensive monitoring of reforms undertaken by the Member States, rather than engaging in a process of further change of the guidelines' and that

The existing overall policy framework is therefore adequate and appropriate to confront today's employment challenges in an EU of 25 Member States. The medium-term character of the new employment guidelines and the streamlining with the Broad Economic Policy Guidelines justify stability at least until the mid term assessment in 2006.<sup>4</sup>

12. As a result of the changes, an awareness of the EES based on the 2003 version is no longer adequate for the EES of 2005. Of course this will not be a problem for experts. But for the kind of people that we have been working with on this project - people who need to know about the EES but who are not experts on it - such changes are problematic. One step which might help future efforts to raise (and indeed maintain) awareness would be for the Commission to prepare a reasoned explanation for the alterations that have been made to the EES since 2003 and the evidence for them.

### **Using the OMC at national level to challenge partners/actors**

13. One of the main reasons why awareness of the EES in the UK is still so low is surely that there is really very little need to know about it. Clearly, there will never be a mass need to know about the EES, but if the EES process were conducted in a slightly more open style, the 'wide partnership of actors' whom the UK government sees as contributing to its achievement would need to be more aware of the EES than at present.<sup>5</sup> So how might this be brought about?

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<sup>2</sup> <http://www.moreandbetterjobs.info/pdfs/ees%20new.pdf>

<sup>3</sup> For the earlier list, see [http://europa.eu.int/comm/employment\\_social/employment\\_strategy/prop\\_2003/guidelines\\_2003\\_en.htm](http://europa.eu.int/comm/employment_social/employment_strategy/prop_2003/guidelines_2003_en.htm) and also <http://www.moreandbetterjobs.info/pdfs/ees%20new.pdf>

<sup>4</sup> [http://europa.eu.int/comm/employment\\_social/employment\\_strategy/prop\\_2004/com\\_2004\\_0239\\_en.pdf](http://europa.eu.int/comm/employment_social/employment_strategy/prop_2004/com_2004_0239_en.pdf), page 4.

<sup>5</sup> [http://europa.eu.int/comm/employment\\_social/employment\\_strategy/nap\\_2004/nap2004uk\\_en.pdf](http://europa.eu.int/comm/employment_social/employment_strategy/nap_2004/nap2004uk_en.pdf) para. 158.

14. A striking feature of the cycle of documents that marks the EES process – that is, the guidelines and recommendations, the national action plans and the subsequent joint employment reports – is the way in which they seem to be part of a closed dialogue between the Commission and the national government. In essence, the Commission sets some challenges, the national government explains how it is responding, and the Commission then comments on what it thinks of that response. Where the closure occurs is the national government's response, in the shape of the National Action Plan. This document (at least in the UK's case) has the character of being an upward-facing document, that is, written for the Commission on behalf of the UK as whole.. It could, however, be transformed into one which had a downward audience as well, that is, the organisations within the country who are responsible for achieving the things that the EES is concerned with.
15. What a National Action Plan which faced both upwards and downwards would do would be both to respond to the Commission but also to challenge that 'wide partnership of actors' (to use the UK phrase) in much the same way as the Commission challenges the national government. While this might weaken the National Action Plan as a 'defence' of what the country is doing in response to the recommendations of the Commission, under an Open Method of Co-ordination, where there are of course no sanctions, that should not matter at all.
16. If the National Action Plan, or some related document, were to challenge downwards, the various 'actors' would inevitably be much more aware of the EES, for the very simple reason that they would need to be. Projects such as this, if they were still required, would be able to work from a much higher starting point, with a much larger group of people and institutions already aware of the EES, at least to some degree. Ultimately, if greater awareness of the EES is the goal, then the EES process itself must work in a way that makes awareness of the EES an advantage, even a necessity.

### **Focusing on what is different about the EES: quality and productivity**

17. Our final suggestion on raising awareness of the EES in the UK is that it will 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.

18. This sense that the UK is basically doing well already continues to apply at a more detailed level too. Thus, in that part of the 2004/05 Joint Employment Report which talks specifically about the UK, the Commission assesses that the UK is ‘in progress’ towards fulfilling three of the four recommendations, leaving only one where progress is limited’.<sup>6</sup> Since action in all four areas is happening anyway, this increases the sense that, while the EES may be a useful reporting and monitoring mechanism, it is little more than that.
19. There is, however, one aspect of the EES which does pose a major challenge to the UK. This is the question of how to increase the quality of jobs while raising productivity, one of the three overarching objectives of the 2003 EES. The other two objectives, ‘full employment’ and an ‘inclusive labour market’, are both familiar and widely-accepted ideas within the UK, with their achievement an integral part of the Government’s economic and social programme. ‘Raising quality and productivity at work’ is, however, more problematic. Each part of the objective can be understood on its own, as a better job for the worker and as a better job for the employer, the consumer and the economy as a whole. The question is how the two parts are connected.
20. When the Commission discussed the Employment Guidelines in 2003, it was optimistic that the relationship between quality and productivity was one of synergy, but it was also clear that realising those synergies was something that all parties had to address – “a specific challenge for social dialogue” as it put it.<sup>7</sup> But it is also clear from the 2004/05 Joint Employment that this challenge is not currently being met in the UK, where the policy response to quality and productivity at work is a one-sided one, “orientated towards improving productivity, with an emphasis on promoting flexible working practices, combined with minimum levels of security”.<sup>8</sup>
21. The importance of increased productivity, both with the UK and across the EU, was something that was stressed during the discussions at the final conference (especially in the speech by the Chief Executive of the Work Foundation, Will Hutton). So too was the importance of better jobs (for example, in the speech of the Deputy General Secretary of the TUC, Frances O’Grady). If these two issues – and in particular, the connections between them – were what the EES process focussed on when looking at the UK, it would be much clearer that it was contributing something distinctive to the policy debate. A greater sense of distinctiveness in the EES would certainly contribute to raising an awareness of it.

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<sup>6</sup> [http://europa.eu.int/comm/employment\\_social/employment\\_strategy/report\\_2004/annex1\\_20045\\_2\\_en.pdf](http://europa.eu.int/comm/employment_social/employment_strategy/report_2004/annex1_20045_2_en.pdf) pages 92-93. ‘In progress’ is defined as being where the policy reform is judged to be well advanced and where progress in implementation is being made while. ‘Limited’ is where the policy response to the recommendation is only partial and implementation is limited.

<sup>7</sup> European Commission, 2003, *Proposal for a Council Decision on Guidelines for the Employment Policies of the Member States, Annex to the Annex*, , page 10.

<sup>8</sup> [http://europa.eu.int/comm/employment\\_social/employment\\_strategy/report\\_2004/annex1\\_20045\\_2\\_en.pdf](http://europa.eu.int/comm/employment_social/employment_strategy/report_2004/annex1_20045_2_en.pdf), page 92.

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**ANNEX: REPORT ON THE FINAL PROJECT CONFERENCE: 31 JANUARY 2005**

“A job is the best route out of poverty” but a Labour third term needs to do much more to raise the skills of those in low-paid jobs, argued Trade Secretary Patricia Hewitt. “There is a real danger of people being trapped in low-skilled, low paid work, perhaps revolving in and out of work”, the Secretary of State for Trade and Industry told the Fabian Society and New Policy Institute conference on ‘More and Better Jobs in Europe’.

Hewitt argued that the Labour government had overseen “a very significant re-regulation of the labour market” through measures from the minimum wage to improved maternity and paternity conditions but that “the crucial point is that we have done re-regulation in a way that supports rather than hinders job creation”. The UK’s “enormous success” in creating jobs meant it had much to offer the EU debates but Hewitt argued there were also important lessons which the UK could learn from elsewhere in Europe “to achieve our goal of full and fulfilling employment, or more jobs and better jobs”, particularly in seeking to emulate the strength of vocational education and the emphasis placed on technical skills in Germany.

Highlighting the government’s ambition to reform incapacity benefit, Hewitt argued that pilot schemes on supporting disabled people to work had been highly successful because they had supported the aspirations of those with a disability but who wanted the support to be able to work. she argued that the next five years should see a more concerted attack on disparities in pay and qualifications for black and ethnic minority workers and on the ‘stubborn’ gender pay gap, because the present situation amounted to “both an injustice and inefficiency for the economy”. Although accepting that most part-time jobs were low paid, Hewitt argued for part-time work “to move all the way up the labour market”, suggesting that job shares for government Ministers should not be unthinkable.

**Europe's jobs challenge**

Antonis Kastrissianakis, Director of Employment Strategy at the European Commission, opened the conference on the European Employment Strategy by outlining the “stark challenges” that the European Union’s member states faced if they were to meet their objectives. The EU had set targets to have 70% employment, with 60% employment for women and 50% for workers over 55. With employment rates currently at 63% in the EU 25 (and 64% in the EU 15) this meant creating 22 million more jobs by 2010, including 13 million for women and 7 million for the over 55s. Only four of the EU member states – Denmark, the Netherlands, Sweden and the UK – had employment rates over 70 per cent. But “if some member states can succeed, others can follow”, argued Kastrissianakis. After five years of the Lisbon agenda, EU members needed to heed the central message of the Wim Kok report – that they “needed to reconcile its ambitions with the necessary means”.

“Unemployment is the greatest blackspot in Europe, and it enables the Americans to criticise us on everything else”, said Professor Richard Layard. He argued that the 1990s had provided a laboratory in which different diagnoses of the causes of employment and unemployment were tested. Britain, Denmark and the Netherlands had started with similar employment rates to France and Germany but had succeeded in creating jobs. There was no “European employment problem” – there were different problems facing different European countries. France and Germany struggled to mobilise the unemployed into work even when vacancies existed, while Spain and Italy had insufficient wage flexibility. Layard stressed that these - mobilisation of the economically inactive, and wage flexibility – were, in his view, the only two factors which had a significant impact. It was important to realise that other factors - working hours, early retirement or tax rates - had little impact on employment rates. “We should be careful about saying that anything which is good for any other reason is good for unemployment”, said Layard. This analysis made him optimistic about the potential impact of the Hartz reform package in Germany

Claude Moraes MEP was concerned that the “original Lisbon impetus is being lost” with governments “going through the motions” while maintaining alternative models and doing what they wanted to do domestically. Moraes warned of ambivalence on the European left about the agenda. He stressed that Lisbon had been the product of social democratic dominance in the EU, seeking to combine economic success with social cohesion. With the centre-right in the political ascendancy in much of the EU, there were pressures on the left to return to a more traditional battleground of legislation and regulation to avoid a ‘race to the bottom’ and a so-called ‘Anglo-Saxon model’.

Will Hutton, Chief Executive of the Work Foundation and rapporteur of the Wim Kok Commission report concurred. “Lisbon had got too technocratic and obscure. It was up to European leaders to explain the challenges and to explain how a ‘rising European tide lifts all boats’ and to explain this in their national strategies and plans”, said Hutton. Hutton argued that the European social democratic left needed to be more forensic in what it wanted its response to the challenges of the changing global economy. An attempt to cover everything had led to 104 benchmarks and targets which meant there could be no focus.

Highlighting the need for much greater implementation and political visibility, Claude Moraes questioned whether the method of benchmarking was succeeding: “The Open Coordination Method is not just Eurospeak but the epitome of Eurospeak. You can share best practice but you can not elevate it above the sharing of best practice”, said Moraes, arguing that a “more cohesive approach” was necessary for greater implementation.

### **Lessons for the UK?**

Given the UK’s high employment rates, what elements of the European Employment Strategy were most relevant to the UK and were there lessons to be imported from elsewhere in the EU? Frances O’Grady, Deputy General Secretary of the TUC was one of the speakers to suggest that the UK’s success in creating jobs needed to be combined with a greater emphasis, to turn jobs into good jobs and good jobs into satisfying careers. She highlighted the importance of the Labour Party’s Warwick agenda, arguing that it recognised that “for millions, work is still little more than high intensity, boring, over-supervised drudgery”. On quality of work, Britain “can learn from across the channel and not just across the Atlantic” since nine out of ten of the world’s most productive economies were European.

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Martin Temple, Director-General of EEF, the manufacturers' organisation, strongly endorsed Patricia Hewitt's emphasis on the need for more focus on skills and vocational education, arguing that "we have a lot to learn about high-performance workplaces" and stressed the importance of science, technology and engineering in education.

Will Hutton highlighted Britain's decelerating productivity growth and said that this should mean a major focus on skills and lifelong learning. Hutton praised Denmark for strong links between education and skills at 14-19 and what was available for adults, arguing that the UK sector skills councils – which were 'getting their act together' – should seek to emulate the strong levels of stakeholder engagement in training and skills.

For Frances O'Grady, that meant a stronger role for social partners. She argued that the value and spirit of social dialogue was the most important European lesson for the UK, and she called on companies to adopt "the spirit as well as the law" of new rights to information and consultation.

Wolfgang Munchau of the Financial Times warned that it was very difficult to seek to import policies, as they were embedded in a whole set of institutions and cultures. But he felt the UK's strong tradition of science and technology meant it should be able to improve its educational performance – and suggested that preventing the controversial closure of chemistry departments in universities would be a good start.