What should be the European Union’s priorities in 2009-2014?

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European elections in June 2009; the Barroso II Commission as from February 2010; a new round of European elections in June 2014. What will be the hallmark of this new five-year period in Europe’s institutional and political life? What will be the aspirations, the priorities, of those newly elected to office? In this brief paper written by an observer, we shall explore the environment within which the European Union (EU) institutions and stakeholders are operating, before suggesting a few ways forward in two particular fields: the political system of the EU and its economic policy.

1. Results of the 2009 elections: the right tightens its grip on power in Europe

The financial crisis undoubtedly peaked between September 2008 and June 2009. Although there was no certainty whatsoever that the financial and banking system would be successfully stabilised, and although the economic and social cost of this first ‘great depression’ of the 21st century was plain for all to see, the European Parliament election campaigns were astonishingly lacklustre and insubstantial in almost all countries; the turnout (42.9% on average) was the lowest since the first direct elections in 1979. The fact that no candidate stood against José Manuel Barroso for the post of European Commission president made it impossible to hold a Europe-wide media debate and deflected the ballot from its true purpose, reducing it as in the past to national politics.

The results of these elections were broadly in step with the national voting trends observed in recent years, and the new composition of the European Parliament gives a good indication of the political balance of power in Europe. The social-democratic Left has very much become a
minority group (25%); the right-wing Eurosceptics have made gains (12%), as have the Greens (7.5%); the communist Left stands at 5%. Overall, with the European People’s Party (EPP) on 36% and the Liberals on 12%, the European Parliament is now further to the right and more Eurosceptic than during the previous legislative period. Quite logically, this state of affairs is reflected in the composition of the Barroso II Commission, which has 21 EPP and Liberal Commissioners, and just six Socialists. What is more, the Council of Ministers is largely dominated by centre-right governments, and if the Labour Party loses the 2010 election in the United Kingdom Euroscepticism will gain further momentum.

So, in spite of the crisis – or perhaps because of it – the existing political line-up has been reinforced. By its own admission, the socialist Left remains divided over the EU, and its attempt to pursue the ‘third way’ social reforms advocated by Tony Blair and Gerhard Schröder has driven away a proportion of its electorate. Faced with what they perceived as the lack of an alternative to the (neo-)liberal politics now prevailing, a majority of the voters (or at least of those who cast their ballot!) preferred to play safe. The successful stabilisation of the financial and banking system by the governments of the day no doubt contributed, despite the enormous cost, to the electoral victory of the political forces already in power. The limited headway made by the Greens (+2%) is in fact disappointing, given the intense media attention directed in the past few years at environmental degradation and the risks associated with climate change, which one might have hoped would lead to better results in more countries. The spectacular success of Europe Écologie in France was an exception, as were the gains enjoyed by Green parties in Belgium and Luxembourg.

2. Was 2009 a tipping point?

Whereas Europe’s governments have strengthened their hand, as we have seen, the international scenario is changing rapidly and casting doubt on the EU’s ability to influence events. With the western model of production and consumption in crisis, with globalisation inadequately regulated and resources in short supply, worldwide geopolitical and geo-economic relations are shifting – as is evident from meetings of the G20 and the G2 (China-USA). Even though we may still have hopes of
avoiding a ‘war of civilisations’, there can be no doubt that an economic world war is under way. Meanwhile, international regulations in the social and environmental spheres are woefully inadequate and the rules governing finance and trade are inappropriate. We are facing multiple challenges and enormous risks. Are we capable of tackling them?

3. A weakened European Union

During the crisis several leading players expressed concern about the state of the Union, from both an internal and an external perspective. We share their analysis, which is at odds with the standard discourse of President Barroso. These misgivings about the state of the EU fall into four categories.

First of all there is Lisbon. Many of us are delighted that the new treaties entered into force on 1 December 2009 after the laborious ten-year process of negotiation and ratification. The Treaty of Lisbon is useful and represents the only possible unanimous political compromise among the 27 countries; it is nevertheless inadequate. The 2009-2014 legislative period will be characterised by implementation of the new provisions contained in these treaties and by the adjustments that they necessitate between the various institutions and players vested with authority by the treaties. This will apply in particular to external policy matters, with the new office of High Representative and the creation of a common diplomatic service. On the other hand, we should not forget that the governments of the 27 Member States were unable to reach a consensus on bolstering the Union’s powers in respect of socio-economic affairs.

Despite the real progress achieved, the EU’s legal and political system remains one of shared responsibilities and powers conferred by the Member States. Any legislative action taken by the Union is subject to a prior test of ‘subsidiarity’ and ‘proportionality’; the bar has moreover been raised by several articles of the new European treaties. This could be seen as a welcome consolidation of democracy, especially via the new role of national parliaments, but it is also true to say that these provisions reflect suspicion about the excessive powers which the Union, and in particular the Commission, might surreptitiously appropriate for itself, to the detriment of the Member States and regions.
The debate about reform of financial market supervision, and its outcomes so far, signal a desire to avoid having European regulators. The maintenance of unanimous voting in the Council regarding taxation, including environmental taxation, places major constraints on EU action.

The second subject of acute concern, a source of weakness for the Union, is the definition of its borders and the pace of its planned enlargement to take in six Balkan countries and Turkey — without counting Iceland, an unexpected spin-off of the crisis. One might wish to add Switzerland and other non-EU banking centres such as Liechtenstein to the list, but unfortunately they have not applied for accession! The European institutions appear to take it for granted that sooner or later the EU will incorporate the countries of the former Yugoslavia, beginning — after Slovenia — with Croatia. The parliamentary ratification processes could prove more difficult but are likely to succeed eventually. Thus the 2009-2014 legislative period could see two additional Member States. That leaves us with the case of Turkey, which still divides the EU and, consequently, weakens its geopolitical position particularly vis-à-vis the Middle East. We think it undesirable to remain in a constant state of indecision, which is damaging for both parties. There are many political and economic arguments in favour of admitting Turkey into the EU. Conversely, it is doubtful that this future grouping of 35 countries will go much further in terms of its unity and the transfer of new powers, especially in the economic and social spheres. Hence the idea, not really new but so very necessary, of ‘enhanced cooperation’ among certain Member States revolving around the inescapable duo of France and Germany. Regrettably, the overriding tendency in German political circles is to shy away from these issues.

The third subject on today’s agenda is the financial and economic crisis. Clearly, this new legislative period is beginning in the wake of a credit crunch which, on the one hand, has put paid to compliance with the budgetary stability pact and, on the other, is jeopardising the competition rules, particularly as concerns state aid. This crisis is likewise revealing the inadequacy of national measures to regulate and supervise financiers in their transnational banking transactions and other financial dealings; the shortcomings of the Commission’s plans for financial markets, presented from 1999 onwards and endorsed by the Council and Parliament, are now equally apparent. By contrast, the
existence of the euro has protected the Eurozone countries from even greater monetary upheaval, and the reactions of national public authorities (central banks and governments) in Europe have so far made it possible to avoid a slump, unlike what happened in the 1930s: this has been achieved by applying the well-known strategy of socialising losses by printing money, and hence through a breathtaking rise in public deficits. Nevertheless, the rescue of the banking and financial system has not prevented a sharp downturn in economic activity and a significant rise in unemployment, thereby exacerbating insecurity and inequality to varying degrees from country to country, at the risk of serious political consequences in the future.

In addition, the crisis has once again revealed not only the dominant mindset of competition which exists between national economies in Europe – especially between financial centres – but also the fragility of national growth strategies in some countries, such as Ireland and the Baltic and central European states. To this extent, the crisis and its after-effects are weakening Community integration by undermining trust between governments and, more broadly, in society right across Europe. The scenarios for ‘convergence’ within the EU by integrating the different national markets and by gradually bringing the central and eastern European countries (the CEECs) closer to ‘the west’ are under severe threat. The crisis is forcing politicians to reflect on the extent and quality of solidarity among Member States.

Fourthly and finally, public opinion and governments are beginning to show a degree of ‘fatigue’ with regard to European political integration, as Mario Monti aptly puts it. This can be seen in particular, as mentioned above, in the mixed achievements of the Treaty of Lisbon and in the forward march of several Euro sceptic groups within the Parliament. Nor are Europe’s various prime ministers especially conspicuous for their strong commitment to the European Union.

As has no doubt become clear by now, we are not optimistic about the current political state of affairs in the EU. This new 2009-2014 legislative period does not appear to be full of promise.
4. Ways forward

Consolidating and strengthening representative, participatory political democracy in the EU

We have to realise that, with 27 or even 30 Member States, it will be a long time before we see a major institutional reform leading to a ‘United States of Europe’. The preservation of unanimous voting for treaty revisions is one of the biggest shortcomings of first the draft European Constitution and now the Treaty of Lisbon. This appears even more damaging if one is in favour of further enlarging the Union. Can the obstacle be at least partially circumvented?

Policy initiatives to establish ‘enhanced cooperation’ among certain governments on specific projects may well be taken over the next few years. If such action occurs within the framework of the Treaty of Lisbon, a minimum of nine Member States are required, but the prerequisites are so restrictive that policy initiatives are more likely to arise outside of the treaties. The Schengen Agreement and the Prüm Convention constitute precedents in specific areas: freedom of movement and judicial cooperation. By analogy with these precedents, why could we not, 60 years after the ECSC, envisage an agreement on a European Community for 100% renewable energy? Quite apart from being a response to environmental imperatives, such an initiative – along with others – could re-energise businesses as well as preserving and furthering technological progress: this is one dimension of the ‘Green New Deal’.

If there is one other priority connected with the entry into force of the Treaty of Lisbon during this new legislative period, it is to firmly establish the role of the new President of the European Council. The sidelined of the EU during the final phase of the UN climate change conference in Copenhagen in December 2009 illustrates once again how far our leaders have yet to go before Europe can speak with a single voice at international negotiations of this type. Lisbon does not facilitate things here, because in actual fact the European executive now has three heads, each with different responsibilities. For those wishing to strengthen EU unity, therefore, it should be a priority to ensure that these three leaders work in close harmony.
The third and last priority concerns the citizens’ initiative established by the new treaties, which is a tool of participatory democracy. Its application in practice depends on a law which is to be submitted under the codecision procedure during this legislative period. The law is obviously important, since it will determine the precise conditions under which this new European right will be exercised. Its limited legal scope should be emphasised: the European Commission is invited to propose a legal act falling within the responsibilities and decision-making procedures set out in the treaties. It is up to the Commission to decide whether or not to take matters any further, which makes sense because the citizens’ initiative is not without risk given the outspokenly populist movements now existing in many countries. But the exercise of the citizens’ initiative could contribute towards the emergence and development of transnational European debate, which the European public arena – still largely virtual – so desperately needs.

5. Economic policy

Ever since the establishment of monetary union, Europe’s economic policy mechanisms have shown themselves to be weak, providing for only minimal coordination of national budgetary policies and market reforms, especially labour market reforms. We have likewise witnessed a refusal to increase the Community budget and an absence of European initiatives for international talks on exchange rates and taxation of capital flows. The Lisbon Strategy, centred on the theme of the ‘knowledge society’, has for the past ten years served as a leitmotif for the revival of European economies immersed in global competition and the international division of labour. Originally the Strategy was the embodiment of the Blair/Schröder ‘third way’, an attempt to find a new social-democratic settlement, but it gradually turned into a traditional supply-side policy. The results were mediocre, falling well short of the initial intentions, and European concertation by means of the Open Method of Coordination has been unconvincing. Working conditions and wages have deteriorated, factual evidence of which can be found in studies carried out by the European Trade Union Confederation and the OECD.

Will the credit crunch alter the balance of power and force governments to make adjustments? The height of the crisis between autumn 2008
and summer 2009 illustrated the vital role of public expenditure in bailing out the financial system. By extension, the role of governments and public authorities in the conduct of economic policy has gained renewed legitimacy. Furthermore, the raising of awareness about the scarcity of the world’s non-renewable resources and the economic cost of environmental degradation and climate change should ideally lead to a re-focusing of economic policy. Studies on other indicators of activity are part and parcel of these much-needed developments.

There are no signs, however, that the Barroso II Commission and the political majorities in the Council and Parliament have really learned this lesson. Since last autumn the ‘return to growth’ has primarily been pursued by seeking to boost exports, which in turn required ‘wage restraint’ within the EU and flexibility on its labour markets. Public deficits are to be reduced by means of spending cuts. The public loans and guarantees extended to banks are not subject to any binding requirements to ensure that more money will be lent to businesses and individuals.

Let us set out three priorities which, if adopted, would contribute towards an alternative strategy.

Following the failure of the UN conference in Copenhagen, the main topic of debate within the EU is what strategy to pursue. In sum, there are two possible attitudes depending on the respective weight of different lobbying groups and on the convictions of politicians. Either the EU scales down its efforts to match the limited ambitions announced by the United States and China, or else the EU continues to forge ahead, setting itself the target of reducing CO2 emissions by 30% by 2020 and at least 80% by 2050, intended as a major incentive towards safeguarding its technological edge and securing an advantageous position on future markets. We support the latter approach. The promotion of a Green New Deal in Europe is founded on the notion that the crisis should be seized upon as an opportunity to step up public and private investment, especially on energy saving measures, public transport, buildings improvements and technologies to minimise greenhouse gas emissions. The national recovery plans of 2008-2009 constituted an initial, partial step in the right direction, but their results remain to be seen. If the EU budget is not to be increased, it should at the very least be consistently redirected towards these goals, and future
decisions on the post-2013 budgetary prospects should consolidate this approach.

At the same time, and this is the second priority, it is essential to set convergence targets for Europe’s economies, aimed at putting an end to labour competition based on worsening working conditions. Freedom to provide cross-border services must not result in a race to the bottom. Several studies have covered this subject: social convergence should ideally be a major issue during this legislative period. Once again, given the majority forces on the political scene at present, we cannot count on this being the case.

The third and final priority, at an international level, is for there to be new rules governing the money markets, taxation, trade and the environment. It is unimaginable that we should refrain from re-establishing a system of stable exchange rates penalising competitive devaluation. Taxes on major international currency transactions, at rates which would become prohibitive once commonly agreed variations were exceeded, would help to cancel out trade imbalances. By the same token, a connection should be made between international trade and environmental standards. Such reforms could be linked to the financial transfers quite rightly demanded by the weakest countries in the climate change negotiations. The EU must understand that, until such time as the international rules of the game are altered, there is little likelihood of going beyond the economic policies of today.

We would point out by way of conclusion that most of the above-mentioned priorities call for a greater degree of European unity and more solidarity within the EU. We say this not as a profession of faith, but rather as a condition for better, more effective action.

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Europe’s employment and social inclusion policies amidst the crisis: an opportunity for the future?

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Antonio Gramsci (1891-1937) defined ‘crisis’ many years ago as a particular, dramatic moment when ‘the old’ is not yet quite dead and ‘the new’ not quite born, but when the origins of the crisis need to be examined in order to bring forth an alternative ‘counter-hegemonic’ vision (Gramsci, 1971).

From an economic and social point of view, 2009 will come to be seen above all as the year that bore the brunt of the harshest economic crisis experienced in Europe since 1929. The recession is a brutal one and is having profound repercussions on Europe’s economy and labour markets and on its citizens’ living conditions. This social downturn could be long-lasting if no adequate response is found, especially as the prospect of an economic revival appears faint. Furthermore, the fact that the crisis increasingly seems to be systemic is shaking the foundations of a neo-liberal model of economic development which for the most part is the model governing European integration today.

This period also coincides with what ought to be a special moment in the building of Europe, a moment when various aspects of a debate fundamental to the EU and its citizens are coming together in the definition of European meta-strategies for the medium term (EU2020) and the long term (a low-carbon economy and the Sustainable Development Strategy – SDS). These strategies are intended to establish a sustainable overall framework for European people’s lives in the years ahead. Now is also the time when Europe is supposed to be carrying out an in-depth democratic assessment of, firstly, the overall impact of the Growth and Employment Strategy (GES) at the end of its ten-year term and, secondly, the specific impact of its various economic, social and employment components as concerns the attainment of their individual objectives. It is also necessary to jointly assess the complex interplay between these aspects and their combined or separate effects within an
area as specific as the EU within a now globalised world. Such an objective and consensual assessment is a key element of the debate. But, as a corollary, questions also arise as to whether the intellectual capacity and the true political resolve to conduct this fundamental assessment really exist. Such an assessment is all the more vital in that the various stakeholders interpret the available results in a wide variety of ways.

It is advisable in this unusual climate to take a fresh look at the development of the EU-level Open Methods of Coordination (OMC) on the issues of employment and social inclusion. The first part of this chapter is devoted to reviewing the genesis of European political cooperation on employment and poverty: we examine the extent to which the successive economic crises of the past twenty years have served as defining moments or acted as tipping-points leading to substantial alterations or major revisions of policy direction. The second part, beginning with a consideration of the dire consequences of the crisis on jobs and poverty, seeks to highlight the main factors to be revisited when it comes to redefining medium- and long-term European strategies, i.e. strategies for redistributing wealth and combating social and economic inequality.

1. Crisis of the early 1990s and inception of the employment and poverty OMCs

The early 1990s were overshadowed by a severe economic and financial crisis caused in particular by the repeated attacks of speculators on certain national currencies and on the European monetary system. In addition, however, a collapse in demand was already making itself felt even then. That economic crisis followed on from a succession of others during the 1970s (the oil shocks of 1971 and 1979) and 1980s (the 1982 debt crisis in poor countries; the stock market crash of 1987), all of which had significant repercussions on European markets. As well as leading to the persistence of, or even a rise in, the relatively high ‘structural’ unemployment figures in some countries, this succession of crises helped to forge a consensus among European countries around the fact that they would be better protected if they were to coordinate their economic policies more closely. It was in this state of crisis that the Member States signed the Treaty of Maastricht in 1992 and paved
the way for the establishment of Economic and Monetary Union (EMU) as a complement to the single market. EMU was rolled out in three phases during the 1990s, culminating in 1997 with the introduction of the Stability and Growth Pact (SGP) and, in 2002, the launch of the single currency.

The economic crisis of the early 1990s thus occasioned not the onset but certainly the consolidation and expansion of the neoliberal policy model that had been present ever since the Union first began to assert itself as a single market. The establishment of EMU, after that of the single market, constituted a key turning-point since it marked the start of an era – still ongoing today – when the preconditions for the functioning of the single economic and monetary market were laid down as the dominant paradigm of European integration. The inception and further development of economic and social policies at both European and national level came to be placed under severe constraints by an economic framework whose imperatives (freedom of movement, free competition, budgetary stability and control, and an exclusively anti-inflationary monetary policy) were transferred to the European level in an overriding framework which then became a priority for European and national policy-makers. The workings of this entire mechanism were interpreted largely according to an axiomatic system based on the paradigms of the neoliberal approach to market functioning, drawn from the writings of Milton Friedman and the Chicago school. This initial framework still plays a major role in shaping not only the Union’s medium-term (EU2020) and long-term (SDS) strategic approaches, but also the development of social and employment policies at European and, increasingly, national level.

The genesis of European employment policy is intimately connected with the implementation of EMU as an economic framework; indeed, it followed the evolution of EMU during the 1990s. The crisis at the start of that decade also helped to weaken the resistance of certain Member States to pursuing closer European policy cooperation in fields traditionally falling exclusively under national competence, all the more so since those countries were now subject to mandatory coordination under EMU. In order to combat the high unemployment then prevailing in some Member States, and spurred on by the fear that it might become a structural feature of European labour markets, the EU-15 agreed on principles for cooperation, first in Essen in 1994 and then in
Luxembourg in 2007, by launching the European Employment Strategy (EES). The Treaty of Amsterdam, concluded in 1997, added the promotion of a high level of employment to the list of EU objectives; it also gave the European Community responsibility for supporting and supplementing the actions of Member States, encouraging cooperation among them and developing a ‘coordinated strategy’ in certain fields, including employment and social affairs.

From a procedural point of view, the EES is generally regarded as the precursor of the Open Method of Coordination (OMC), which later came to be used in other social policy fields as part of the Lisbon Strategy (LS). As one of the new departures facilitated by the Treaty of Amsterdam, the OMC was deployed and presented as an ideal means of achieving coordination and convergence in fields which fell exclusively within the competence of Member States, but a mechanism giving them scope to react in a concerted fashion to what were now – in view of globalisation – common challenges. The OMC has of course made positive contributions on employment and combating poverty which should be neither minimised nor overlooked, even though these policies appear less and less to be Europe’s real priority (de la Porte et al., 2009). But, in that it promotes coordination and gradual convergence of national policies, the OMC is also a tool at the service of the EU’s economic goals. In areas such as employment and social affairs, where policy-making remains a national prerogative, flexible coordination makes it possible to optimise national responses by steering them in a given direction, and the convergence grid is calibrated in such a way as to respond above all else to the imperatives of EMU and the single market (Salais, 2004).

Development of the EES, hampered by the economic climate, was to move almost exclusively towards boosting supply in the labour market by means of employability and activation, as well as making labour more flexible both internally and externally. This was the only remaining course of action, now that the other traditional means of influencing labour demand – monetary and budgetary policies – had been ruled out by EMU and the SGP. The main political levers still available for achieving a high level of employment were, on the one hand, activation and the promotion of individual employability through human capital and, on the other, making labour more flexible both internally and externally. In order to avoid inflation and improve
competitiveness, it was also necessary to cut labour costs by halting productivity-related wage growth. As a result, even though unemployment was central to the crisis in Europe and had been a natural target of national employment policies for many years, measures to combat it were now pushed down the agenda within the single-track vision of maximising the employment rate, a vision more in line with the goals of EMU and its ideological construct. Youth unemployment alone remained a clearly stated common concern, especially because it legitimised the EES approach in terms of employability and activation (Raveaud, 2007; Salais, 2004).

The OMC on combating poverty and social exclusion, for its part, was launched immediately after the turn of the millennium as part of the Lisbon meta-strategy. The poverty OMC was originally based on a set of fairly broad objectives: promoting labour force participation and access for all to resources, rights, goods and services; preventing the risks associated with exclusion; taking action in favour of the most vulnerable; and mobilising all stakeholders. The idea was to take into account the multi-dimensional nature of poverty and social exclusion as well as the variety of forms they can take. This multi-dimensionality implied that a wide range of policies needed to be implemented in order to achieve the goals of the strategy, whilst acknowledging the predominance of employment and social protection within these policies. Individual Member States were given leeway to prioritise different aspects depending on their national circumstances, as was also the case with the EES at that time.

The poverty OMC did not however escape the constraints of EMU and the single market. The obsession with budgetary stability meant that the very principle of redistribution, which lies at the heart of social protection, was called into question. Public expenditure, especially on social protection, was perceived as a threat to budgetary stability. It was of course still regarded as vital in terms of social cohesion and as a final safety net in the fight against poverty. But in the context of EMU and the single market, social policies were now expected to be ‘modernised’ and their expenditure – as well as individuals – to be ‘activated’, while at the same time wrestling with the conflicting aim of ensuring their long-term budgetary sustainability and tackling the structural changes confronting them (population ageing and healthcare in particular). Social protection was regarded under the EES as a necessary evil whose
disincentive effects must be rooted out because they interfered with the need to ‘make work pay’; it was to be used above all to raise the employment rate by activating expenditure. Moreover, increasing emphasis came to be placed on the issue of activation in the poverty OMC, culminating today in the all-encompassing concept of ‘active social inclusion’.

The links between the two strategies were relatively vague at that time, and were discussed mainly in the context of the LS. The common goals of the LS and the poverty OMC do of course include the issue of access for all to employment and to the resources needed for a decent life. There is naturally a certain degree of convergence between the fight against poverty and social exclusion, and employment. The underlying vision of employment as the ‘one-size-fits-all’ solution to poverty and exclusion was of course already present from the outset, but not in any formal sense, and it was far less subject to the activation-driven approach then than it is now. The issue of the working poor was common to both strategies from 2002 onwards, but was framed differently. Under the poverty OMC, the working poor were viewed primarily as a counter-argument, putting into perspective the representation of employment as an absolute solution to poverty. But they also served as an argument in the discourse on the need to modernise social security systems so as to enhance their ‘incentive effects’. Under the EES, the working poor were primarily referred to as part of the normative discourse on the need to make work pay, but also to highlight the impact of part-time or fixed-term work. Thus the two strategies converge on these aims of modernising social protection, albeit according to subtly different interpretations. They likewise converge on aspects such as the multi-dimensional context of quality of work, the working poor, cross-cutting elements concerning equal opportunities and non-discrimination, as well as the role of the social economy. But these relative commonalities are more cognitive than political: analytical concepts and elements are shared, whereas policy aspects remain specific to each process.

Quality of work, but also of services (activation, social work, childcare etc.), is an important potential point of convergence between the poverty OMC and the EES. The addition of an across-the-board qualitative policy dimension had quite rightly been regarded as one of the important social policy innovations of the LS. This qualitative
approach was first of all applied to employment, in keeping with the Lisbon slogan of ‘more and better jobs’. It came into its own in 2002, with the introduction of a cross-cutting objective on quality of work and the adoption of a set of common indicators to measure it. But the initial aspiration of Lisbon had been to mainstream this qualitative approach across the entire range of social and employment policies, as evidenced by the title of the 2001 Communication on quality, which refers to employment and social policies as a framework for investing in quality (CEC, 2001). The quality-based approach was unfortunately largely jettisoned thereafter, although quality of work was still mentioned as a pillar of the revised EES, and although the common indicators do still exist, albeit now divided up between the various objectives (Peña-Casas, 2009; Raveaud, 2007). With hindsight, the abandonment of the cross-cutting qualitative dimension was without doubt a major failure of the Lisbon Strategy. The LS was thereby deprived of a means of discussing and better assessing the balance between – and respective importance of – each of the four pillars of well-managed sustainable development, while at the same time counterbalancing the quantitative norms laid down in the economic context of EMU. And a new crisis was now looming which would, in its turn, serve as the backdrop for far-reaching reform of the LS and of the employment and poverty OMCs.

2. Crisis of the early 2000s and a refocusing of the employment and poverty OMCs

Another financial crisis hit the developed countries’ economies at the turn of the millennium, following on from the Asian crisis of the previous years and caused above all by the bursting of the speculative IT bubble. It would appear with hindsight that, in the case of Europe, this was not so much a full-blown crisis as a sharp economic slowdown after the exceptional growth rates achieved from the mid-1990s onwards. The crisis peaked in 2002 with growth of +1.2% for the EU-27. (By way of comparison, 2009 saw a major recession of over 4% for the EU.) Several elements conspired to prompt a large-scale reversal of the thrust and operation of both the employment and poverty processes and the LS itself. Management of the economic and social consequences of the crisis came to be used at both European and national levels as justification of the need for reforms and for ‘rationalisation’.