

The European Employment Strategy  
Composite Factors leading to its Evolution

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### **Abstract**

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European institutions have in recent years increased their competence in the field of employment policy. Between the Essen summit of 1994 and the Lisbon summit of 2000, the European Commission and the Member States have developed an European Employment Strategy which allows European institutions to spell out employment guidelines and recommendations and compels Member States to implement these in the national domain. This paper seeks to identify the factors which influenced the Member States in their interest of developing of these measures. First, it describes the economic developments in Europe, in regard to employment and unemployment. Second, it describes the employment chapter of the Amsterdam Treaty. Third, it tests two sets of explanations given for the origins of these measures: one explanation concerns the view that Europe-wide employment measures have to be seen as the collective response to a common economic problem. The other explanation, in turn, deals with the following three claims: Europe-wide employment policy is pursued by Member States as a response to the “end of permissive consensus”, as a response to an increase in demand for a joint fight against unemployment and as a response to an increase in opposition to a common currency. An empirical analysis of Eurostat and Eurobarometer data sets is conducted to assess the validity of these hypotheses. However, the results of the empirical analysis are counter-indicative to the hypothesized relationship. Therefore, the fourth section of the paper develops an alternative explanation which seeks to explore the particular kind of composition of factors that have influenced the Member States in their level of support for Europe-wide employment measures. The empirical findings of this paper point to a refined hypothesis. The specific combination of the following two circumstances: level of utilitarian support and level of opposition to a common currency, influenced the degree of interest a Member State had for Europe-wide employment measures during the Intergovernmental Conference 1996/1997.

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## Introduction

Employment policy has risen to become one of the priorities of the European Union in recent years. As a result of this, for the first time in the history of European integration, an employment title is part of the legal framework of European governance.<sup>1</sup> Article (2) in the Amsterdam Treaty states that employment is “a matter of common concern” and calls for the Member States and the European Union (EU) to “work towards developing a co-ordinated strategy for employment.”<sup>2</sup> Given the legal basis and the set of procedures which are institutionalized to accomplish this goal, employment by now is firmly established as a priority on the agenda of the European Union and is not likely to diminish in its importance in the foreseeable future.

The goal of achieving the employment priority is supported by a new process of co-ordination. Starting with the Essen summit in December 1994 and through subsequent Council summits, a process was launched by which Member States eventually agreed to accept Europe-wide employment guidelines from the European Commission and to implement these on the respective domestic level.<sup>3</sup> As part of this process, Member States currently document the implementation of employment guidelines through annual reports and thereby expose themselves to an examination of their actions by the European Commission and the Council. Every year, both European institutions publish a Joint Employment Report and Employment Recommendations. In both documents, the national efforts are assessed and critically evaluated.

As pointed out by several scholars, the Europeanization of employment policy is the main political consequence of this new priority and this new process.<sup>4</sup> Europeanization can be defined

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<sup>1</sup>On the concept of governance see Kohler-Koch, Beate, Eisig, Rainer, 1999. *The Transformation of Governance in the European Union*. (London: Routledge). Kohler-Koch, Beate, 1996. “The Strength of Weakness: The Transformation of Governance in the EU.” in: Sverker Gustavsson (ed.). *Essays on Cultural Pluralism and Political Integration*. (Stockholm: Nerenius & Santerus), pp. 169-210. Rosenau, James, 1992. *Governance without Government: Order and Change in World Politics*. (Cambridge: University Press).

<sup>2</sup> Commission of the European Communities, 1997. “Treaty on European Union.” *Official Journal* C 340, 10.11.1997. (Luxembourg: Office for Official Publications of the European Communities).

<sup>3</sup>For a description of the mechanisms of this process see Commission of the European Communities, 1999. *The European Employment Strategy: Investing in People*. Directorate General for Employment and Social Affairs. (Luxembourg: Office for Official Publications of the European Communities). Platzter, Hans-Wolfgang, 1999. “Die EU-Sozial- und Beschäftigungspolitik nach Amsterdam: Koordinierte und verhandelte Europaeisierung?” *Integration*, Vol. 22, No. 3. Thomas, Sven, 1999. *Handbuch europaeischer Beschäftigungspolitik: Programme, Organisation, Handlungsschwerpunkte*. (Frankfurt: Peter Lang GmbH).

<sup>4</sup>Cameron, David. 2000. *The Europeanization of Employment Policy*. Paper prepared for the international workshop on

“as the emergence and development at the European level of distinct structures of governance, that is, of political, legal and social institutions associated with problem-solving that formalize interactions among the actors, and of policy networks specializing in the creation of authorized rules.”<sup>5</sup> In this sense, Europeanization connotes the processes and mechanisms by which “domestic policy areas become increasingly subject to European policy making.”<sup>6</sup> The research interest hereby lies in the examination of the factors and forces that have initiated and influenced this process of Europeanization.

At the core of this paper is the aim of identifying the factors, which influenced the Member States in their interest of developing Europe-wide employment measures. For this purpose the empirical part of the paper is structured into two sections. In the first section, four of the most frequently presented explanations for the Europe-wide employment measures are presented and then empirically tested. The first set of explanations regards the employment policy as a collective solution to a common problem in Europe. Here, the assumption is that the recent economic development exerted such a strong pressure on Member States that governments were interested in developing a coordinating mechanism of employment targets on the European level. The second set of explanations maintains that Member States were pressured to add a social and political dimension due to a more critical public opinion. With the end of the “permissive consensus” the public withdrew its quiet acquiescence to European integration and instead became outspokenly more skeptical. The third set of explanations points out that the Member States had an interest in Europe-wide employment measures due to the public’s demand to address the issue of unemployment on the European Union level. And the fourth set of explanations takes the position that the Member States were pressured to design a stronger employment dimension due to the public’s opposition to a common currency.

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Europeanization: Concept and Reality. Bradford University, May 5-6, 2000. Tidow, Stefan, 1999. “Aktive Politik oder passive Revolution”? Beschäftigungspolitik als neues Politikfeld in der EU.” *Zeitschrift fuer Sozialreform*, Vol. 45, No.1.

<sup>5</sup>Risse, Thomas, Cowles, Maria Green, Caporaso, James A. 2000. *Europeanization and Domestic Political Change*. (Ithaca: Cornell University Press), p. 2. The literature on Europeanization also examines the consequences of Europeanized policy fields on domestic institutions of Member States. This focus is beyond the scope of this paper. For examples of this approach see Boerzel, Tanja, 2000. *When Europe hits home: Europeanization and Domestic Change*. Paper presented at the Annual Convention of the American Political Science Association, Washington D. C. August 31-September 3. Kohler-Koch, Beate, 1998. *Interaktive Politik in Europa: Regionen im Netzwerk der Integration*. (Opladen: Leske und Budrich). Ladrech, Robert, 1994. “Europeanization and Domestic Politics and Institutions: The Case of France.” *Journal of Common Market Studies*, Vol. 32, No. 1, pp. 69-88. Olson, Johan P. 1996. “Europeanization and Nation State Dynamics.” in: Sverker Gustavsson and Leif Lewin. *The Future of the Nation-State*. (London: Routledge), pp. 254-285. Schmidt, Manfred, G. 1999. “Die Europaeisierung der oeffentlichen Aufgaben.” *ZES Working Paper*, No. 3/1999. (Bremen: Zentrum fuer Sozialpolitik).

<sup>6</sup>Definition by Boerzel, Tanja, 1999. “Towards Convergence in Europe? Institutional Adaptation to Europeanization in Germany and Spain.” *Journal of Common Market Studies*, Vol. 39, No. 4, p. 574.

This paper examines these explanations by testing the following hypothesis:

- (1) The stronger the increase of the overall rate of unemployment over the past few years, the more the Member State had an interest in suggesting strong Europe-wide employment measures.
- (2) The more the public of a Member State felt that its country was not benefiting from European integration, the more a government was interested in Europe-wide employment measures.
- (3) The more the public of a Member State demanded that the European Union should address the issue of unemployment jointly with the Member States, the more the Member State had an interest in Europe-wide employment measures.
- (4) The more the public of a Member State was opposed to a common currency, the more the Member State had an interest in Europe-wide employment measures.

Four questions will be addressed in the first section of this paper: (A) Was there a strong increase in the rate of unemployment between 1991 and 1997? And if so, is it the case that those countries which experienced the strongest increase were more likely to advocate employment measures on the European Union level than those countries which did not experience such an increase? (B) Was there a decrease of public support for European integration between the years 1991 and 1997?<sup>7</sup> And if so, can one observe that those countries, which experienced such a decline, were more likely to advocate employment policies on the European level than those countries which did not experience such a decline? (C) Comparing the data of 1991 and 1997, has the cross-average of demand by which the public would like to see the issue of unemployment be addressed by the European Union increased? And if so, were the Member States, which encountered such an increase more likely to suggest Europe-wide employment measures? (D) And finally, comparing the data of 1991 and 1997, has the cross-average of public opposition to the common currency across the Member States increased? And if so, were those Member States that encountered such an increase more likely to suggest European-wide employment measures?

These hypotheses and questions will be examined in the first section of the paper by a two-dimensional research design (for instance positions of Member States against utilitarian

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<sup>7</sup> To be more precise, in 1991 the time period prior to the Maastricht I negotiations is selected and then compared to the beginning of 1997, prior to Maastricht II negotiations.

support). This paper will draw on data from the Labour Force Survey and Eurobarometer for the years 1991 and 1997. Several questions are selected from the Eurobarometer pertaining to the various dimensions of the hypotheses. The hypotheses are then tested by extrapolating from the public opinion an expected position of the Member States, and then comparing that position with the actual position taken by the Member States during the negotiations. The proximity or distance of both positions will be indicative for the falsification of the hypotheses. The findings of this section point to the conclusion that the results of the empirical analysis are counter-indicative to the hypothesized relationship.

The second section of the paper, therefore, develops an alternative model which improves the fit between the data and the actual positions taken by the Member States. Instead of assuming that the positions of the Member States were influenced by only one dimension of public opinion at a time, this section of the paper analyses the clustering of the countries in three dimensions. These three dimensions are: (1) Positions of the Member States, (2) utilitarian support, and (3) opposition to a common currency. Such a research design allows one to examine in what aspects those Member States are similar which strongly supported Europe-wide employment measures, mildly supported these measures, or strongly opposed them. The findings of this empirical study leads to a refined conclusion. The specific combination of the following two circumstances: level of utilitarian support and level of opposition to a common currency, influenced the degree of interest a Member State had for Europe-wide employment measures during the Intergovernmental Conference 1996/1997.

This paper is structured into four sections. The first section provides a sketch of the recent economic development of the aggregate employment and unemployment rate over the years, in the Member States, for specific regions as well as for specific groups in the Member States (women, young and long-term unemployed). The second section provides a short description of the employment chapter of the Treaty of Amsterdam (1997). The third section analyses the most frequently given explanations for the Europe-wide employment measures. The final section develops an alternative model and presents a refined hypothesis.

## Unemployment and Employment in Europe

A few decades ago, achieving full employment in Europe appeared to be both attainable and nearly accomplished. In the 1960s and early 1970s when Europe experienced rapid economic growth, the unemployment rates were generally in the range of two to three percent. During these years, a postwar settlement between the political parties in power and representatives of capital and labor had forged a new class compromise which ushered in an era of unprecedented prosperity and political stability.<sup>8</sup>

Since the end of the Golden Age, unemployment in Europe has increased dramatically and full employment as an attainable goal appears to have moved out of reach. At the moment, the aggregate unemployment rate stands at 8.8% for the euro-zone and is in average 8.1% for all members of the European Union.<sup>9</sup> This means that currently about 11.5 million men and women are unemployed in the euro-zone, while 14.0 million are without work in the EU15. While these numbers represent a drop in the aggregate unemployment rate compared to the previous years, they have only slightly improved compared to the level of unemployment prior to the last recession as can be seen in figure (1).<sup>10</sup> This means that six years of economic recovery and continuous expansion have barely offset the three years of decline between 1991 and 1994.

This slow recovery can also be seen when looking at the aggregate employment rate. Figure (2) shows that the overall employment rate in the Union rose to 62.1% in 1999 from 61.1% in 1998, which means that around 155 million EU citizens had a job during that year. This improvement, however, was just sufficient to bring the rate back to the same level which it had been in 1990, prior to the recession of the first part of the decade.

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<sup>8</sup> For a discussion of the characteristics of the post-war settlement and the Golden Age see Bornstein, Stephen, 1984. „States and Unions: From Postwar Settlement to Contemporary Stalemate“. In: Bornstein, Stephen, Held, David, Krieger, Joel. *The State in Capitalist Europe*. (London: George Allen and Unwin). Kesselman, Mark (et al.) 1997. *European Politics in Transition*. (Boston: Houghton Mifflin Company). Streeck, Wolfgang, 1998. „Gewerkschaften zwischen Nationalstaat und Europäischer Union“. *WSI Mitteilungen: Zeitschrift des Wirtschafts- und Sozialwissenschaftlichen Instituts des deutschen Gewerkschaftsbundes*, Vol. 1. Glyn, Andrew (et al), 1990. „The Rise and Fall of the Golden Age.“ In: Stephen Marglin (eds.), *The Golden Age of Capitalism*. (Oxford: Clarendon Press). Goldthrope, John (ed.), 1984. *Order and Conflict in Contemporary Capitalism*. (Oxford: Clarendon Press). Tsoukalis, Loukas, 1997. *The new European economy revisited*. (Oxford : Oxford University Press).

<sup>9</sup> see Eurostat, 2000a. *News Release*. No. 01/2001, January 3. (Luxembourg: Office for the Official Publication of the European Communities.) <http://europa.eu.int/comm/eurostat>. Eurostat defines unemployment according to the criteria of the International Labour Organisation: those aged 15 and over and who: (1) are without work, (2) are available to start work within the next two weeks, (3) and have actively sought employment at some time during the previous four weeks.

<sup>10</sup> in the euro-zone 13 million men and women were unemployed in June 1999, 14 million in July 1998, and 15 million in June 1997. see Eurostat, 2000b. *News Release*. No.56/2000, 16 May. <http://europa.eu.int/comm/eurostat>. (Luxembourg: Office for the Official Publication of the European Communities).



Seen through several decades, characteristic of the aggregate employment rate in Europe is that the overall rate dropped considerably during three major recessions.<sup>11</sup> Looking at the period from 1973 to 1998, a total of nine million jobs were lost during the major recessions, as can be seen in figure (3). At the same time during this period, only 17 million new jobs were created which adds up to a net job growth of 8 millions. Also, figure (4) demonstrates visually that there is a strong association between the annual rates of change in Gross Domestic Product and the rate of change in employment.<sup>12</sup> The same observation can be made when calculating the Pearson correlation coefficient. Taking the data of figure (3) and comparing the changes in the rates of growth with the changes in the levels of employment in the EU, one finds a correlation of  $r = .90$ . This finding suggests that there is a strong association between Gross Domestic Product and the level of employment.

Despite the similar impact of the macro-economic shock on all European countries, one should take note of the fact that Member States of the European Union vary greatly in regard to their employment and unemployment rates.<sup>13</sup> For the unemployment rate in 1998, the Member States can be differentiated into three groups: First, a group of countries which have unemployment rates much below the EU average of 10%. In this group one finds Luxembourg (2.8), the Netherlands (4.0), Austria (4.7), Portugal (5.1), Denmark (5.1) and the United Kingdom (6.3). Second, there is a group of countries in which the unemployment rate is slightly below the EU average. Here Ireland (7.8), Sweden (8.3), Belgium (9.5), Greece (11.6) and Germany (9.4) can be included. And finally, there is a group of countries which has unemployment rates above the EU average, such as Finland (11.4), France (11.7), Italy 12.2) and Spain (18.8).<sup>14</sup>

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<sup>11</sup> For a discussion of the employment growth performance see Teague, Paul, 1994. "Between Keynesianism and Deregulation: Employment Policy in the European Union." *Journal of European Public Policy*, Vol. 1, No. 3, pp. 317.

<sup>12</sup> For a detailed discussion of this connection see Okun, Arthur M., 1962. "Potential GNP: Its Measurement and Significance." *American Statistical Association, Proceedings of the Business and Economics Section*, pp. 98-103

<sup>13</sup> It should be added that the unemployment rates among regions in different countries vary quite considerably. At the low end one finds Centro (Portugal) with 2.1% unemployment, Aaland (Finland) with 2.6, and Zeeland (Netherlands) with 3.4. At the very high end are Campania (Italy) with 24.9, Extremadura (Spain) 28.8 and Andalucia (Spain) with 29.9. For these numbers see Eurostat, 1999. "EU Regional Unemployment Ranges from 2.1% to 29.9%." *News Release*. No.93/99. <http://europa.eu.int/en/comm/eurostat/compres/en/10199/6110199a.htm>.

<sup>14</sup> These percentages of the unemployment rate are taken from Commission of the European Communities, 1999. *Employment in Europe*. (Luxembourg: Office for the Official Publication of the European Communities). For a discussion variations among member states see Sapsford, David, Bradley, Steve, Millington, Jim, 1998. "The European Economy: Regional Disparities and Social Exclusion." *Industrial Relations Journal*. Annual Review.

Also, looking at the employment rate, one can find great variations among the European countries.<sup>15</sup> In 1998, the rate was above 70% in Denmark (79.2), United Kingdom (71.4), Sweden (70.3) and Austria (70.1). It was above 60% for the following countries: Portugal (68.9), Netherlands (68.3), Finland (65.1), Germany (61.5), France (60.8), Luxembourg (60.5), and Ireland (60.5). Several countries had employment rates below 60% Belgium (57.5), Greece (56.5), Italy (51.8), and Spain (50.2).

The European debate on unemployment identifies three target groups as particularly problematic in terms of their labor market participation: women, the young and long-term unemployed. Figures (5) and (6) present the rates of unemployment in the EU 1998 disaggregated by gender and age. The data show a clear gender division in the group of unemployed. Taking all Member States together, in 1998, the rate of unemployment among women was roughly 3% points higher than the same rate for men. Also, young women are at risk of being unemployed to a much greater degree than men in the same age group.<sup>16</sup>

For long-term unemployed one can observe a decline in total numbers from 5.2% of the labor force in 1997 to 4.9% in 1998. This decline, however, has been less strong than the overall decline of the unemployment rate. At the same time, the share of the unemployed who had been out of work for a year or more in 1998 (49%) showed no improvement compared to the previous year (49%) and in fact it represented a worsening of the situation compared to 1997 (48%).<sup>17</sup> Therefore, as of yet, there has been no tendency for the increased rate of net job creation to greatly benefit the long-term unemployed.

On the basis of the brief sketch of the labor market situation in Europe, one can conclude that Europe's unemployment problem was caused by various factors. In particular relevant are short-term macro-economic shocks and long-term persistence effects. Several countries coped better than others and recovered more quickly. These countries experienced higher levels of employment. Unemployment is particularly high for women, young people and people who have been out of the labor market for more than one year.

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<sup>15</sup>For a discussion of the institutional causes of this variation see Scharpf, Fritz, W. 1997. "Employment and the Welfare State: A Continental Dilemma." *Working Paper*, No. 97/7. (Cologne: Max Planck Institute for the Study of Societies).

<sup>16</sup> see Commission of the European Communities, 2000. *Gender Use of Time: Three European Studies*. (Luxembourg: Office for Official Publication of the European Communities), p. 57-59, quoted in Cameron, David, 2000. "The Europeanization of Employment Policy." Paper prepared for the International Workshop on *Europeanization: Concept and Reality*. Bradford University, May 5-6.

<sup>17</sup> see Commission of the European Communities, 1999. *Employment in Europe*. (Luxembourg: Office for the Official Publication of the European Communities.), p.22.

## Europeanization of Employment Policy

At the European Council in Copenhagen in June 1993, Jacques Delors gave a compelling speech in which he pointed out that Europe's unemployment problem has grown to such proportions that business as usual was no longer possible for the Member States. He convinced Member States that a White Paper was necessary in which the Union would have to outline a new medium-term development strategy. The heads of states agreed with Delors and thereby provided him with a mandate to draft such a paper by the end of the year.

The White Paper provided a rich and multifaceted analysis of Europe's economic problems. One important argument in the analysis was that Europe was economically falling behind her competitors due to a lack of structural adjustments. As pointed out in the White Paper: "The depth of the present crisis is largely due to insufficient progress in adapting the structures of the Community economy to the changing technological, social and international environment. Although a consensus emerged during the 1980s on the need to underpin and speed up structural change instead of trying to slow it down, the pace at which the European economy adjusted to change was able only to match, but not to surpass, that of its major competitors, with the result that vulnerability to cyclical downturns and external shocks remained high."<sup>18</sup> The White Paper proposed several solutions for the structural problems of the European economy and emphasized the importance of developing active and more flexible employment measures. Specifically it called for action in the following areas: improvement of education and training systems, increased flexibility of work organization, reduction of indirect labor costs, efficient use of public funds, and training for unskilled young people.

The White Paper influenced the decisions taken at the December European Council of 1994 which met in Essen. The Council identified five areas in which more measures should be taken by the Member States.<sup>19</sup> While there is continuity in the policy areas, the Essen conclusion also point to the creation of a new policy tool. The Essen conclusion urges Member

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<sup>18</sup> White Book on growth, competitiveness and employment: The way forward into 21<sup>st</sup> century. COM(93) 700 final. <http://europa.eu.int/en/record/white/c93700/contents.html>

<sup>19</sup> (1) Improving employment opportunities for the labour force by promoting investment in vocational training. (2) Increasing the employment-intensiveness of growth, in particular by: more flexible organization of work. (3) Reducing non-wage labour costs. (4) Improving the effectiveness of labour-market policy by moving from a passive to an active labour market policy, and (5) improving measures to help groups which are particularly hard hit by unemployment. European Council, 1994. *Presidency Conclusion for Meeting on 9 and 10 December 1994 in Essen*. <http://ue.eu.int/newsroom/main.cfm?LANG=1>

States to “report annually to the European Council on further progress on the employment market.” The policy tool was crucial to provide the policy blueprint of the White Paper with a mechanism by which it could be transformed into policy action. This new policy tool was later adopted in the employment chapter of the Amsterdam Treaty.

Successive European Council summits continued to keep the issue of unemployment on the agenda (Madrid 1995, Florence June 21-22, 1996, Dublin December 13-14, 1996, Amsterdam June 16-17, 1997, and Luxembourg November 20-21, 1997). At the Madrid summit, the Council reiterated that job creation was the principle social, economic and political objective of the EU and its member states. The Florence European Council mainly directed political attention to unemployment by giving its “political approval” to mobilize the Community, national and local authorities, and the social partners in the battle against unemployment. The Dublin European Council expressed in its “Dublin Declaration on Employment - The Jobs Challenge” the commitment of the European Council to bring all the social and economic agents together so that common projects for territorial employment pacts could be created.

During the Amsterdam summit, the European Council agreed on a treaty that included a separate employment chapter. Three aspects of the treaty stand out: First, an employment chapter was included in the Amsterdam Treaty and thereby constituted employment policy as a separate policy field. No longer is employment considered to be simply the automatic outcome of sound economic policies. Instead the European Union and the Member States have acknowledged that a coordinated strategy among European institutions and the Member States was needed to accomplish commonly agreed on employment targets.<sup>20</sup>

Second, the Member States have committed themselves to the coordination of Europe-wide employment targets. For this purpose, the employment chapter in the Amsterdam Treaty created a new coordinating committee, originally called the Employment and Labour Market Committee and since the last reform called the Employment Committee.

Third, the employment chapter has increased the overall capacity of the European Commission, especially the DG Employment and Social Affairs, to influence the content of the

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<sup>20</sup> see Laeufer, Thomas (ed.), 1999. *Vertrag von Amsterdam: Texte des EU-Vertrages und des EG-Vertrages mit den deutschen Begleitgesetzen*. (Bonn: Europa Union Verlag GmbH). For a discussion of the Articles see Kasten, Gabriele, Soskice, David, 2000. “Moeglichkeiten und Grenzen europaeischer Beschaeftigungspolitik.” *Aus Politik und Zeitgeschichte*, B14-15/2000. Biagi, Marco, 1998. “The Implementation of the Amsterdam Treaty with Regard to Employment: Co-ordination or Convergence?” *International Journal of Comparative Labour Law and Industrial Relations*, Vol. 14, No. 4, pp. 327. Barnard, Catherine, Deakin, Simon, 1998. “European Community social law and policy: evolution or regression?” *Industrial Relations*

employment targets on the European Union level.<sup>21</sup> This influence of the European Commission was particularly clear in the first set of guidelines accepted by the European Council summit in Luxembourg 1997. The following four-pillar structure of employment objectives suggested by the Commission, were entirely adopted by the Member States: Employability, entrepreneurship, adaptability and equal opportunities. Apparently the only change suggested by Luxembourg's prime minister Jean-Claude Juncker, then the Council's President, was that the sequence of policy objectives should be changed. According to Alan Larsson, then Director General of DG Employment and Social Affairs, the original proposal of the Commission had listed entrepreneurship prior to employability.<sup>22</sup>

When one looks at the articles of the employment chapter one can make the following observation. Descriptively speaking, it consists of six Articles: The first Article (125) emphasizes that Member States and the community are interested in the development of a coordinated employment strategy. In the second Article (126), member states agreed to consider employment policy as an area of common concern and to be willing to coordinate their employment policies as laid down in Article (128).

The third and fourth Articles (127 and 128) give the European Commission the authority to propose Employment Guidelines, which the European Council will recommend to individual Member States for action.<sup>23</sup> After the European Council recommends the Employment Guidelines to the Member States, each country is asked to draw up a National Action Plan (NAP).<sup>24</sup> The NAP describes how these guidelines are put into practice in the way best suited to each country. After each country submits the NAP, the Commission and Council jointly examine each NAP and present a Joint Employment Report to the December European Council. The Commission also presents at that same Council, recommendations to revise the Employment Guidelines of the previous year. Then the Council approves the set of Employment Guidelines for the next year to come.

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*Journal*, Annual Review, p. 13.

<sup>21</sup> DG Employment and Social Affairs was formerly known as DG V for Employment, Industrial Relations and Social Affairs. Throughout this paper, the latest title of the DG will be used.

<sup>22</sup> This he mentioned in an interview during February 2001.

<sup>23</sup> Commission of the European Communities, 1999. *The European Employment Strategy: Investing in People*. Directorate General for Employment and Social Affairs. (Luxembourg: Office for Official Publications of the European Communities).

<sup>24</sup> For a discussion of the National Action Plans see Rhein, Thomas, 1999. "Zwischenbilanz: Die Rolle der Europäischen Union in der Beschäftigungspolitik." *IAB Kurzbericht*, No. 13/1999.

It should be noted that the employment chapter gained political weight much before the Amsterdam Treaty was ratified and came into force (May 1999). A summit was held in Luxembourg on November 20/21 1997 at which 19 employment recommendations were adopted. Then, by April 1998 the following year, all Member States submitted the first National Action Plans. In May 1998, the European Commission already presented its first examination of the NAPs in the communication "From Guidelines into Action – The NAPs for Employment." Since then several cycles of employment guidelines and recommendations have been completed. The process has not only been confirmed by the Member States, but with the Lisbon conclusions should now be transferred as a model to other policy fields (such as to combat social exclusion and to reform social security systems).

By looking at all the initiatives from Essen to Amsterdam and the subsequent follow-ups, it appears appropriate to conclude that in the area of employment policy, the institutions of the European Union have expanded their sphere of competence. This leads one to ask about the factors and forces which could explain these recent changes.

### **Explanations provided in the Literature**

The observation that employment policy is increasingly Europeanized raises the following question: Which are the forces and factors that explain the interest of the Member States in developing the Europe-wide employment measures? Generally, one finds two sets of answers in the literature: (1) Europe-wide employment policy as the solution for a common problem; and (2) Europe-wide employment policy due to public pressures.<sup>25</sup> The statistical analysis in this paper seeks to test if the positions of the Member States in regard to employment policy were influenced by these two forces. In the following section a brief outline of the line of reasoning of both explanations is provided, testable hypothesis are derived from them and their validity is evaluated.

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<sup>25</sup> It should be noted that both sets of explanations can be related to theoretical approaches in the field of European integration. The first explanation is underpinned by neo-functionalism; the second is related to liberal intergovernmentalism. It is beyond the scope of this paper to discuss these theories. For recent works in the tradition of neofunctionalism include Burley and Mattli 1993. "Europe before the Court: A Political Theory of Legal Integration." *International Organization*, Vol. 47, No. 4. Sandholtz, Wayne, Zysman, John, 1989, "1992: Recasting the European Bargaining." *World Politics*, Vol 42. For liberal intergovernmentalism see Garret, Geoffrey, 1992. "International Cooperation and Institutional Choice: The EC's Internal Market." *International Organization*, Vol. 46. Moravcsik, Andrew, Kalypso, Nicolaidis, 1999. "Explaining the Treaty of Amsterdam: Interests, Influence, Institutions." *Journal of Common Market Studies*, Vol. 38, No. 4. Moravcsik, Andrew, 1998. *The Choice for Europe: Social Purpose and State Power from Messina to Maastricht*. (Ithaca: Cornell University Press).

## **Explanations**

### **Solution for Common Problem**

Economic development and economic interests of Member States have long been considered to be crucial for the direction and speed with which the European integration process would proceed. Accounts of this point of view can be found in the early writings of scholars who studied European integration.<sup>26</sup> In the tradition of this approach, one set of explanations regards the employment policy as a collective solution to a common problem in Europe. Here, the assumption is that the recent economic development exerted such a strong pressure on Member States that governments were interested in developing a coordinating mechanism of employment targets on the European level. Several scholars maintain that the most recent prominence of employment policy on the agenda of the European Council was caused by the fact that all Member States were struggling to lower their respective unemployment rates.<sup>27</sup> For instance, the Dutch Ministry of Social Affairs and Employment recently pointed out that “the reason why many EU Member States have opted for central coordination is probably to do with the opportunities that it affords. Central coordination can act as a platform for recognizing and identifying collective and shared problems and also collectively looking for solutions.”<sup>28</sup>

For this explanation to be correct, one would expect to find at least two aspects to be true: First, the unemployment rate has increased dramatically in the Member States before the Intergovernmental Conference took place. Second, those countries, which experienced the highest increase of unemployment, had the greatest interest in Europe-wide employment measures.

### **Political Response to Public Pressure**

Public support for the European integration process has long been considered to be crucial for the direction and speed with which the integration would go. A number of scholars

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<sup>26</sup> Haas, Ernst, 1958. *The Uniting of Europe. Political, Social and Economic Forces. 1950-1957.* (Stanford: University Press).  
Lindberg, Leon, 1963. *The Political Dynamics of European Integration.* (Stanford: University Press).

<sup>27</sup> see Biffi, Gudrun, 2000. “Theoretische und empirische Grundlagen fuer eine koordinierte Beschaeftigungspolitik in Europa.” in: Ernst Piehl, Hans-Joerg Timman (eds.). *Der Europaeische Beschaeftigungspakt - Entstehungsprozess und Perspektiven.* (Baden-Baden: Nomos Verlagsgesellschaft), p. 63. Lesch, Hagen, 2000. “Brauchen wir eine europaeische Beschaeftigungspolitik?” *Aus Politik und Zeitgeschichte - Beilage zur Wochenzeitung Das Parlament*, B14-15/2000, p. 9.

<sup>28</sup> Dutch Ministry of Social Affairs and Employment, 2000. *The Dutch Welfare State: Social Policy and Economic Performance in an International Perspective.* (The Hague: SDU Printing Division), p.206.

have emphasized the importance of public opinion for the specific development of European integration. According to Ronald Inglehart, public opinion exerts considerable influence on the decisions taken by national governments.<sup>29</sup> Additionally, Christopher Anderson and Karl Kaltenthaler maintain that “European integration pushed forward at the elite level, cannot progress without public support. [...] A deepening or widening of the Union requires the active tolerance, understanding and support of mass publics.”<sup>30</sup>

The presumption that public opinion exerts an influence on Member States is shared by several scholars who have put forward three explanations for the development of employment policies on the European Union level. The first explanation maintains that Europe-wide employment measures were developed due to the fact that Member States faced a more critical public opinion in the wake of the “post-Maastricht crisis” and the ending of the “permissive consensus.”<sup>31</sup> As the public ‘withdrew’ its quiet acquiescence to European integration and became outspokenly more skeptical, Member States were pressured to add a social and political dimension to the European integration project. For instance, according to Frank Deppe,

“[the] increase of significance attributed to the employment dimension on the European agenda [...] can only be understood in the context of the “post Maastricht Crisis.” It was less a crisis between European governments and their national political projects than a crisis manifesting itself in a far reaching conflict between the governing and the governed throughout Europe. The increasing opposition within the individual societies to the social consequences of their domestic policies of competitive adaptability exerted massive domestic pressure on the governments.”<sup>32</sup>

According to this perspective, governments can no longer afford to exclude employment policy from the European agenda. In fact, the area of employment policy is utilized as a tool by which Member States hope to generate public support for European integration.<sup>33</sup>

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<sup>29</sup> Inglehart, Ronald, 1970. “Cognitive Mobilization and European Identity.” *Comparative Politics*, Vol. 3, pp. 45-71.

<sup>30</sup> Anderson, Christopher, Kaltenthaler, Karl, 1996. “The Dynamics of Public Opinion toward European Integration, 1973-93.” *European Journal of International Relations*, Vol. 2, No. 2, p. 179.

<sup>31</sup> For a discussion on the “end of permissive consensus” see Reif, Karlheinz, 1993. “Ein Ende des “Permissive Consensus””? Zum Wandel europapolitischer Einstellungen in der oeffentlichen Meinung der EG-Mitgliedstaaten.” In: Rudolf Hrbek, *Der Vertrag von Maastricht in der wissenschaftlichen Kontroverse*. (Baden-Baden: Nomos).

<sup>32</sup> Deppe, Frank, Felder, Michael, Tidow, Stefan, 2000. “Structuring the State - The Case of European Employment Policy.” Paper presented at the International Conference on *Linking EU and National Governance*. (Mannheim: Mannheimer Center for Social Research), June 1-3, p.4.

<sup>33</sup> for this perspective also see Tidow, Stefan, 1999. “Aktive Politik oder “Passive Revolution””? Beschaeftigungspolitik als neues Politikfeld in der EU.” *Zeitschrift fuer Sozialreform*, Vol. 45, No. 1, p.70. Deppe, Frank, Felder, Michael, 1993. “Zur-Post-Maastricht-Krise der Europaeischen Gemeinschaft.” *FEG Working Paper*, No. 10. Aust, Andreas, 1997. “Der Amsterdamer Vertrag: “Vertrag der sozialen Balance””? Sozial- und Beschaeftigungspolitik in der Regierungskonferenz 1996/1997.” *Zeitschrift fuer Sozialreform*, Vol. 43, p. 753.



The second explanation one finds in the literature maintains that, Member States had an interest in developing Europe-wide employment measures due the public's demand for concerted action. For instance Berndt Keller expressed the view that "the Europe-wide employment measures were caused by a mix of political pressure good intentions and time constraints."<sup>34</sup> As a consequence, given this kind of domestic pressure governments were pushed towards developing employment measures on the level of the European Union.

The third explanation provided in the literature argues that governments were pressured to develop Europe-wide employment measures due to the public's negative perception of the common currency. For instance according to Dieter Duwendag,

"One important reason for the development of the employment initiatives in the Amsterdam Treaty, can be seen in the strong opposition of the public towards the EMU. From the perspective of the citizens, unemployment was certainly a much more pressing problem than the introduction of a common currency. Here it seems appropriate to speculate that the governments were motivated to propose employment measures during the Intergovernmental Conference in order to make EMU publicly more acceptable. By demonstrating to the respective domestic public that unemployment was far from irrelevant, and even more that unemployment might be reduced with the introduction of a common currency, the governments were hoping to reduce the public skepticism towards EMU."<sup>35</sup>

As a consequence of this constellation of domestic pressures, Member States were interested in the development of European-wide employment measures.

## **Research Design and Data: Four separate Factors**

In order to investigate these hypothesized relationships, Labor Force Survey Statistics for the years 1991 to 1997 and two Eurobarometer data sets were analyzed. For testing the argument that Europe-wide employment measures are the solution to a common problem, the change in unemployment rates between 1991 and 1997 were calculated. Then simple regression analysis was used to estimate the relationship between changes of the unemployment rate and the

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<sup>34</sup> Keller, Berndt, 1999. "Möglichkeiten und Grenzen supranationaler Arbeitsmarkt- und Beschäftigungspolitik: Das Beschäftigungskapitel des Amsterdamer Unionsvertrages." *Aus Politik und Zeitgeschichte*, B49, p. 14. Keller, Berndt, 1999. "Aktuelle Entwicklungen "europäischer" Beschäftigungspolitik: Vom Weissbuch zum Beschäftigungskapitel." *Sozialer Fortschritt*, No. 6, p.145.

<sup>35</sup> Quote is a translation of original German text. Duwendag, Dieter, 1998. "Beschäftigungspolitik durch die Europäische Union?" In: Klaus Lueder, *Oeffentliche Verwaltung der Zukunft*. Berlin: Duncker & Humblot, pp.257. also see Duwendag, Dieter, 1996. "Akzeptanzprobleme der Europäischen Waehrungsunion.: In: *Jahrbuch fuer Wirtschaftswissenschaften*. Vol. 47, No. 3, (Goettingen: Vandenhoeck & Ruprecht), pp. 241. Also for a similar view see Ekengren, Magnus, Jacobsson, Kerstin, 2000. "Explaining the Constitutionalization of EU Governanance – the Case of European Employment Cooperation."

positions of the Member States as expressed during the negotiations of the Intergovernmental Conference 1996/97 in regard to Europe-wide employment measures.

To test the arguments pertaining to public pressure, three questions were selected from the Eurobarometer which fulfill the following criteria: they were conducted just prior to the Maastricht I (1991) and the Maastricht II (1997) negotiations;<sup>36</sup> and in both years, the same questions were asked and thereby comparability is guaranteed. For both years, factor analysis was used to statistically determine that the three selected variables were sufficiently independent.<sup>37</sup> Then the change between 1991 to 1997 in each variable was calculated. And again, simple regression was used to estimate the relationship between level of public pressure for each variable in 1997 and positions of Member States.

### ***The Dependent Variable - Positions of Member States***

Both sets of explanations assume that either the level of unemployment or different aspects of mass public opinion correspondingly exerted pressure on all the Member States and subsequently influenced them in their interest of developing Europe-wide employment measures. In line with this assumption, this paper lists all the Member States by the position they took in the Intergovernmental Conference 1996/1997. The positions of the Member States are inferred from the position papers that were submitted to the Presidencies of the Council and are confirmed by secondary literature.<sup>38</sup> Based on these sources, the positions of the Member States were ranked according to the strength with which the respective Member State advocated Europe-wide employment measures: Sweden, Austria, Denmark, Belgium Italy, Greece, Finland, Ireland, Portugal, Netherlands, Luxembourg, Spain, France, the United Kingdom, and Germany.

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*Rapportserie*, No. 2000/8, (Stockholms Center for Organizational Research), p. 5.

<sup>36</sup>Commission of the European Communities, 1991. *Eurobarometer 36*. (Luxembourg: Office for the Official Publications of the European Communities). Commission of the European Communities, 1997. *Eurobarometer 47.1*. (Luxembourg: Office for the Official Publications of the European Communities).

<sup>37</sup>For both years factor analysis confirmed that none of the three variables correlated strongly. Additionally, the overall KMO value for 1991 and 1997 was .58 and .58 respectively. Both values indicate that the data in both years is likely to be quite diffuse and therefore no reduction of the variables in one or more factors was possible. For criteria to decide on the number of factors to be extracted from data see Kim, Jae-On, Mueller, Charles, 1978. *Introduction to Factor Analysis: What it is and How to Do It*. (Newbury Park: Sage Publications). Hutcheson, Graeme, Sofroniou, Nick. 1999. *The multivariate social scientist: introductory statistics: using generalized linear models*. (London : Sage Publications).

<sup>38</sup>In particular the work following work will be used: Tidow, Stefan, 1998. "Europäische Beschäftigungspolitik: Die Entstehung eines neuen Politikfeldes: Ursachen, Hintergründe und Verlauf des politischen Prozesses." *FEG Working Paper*, No. 18, p. 6. Weidenfeld, Werner (ed), 1998. *Amsterdam in der Analyse.Strategien fuer Europa*. (Guetersloh: Verlag Bertelsmann Stiftung). Joop, Mathias, Schmuck, Otto (eds.), 1996. *Die Reform der Europaeischen Union. Analysen - Positionen- Dokumente zur Regierungskonferenz 1996/1997*. (Bonn: Bundeszentrale fuer Politische Bildung). Goetschy, Janine, 1999. "The European Employment Strategy: Genesis and Development." *European Journal of Industrial Relations*.

## **The Independent Variables**

The explanatory variables are constructed with the objective of examining the four explanations given for the interests of the Member States in regard to Europe-wide employment measures. The first dimension tests if the changes in the aggregate national unemployment rate influenced the positions of the respective Member States.

The second dimension tests if the level of public support for European integration influenced the positions of the respective Member States. Here, public support is taken to be utilitarian support, based on the insights of previous research.<sup>39</sup> To measure utilitarian support, the question was used: “Generally speaking, do you think that your country’s membership of the EU is ‘a good thing’, ‘a bad thing’, ‘neither good nor bad’, or ‘don’t know’?”<sup>40</sup>

The third dimension tests whether or not the public’s opinion that unemployment should be addressed by the European Union ultimately influenced the positions of the Member States. Here the following question was used: “The fight against unemployment should be decided by the ‘national government’, ‘jointly within the EU’, or ‘don’t know’.”<sup>41</sup>

Finally, to test if there is a connection between public opposition to a common currency and the Member States’ position on employment policy, the question selected asked respondents if they were “for or “against” the EU having one European currency in all Member States.”<sup>42</sup>

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Vol. 5, No. 2.

<sup>39</sup> For a discussion of utilitarian support see Gabel, Matthew, 1998. *Interests and Integration: Market Liberalization, Public Opinion, and European Union*. (Ann Arbor: The University of Michigan Press). Niedermeyer, Oskar, Westle, Bettina, 1995. “A Typology of Orientations.” In: Oskar Nieder-mayer, Richard Sinott, *Beliefs in Government: Public Opinion and International Governance*. (Oxford: University Press). Inglehart, Ronald, Rabier, Jacques-Rene, Reif, Karlheinz, 1991. “The Evolution of Public Attitudes toward European Integration: 1970-1986.” In: Karlheinz Reif (et al), *Eurobarometer: The Dynamics of European Public Opinion*. (London: Macmillan). Hewstone, Miles, 1986. *Understanding Attitudes toward the European Community*. (New York: Cambridge University Press). Handley, David, 1981. “Public Opinion and European Integration: The Crisis of the 1970s.” *European Journal of Political Research*, Vol. 9, pp. 335-64. It should be noted that this distinction is based on the works of Easton, David, 1965. *A System Analysis of Political Life*. (New York: Wiley). Easton, David, 1975. *A Framework for Political Analysis*. (Englewood Cliffs, NJ: Prentice Hall). This distinction was adopted by Lindberg and Scheingold: Lindberg, Leon, Scheingold, Stuart, 1970. *Europe’s Would-Be Polity*. (Englewood Cliffs: Prentice Hall).

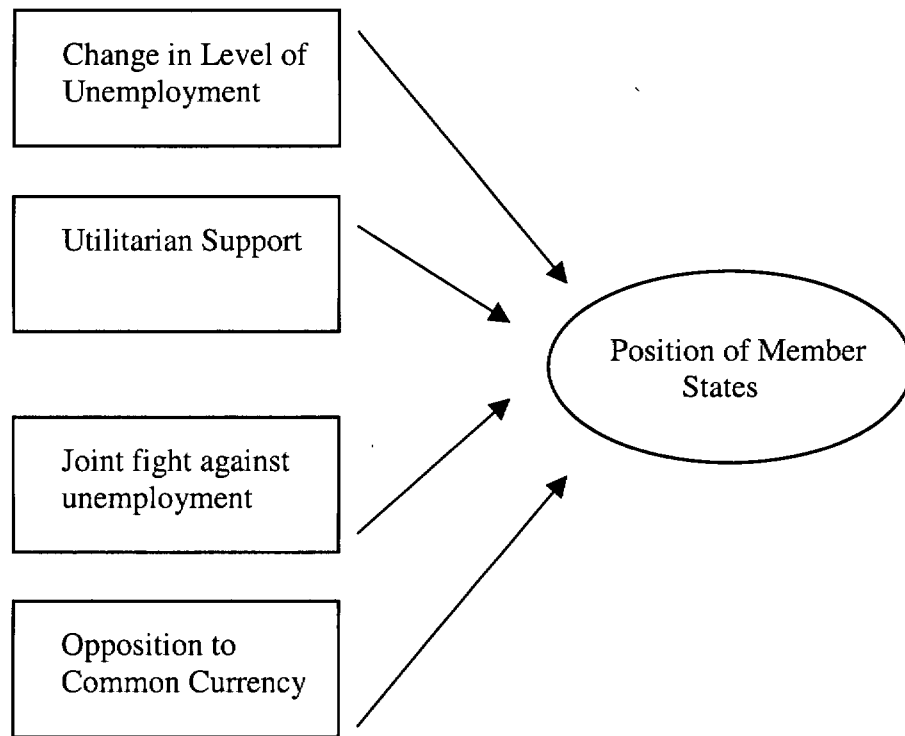
<sup>40</sup> This question was recoded by combining the dimensions “neither good nor bad” and “don’t know” into one dimension “don’t know.” This leads to three dimensions: “good”, “don’t know”, and “bad.”

<sup>41</sup> The wording of the questions differ slightly between 1991 and 1997. In 1991 the question was worded in the following way: “Here is a list of problems that people of (our country) are interested in to varying degrees. For each of these problems, could you tell me whether it is preferable that decisions about it should be taken by the member countries of the European Community acting together or by each country separately ? (6) - fighting unemployment. In 1997 the question was: Some people believe that certain areas of policy should be decided by the (national) government, while other areas of policy should be decided jointly within the European Union. Which of the following areas of policy do you think should be decided by the (national) government, and which should be decided jointly within the European Union ? (i) fight against unemployment.

<sup>42</sup> The exact wording in 1991 was: “The Council of the Heads of State and Governments of the European Community has called for intergovernmental conferences to discuss the details of a European Economic and Monetary Union and of a Political Union. I

## **Model**

The following model is a representation of the hypothesized relationship:



## **Statistical Results and Evaluation**

### **Solution for Common Problem: Changes in Level of Unemployment**

With regard to the question if there was a strong increase in the rate of unemployment between the years 1991 and 1997, the results in figure (7) clearly show that such an increase can be observed. When analyzing more closely which countries experienced the strongest increase the following can be identified: Sweden (6.8), Finland (6.1), Germany (5.7), Greece (5.6), and Spain (4.4). It should be noted that Ireland (-4.8), Denmark (-2.8), Ireland (-3), the United Kingdom (-1.8) and the Netherlands (-.06) were the only countries in which the unemployment rate decreased between 1991 and 1997.

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am going to read you a number of statements. For each one, please tell me whether you are in favour or not, of...Within this European Economic and Monetary Union, a single common currency replacing the different currencies of the Member States in five or six years time." In 1997 the wording was: "What is your opinion on each of the following proposals ? Please tell me for each proposal, whether you are for it or against it. There should be one single currency, the Euro, replacing the (national currency) and all other national currencies of the Member States of the European Union."

While a strong change in the unemployment rate can surely be observed over the years, the data, however, does not suggest that this shift would have influenced the positions of the Member States in a consistent way. At best, the results are mixed and do not allow to verify the above stated hypothesis. Sweden is consistent with the above stated hypothesis: it experienced the largest increase of unemployment between 1991 and 1997 and at the same time was the country which most strongly supported Europe-wide employment measures. Nevertheless, several other countries also experienced high levels of unemployment yet, at the same time they are in the spectrum of moderate support (Greece, Finland) or strong opposition (Germany).

This suggests that there is no positive connection between an increase of unemployment and the level of interest of Member States' in regard to Europe-wide employment policy. Thus, the opinion expressed in the literature that increasing unemployment would have influenced the Member States in their interest in Europe-wide employment measures, cannot be validated on the basis of this data. The same observation can be made as a result of regression analysis, as displayed in figure (8). Two elements can be observed in this figure: First the beta coefficient is negative and thereby points in the predicted direction. The more a country experienced an increase of unemployment the more it was likely to support Europe-wide employment measures. However, it should be noted that this correlation is very weak. The Pearson product moment correlation coefficient is almost 0 (-0.067) and thereby indicates that distribution of countries fall quite randomly above and below the regression line. There is no linear relationship between the hypothesized variables.

## **Political Response to Public Pressure**

### *Utilitarian Support*

In regard to the question if there was a decrease of public support for European integration between the years 1991 and 1997, the results indicate that such a decrease can clearly be observed. When looking at the question if EU membership was good for one's country a considerable decline can be observed among the 12 Member States: in 1991 71.4% of respondents believed that EU membership was good. In 1997 this number had declined to 55.6%. This represents a decrease of 15.8%. The overall decrease is even stronger when the three new Member States (Austria, Finland and Sweden) are included in the total of 1997. Then, percentage of respondents who believe that the EU is good for their country drops to 48.7%,

which represents a decrease of 22.7%. A similar observation can be made when analyzing the categories “don’t know” and “bad.” Between 1991 and 1997 (including the new Member States), the number of respondents who did not know if EU integration was good for their country increased by 14,4% and the number of respondents who believed that EU integration was “bad” increased by 8.4%.

When analyzing more closely which countries experienced the strongest decline in the response that the EU is “good” for one’s country, figure (9) shows the following countries: Germany (-32.1), Belgium (-28.9), Spain (-25.2), and Portugal (-23.1). The other countries experienced decreases between -11% and -21%, with the exception of Ireland which had an increase of 1,5%. Overall, this finding makes it difficult to verify the above stated hypothesis. While Germany had the strongest decrease in support, yet it was also opposing Europe-wide employment measures most strongly. At the same time, Belgium also had a very strong decrease, yet it was among those countries most strongly supporting Europe-wide employment measures. Equally problematic are Spain and Portugal, which had strong declines of support, yet only moderately supported Europe-wide employment measures. This suggests that there clearly is no positive connection between a decrease of public support for European integration and the positions of the Member States in the area of Europe-wide employment policy.

In fact, if anything, this finding points to the conclusion that a reciprocal connection exists for some Member States: certainly Germany and the United Kingdom were the strongest opponents to efforts of creating European-wide employment measures. Yet, their domestic public had the strongest increase in the perception that EU membership was “bad” for their country. Therefore, the positions in the literature, which maintain that employment policies are utilized by Member States to gain support from the mass public for European integration, miss the fact that quite the contrary seems to be the case, at least for Germany and the United Kingdom. Pressured by critical public opinion, these countries seem more likely to avoid increasing the competences of the European Union.

The same conclusion can be drawn from the regression analysis. When analyzing the responses that European integration is “bad” for one’s country and matching the respective totals with the positions of the Member States, the hypothesized relationship cannot be verified. Figure (10) displays the results. While the sign of the beta coefficient is negative and therefore points in the predicted direction, the Pearson product moment correlation coefficient of -0.50 and thereby

only shows a weak correlation. Again here, Germany, the United Kingdom, France and Spain form a separate group that does not fit the model and in fact would fit a model which would predict a reverse relationship.<sup>43</sup>

### *Demand for Joint Fight*

When analyzing whether the cross-average of demand by which the public would like to see the issue of unemployment be addressed on the European Union level, the following picture emerges from the data: As can be seen in figure (11), between 1991 and 1997 the demand to fight unemployment jointly, decreased among the 12 Member States from 54.1% to 51%. Additionally, the respondents who would like to see the issue be addressed only at the national level increased by 5.8%. When adding the three new Member States to the totals of 1997, the trend is even more enhanced: The respondents who demand a joint fight against unemployment drop by -5.6% and the respondents who demand a national fight increase by 7.6%. Analyzing which countries experienced the strongest decrease in demanding a joint fight, the following can be observed: Portugal (-16.1), the United Kingdom (-15.1), and the Netherlands (-8.1). The strongest increase in the demand for a joint fight can be observed among the following countries: Luxembourg (3.9), Spain (3.6), Ireland (2.8), Belgium (2.2).

These findings strongly suggest two things First, the public's demand for a joint fight against unemployment decreased between 1991 and 1997. Second, the change in the level of demand did not influence the positions of the Member States in a consistent way. The countries which experienced some increase in the demand (Luxembourg, Spain, Ireland and Belgium) are among the groups of countries which moderately supported Europe-wide employment measures This suggests that the opinion expressed in the literature that the Europe-wide employment measures were a consequence of the demands being placed on the respective governments, cannot be validated on the basis of this data. The same observation can be made as a result of the regression analysis displayed in figure (12). Since the Pearson product moment correlation coefficient is almost 0 (-0.05), neither a positive nor a negative correlation between the level of demand and the positions of the Member States can be said to exist. Given this observation, the third hypothesis presented in the literature is falsified.

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<sup>43</sup> If one performs a regression analysis, excluding these four countries, the correlation coefficient is much stronger ( $R^2 = 0,98$ ).

### *Opposition to Common Currency*

When analyzing the cross-average of public opposition to a common currency, the following changes can be observed: between 1991 and 1997 among the 12 Member States, the percentage of respondents who opposed a common currency increased from 25.8 to 35.1%. This represents a net increase of 9.3%. This trend is even stronger when including the three new Member States in the overall calculation. In 1997, 40.7% of all respondents opposed a common currency. Compared to the 1991 data this represents an increase of 14.9%. As can be seen in figure (13), this increase is particularly strong among the following countries: Germany (23.6), France (19.4) the United Kingdom (16.2), Belgium (14.6), and Portugal (13.4).

Given the distribution of changes, however, no consistent picture emerges when analyzing the position of the Member States. While there was a relatively strong shift of public opinion towards opposition to the common currency, the data does not suggest that this shift influenced the positions of the Member States in a consistent way. For instance Denmark recorded only a small shift in public opinion, yet it belonged to the four strongest advocates of European-wide employment measures. Also Spain recorded only a small shift in public opinion, yet it belonged to the four strongest opponents. Particularly contradictory to the hypothesized relationship are increases in opposition to a common currency in Germany, France and the United Kingdom. Again also here, if any relationship can be observed, it is a reciprocal one. The more the opposition to a common currency, the more likely these Member States are to not support Europe-wide employment measures.

The same picture appears when examining the data in a regression analysis. As can be seen in figure (14), the negative beta coefficient indicates that there is trend is weakly pointing in the predicted direction. This means that the more the respondents are opposed to a common currency, the more likely a Member State is to support Europe-wide employment measures. However, it is important to note that the correlation is nearly non-existing, with the countries falling quite randomly above and below the regression line. Also here, the Pearson product moment correlation coefficient is almost is almost 0 (-0.044). This means that there is no positive correlation between the hypothesized variables. Given this observation it appears that the fourth hypothesis presented in the literature cannot be validated.



## ***Discussion***

The findings of this empirical analysis suggest that the factors mentioned in the literature that would have influenced the Member States in their interest to develop Europe-wide employment measures cannot be substantiated by the data. When tested empirically, none of the explanations seem to be equipped well enough to account for the positions of the Member States during the IGC 1996/1997. There appears to be no connection between the changes in the rate of unemployment and the positions of the Member States.

The same observation can be made when examining the strength with which the mass public in all Member States believed that EU membership was “bad” for one’s country. The level of the mass public’s utilitarian support did not lead to a consistent pattern which would predict the positions of the Member States. In fact, on the contrary, the relationship was seen to have a negative correlation for three of the examined countries. The level of mass public utilitarian support in Germany, the United Kingdom and France was very high relative to the other Member States, yet all three countries were opposed to Europe-wide employment policy.

A similar conclusion can be made when analyzing the level with which the mass public demanded that Member States address the issue of unemployment jointly with the EU, and the level of mass public opposition to a common currency. Also here no consistent pattern emerges from the data. And again for the opposition to a common currency, for Germany and the United Kingdom a reciprocal connection exists between the level of opposition and the support for Europe-wide employment measures.

## **Research Design and Data: Composite Factors**

The above described empirical findings lead to the suggestion that the way the public’s opinion influences Member States is more complex and multifaceted. Instead of assuming that the positions of the Member States were influenced by only one dimension of public opinion at a time, it might make more sense to anticipate that the specific combination of the different dimensions could explain the positions of the Member States. Unlike in the previous section where the countries were studied with respect to two dimensions at a time (for example, position of Member States against utilitarian support), this section of the paper analyses the clustering of the countries simultaneously in three dimensions. These three dimensions are: (1) Positions of the Member States, (2) utilitarian support, and (3) opposition to a common currency. Such a

research design then allows one to examine in what aspects those Member States are similar which strongly supported Europe-wide employment measures, mildly supported these measures, or strongly opposed them.

### ***The Dependent Variable - Positions of Member States***

The phenomenon this paper seeks to explain is the particular kind of composition of factors that have influenced the Member States in their level of support for Europe-wide employment measures. For this purpose, the countries are classified by the strength of their support for Europe-wide employment measures. As before, this section uses the same ordering of the countries according to the strength with which they supported Europe-wide employment measures and then augments it by splitting them into three categories. The first group consists of countries which strongly supported Europe-wide employment measures: Sweden, Austria, Denmark, and Belgium. The second group of countries, which mildly supported Europe-wide employment measures, consists of Greece, Finland, Ireland, Portugal, the Netherlands, Luxembourg and Spain. The third group of countries, which opposed Europe-wide employment measures, consists of France, the United Kingdom and Germany.<sup>44</sup>

The clustering of countries can be confirmed by fitting a piecewise linear regression to the data on utilitarian support and opposition to common currency, studied in the previous section. Figure (10) shows the regression of the level of utilitarian support against the positions of the Member States as used in the first section of the paper. The analysis of the data showed the line to be an inconclusive evidence for any correlation. This figure is repeated again as figure (18). The solid line in the figure (18) is the original regression line of figure (10). It can be observed that the clustering in this scattergram naturally lends itself to three separate zones: A first zone sloping negatively, a second zone relatively flat and a third zone sloping positively. This leads one to run regressions on these three zones separately. These three regression lines are depicted in figure (18) using dotted trendlines.

A very important measure of an optimal fit is the mean square error of the fit being at a minimum. The least mean square error for the single regression line for the entire set of countries (solid line) is 86.5. On the other hand, the composite mean square error for the

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<sup>44</sup> It should be noted that the United Kingdom, France and Germany changed their positions in the last moments just before the Amsterdam summit took place. The change in the United Kingdom and France was caused by a change in government. Germany then did not want to be seen as the odd man out and therefore reluctantly agreed to the employment chapter. The

piecewise linear fit (dotted lines) was calculated to be 39.4. This represents a significant improvement of the fit between the data and the regression model. This finding lends some quantitative credence to the clustering of countries into three groups which was based on primary and secondary literature.

Likewise figure (19) represents an identical analysis on the data set of figure (14). Again in this figure, the composite mean square error of the three dotted regression lines is 183.5. This is a significant improvement from 264.1, the original least mean square error of the inconclusive solid regression line. Again, this figure strengthens the quantitative support for the above clustering of the countries.

### ***The Independent Variables***

The other two dimensions in this analysis form the independent variables. Here the two variables considered are utilitarian support and opposition to a common currency.<sup>45</sup> By looking at the data more closely, it appears to be the case that the responses of the public in the Member States tend to group themselves into separate categories: There is one group of countries with a particular high level of utilitarian support and there is another group of countries with a particular low level of utilitarian support. The same observation can be made with the responses opposing a common currency.

To see if this impression of separate clusters can indeed be substantiated empirically, this analysis places the frequencies of countries categorized by the distribution of the respondents into bins. If there is indeed such a clustering, one would expect to find that the distribution of countries across the bins is at least bimodal. Figure (15) shows the number of countries binned according to the percentage of responses with regard to utilitarian support. At least two distinct modes can be observed: one with a peak at 5%, the other with a peak at 20%. This strongly supports the clustering of countries into two groups: one with a rating of low support, the other with a rating of high support. The minimum between the two peaks represents the threshold at which to split the data. For utilitarian support, the data naturally splits at 15%. In line with this split, countries whose respondents are above 15% are considered to have low utilitarian support and countries whose respondents are below 14% are seen as high utilitarian support.<sup>46</sup>

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positions of the Member States are considered prior to the changes in government.

<sup>45</sup> For this analysis the same questions were used as in the first section of the paper.

<sup>46</sup> Figure (16) shows the number of countries clustered by the distribution of the responses with regard to the demand for a joint

The data on the opposition to a common currency is clearly bimodal, as can be seen in figure (17). The threshold that separates the two clusters is at 32.5%. As suggested by this split, countries whose respondents are above 32.5% are considered to have a high opposition to the common currency and countries whose respondents are below 32.5% are considered to have a low opposition to the common currency.

## ***Statistical Results and Evaluation***

### **Political Response to Public Pressure**

#### *Composite Factors: Utilitarian Support and Opposition to Common Currency*

This processed data is now characterized by the following aspects: (1) countries are classified into three groups, according to the strength with which they supported Europe-wide employment measures (namely, strong, medium and oppose) and (2) the responses of the publics for each of the two variables (namely *Util-S* and *Opp-CC*) are classified respectively into two groups (namely, high or low response). These represent three dimensions along which each country can be plotted.

The three dimensional scatterplot on the next page, depicts the above data. In this chart, each country is represented by a diamond shaped marker, shown with its label alongside. The location of each country in this 3D chart is determined by the three metrics described above. For instance, Sweden has a low rating on utilitarian support and a high rating on opposition to a common currency. Respectively, Sweden appears towards the right end on the *Util-S* axis and towards the right end on the *Opp-CC* axis. Also Sweden strongly supported Europe-wide employment measures and correspondingly appears toward the top end on the support axis.

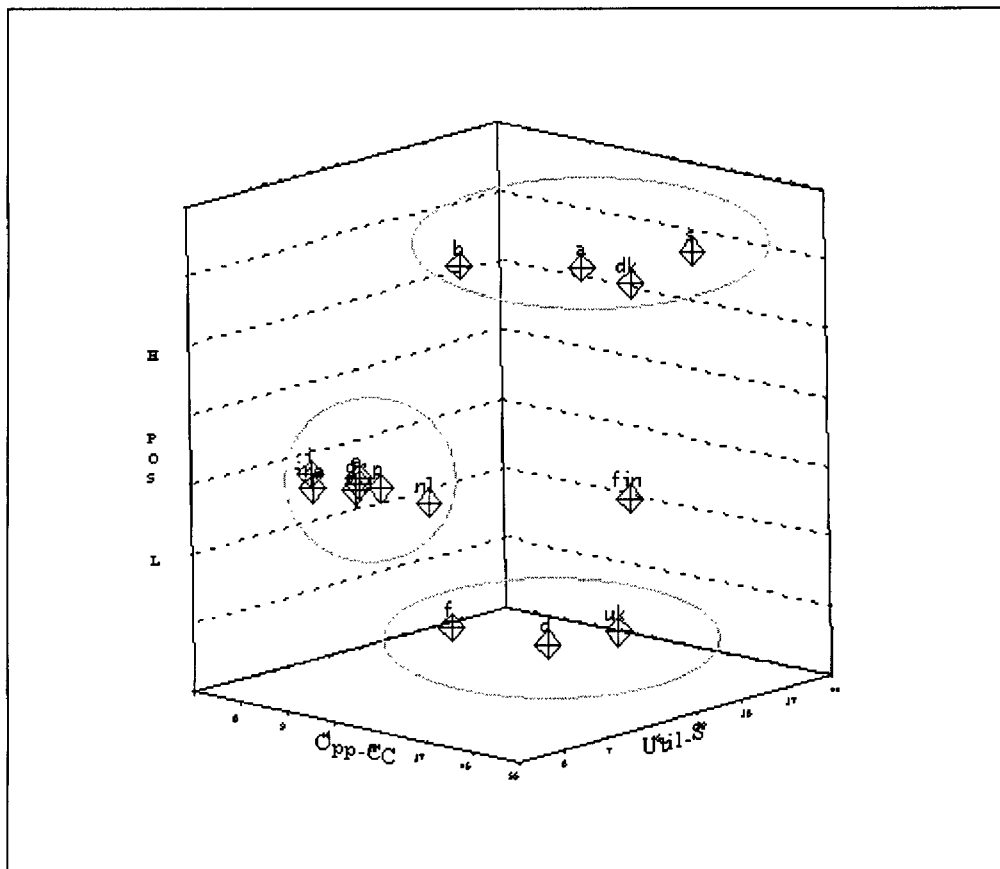
It is easy to observe in this 3D chart that most of the countries, with very few exceptions, are readily seen to group together into three close clusters. The first cluster, consists of Sweden, Austria, Denmark and Belgium. All these countries have in common a low rating of utilitarian support, a high rating of opposition to a common currency and a strong support for Europe-wide employment measures. The second group consists of Italy, Greece, Ireland, Portugal, Luxembourg, and Spain. This group of countries has in common a high rating of utilitarian support, a low rating of opposition to a common currency and a medium level of support for

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fight against unemployment. This distribution is not bimodal and therefore the countries cannot be clustered into subsets.

Europe-wide employment measures. The third group of countries consists of France and Germany. These countries have in common a high rating of utilitarian support, a high rating of opposition to a common currency and a strong opposition to Europe-wide employment measures.

It should be noted that out of the fifteen countries twelve fit the model very well. Only three countries are not completely explained. The United Kingdom, has a low rating of utilitarian support, a high rating of opposition to a common currency and strongly opposed Europe-wide employment measures. Additionally, the Netherlands has a high rating of utilitarian support, a high rating of opposition to a common currency and mildly supported Europe-wide employment measures. Also, Finland has a low rating of utilitarian support, a high rating of opposition to a common currency and mildly supported Europe-wide employment measures. More research will be necessary to explain the behavior of these three countries.



A flattened representation of the three dimensional scattergram can be seen below.

	Low Utilitarian Support (above 15%)			High Utilitarian Support (below 15%)		
	S	M	O	S	M	O
Low Opposition to Common Currency (above 32.5%)					I GR IRE P L E	
High Opposition to Common Currency (below 32.5%)	S	M	O	S	M	O
	S A DK B	FIN	UK		NL	F D

**Discussion**

The findings of this study suggests that the interests of the Member States in Europe-wide employment measures are the outcome of the particular constellation of public opinion. At the time leading towards the Intergovernmental Conference, there was one group of countries which strongly favored Europe-wide employment measures. This group of countries had in common a low rating of utilitarian support and a high opposition to a common currency. Here the pressure on the governments to communicate to its public that being a Member of the EU was beneficial are rather obvious. In this constellation of factors, the Europe-wide employment measures can be seen as the attempt of the governments to gain support from being a member of the European Union while mitigating the opposition to a common currency.

The second group of countries, which mildly supported Europe-wide employment measures, had a high rating of utilitarian support and a low opposition to a common currency. This group neither spearheaded the efforts of creating Europe-wide employment measures nor did this group oppose these efforts. The pressure to engage in either activity was not present. The public was both content with the benefits it gained from being a Member of the European Union and did not feel threatened by a common currency.

And finally, the third group of countries, which strongly opposed Europe-wide employment measures, had a high rating of utilitarian support and a high rating of opposition to a

common currency. In this group of countries the public already felt that it was benefiting a lot from the status quo of European integration and therefore did not see the added value of Europe-wide employment measures. Additionally, the high opposition to a common currency is most likely indicative of a general feeling of uneasiness to expand the competences of the EU further than they have already been expanded. Comfortable with the current benefits of being a Member of the EU, there was no need to further confer more competences to the European Union, which would be seen to only curtail national sovereignty.

## Conclusion

The implication of the findings of this study is that the individual interests of the Member States in the area of Europe-wide employment policy can be explained by simultaneously analyzing three dimensions at a time: (1) positions of Member States, (2) utilitarian support, and (3) opposition to a common currency. This finding fits well with John Kingdon's observation when he writes that "generally the rise of an item [on the agenda] is due to the joint effects of several factors coming together at a given point in time, not the effect of one or another of them singly."<sup>47</sup>

The focus on the non-linearity of composite factors is useful in understanding the particular set of circumstances that has influenced the degree of interests of the Member States for Europe-wide employment measures. Neither the mere presence of one factor at a time, (such as a high level of unemployment) nor simply one dimension of mass public opinion can account for the increased prominence of employment policy on the agenda of the European Union. Instead the explanatory variable can be seen in the specific combination of the relevant factors.

This paper hopes to add to the lively academic debate about the forces and factors that influence the dynamic of European integration. By exploring the composite factors that have pushed the issue of employment onto the agenda of the European Union this paper hopes to contribute to the academic discussion on the nature of the EU integration in general and the logic of positive and negative integration in the social policy field in particular within the multi-level system of governance.<sup>48</sup>

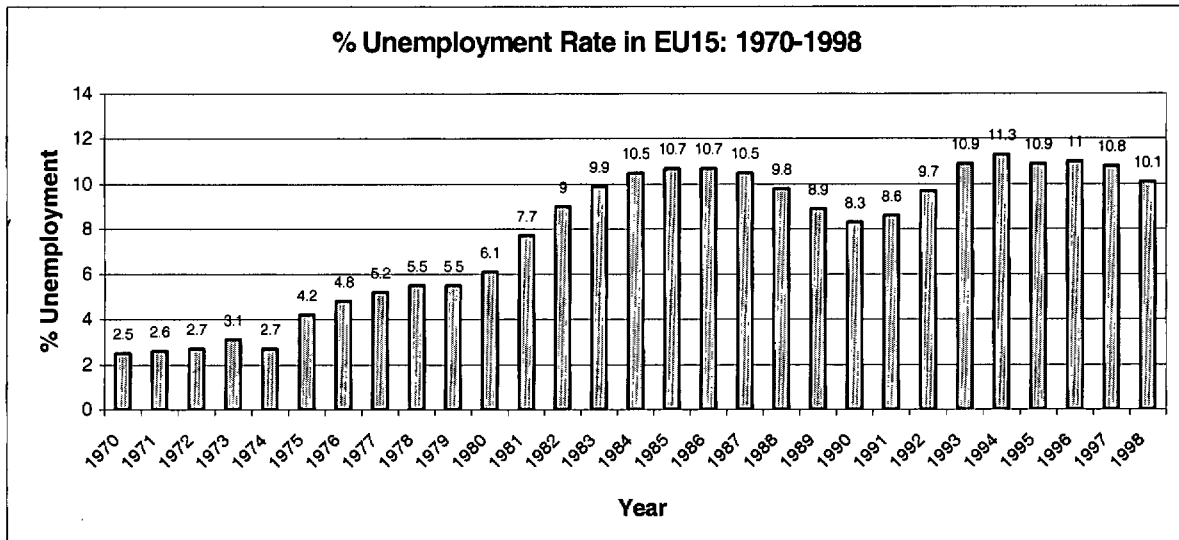
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<sup>47</sup> Kingdon, John, 1995. *Agendas, Alternatives, and Public Policy*. (New York: HarperCollins Publishers), p. 179.

<sup>48</sup> On "positive" versus "negative" integration see Scharpf, Fritz 1997. "Balancing Positive and Negative Integration: The Regulatory Options for Europe." *EU Working Paper*, RSC No. 97/04.

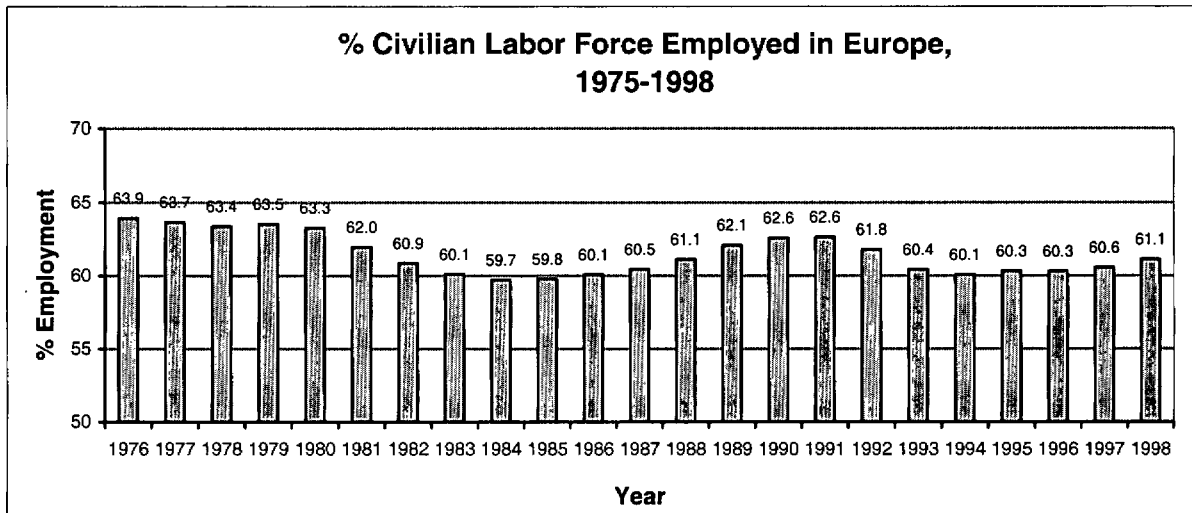
## Figures

**Figure (1) % Civilian Labor Force Unemployed in Europe, 1970-1998**



Source: Organisation for Economic Co-Operation and Development, 2000. Labour Force Statistics: 1978-1998. Paris: OECD.

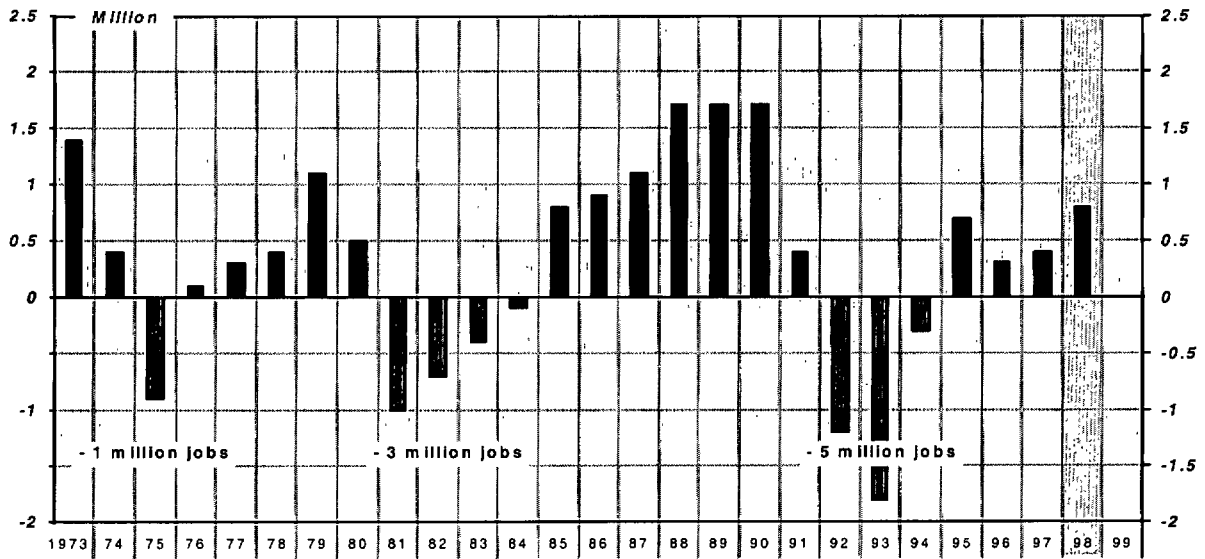
**Figure (2) % Civilian Labor Force Employed in Europe, 1975-1998**



Source: Labour Force Survey Statistics various years (1975-1998).

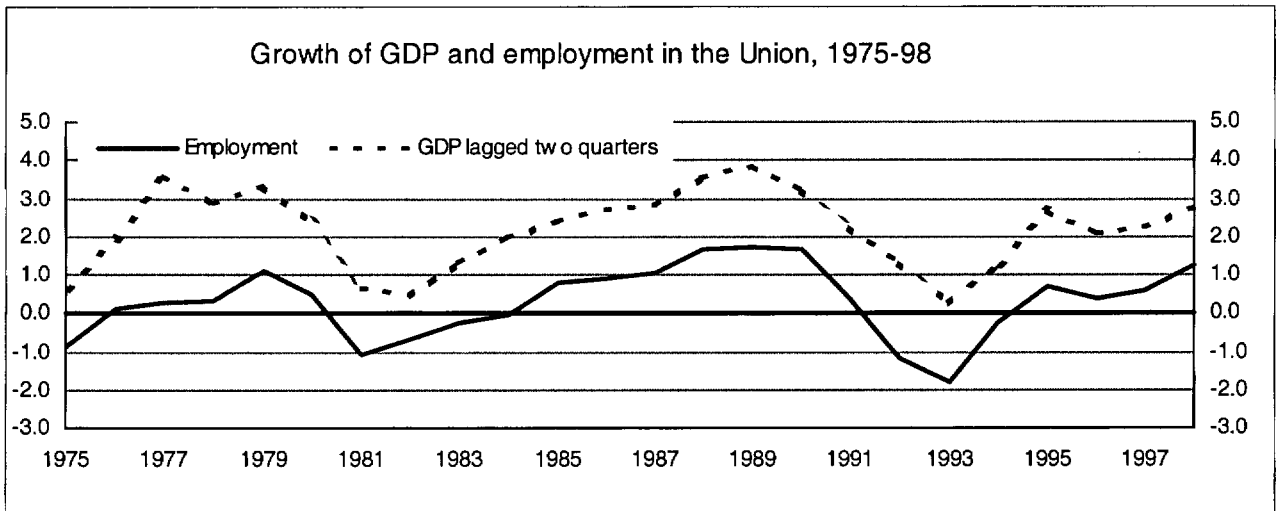


**Figure (3) Job Losses and Job Gains, 1973-1998**



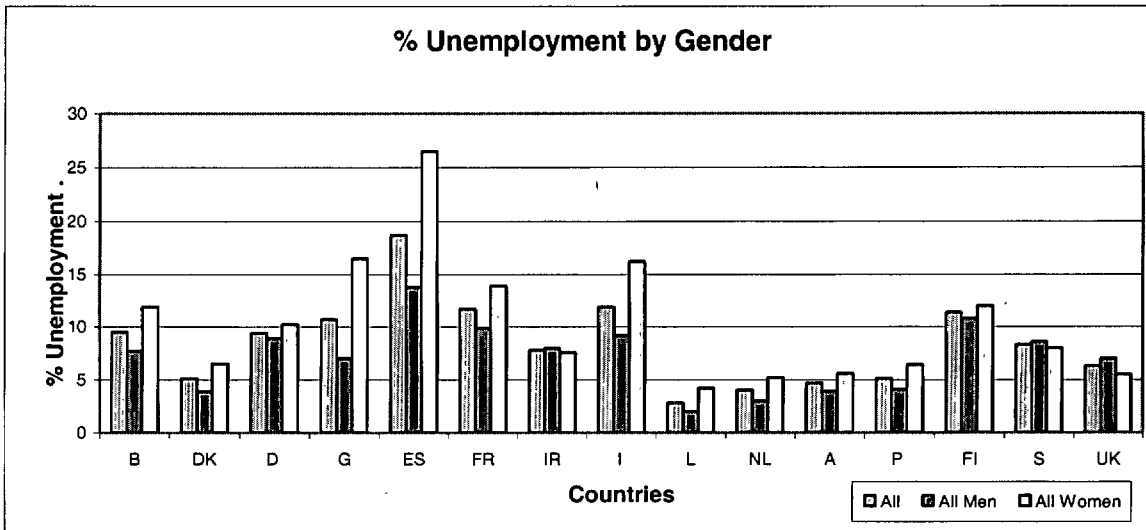
Source: Alan Larsson 2000.

**Figure (4) % Changes in GDP and Employment, 1975-1997**



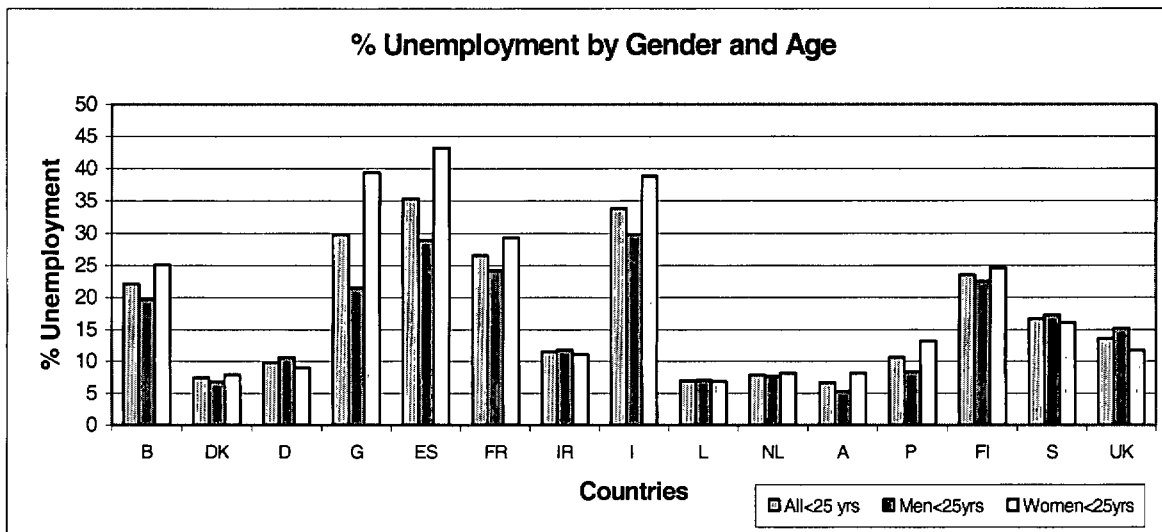
Source: Labour Force Survey, various years

**Figure (5) % Unemployment in the EU by Gender, 1998**



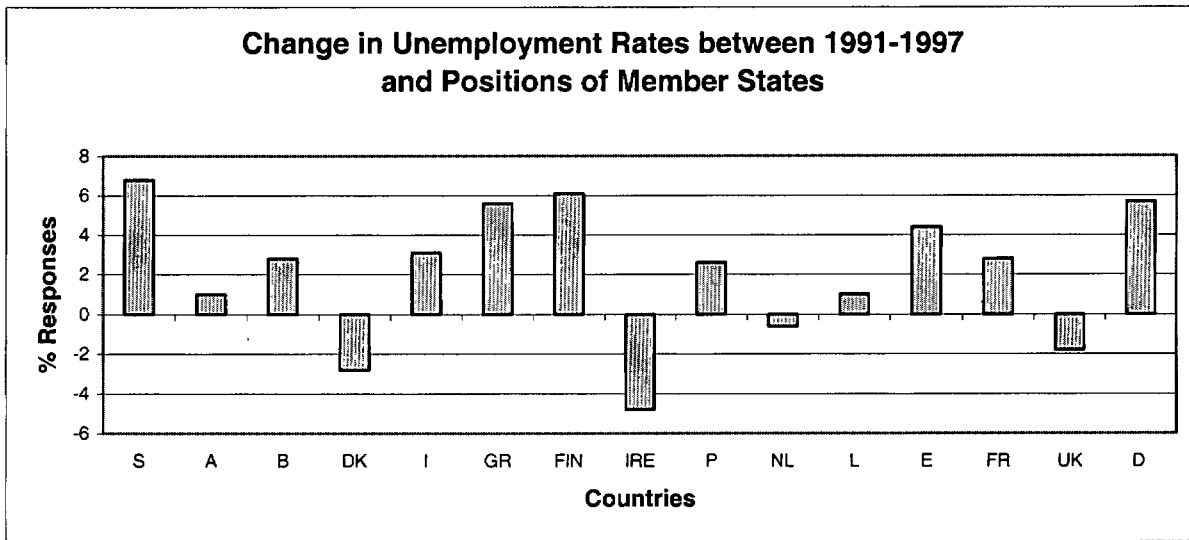
Source: European Commission, 2000. *Gender Use of Time: Three European Studies*. (Luxembourg: Office for Official Publication of the European Communities). In: Cameron, 2000.

**Figure (6) % Unemployment in the EU by Gender and Age, 1998**



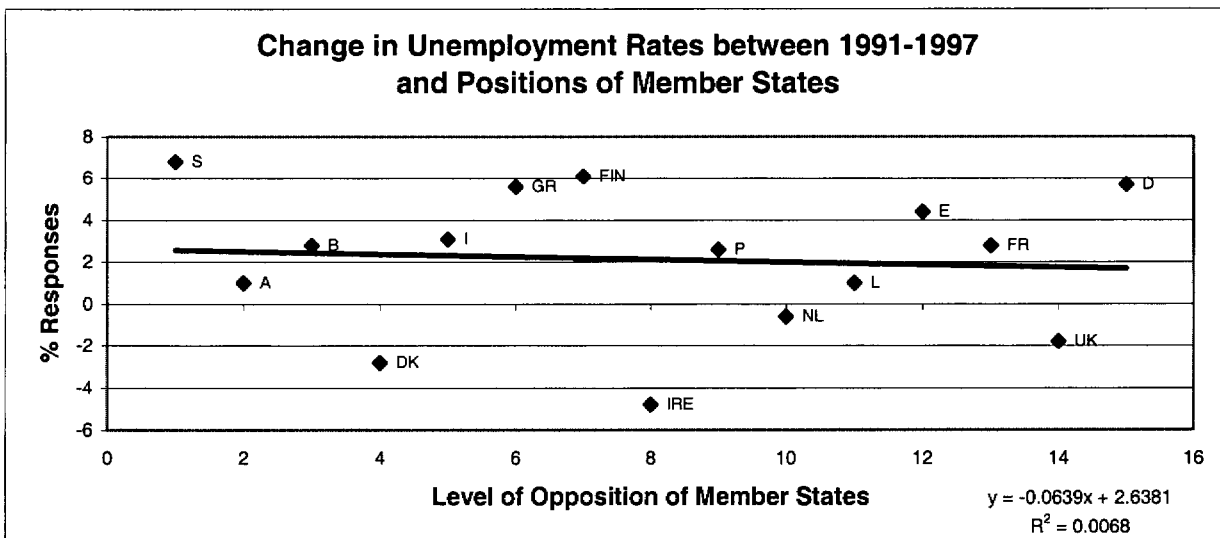
Source: European Commission, 2000. *Gender Use of Time: Three European Studies*. (Luxembourg: Office for Official Publication of the European Communities). In: Cameron, 2000.

**Figure (7) Change in Unemployment Rates, 1991-1997**



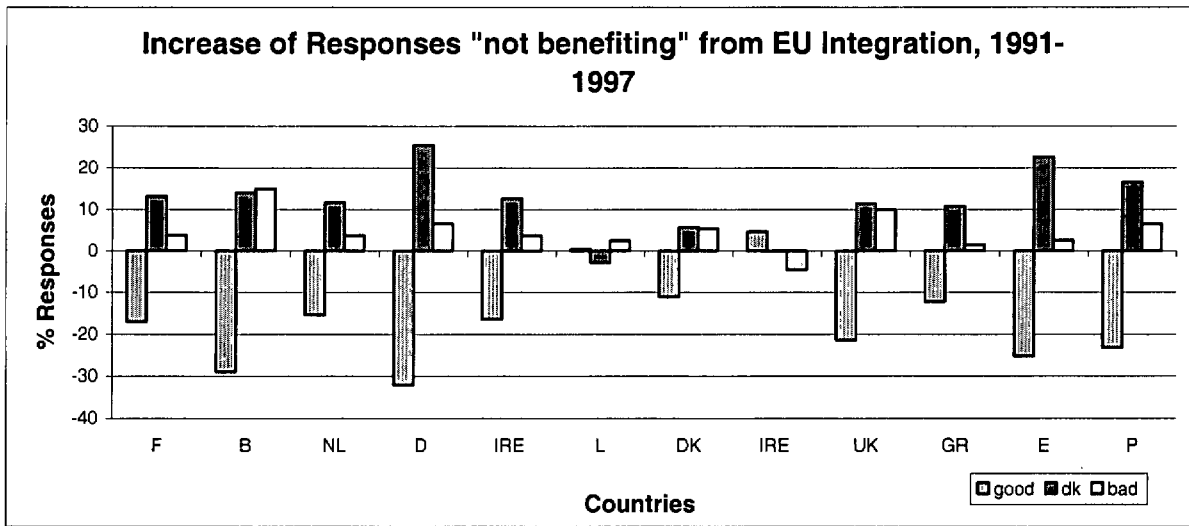
Source: Labour Force Survey, years 1991 and 1997

**Figure (8) Regression: Change in Unemployment and Member States, 1991-1997**



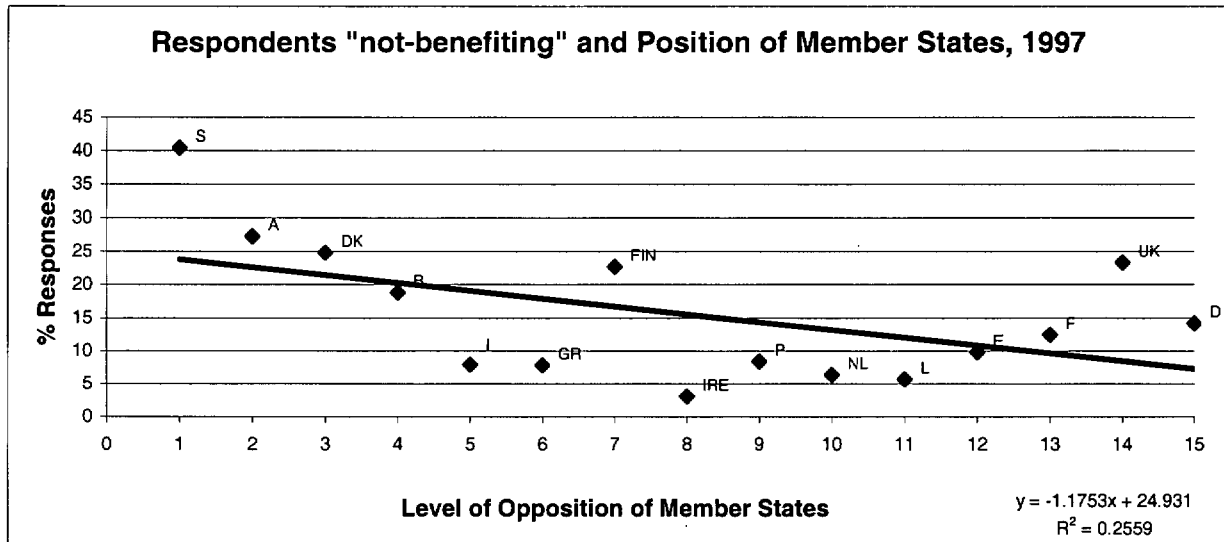
Source: Labour Force Survey, years 1991 and 1997

**Figure (9) Opinion of Respondents - Utilitarian Support, 1991- 1997**



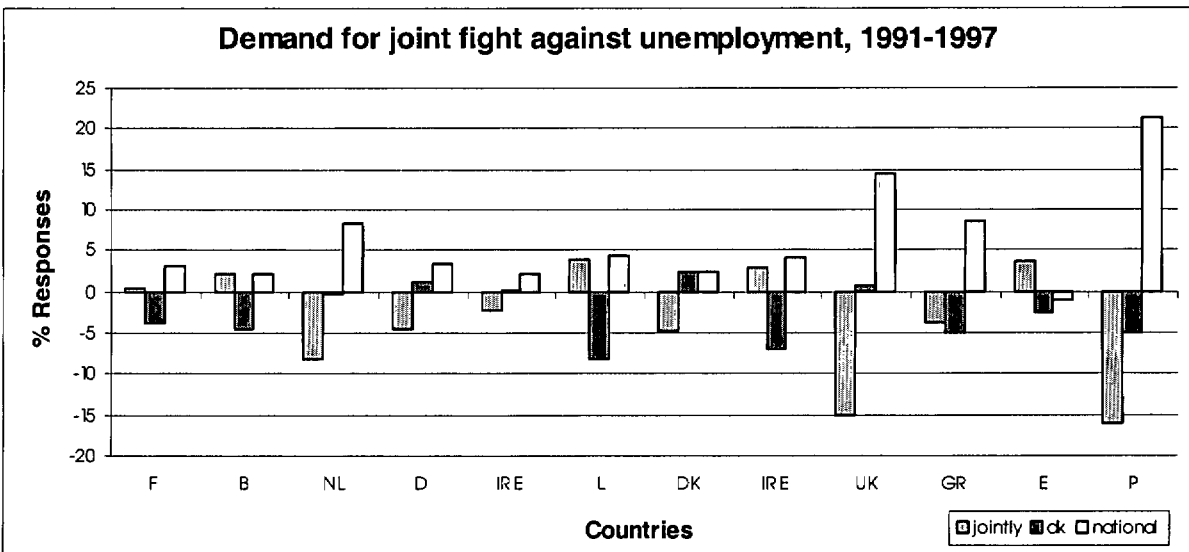
Source: European Commission, 1991 and 1997. Eurobarometer 36 and 47.1. Own computations.

**Figure (10) Regression: Utilitarian Support and Member States, 1997**



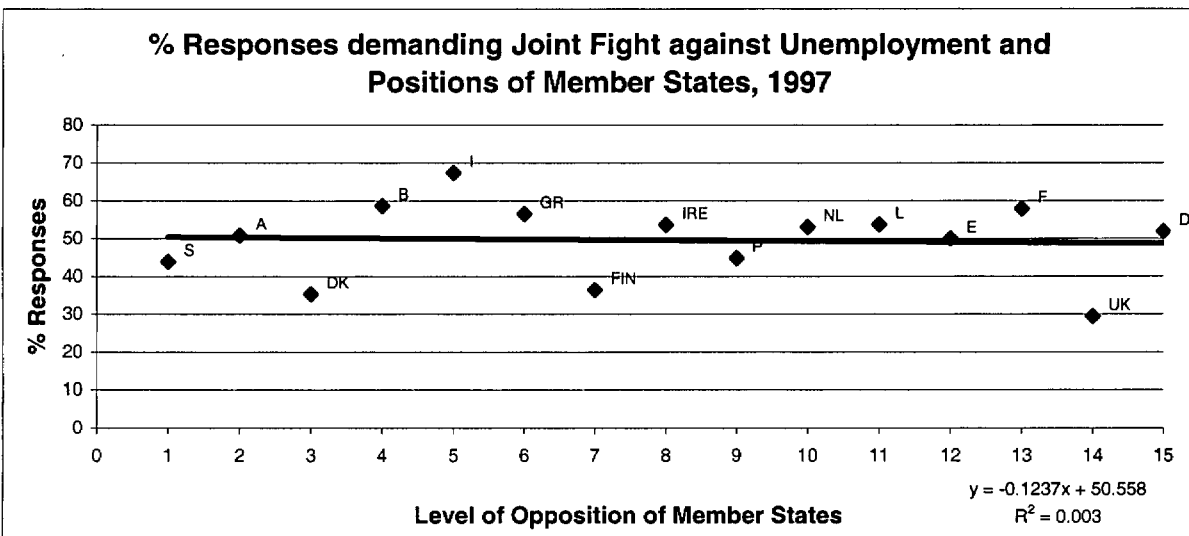
Source: European Commission, 1997. Eurobarometer 47.1. Own computations.

**Figure (11) Opinion of Respondents - Joint Fight, 1991- 1997**



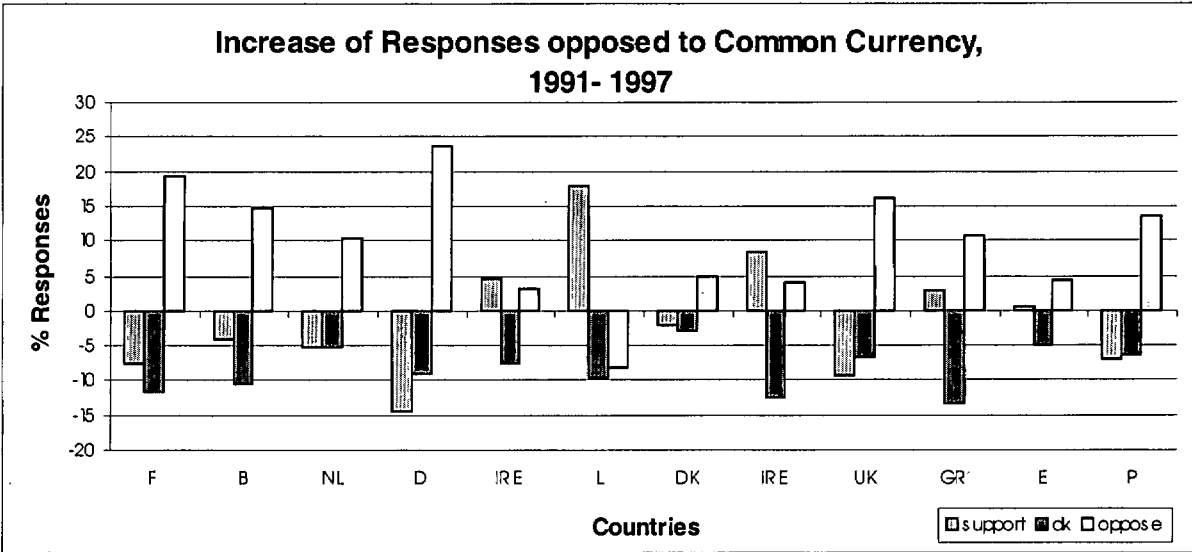
Source: European Commission, 1991 and 1997. *Eurobarometer 36 and 47.1*. Own computations.

**Figure (12) Regression: Joint Fight and Member States, 1997**



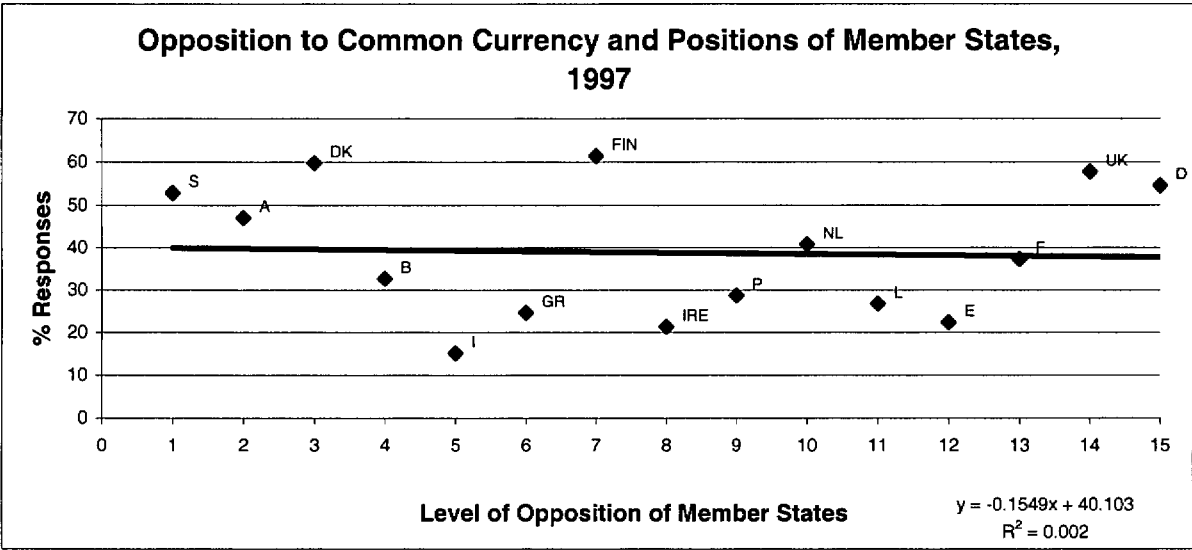
Source: European Commission, 1997. *Eurobarometer 47.1*. Own computations.

**Figure (13) Opinion of Respondents - Common Currency, 1991-1997**



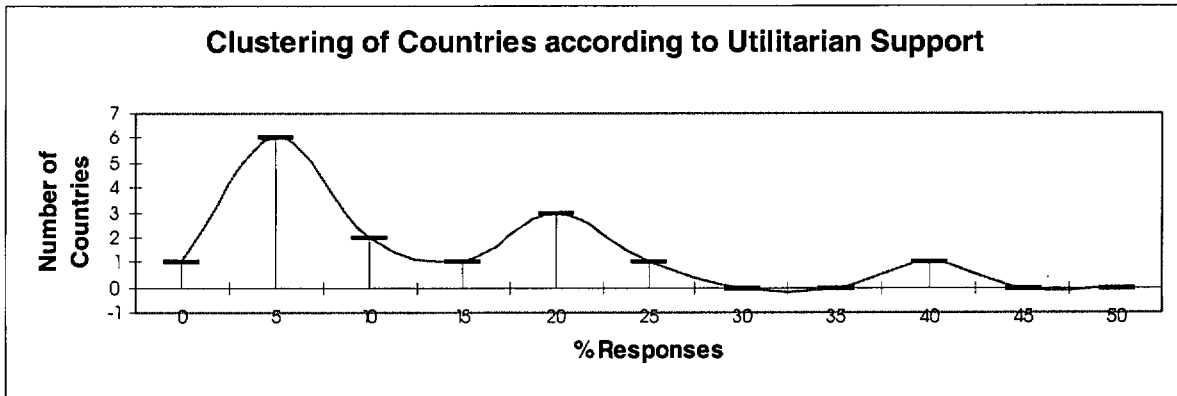
Source: European Commission, 1991 and 1997. Eurobarometer36 and 47.1. Own computations.

**Figure (14) Regression: Common Currency and Member States, 1997**



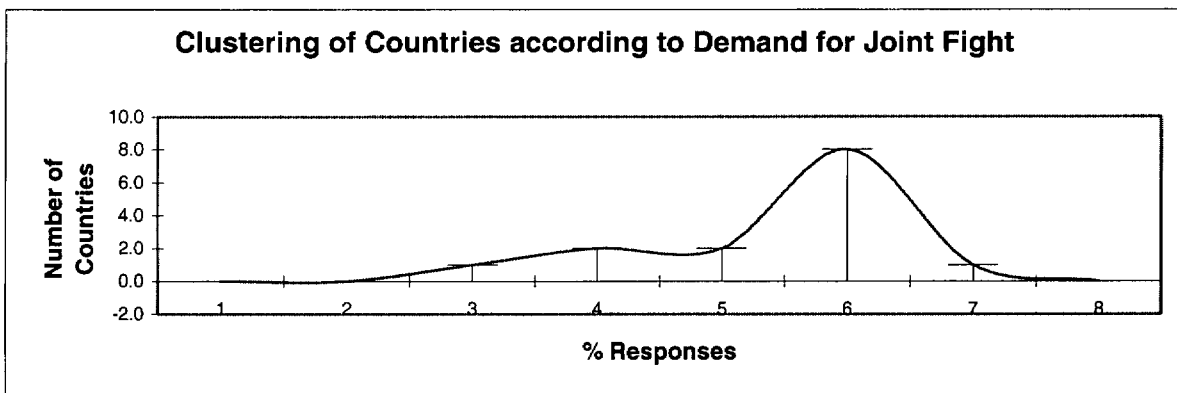
Source: European Commission, 1997. Eurobarometer 47.1. Own computations.

**Figure (15) Clustering of Countries - Utilitarian Support, 1997**



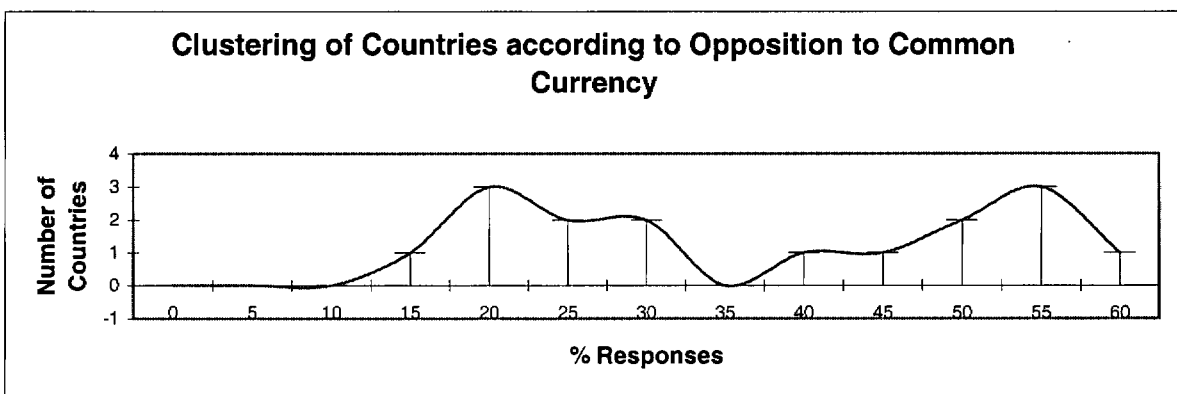
Source: European Commission, 1997. Eurobarometer 47.1. Own computations.

**Figure (16) Clustering of Countries - Demand for Joint Fight, 1997**



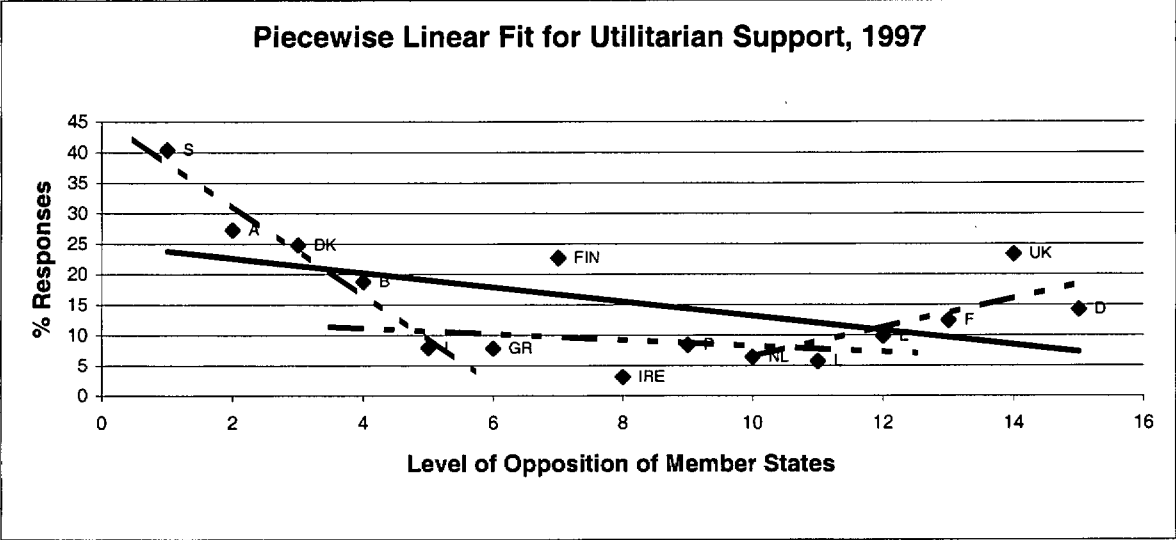
Source: European Commission, 1997. Eurobarometer 47.1. Own computations.

**Figure (17) Clustering of Countries - Opposition to Common Currency, 1997**



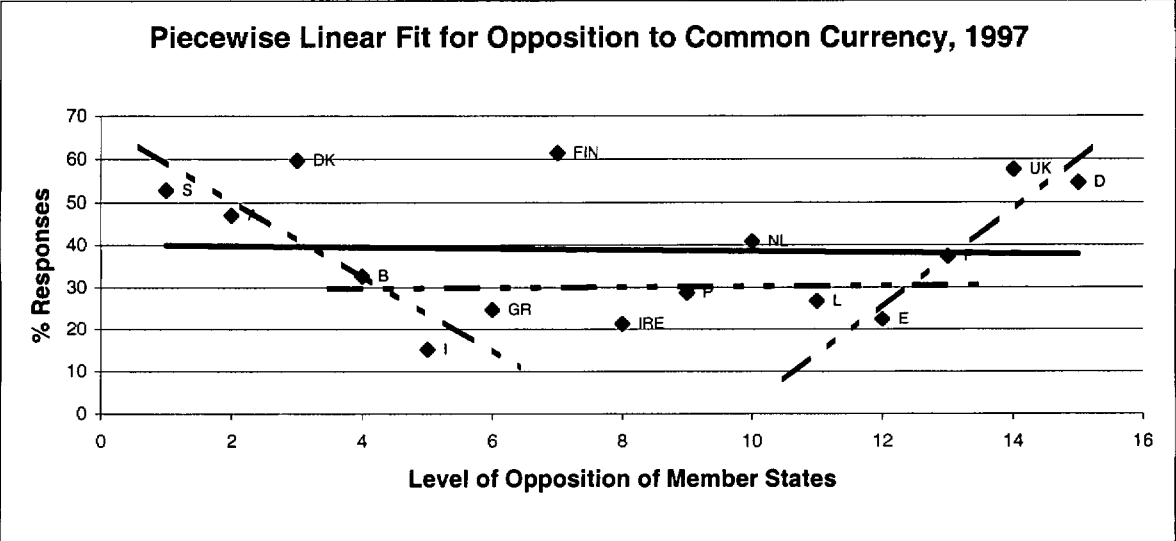
Source: European Commission, 1997. Eurobarometer 47.1. Own computations.

**Figure (18) Piecewise Linear Fit - Utilitarian Support and Member States, 1997**



Source: European Commission, 1997. Eurobarometer 47.1. Own computations.

**Figure (19) Piecewise Linear Fit - Common Currency and Member States, 1997**



Source: European Commission, 1997. Eurobarometer 47.1. Own computations.



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