

The Face of Europe's Active Labour Market Policy Agenda *

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Abstract

The subject of this paper is to determine whether there is a special European Agenda of activation. First, we do a historical legal research of the evolution of the measures used to govern the European active labour market policies. Whether this evolution of used measures evolves into a specific European agenda of activation is valued on those measures' potential integration capacity and the way in which they are mutually connected. We find that whereas in the beginning (1963) European active labour market policy measures mainly focus on vocational training, the scope widens in the course of time to a comprehensive approach using several instruments. Furthermore, the potential capacity of these instruments to influence the member states' national labour market policies has increased. These findings lead us to the subsequent question whether national policies have converged. Relying on disaggregated expenditure data and indicators for several policy instruments, we found that labour market policies have become increasingly activating, whereas non-EU countries have not. Although EU member states tend to follow the policies of the European guidelines and recommendations, this paper provides evidence that some active labour market policy instruments are more eligible to converge than others.

Key-words: active labour market policies; European integration; potential integration capacity; Europeanisation; convergence; European Employment Strategy.

* This study is part of the research program 'Reforming Social Security': www.hsz.leidenuniv.nl. We thank Ferry Koster for his helpful comments and suggestions. Financial support of Stichting Instituut Gak is gratefully acknowledged.

1. Introduction

Activation has become a prominent paradigm with regard to both labour market and social policies in Europe. The paradigm of activation is not only governed on national level by the European member states, but also on the level of the European Union (EU). However, the fact that activation is governed by the EU, does not necessarily mean that there is a specific European Agenda of activation. Therefore, the subject of this paper is to determine whether there is a special European Agenda of activation.

The main motive for governments to adopt active labour market policies (ALMPs) is to reduce unemployment. This motive has been broadened in the course of time to not only reducing unemployment, but also to increase employment and to combat social exclusion. As will be explored below, several European ALMP initiatives may have increased the attention for ALMPs of national governments. Therefore, we hypothesise that national labour market policies are shifted from a passive towards a more activating approach and that national ALMPs have converged. To test our hypothesis, we follow two strands of research. The first strand is a historical research for the development of the European instruments used to adopt ALMP-measures. The second strand of research focuses on several specific policy indicators, in order to conduct an empirical research on the impact of European active labour market policies on the member states' national policies. However, before we turn to the two strands of research, we define the concept of ALMPs since it is an ambiguous concept (paragraph 2). The definition we use is one that allows us to identify a European policy measure as an ALMP-measure, and moreover, to be able to determine whether there is a European agenda of activation.

The first strand of research starts with the drawing of a European code of ALMP-measures. Based on this code, which is actually an inventory of European ALMP-measures adopted in the course of time, we continue with a historical description of the development of the legal instruments used to adopt the European ALMP-measures (paragraph 3). This section of the search finishes with an assessment of the potential capacity of the legal instruments to influence the member states ALMP agenda's (paragraph 4). We find that whereas in the beginning (1963) European ALMP-measures mainly focus on vocational training, the scope widens in the course of time to a more concerted use of different ALMPs. Furthermore, the potential capacity of the legal instruments to influence the member states' national labour market policies has increased.

These findings lead us to the subsequent question whether national policies have converged, which is addressed by the second strand of our research. Since member states can use a broad range of policy instruments to increase the labour market participation of unemployed people, the empirical analysis includes indicators for many instruments, in order to assess the convergence of ALMPs (paragraph 5). This approach allows to identify different approaches to the achievement of the same goal. Relying on ALMP expenditure data and policy indicators, this study is methodologically a bridge between large-n, quantitative expenditure studies on the one hand and qualitative policy studies on the other. Measuring expenditures on specific ALMP areas and changes in the settings of policy instruments for all the EU-15 countries, provides the empirical insight that some policy instruments are more eligible to converge than others (paragraph 6). In the last paragraph (7) the findings of the two strands of research are combined in order to draw the portrait of the face of the European ALMP Agenda.

2. Active labour market policies

The concept 'active labour market policies' (ALMPs) is ambiguous and needs clarification. There are almost as many clarifications of the concept of ALMPs, as there are scholars who examine and write about it. All of these definitions are accurate for the purpose they serve,

ours is no different, although it is composed of existing clarifications. Since the principal aim of this paper is to identify whether or not there exists a European ALMP agenda, we choose a clarification that serves this best. That is, a clarification that makes it possible to identify a European policy measure as an ALMP-measure.

To begin with, we put the concept of ALMPs in a wider context. ALMPs are just one half of the tandem of labour market policies (LMPs). The other half of the tandem of LMPs exists of 'passive labour market policies' (PLMPs). The notions 'active' and 'passive' in LMPs express a person's labour market position. Van Berkel and Hornemann Møller (2002: 47) described this as follows.

"Citizens are considered 'active' when they are in regular paid work and independent of social benefits or social assistance and when they are enrolled in programmes directed at realizing labour market participation and benefit independence. Social security claimants of working age who are not enrolled in activation programmes are considered 'passive', regardless of their involvement on activities and forms of paid or unpaid work outside the formal labour market."

Based on this context, Van Berkel and Hornemann Møller (2002), argue that passive policies are often conceived as policies that entitle people who are unemployed, or for other reasons lack sufficient financial resources, to some kind of income provision. Active policies, on the other hand, are often considered to deal with participation rights and/or obligations to labour market participation.

This seems a rather clear-cut distinction, however, as emphasized by Van Berkel and Hornemann Møller (2002) and several other scholars (e.g. Robinson, 2000), the opposite is true; as they illustrate that passive policies can function as active policies and vice versa. For instance, a passive policy measure functions as an active policy measure, when it makes income compensation conditional on 'active' behaviour or when it sets mechanisms to reward or punish certain behaviour. Active policies can be passive, since they can influence a person's financial situation, for instance when the height of a benefit dependants on the participation of a training. Therefore, these policies should be studied in relation to and connection with each other. Although there seems consensus about this, most of the studies about ALMPs actually focus on classical ALMPs, i.e. activation programmes to help jobless persons move back into employment, such as training programmes and public employment services. In contrary to these studies, in this paper we tend to focus on both kinds of policies. Our focus on LMPs, therefore, is not so much on the aim or objective of the policy: the protection, compensation or indemnification of financial resources for PLMPs, and labour market participation for ALMPs. Rather, it is on the function of the policy in relation to a person's labour market position. Thus, in order to determine whether a European LMP has the function to 'activate' a person into labour market participation, we examine if the LMP has the intention to intervene in a person's participation behaviour or labour market opportunities.

As such, we can distinguish two sorts of measures, those that change a person's participation behaviour and those that change a person's opportunities at the labour market. Among the first we include measures regarding benefit schemes and earned income tax credits, whilst among the second sort of measures we include measures regarding services (including training) and wage subsidies. Another, more often used distinction of type of measures, based on a labour market perspective, is to distinguish them as measures that are employee (supply) oriented, which includes measures concerning benefit schemes, services (including training)

and earned income tax credits on the one hand, and on the other hand, measures that are employer (demand) oriented, i.e. wage subsidies (e.g. Barbier, 2005).

It is beyond doubt that there are EU measures that can be called ALMPs. For instance, the several measures adopted to promote labour market opportunities for women, the young and disabled persons. However, the presence of such measures only, does not prove that there also exists a European ALMP Agenda. Thus EU measures about vocational training, such as the Commission recommendation on vocational training for women (OJ [1987] L342/35) does not necessarily form an agenda with the Council resolution on the reintegration and late integration of women in working life (OJ [1988] C333/1). Unless, there is an overarching structure that binds them. In other words, if the EU has an ALMP Agenda, depends on whether or not the EU has a structured plan based on which the ALMP-measures are adopted.

The European ALMP Agenda we are looking for is thus a structured plan, which is executed by measures that have the intention to intervene in a person's participation behaviour or opportunities on the labour market.

3. Historical development of European ALMP-measures

We start the description of the historical development of European ALMP-measures, with the construction of a European code of ALMP-measures, since such a code does not already exist. Therefore we gathered as much European ALMP-measures as we could find. Some, like those part of the European Employment Strategy, were easy to find, whereas others, in particular the older ones, were less easy to find. For the gathering of the measures, we made use of two search engines, i.e. *EURLex* and the *Archive of European Integration* hosted by the University of Pittsburgh. We supplemented the measures we found with measures they referred to. This resulted in a wide variety of sorts of instruments, legal, such as directives and resolutions, as well as non-legal, like commission reports.¹ Because, we are only interested in the legal instruments that actually address or call for the use of ALMPs, the measures had to meet the following requirements. The first requirement is that the measure has to be adopted by the law-making institutions of the EU, thus by the Council, the Council and European Parliament jointly, the Council and representatives of the Governments of the Member States (RGM) jointly, or the Commission acting in a specific function. The second requirement is that the measure has to address, at least, the member states, whereas we are looking for measures to influence the member states' ALMP Agenda's. The third and last requirement concerns amending or recasting measures. Since we are only interested in measures that are a new contribution to the European *acquis* of ALMP-measures, we excluded those, unless the material content proved otherwise. Finally, we made the inventory operational for analysis by marking which ALMPs each of the instruments addressed. The result of this gathering is the inventory of instruments as shown in Table A1 (see Annex).

The first instrument that adopts a European ALMP-measure is the lonely 1963 Council decision on general principles to implement a common vocational training policy. A lonely instrument, because it is followed by a decade of inactivity, which on its turn is followed by a decade of modest activity. The ALMP central in this period of modest activity is vocational training as means to improve the labour market position of the unemployed young people. Whereas,

¹ In this paper we talk about instruments and ALMP-measures. With instruments, we understand the "tools" by which the EU can adopt measures, such as directives, resolutions and the open method of coordination. The term 'measure' is used in relation to more or less, concrete rules of conduct. These rules of conduct are meant to influence the member states' national conduct. As such, the ALMP-measures that address the member states are meant to influence their national ALMP Agenda's. The means to adopt those measures and to address the member states vary by the different instruments, or "tools" the EU has at its disposal.

youth unemployment has grown continuously since 1970 and the youngsters 'who have the greatest difficulty in finding jobs are often those who also have benefited least from what the school system was able to offer' (point 21 preamble Commission recommendation 77/467/EEC). In this period, vocational training is indirectly accompanied by incentives from benefit schemes. For instance, Commission recommendation 8, recommends that '[t]he maintenance allowance should be large enough to ensure that young people attending such [*i.e.* publicly approved] forms of vocational preparation are financially better off than they will be if they remained unemployed'.

When we move forward in time, we see that the by far most often addressed ALMP is vocational training. In the early 1980s vocational training is accompanied by measures that aim to create jobs. Job-creation should be established by general measures designed to stimulate it and measures that increase the flexibility of the labour market. The latter includes measures relating to the reorganisation and reduction of working time, as for instance the 1979 Council resolution on the adoption of working time (OJ [1980] C2/1). In the 1980s vocational training is further accompanied by measures to improve the access and functioning of public employment services (further: PES). The improvement of access to the PES is often recommended to improve employment opportunities of women or a specific target group. This is for example the case in action guideline 1 (c) of the 1984 Council resolution on action to combat unemployment amongst women (OJ C161/4), which promotes the member states to 'adopt the necessary measures to ensure that placement, guidance and counselling services are staffed with skilled personnel in adequate numbers in order to provide a service based on the necessary expertise in the special problems of unemployed women'. The improvement of the functioning of PES is more generally addressed in terms as used in the 1984 Council resolution on action to combat long-term unemployment (OJ [1985] C2/3). In this resolution member states are requested to 'ensure that the various services concerned, including employment services, are so structured, organized and equipped that they can identify as rapidly as possible and follow up those who are likely to become long-term unemployed.'

In 1984 and 1986, not only relatively many instruments are adopted, moreover, these instruments address remarkably many different ALMPs. As such, these instruments offer an integrated set of ALMP-measures to achieve the objective governed by the instrument. The 1984 Council resolution on the promotion of employment for young people (OJ C29/1), for instance, addresses besides the ALMPs vocational training, job-creation, and the improvement of PES, also the possibilities offered by employment aids and work incentive schemes to facilitate the access of young people to employment. Another compelling example is the 1986 Council recommendation on the employment of disabled people, which not only addresses vocational training, job-creation and PES, but also employment subsidies as incentive for employers to take on a disabled worker (recommendation 5). This concerted use of different ALMPs features largely the in 1997 introduced integrated approach of the European Employment Strategy (further: EES). The volume of regulative activities in this period seems contrary to the general development of European social policy. After all, this period is marked by stagnation due to the strong influences of the neo-liberal market tradition that 'advocated deregulation of the labour markets in order to ensure maximum flexibility of the workforce, [...] and the need to adapt to new technology and the necessity of reducing the burden of regulation on business in order to enable business to compete in a global market' (Barnard, 2006: 10). Nonetheless, the activities address exactly these subjects to achieve the same underlying objectives. Some of them should be achieved by regulatory means, *e.g.* regarding specific target groups and their access to vocational training and PES. Whereas, regarding the creation of jobs deregulation is advocated, for instance, by the reduction of the burden of administrative measures on business. However, this upsurge of ALMP-measures is short-lived,

since from 1987 until 1995 a modest number of instruments is adopted, which, moreover, only address vocational training.

The completion of the European Monetary Union (EMU) in 1992 (*cf.* Pochet, 2005) and the persisting high levels of long-term unemployed (Ashiagbor, 2005; Barnard, 2006) lead up to a more integrated approach regarding employment. In its White Paper on Growth, competitiveness and employment (COM (93) 700), the Commission concludes that vigorous actions to create jobs is needed to tackle unemployment. Therefore, the entire employment system should be mobilized to improve the functioning of the labour market. Which resulted in the identification of the following priorities for action on jobs: lifelong education and training; greater flexibility in businesses, both internally and externally; greater expectations from decentralization and initiative; reduction in the relative cost of low-qualified work; thorough overhaul of employment policies; and efforts to meet new needs (White Paper, p. 16). The 1994 Essen European Council endorsed this mix of policies (EC Bulletin 12/94). Further, the Essen European Council provided a template for the European Employment Strategy as adopted in the Employment Title of the Amsterdam Treaty. The policy mix as endorsed by the Essen European Council is replicated in the employment guidelines (*cf.* Barnard, 2006). The EES in the EC-Treaty provides a yearly cycle to coordinate the member states activities regarding those policies. In the inventory, the EES activities are reflected by the Council decisions on the guidelines for the member states' employment policies and the Council recommendations on the implementation of those guidelines. In 2003 the cycle is streamlined with the broad economic policy guidelines (BEPGs) into a three-year cycle, consequently, there are less recommendations adopted.

The EES thus introduced an integrated policy regarding ALMP-measures, including equal opportunities for women and men by the means of gender mainstreaming. Consequently, there are presently only a few other ALMP-measures adopted. Those measures that are adopted, are so, to emphasize their own, wider dimension. For instance, extra attention is paid to the role of education and training in employment related policies, whereas they are an 'indispensable means for promoting employability, social cohesion, active citizenship, and personal as well as professional fulfilment' (point 1 of the preamble of Council Resolution OJ [2002] C13/2). The transformation of undeclared work into regular employment, for example, contributes besides to achieving full employment, also to 'improving quality and productivity at work, strengthening social cohesion and inclusion, eliminating poverty gaps and avoiding market distortions' (preamble Council resolution OJ [2003] C260/1).

Further, with the introduction of the EES, more emphasis is paid to equal opportunities for all, as a means of achieving a more socially inclusive society (point 6 preamble of Decision 771/2006/EC). On the one hand, more emphasis is paid on equal opportunities for all, in the sense of access to the labour market, which includes the improvement of access to PES, vocational training and benefit schemes. On the other hand, with the introduction of the concept 'inclusive labour market' into the EES, a policy shift has taken place from passive benefit schemes to active schemes, including measures regarding earned income tax (*Cf.* guideline 19 of the 2005 employment guidelines; and Commission Communication COM (2006) 44 final).

4. Content of ALMP-measures, instruments, and integration capacity

Content of European ALMP-measures

Now that we have an overview of the history of European policy making, we can analyse the content of European ALMP-measures. It becomes clear that the ALMP vocational training is by far the most popular ALMP. It is not only the first addressed ALMP, also it is still the most used

ALMP. In a considerable number of instruments, vocational training is accompanied by measures either to create jobs or to improve the access or functioning of the PES. Job-creation, by means of flexible forms of work and part-time work, is a relatively often used policy instrument to improve the job opportunities of women. All three of these ALMPs are currently addressed by the employment guidelines, consequently, the focus is more equally divided. The other means to improve labour market opportunities, wage or employment subsidies, is remarkably less often addressed. Just three times, during the upsurge of an integrated approach of ALMPs in the mid 1980s, and once in 1996, in the shadow of the introduction of the EES. Currently, this ALMP is also part of the EES. As part of the EES, wage or employment subsidies is addressed in one and the same breath with the reduction of the overall tax burden. Guideline 19 of the integrated employment guidelines for 2005-2008, for instance, guides the member states to continue review 'the incentives and disincentives resulting from the tax and benefit systems, including the management and conditionality of benefits and a significant reduction of high marginal effective tax rates, notably for those with low incomes, whilst ensuring adequate levels of social protection'. Whilst guideline 22 of the same employment guidelines, guides the member states to review 'the impact on employment of non-wage labour costs and where appropriate adjust their structure and level, especially to reduce the tax burden on the low-paid'.

ALMP-measures to change an inactive persons behaviour, such as incentives and disincentives resulting from tax and benefit systems, are besides the EES, also hardly addressed. Similar to wage and employment subsidies, they are addressed during the mid-1980s upsurge, and from the mid-1990s until presently, either as upbeat to or in the shadow of the EES. Examples of the latter are the 1995 Council resolution on the role of social protection in the fight against unemployment (OJ C386/3) and the above mentioned 2003 Council resolution on transforming undeclared work into regular employment.

Overall, there is on European level thus a long tradition to improve the labour market opportunities of the unemployed, in particular young people and women. The means to do this is mainly vocational training, now and then combined with the creation of jobs or the improvement of access and/or the functioning of PES. Since recent times, the EU also promotes the use of ALMPs as wage or employment subsidies. ALMPs that are used to change the inactive persons behaviour, incentives and disincentives from tax and benefit systems, also date from the more recent times. Since the introduction of the EES, the emphasis on all of these ALMPs is more equally divided, since they are all continually addressed by the EES.

Instruments used to adopt ALMP-measures

The EU has several legal instruments, or means of governance, at its disposal to adopt ALMP-measures. These vary from traditional Community hard and soft law, such as directives, decisions, resolutions and recommendations, to new forms of governance as the open method of coordination. Generally, the purpose of these instruments is to support or complement the activities of the member states (Barnard, 2006,: 69).

Regarding the traditional instruments, the use of hard law to adopt ALMP-measures is limited. Only the policy field of equal opportunities applies hard law in the form of directives and collective agreements, which are given effect of *erga omnes* by a directive. Article 249 EC-Treaty, defines the directive as binding to the result to be achieved, but leaves to the national authorities of the member states the choice of form and methods. Based on article 137 EC-Treaty the EU has the competence to adopt minimum standard directives. This means that the measures adopted by the directive are the minimum requirements for the addressed subject. Moreover, it means that the member states are free to adopt more stringent

measures than those resulting from Community law (*Cf.* Barnard, 2006: 70; and the Working Time case of the ECJ).

Another traditional instrument is the action programme. Most of the action programmes are adopted by a Council decision. Article 249 EC-Treaty defines the decision as legally binding in its entirety upon those to whom it is addressed. The purpose of an action programme is to “set the agenda in a certain area, listing the concrete legislative and/or other kinds of action to be developed within a certain time space” (Senden, 2004: 129). The actions addressing the member states often express their political will to commit to future ALMP-activities conducted by the EU. The activities addressing the Commission, on the other hand, are often very concrete and bound by strict timetables. This is in particular the case when activities include financial support from the Community, *e.g.* article 7 of Council decision 90/267/EC includes a financial fund to support the activities.

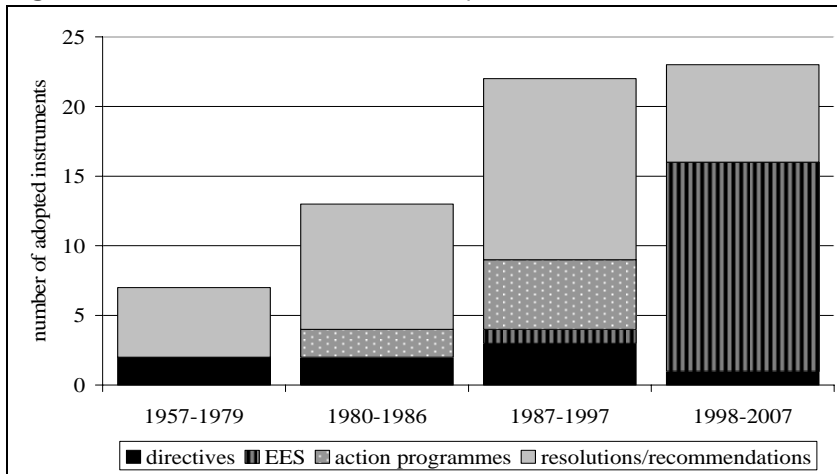
Resolutions and recommendations are the third sort of traditional EU instruments by which ALMP-measures are adopted. Moreover, most of the ALMP-measures are adopted by a resolution; almost half of all the instruments in the inventory are resolutions. Resolutions and recommendations are traditional soft law instruments. Soft law instruments are instruments ‘which have not been attributed legally binding force as such, but nevertheless may have certain (indirect) legal effects, and that are aimed at and may produce practical effects’ (Senden, 2004: 112). These instruments are adopted by the European Council, the Council and RGM together (mixed), the Council or the Commission. The purpose of these instruments is to steer the activities of their addressees, which are mostly the member states, social partners and the commission. Therefore, the preamble contains opinions, acknowledgements, recognitions, or considerations, all stressing the need for actions to intervene in the labour market position of the unemployed. They continue to call upon the addressees to undertake or continue the specific actions defined by the measures adopted (see also Senden, 2004: .204). Often, the Commission is also requested to report about the progress on the implementation of the measures into the member states national policies. As such, the 1963 Council Decision, which is an atypical instrument in this inventory, resembles all the features of a resolution, and is therefore considered as one.

The ALMP-measures that are part of the EES, are adopted by decisions and further concretised by recommendations. These decisions and recommendations are part of a yearly procedural cycle, institutionalised in article 128 of the EC-Treaty. This procedural cycle exists of a series of subsequently adopted instruments, used to coordinate the member states’ employment policies. In its decision, the Council sets the guidelines for the member states’ activities to achieve the commonly agreed employment objectives. The member states report about their activities in national action plans, or reform programmes as they are currently called. The Commission and Council together evaluate these programmes and jointly report their findings. When the Council considers it appropriate in the light of the evaluation, it can, based on a recommendation of the Commission, adopt country specific recommendations regarding the implementation of member states’ employment policies. As such, the EES is an open method of coordination, which not only defines the activities to be conducted, but also includes a monitoring procedure about the progress on the implementation of those activities by the member states.

Figure 1 shows the number of instruments adopted in the course of time, subdivided to the four different instruments used to adopt ALMP-measures. The four time periods resemble the periods of the historical development of the European ALMPs. The use of directives in the course of time is quite steady. In the third period (1987-1997), the action programme is at its very height. However, not for long, since its use to adopt ALMP-measures rapidly declines to just a single one in the second half of the 1990s and to none in the last

period. Resolutions and recommendations form in each period, except for the last, a substantial part of the total of instruments used. In the third period the entrance of the EES is visible, whereas, in the last period (1998-2007), the figure shows its emergence as the most often used instrument to adopt ALMP-measures.

Figure 1. Number of instruments adopted in the course of time



Potential integration capacity of the instruments used to adopt ALMP-measures

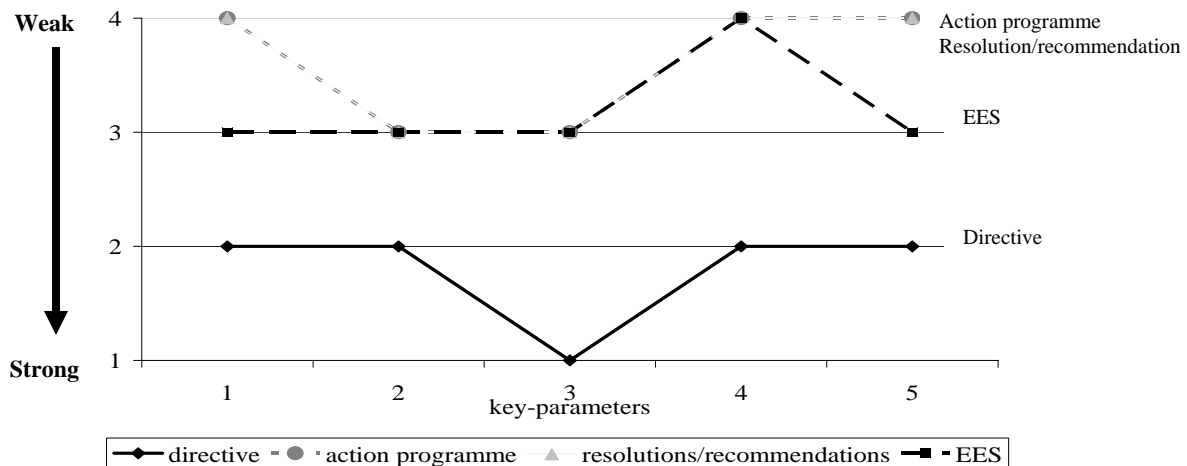
Part of the search for a European ALMP Agenda, is an indication of the influence of the European ALMP-measures on the member states' ALMP Agenda. Therefore, we assessed the instruments used to adopt ALMP-measures for their potential integration capacity. For this assessment, we use an analytical framework (see table 1). This framework exists of five key-parameters that are, from a legal perspective, determinant for the influence an instrument can have on the member states' law and policies. These are: 1) the integration technique used; 2) the competence conferred to the EU to undertake activities regarding a certain policy field; 3) the decision making capacity in which the European institutions act when they adopted the instrument; 4) the effect the adopted instrument has on the national legal order; and 5) the means available to ensure compliance with the adopted instrument. These parameters can occur in manifestations that have a strong capacity to influence the member states' law and policies and in manifestations that have a weak capacity. The more strong manifestations an instrument has, the stronger the potential integration capacity, and vice versa, the more weak manifestations an instrument has, the weaker the integration capacity. Further, we note that the instruments integration capacities are potential. Whether they really can and do influence, converge or integrate the member states policies, also depends on other, non-legal, factors and is therefore an empirical question, which we examine in the second part of the study. Here, we can only talk about the potential integration capacity of these instruments (*Cf.* Dehouse and Weiler, 1990).

Table 1. Analytical framework to assess the potential integration capacity of the instruments

	Manifestation	1.	2.	3.	4.	5.
		Integration technique	Conferred competence	Decision-making capacity	Effect national legal order	Ensuring compliance
<p style="text-align: center;">weak integration</p> <p style="text-align: center;">↓</p> <p style="text-align: center;">strong integration</p>	4	Procedural obligations	Supportive competence	Moving spirit	Indirectly effective	Persuasive pressure
	3	Coordination	Coordinative competence	Specific function	Ratification	Institutional Surveillance
	2	Minimum harmonisation	Shared competence	Executive rule-maker	Conditionally effective & applicable	ECJ: preliminary ruling
	1	Total harmonisation	Exclusive competence	Law-maker	Directly effective & applicable	ECJ: direct action

When we analyse the four sorts of instruments used to adopt ALMP-measures, we get the result as shown in Figure 2. The directive has all its manifestations of the key-parameters in the lower half of the figure; therefore, it has the strongest potential integration capacity. The other three instruments have all their manifestations of the key-parameters in the upper half of the figure. However, the EES-manifestations of the first and last key-parameters, respectively integration technique and the means to ensure compliance, are in the middle part of the figure. Therefore, the action programme, and the resolutions and recommendations have the weakest potential integration capacity. The EES holds a middle position, even though, it's potential integration capacity is not so strong either.

Figure 2. Potential integration capacity of the instruments used to adopt ALMP-measures*



* See Table A2 in the Annex for the underlying assessment of this figure.

Based on the foregoing, we conclude the following. The historical development shows that, like the member states, Europe has a tradition of using ALMP-measures to govern employment and to combat unemployment. A tradition that dates back to 1963. Initially, the main instruments used to adopt ALMP-measures are the resolution and recommendation. More recently, the main instrument used to adopt ALMP-measures is the EES. Consequently, we

notice an increase of the influence of the instruments on the member states ALMPs, whilst the potential integration capacity of the EES is a little stronger than those of the resolution and recommendation. These findings lead us to the subsequent question whether national policies have converged.

5. Convergence analysis on European ALMPs: Research design

Convergence and Europeanisation of ALMPs

To analyse whether the European integration activities has penetrated the policies of the member states, we examine whether national labour market policies have converged have converged in terms of a more activating approach. Generally, convergence can be understood as a decrease in variation of policies across countries in the course of time. In fact, different kinds of convergence can take place. First of all, it is important to distinguish policy 'outputs' from policy 'outcomes'. Policy outcomes refer to results, like unemployment rates, which can either be the result of economic processes or public policies (Unger and Van Waarden, 1995). Policy outputs, by contrasts, refer to the policy programmes adopted by governments, with which policy makers attempt to actively influence society and economy (Bennett, 1991; Unger and Van Waarden, 1995; Holzinger and Knill, 2005). In this paper we are interested in convergence of policy outputs. Within the scope of outputs, convergence can be measured at different levels, ranging from abstract policy goals to detailed specifications in laws.

There is no consensus in the literature regarding the question at which policy level converge is most likely to occur. On the one hand, it is argued that changes in the settings of policy instruments are easier to achieve than adopting new policy goals, because the latter requires a politically demanding major shift in the policy paradigm of a whole polity (Hall, 1993; Visser and Hemerijck, 1997). On the other hand, Radaelli (2005) argues that it is easier to adopt new policy ideas across countries than to converge on the implementation of policy instruments, because the implementation depends on diverging national political contexts. All in all, the literature shows that a policy change at one level, does not necessarily imply a policy change at another level.

Also in the literature on Europeanisation of social protection, the relation between changes of policy goals and policy instruments is debated. In the EES, formal targets are set by the European Commission and the choice of the instruments to achieve these ends is left to the member states. Therefore, many authors who examined the impact of the EES do not find instrumental changes in labour market policies on the national level as a result of the EES, but instead they do find changes of goals, paradigms and discourses (Sotiropoulos, 2004; Zimmerman, 2006; Zeitlin and Pochet, 2005; López-Santana, 2006). For example, Serrano Pascual (2004) assesses, based on a number of case studies of countries, whether the European attention for 'activation' has led to convergence of labour market policies of European countries. The major finding is that most of the European countries have incorporated the activation concept. However, it is not clear whether there is convergence at the level of the content of the policies. The thesis put forward (p.500) is that there is divergence at the level of methods and principles, while there is convergence of ideologies. These differences in implementations of policy instruments, which instruments are applied, are explained by differences in welfare regimes. As discussed in section 2, to make a shift towards ALMPs, countries can choose several instruments. Therefore, it is possible that although all countries activate their labour market policies, these policies do not converge. To assess the degree of convergence across the EU, all 15 EU countries should be included. However, most studies concerning convergence of labour market policies, as Serrano Pascual's study, select only a small number of member states (Clasen e.a., 2001; Hvinden e.a., 2001).

Although changes in policy goals do not necessarily lead to congruous changes in policy instruments, it is conceivable that convergence of policy goals across member states ultimately results in convergence of policy instruments. After all, the mechanisms of the EES as mutual learning and the country specific recommendations on the national performances are focussed on policy instruments. Therefore, Europeanisation of labour market policies may lead to convergence of ALMP instruments. However, we have to note that convergence is something different than Europeanisation (Radaelli and Pasquier, 2007: 39). Convergence of national policies can be a consequence of Europeanisation. After all, transnational communication, which is a mechanism in the EES, is considered as an important explanatory mechanism for convergence (Holzinger and Knill, 2005). But convergence is not necessarily the equivalence of a European impact, and divergence is not necessarily the absence of Europeanisation.

Convergence is the result of policy changes across member states. Member states can follow different paths to activate their labour market policies, therefore, our study includes a number of indicators covering several policy instruments. The benefit of this approach is that it allows us to indicate which instruments have become dominant across the European welfare states, and which instruments are the most eligible to converge.

Expenditures on ALMPs

We use expenditures on ALMPs as an indication of the effort countries undertake to avoid high levels of unemployment.. The following areas are included: expenditures on employment services, labour market training, youth programmes, subsidised employment and programmes for disabled people. Hence, a trend towards an activating approach should be indicated by an increase of expenditures. We use data from the most recent OECD Social Expenditure Database (2007). This database contains data at different aggregation levels. In comparative and convergence studies of welfare states, the level of social expenditures is a widely used indicator of the financial efforts of social provision (Wilensky, 1975; Cornelisse and Goudswaard, 2002; Castles, 2007). However, social expenditures as indicators for policy outputs have their limitations (Clasen en Siegel, 2007; Kühner, 2007).

The first limitation is that since expenditures are measured at high aggregation level, it is not clear which policies are represented by changes in expenditures. Therefore in this study we also analyse four indicators of expenditures at a lower abstraction level, namely public employment services, special programmes for youth when in transition from school to work, labour market training and subsidised employment (Calmfors e.a., 2001). Still, expenditure indicators do not capture changes in the content of specific policy instruments. Spending based analyses provide valuable insights, but spending measures alone are not enough to indicate policy changes. To overcome this, we also include several policy indicators which will be discussed below. Second, changes in levels of expenditures expressed as percentages of GDP do not only indicate changes in social expenditures, but also in GDP, which is called the denominator effect. Therefore, we express the expenditures on ALMPs also as a percentage of the total expenditures on labour market policies, which is the sum of expenditures on passive and active labour market policies. Changes of this indicator indicate relative shifts in efforts that countries make between passive and active labour market policies.

Third, changes in expenditure ratio's may not be caused by policy changes, but simply by the number of beneficiaries as a result of ageing populations or changes in unemployment levels due to cyclical factors. Expenditures on ALMPs are not sensitive for demographic pressures, but of course they are for unemployment levels (Janoski, 1990). However, also this problem is solved by expressing expenditures on ALMPs as a percentage of total labour market policies, since passive and active labour market policies are both influenced by unemployment

levels. In addition, we included an indicator in which the expenditures on ALMPs are controlled for unemployment levels, by dividing the expenditures by the unemployment rate. Finally, the impact of the tax system on social spending differs across countries, because in some countries cash benefits are taxable, while in others they are not. This complicates the comparability of the net social efforts. However, since expenditures on ALMPs do not include benefits to unemployed people, there is no impact of the tax system. Furthermore, because the tax system can also be used for policy purposes, we included a separate indicator for income taxes.

Characteristics of unemployment benefits

To activate unemployed people governments also change unemployment benefits schemes into activating benefit schemes. The general rationale is that less generous benefit schemes decrease the disincentives to work, because the reservation wage of an unemployed person will be lower. Therefore people will sooner accept jobs. This study includes several policy indicators for changes in benefit schemes. First, for the qualifying or entitlement conditions we use the number of weeks of insurance required to qualify for unemployment benefits. When the qualifying conditions are higher, it is more difficult to receive unemployment benefits and people will accept jobs sooner, in order to prevent a situation without income. The second characteristic of unemployment benefits is the waiting period, measured as the number of days persons must wait to start receiving benefit after becoming unemployed. In some countries unemployed people have to wait several days before benefits can be claimed. The rationale of such a waiting period is that it discourages people to quite their jobs and become unemployed (Schmid, 1995). Hence, if governments intend to use such periods in which no benefits are paid to keep people active, we can expect an increase in the number of waiting days across countries. A third characteristic of benefit schemes is the duration, indicated by the weeks of benefit entitlement.² Also shortening the duration of unemployment benefits may incite unemployed people to accept jobs sooner (Layard e.a., 1991). Therefore, changes in the duration of unemployment benefits may have an activating effect. For the abovementioned three indicators, qualifying conditions, waiting period and duration of benefits, we use the Welfare State Entitlements Data Set (Scruggs, 2005). This data set contains several welfare state indicators for 18 countries. Unfortunately, the data set does not include all EU 15 countries.

Next, the level of benefits is important. High levels of unemployment benefits function as disincentives for unemployed people to find work and to accept jobs. Hence, if unemployment benefits are reformed into an activating direction, the benefit levels are lowered. As indicator for the level of benefits, we use unemployment replacement rates, indicating the proportion of income from work replaced by unemployment benefits. In most studies replacement rates are used as measures of benefit generosity. However, replacement rates can only be seen as limited indicators of the generosity of benefit systems (Whiteford, 1995). Some of the limitations are: first, not all relevant aspects of benefit systems may be taken into account, such as housing subsidies; second, taxation can complicate the comparability across countries; and third, replacement rates are based on entitlement criteria and often represent only the maximum payments available in the circumstances specified. The final limitation mentioned is indeed problematic for measuring benefit generosity, but it is exactly the right indicator for measuring changes in policies, as is the case in this study. In

² This excludes periods of means-tested assistance. When relevant, it was assumed that the worker is aged 40 years and has paid insurance for twenty years.

this study we use gross replacement rates from the OECD (2006), which represents a variety of previous income, household, and unemployment spell situations.

Availability requirements and benefit sanctions

An important characteristic of ALMPs is that people have to comply with conditions to receive benefits, usually meaning that people have to be available for the labour market. Therefore, people have to seek jobs actively, they have to participate in active labour market programmes such as training, and they have to accept suitable job offers. The stricter these conditions are, the more activating they are. These availability requirements can be enforced through benefit sanctions, implying temporary reductions in benefit payments. Most comparative studies on availability requirements and benefit sanctions are small-N studies. Since availability requirements and benefit sanctions are usually described in legislation, it is difficult to construct quantitative measures in order to compare many countries over time. Hence, only a few indices are available. Gray (2003) constructed an index for benefit sanctions, covering 14 OECD countries, but only for one year. Kvist (2002) derived an index covering the period 1990-1998, but this index covers only seven countries.

To compare these availability requirements across countries and over time, we use scores on an index of availability requirements which is constructed by the Danish Ministry of Finance (Ministry of Finance Denmark, 1998; Hasselpflug, 2005). The index is composed of a weighted average of scores on five indicators, measuring the demands on job search activity, the extent to which participants in active labour market programmes have to accept job offers, the demands concerning occupational mobility, the demands concerning geographical mobility of the unemployed, and the extent to which persons can reject a job offer or participation in an active labour market program. The index ranges from 1 to 5. The higher the score on the index, the stricter the conditions, meaning that unemployed have to be more available.

To measure changes in benefit sanctions we use another index from the same dataset of the Danish Ministry of Finance. This index is composed of a weighted average of scores on five indicators, measuring benefit sanctions applied in cases of self-induced resignation from jobs, refusal of participation in active labour market programmes and refusal of job offers without valid reasons. Likewise the availability requirements index, the benefit sanctions index ranges from 1 to 5 and the higher the score, the stronger the sanctions. The scores are based on two surveys conducted by the Danish Ministry of Finance, the first was held in the mid 1990's and covers 19 countries.³ The second survey was held in 2004 and covers 25 countries. Unfortunately, there were only 16 countries that have participated in both questionnaires.

Income Tax rates

Most studies on ALMPs only focus on explicit activating instruments as training and availability requirements. However, fiscal instruments like income tax credits may be just as effective (Whitehouse, 1996). The rationale behind fiscal instruments is to increase the attractiveness of work, by increasing the difference in income levels of working and being unemployed, often referred to as 'making work pay'. Naturally, the same objective could be achieved by lowering benefit levels. However, the latter is politically probably more demanding. We use OECD (2005) data on income tax plus employee contributions less cash benefits as a percentage of gross wage, of a one-earner family with two children and an 'average production worker' wage.

Convergence and Europeanisation

³ According to the Danish Ministry of Finance (1999) these data refer to the mid 1990's. Like Nickell e.a. (2005) we therefore assume that these data refer to the year 1995.

Since a main problem in the Europeanisation literature is how to demonstrate that domestic changes have been caused by EU-level factors rather than global or domestic dynamics this study controls for cyclical factors. To determine that Europeanisation rather than globalisation has had any impact on the convergence of ALMPs, we include not only EU member states, but also other OECD-countries. These non-EU OECD countries control for the effects of globalisation.⁴ After all, labour market policy reforms could also be influenced by the world-wide economic integration, or by reports from international organisations like the OECD Jobs Study (1994). As the EU member states, these non-EU countries are advanced societies and capitalist economies.

To assess developments of convergence or divergence the standard deviation and the coefficient of variation⁵ are calculated for several years. When measured in the course of time, a decrease of these variation measures indicates convergence, while an increase indicates that the settings of the policy instrument diverged. Furthermore, the development of the mean signifies the direction, more or less activating, of the convergence or divergence. Constrained by data availability, our empirical study covers the years 1995 up till 2003, which captures the utilization of the EES.⁶

6. Results of convergence analysis

Expenditures on ALMPs

Table 2a and 2b illustrate the changes in ALMPs between 1995 and 2003, which are indicated by several measures. The first column of Table 2a shows a decrease in the EU-average level of expenditures on ALMPs as percentage of GDP. This seems remarkable given the grown attention for ALMPs on the European agendas over the years. However, it is plausible that this decrease in expenditures is caused by decreases in unemployment levels, since the expenditures which are controlled for unemployment show an increase at the EU-average level. At the aggregation level of total expenditures on ALMPs, both controlled and not controlled for unemployment, there is a slight convergence in the EU. But since the expenditures in the seven other OECD countries also converged a little, there is no specific EU effect. In relative terms, the expenditures on active labour market policies increased with 5,5 percent points of all labour market policies in the period 1995-2003. In comparison with a decrease of 2,7 percent point in the other OECD countries during the same period, this shift towards more ALMPs does seem to be a specific European development. Apparently, the approaching accession of the four new member states did not move their LMPs in the direction of the EES paradigm. The Czech Republic, Poland and the Slovak Republic decreased their expenditures on AMLPs. Hungary is the only country increasing its spending on ALMPs between 1995 and 2003.

The four remaining columns of Table 2a illustrate the expenditures on specific ALMP areas. The EU average of expenditures on employment services increased with 2,7 percent points. Since public employment services function as gatekeepers to active labour market programmes in the EES they are considered as key actors in the implementation of the EES. The data indicate increased effort on services such as placement, counselling, vocational guidance and job-search courses across the EU. In this respect, the sharp increase and the

⁴ It should be mentioned that European non-EU countries as Switzerland or Norway may also be influenced by European integration, for example via policy convergence.

⁵ The coefficient of variation is defined as the standard deviation divided by the mean of the corresponding data set. Because the standard deviation rises with the mean of the data set, it is valuable to use both the standard deviation and the coefficient of variation.

⁶ The earliest data on availability requirements and benefits sanctions are from 1995.

high level of these expenditures in the United Kingdom are remarkable. Unfortunately, these data also contain administrative costs, which potentially blur the picture. The expenditures on labour market training increased at the EU-average level, although a number of countries such as Belgium, Denmark, France, the Netherlands, Spain and the United Kingdom decreased these expenditures. Strikingly, the expenditures on youth programmes decreased. This is remarkable since youth is one of the main target groups in the EES and the Lisbon strategy. In fact, the first employment guideline starts with 'tackling youth employment'. However, although many countries note in their national action plans that they have started with special youth programmes, such as the 'The New Deal for Young People' in the United Kingdom, the data illustrate that the activation of unemployed youth did not have the highest priority across the European countries unemployment'. Finally, the expenditures on subsidised employment show an upward convergence, while the expenditures on the other three areas of ALMPs have not converged between 1995 and 2003. In fact, they diverged.

Table 2a Active labour market policies 1995-2003

	Expenditures on ALMP as % of GDP			Expenditures on ALMP as % of GDP divided by the unemployment rate			Expenditures on ALMP as % of expenditures on LMP			Expenditures on empl. services as % of expenditures on LMP			Expenditures on labour market training as % of expenditures on LMP			Expenditures on youth programmes as % of expenditures on LMP			Expenditures on subsidised employment as % of expenditures on LMP		
	1995	2003	Change	1995	2003	Change	1995	2003	Change	1995	2003	Change	1995	2003	Change	1995	2003	Change	1995	2003	Change
Australia	0.8	0.4	-0.4	1.0	0.7	-0.3	39.4	34.3	-5.1	11.5	16.9	5.4	18.0	6.0	-12.0	2.9	1.0	-1.9	14.8	9.7	-5.1
Austria	0.4	0.6	0.3	1.0	1.5	0.5	21.8	38.1	16.4	7.7	10.1	2.3	32.9	45.0	12.1	0.5	1.0	0.5	2.9	6.5	3.7
Belgium	1.3	1.2	-0.1	1.4	1.6	0.1	29.2	26.6	-2.6	4.7	4.9	0.2	20.3	14.5	-5.8	1.5	0.1	-1.4	14.3	15.3	0.9
Canada	0.6	0.4	-0.2	0.6	0.5	-0.1	30.2	32.1	1.9	11.4	17.6	6.2	43.2	28.5	-14.7	1.0	1.4	0.4	3.5	2.4	-1.1
Czech Republic	0.1	0.2	0.0	0.3	0.2	-0.1	25.8	18.7	-7.1	17.3	8.5	-8.8	5.2	9.3	4.1	1.6	0.0	-1.6	4.7	7.5	2.7
Denmark	1.9	1.6	-0.3	2.7	3.0	0.3	29.6	32.7	3.0	1.8	2.2	0.4	52.0	31.6	-20.4	2.3	0.0	-2.3	5.5	9.7	4.2
Finland	1.5	0.9	-0.6	1.0	1.0	0.0	28.2	29.9	1.7	2.9	5.4	2.5	28.2	37.4	9.2	2.8	0.5	-2.3	12.1	9.6	-2.5
France	1.3	1.1	-0.2	1.1	1.1	0.0	44.1	36.6	-7.5	5.2	8.4	3.2	29.2	20.9	-8.3	9.2	2.7	-6.4	13.7	14.8	1.1
Germany	1.2	1.1	-0.1	1.5	1.2	-0.3	42.6	38.5	-4.1	7.5	9.6	2.1	24.8	28.2	3.4	1.9	2.5	0.6	14.4	10.4	-4.1
Greece	0.3	0.2	-0.1	0.3	0.2	-0.1	40.9	32.7	-8.2	17.9	0.0	-17.9	0.0	50.2	50.2	13.1	0.0	-13.1	9.8	12.5	2.6
Hungary	0.4	0.4	0.0	0.4	0.6	0.2	32.0	41.9	10.0	9.5	12.0	2.5	30.0	21.6	-8.4	0.0	0.0	0.0	12.9	19.8	6.9
Ireland	1.6	0.7	-0.9	1.3	1.5	0.2	45.3	40.9	-4.4	7.2	7.4	0.2	12.9	28.5	15.6	6.8	0.0	-6.8	23.1	19.7	-3.4
Italy	0.2	0.7	0.5	0.2	0.8	0.6	20.1	60.0	39.9	:	:	:	0.0	0.0	0.0	9.1	0.0	-9.1	11.0	0.0	-11.0
Japan	0.3	0.3	0.0	1.0	0.6	-0.4	44.6	40.1	-4.4	29.3	31.2	1.8	9.4	13.5	4.2	0.0	0.0	0.0	9.8	2.7	-7.2
Luxembourg	0.2	0.3	0.1	0.7	0.7	0.1	24.9	22.0	-2.9	3.7	3.1	-0.6	9.6	40.4	30.8	9.0	0.3	-8.7	4.1	7.5	3.5
Netherlands	1.1	1.1	0.0	1.5	2.5	1.0	27.8	40.0	12.3	3.4	11.1	7.8	22.4	9.5	-13.0	2.5	1.7	-0.8	2.3	1.1	-1.2
New Zealand	0.7	0.4	-0.3	1.2	1.0	-0.2	39.1	36.5	-2.6	6.9	10.0	3.1	43.3	32.4	-10.9	4.9	4.3	-0.6	7.2	6.6	-0.6
Norway	1.3	0.8	-0.5	2.7	1.8	-0.9	55.4	51.6	-3.8	7.2	8.1	0.8	17.1	11.1	-6.0	3.4	0.1	-3.4	9.0	1.9	-7.2
Poland	0.4	0.2	-0.2	0.3	0.1	-0.2	18.7	18.5	-0.2	0.6	0.0	-0.6	5.0	7.4	2.4	3.4	8.5	5.1	9.3	8.6	-0.7
Portugal	0.8	0.7	-0.1	1.1	1.1	0.0	44.1	38.3	-5.8	5.5	9.1	3.5	28.8	28.6	-0.2	18.6	4.5	-14.1	4.6	11.0	6.5
Slovak Republic	0.8	0.3	-0.5	0.6	0.2	-0.4	63.8	47.3	-16.5	8.5	27.9	19.5	3.7	5.3	1.5	0.3	0.2	-0.1	50.6	13.6	-37.0
Spain	0.5	0.7	0.2	0.2	0.6	0.4	13.5	23.3	9.8	2.4	3.0	0.6	29.9	15.7	-14.1	2.1	1.1	-1.0	4.7	14.2	9.5
Sweden	2.2	1.3	-0.9	2.4	2.2	-0.2	49.0	50.6	1.6	5.4	9.6	4.1	23.5	28.9	5.3	0.4	0.6	0.2	17.0	7.0	-10.1
Switzerland	0.5	0.7	0.2	1.4	1.8	0.3	30.7	41.2	10.5	7.0	7.3	0.3	17.8	23.1	5.3	0.0	0.6	0.6	5.8	10.0	4.2
United Kingdom	0.4	0.5	0.1	0.5	1.1	0.6	33.2	66.3	33.1	14.2	43.1	28.9	22.0	5.1	-16.9	8.6	14.1	5.5	1.2	2.3	1.1
United States	0.2	0.1	-0.1	0.4	0.2	-0.1	36.8	21.2	-15.6	13.4	5.9	-7.5	21.9	23.6	1.7	5.2	3.6	-1.6	2.0	1.7	-0.3
Mean EU 15	1.0	0.8	-0.2	1.1	1.3	0.2	32.9	38.4	5.5	6.4	9.1	2.7	22.4	25.6	3.2	5.9	1.9	-4.0	9.4	9.4	0.1
Standard deviation	0.6	0.4	-0.3	0.7	0.7	0.0	10.4	12.1	1.7	4.5	9.9	5.4	12.7	14.1	1.4	5.1	3.5	-1.7	6.2	5.4	-0.8
Coefficient of variation	0.6	0.4	-0.2	0.6	0.5	-0.1	0.3	0.3	0.0	0.7	1.1	0.4	0.6	0.6	0.0	0.9	1.8	0.9	0.7	0.6	-0.1
Mean OECD 7	0.6	0.5	-0.2	1.2	0.9	-0.2	39.5	36.7	-2.7	12.4	13.9	1.5	24.4	19.8	-4.6	2.5	1.6	-0.9	7.4	5.0	-2.5
Standard deviation	0.3	0.2	-0.1	0.7	0.6	-0.1	8.0	8.6	0.6	7.3	8.3	0.9	12.4	9.0	-3.4	2.0	1.6	-0.4	4.0	3.4	-0.5
Coefficient of variation	0.6	0.5	-0.1	0.6	0.6	0.0	0.2	0.2	0.0	0.6	0.6	0.0	0.5	0.5	-0.1	0.8	1.0	0.2	0.5	0.7	0.2

Source: (a) Expenditures on ALMPs: OECD Social Expenditure Database (OECD 2007);
(b) Unemployment rate: The World Bank: World Development Indicators

Table 2b Active labour market policies 1995-2002/2003

	Income tax and employee contributions as % gross wage			Unemployment gross replacement rates			Qualifying conditions			Duration of benefit entitlements			Waiting days			Availability requirements			Benefit Sanctions		
	1995	2003	Change	1995	2003	Change	1995	2002	Change	1995	2002	Change	1995	2002	Change	1995	2003	Change	1995	2003	Change
Australia	16.1	11.1	-5	27.0	22.5	-4.5	0	0	0	999	999	0	7	7	0	4.5	4.1	-0.4	2.1	1.0	-1.2
Austria	9.5	8.9	-0.6	32.5	31.6	-1.0	156	156	0	30	30	0	0	0	0	2.4	4.5	2.1	2.1	0.4	-1.7
Belgium	19.5	20.4	0.9	38.7	42.2	3.4	78	78	0	999	999	0	0	0	0	2.9	2.6	-0.3	3.7	0.8	-2.9
Canada	16.6	14.2	-2.4	19.3	15.1	-4.1	52	45	-7	38	38	0	14	14	0	2.8	:	:	3.0	:	:
Czech Republic	3.3	1.5	-1.8	:	:	:	:	:	:	:	:	:	:	:	:	3.1	3.6	0.5	5.0	1.0	-4.0
Denmark	30.9	29.7	-1.2	64.9	49.5	-15.4	52	52	0	364	208	-156	0	0	0	2.9	3.9	1.0	2.7	0.9	-1.8
Finland	26.3	22.6	-3.7	35.8	35.7	0.0	26	43	17	100	100	0	5	7	2	2.9	3.1	0.2	2.7	0.6	-2.1
France	13.8	15	1.2	37.4	39.4	2.0	61	61	0	130	130	0	8	7	-1	2.1	2.1	0.0	4.0	2.4	-1.6
Germany	25	19.4	-5.6	26.3	29.2	2.9	104	104	0	52	52	0	0	0	0	2.3	3.3	1.0	3.3	0.9	-2.4
Greece	16.7	16	-0.7	14.7	12.8	-2.0	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:
Hungary	7.3	4.4	-2.9	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:
Ireland	17.9	-3.7	-21.6	26.3	38.1	11.8	39	39	0	65	65	0	18	3	-15	1.9	3.1	1.3	1.7	0.6	-1.1
Italy	19.6	14.4	-5.2	19.3	33.7	14.4	104	104	0	26	26	0	7	0	-7	:	1.5	:	:	2.4	:
Japan	8.6	13.2	4.6	10.2	7.8	-2.4	26	26	0	30	30	0	7	7	0	:	2.4	:	:	0.6	:
Luxembourg	1.2	-3	-4.2	:	:	:	:	:	:	:	:	:	:	:	:	3.5	:	:	5.0	:	:
Netherlands	29.8	17.3	-12.5	52.3	52.6	0.4	208	208	0	104	104	0	0	0	0	3.0	4.0	1.0	5.0	5.0	0.0
New Zealand	22.4	19.4	-3	27.1	27.5	0.4	0	0	0	999	999	0	14	14	0	3.1	:	:	2.1	:	:
Norway	14.9	18.2	3.3	38.8	34.4	-4.5	4	4	0	80	156	76	3	3	0	3.9	4.4	0.5	2.3	1.4	-0.9
Poland	10.1	25.3	15.2	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:
Portugal	9.2	5.6	-3.6	35.4	40.8	5.4	:	:	:	:	:	:	:	:	:	1.8	1.8	0.0	5.0	2.8	-2.2
Slovak Republic	:	6.6	:	:	:	:	:	:	:	:	:	:	:	:	:	:	4.0	:	:	0.5	:
Spain	12.8	9.8	-3	39.0	36.0	-3.1	:	:	:	:	:	:	:	:	:	:	2.7	:	:	1.2	:
Sweden	23.1	21.4	-1.7	26.9	24.5	-2.4	52	52	0	60	60	0	5	5	0	4.1	3.3	-0.9	3.1	0.6	-2.5
Switzerland	9.5	8.1	-1.4	29.5	33.1	3.6	78	26	-52	50	30	-20	2	5	3	:	:	:	:	:	:
United Kingdom	18.6	9.3	-9.3	17.8	16.3	-1.4	10	10	0	52	26	-26	3	3	0	2.9	2.4	-0.5	2.2	0.9	-1.4
United States	18.6	9.2	-9.4	11.9	13.8	1.9	20	20	0	26	26	0	7	7	0	2.5	2.6	0.1	5.0	1.0	-4.0
Mean EU 15	18.3	13.5	-4.7	33.4	34.5	1.1	80.9	82.5	1.5	180.2	163.6	-16.5	4.2	2.3	-1.9	2.7	2.9	0.2	3.4	1.5	-1.9
Standard deviation	7.9	8.9	1.0	15.1	13.5	-1.6	60.0	59.5	-0.5	247.8	241.6	-6.2	4.9	2.6	-2.3	1.2	1.3	0.0	1.7	1.3	-0.4
Coefficient of variation	0.4	0.7	0.2	0.5	0.4	-0.1	0.7	0.7	0.0	1.4	1.5	0.1	1.2	1.1	0.0	0.5	0.4	0.0	0.5	0.9	0.4
Mean OECD 7	15.2	13.3	-1.9	23.4	22.0	-1.4	25.7	17.3	-8.4	317.4	325.4	8.0	7.7	8.1	0.4	3.4	3.4	0.0	2.9	1.0	-1.9
Standard deviation	4.5	4.0	-0.5	9.5	9.5	0.0	27.4	15.6	-11.8	431.4	428.1	-3.3	4.4	3.9	-0.5	1.6	1.8	0.2	1.6	0.5	-1.1
Coefficient of variation	0.3	0.3	0.0	0.4	0.4	0.0	1.1	0.9	-0.2	1.4	1.3	0.0	0.6	0.5	-0.1	0.5	0.5	0.0	0.6	0.5	0.0

Note: The value '999' means an unlimited duration of benefit entitlements. Therefore the meaning of the mean, standard deviation and coefficient of variation is limited.

Source: (a) Income tax and employee contributions: OECD Taxing Wages 2003 / 2004 (OECD, 2005)

(b) Unemployment replacement rates: OECD Benefits and Wages (OECD, 2006)

(c) Qualifying conditions, duration of benefit entitlements and waiting days: Welfare State Entitlements Data Set (Scruggs, 2005)

(d) Availability requirements and benefit sanctions: Ministry of Finance Denmark (1998), Hasselpflug (2005)

Settings of Policy Instruments

Table 2b continues with the results of the analysis of the settings of the policy instruments. Obviously, reducing income taxes has been on the agenda of almost all countries, except Belgium, France, Japan, Norway and Poland. In the EU, taxes on income decreased on average with 4,7 percent points between 1995 and 2003. Although the initial employment guidelines of 1998 did not refer to taxes, guideline 2 and 4 of the 1999 employment guidelines state that member states will review their tax systems to actively support employability and to provide incentives for unemployed and inactive people to seek work. Also the council recommendations contained several advices to reduce income taxes.

The replacement rates show an increase of 1,1 percent points of the last received income. This change does not indicate increased activation, since higher replacement rates reduce incentives for people to accept jobs. Furthermore, the dispersion of the level of replacement rates decreased across the EU. Interestingly, the level of the replacement rates decreased in the other OECD countries. The qualifying conditions, the duration of the entitlement rights and the waiting period remained the same in most countries. On average, the availability requirements have become slightly more demanding (cf. Daguerre, 2007). However, the benefit sanctions have become less strict in all countries except the Netherlands.

Several countries turned almost all of the considered policy instruments in a more activating mode. Austria, for example, increased the expenditures on all four policy areas, lowered the income taxes, lowered the replacement rates and made the availability requirements more demanding. Denmark obviously changed the settings of the benefit system. The level of the replacement rates has declined sharply in Denmark, but is, however, still among the highest of the EU. Simultaneously, Denmark has shortened the duration of the unemployment benefits. Furthermore, Denmark relatively increased the spending on ALMPs and decreased the income taxes. Other countries did exactly the opposite. Belgium for example spent less on ALMPs compared to the other labour market policies, increased the taxation of income, increased the level of benefits and made the availability requirements and benefit sanctions less strict.

Another interesting case is France, since the data show that France made only two labour market instruments more activating. First, France increased the expenditures on employment services and second on subsidised employment. Other instruments were changed in the opposite direction. First, France decreased the total expenditures on ALMP's. Furthermore, it decreased the expenditures on training, it decreased the expenditures on youth measures, it increased the income tax rates, it increased the unemployment replacement rates, it shortened the waiting period and it loosened the benefit sanctions. All changes are thus in a more 'passivating' direction. Our results are supported by Barbier (2005), who found that the activation strategy of France was mainly focused on the demand side of the labour market, subsidising employers, and not on the supply side. Furthermore, we should note that after 2003 France implemented a number of ALMPs, such as changes in benefit schemes.

Based on these data, we can conclude that there is a trend in the EU towards a more activating approach to labour market policies. However, this does not hold for all ALMP instruments, such as the efforts on youth measures and the strictness of benefit sanctions. Furthermore, since the EU member states converged only on a minority of the policy instruments, we cannot say that the setting of the ALMP instruments have converged across Europe. A possible explanation for the limited convergence is that countries can apply different ALMP instruments. Therefore, decreased expenditures on ALMPs do not necessarily mean that the labour market instruments have become less activating. For example, some of the countries which have decreased their expenditures on ALMPs as a percentage of the total

expenditures of LMPs– Germany, Greece, Ireland, Luxembourg and Portugal – lowered the level of income taxes or changed the settings of other instruments. Interestingly, two countries, namely Belgium and France, that also decreased their expenditures on ALMPs as a share of expenditures on all labour market policies, but did not decrease their income tax rates, focused both only on the demand side of the labour market. They increased their expenditures on public employment services and on subsidised employment. Belgium and France are both continental welfare states. Therefore, these findings do not indicate a catch-up of these countries to the ALMPs of the liberal and Scandinavian welfare states, which might explain the limited evidence of convergence.

7. Conclusions: The portrait of Europe's ALMP Agenda

The two consecutive analyses in this paper demonstrate that on the one hand, the European activation agenda has developed to a comprehensive approach with increasing potential integration capacity to influence member states' national policies and that, on the other hand, also member states made a shift towards more ALMPs.

The historical development of European ALMP-measures, shows that, like the member states, Europe has a tradition of using ALMP-measures to govern employment and to combat unemployment. Moreover, it shows, that initially, the focus of the European ALMP-measures is on vocational training. With the growing concerns about unemployment in the course of time, a more comprehensive approach to tackle unemployment is followed by using a combination of ALMPs. Thus, besides vocational training, ALMPs like the improvement of PES, the creation of jobs, and a better use of the possibilities of employment aid and work incentive schemes are advocated. A major turning point towards a structured use of ALMP-measures is the introduction of the EES in 1997. In contrary to the main instruments used before the introduction of the EES, i.e. the resolution and recommendation, the EES offers an overall policy strategy to govern employment and to combat unemployment. An important part of the EES is a concerted use of ALMP-measures. Further, the potential integration capacity of the EES is a little stronger than those of the resolution and recommendation. This is mainly due to the iterative nature of the EES, which consists of a, currently, triennial procedural policy cycle. Consequently, the subjects addressed by the EES, are at least once in the three years subject of national and European discussion. Based on this, we can conclude that in the course of time, ALMPs seem to have gained on importance on the European integration agenda.

The empirical analysis demonstrates that also on the agendas of the member states ALMPs have become more important. Controlled for unemployment the study finds that expenditures on ALMPs in EU member states have increased. It seems that national policies have been influenced by European integration rather than by globalisation or by OECD labour market policy advices, since the expenditures in the non-EU countries have decreased on average. And, at a lower aggregation level, we find that national policies of EU member states tend to follow the policies of the guidelines and the country specific recommendations of the EES. However, at this level of abstraction policies appear to converge less. One explanation for the differences in findings between the aggregation levels is that it is self evident that more differences will be found when observations are more detailed. This also explains the gap between the results of the quantitative expenditure based studies which find convergence of welfare states on the one hand, and the results of case studies which find divergence of welfare states on the other hand. Another interesting finding at this aggregation level is that expenditures on youth programmes have declined. How can we reconcile these results with the enormous European attention for policies focussed on preventing youth unemployment? Future studies will have to address this puzzle in more detail.

So, if we bare in mind the definition of a European ALMP Agenda we draw up in the beginning of this paper (i.e. a structured plan, which is executed by measures that have the intention to intervene in a person's participation behaviour or opportunities on the labour market), we can draw the following portrait of the face of the European ALMP Agenda. Currently, the main instrument used to adopt ALMP-measures is the EES. The EES offers an overall policy strategy to govern employment and to combat unemployment. An important part of the EES is a concerted use of ALMP-measures. As such, there is no independent or specific European ALMP Agenda. However, the concerted use of AMPL-measures, creates an agenda within the EES. An agenda with modest influence, whereas we have found some evidence of convergence, to a certain extent, of labour market policies across EU member states.

ECJ Case

ECJ Case C-84/94 *UK v. Council* (Working Time case) [1996] ECR I-5755.

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Annex

Abbreviations used to indicate the ALMPs addressed by the instrument

PES	Public Employment Services
VT	Vocational Training
JC	Job-creation
WS	Wage Subsidies
ES	Employment Subsidies
BS	Benefit Systems
EIT	Earned Income Tax

Table A1 ALMP-measures adopted by the EEC/EC/EU

	Year of adoption	Measures	ALMPs
1.	1963	Council Decision 63/226/EEC laying down general principles for implementing a common vocational training policy OJ 063/1338	VT
2.	1974	Council Resolution concerning a social action programme OJ C13/1	PES; VT; BS
3.	1976	76/207/EEC Directive on the implementation of the principle of equal treatment for men and women as regards access to employment, vocational training and promotion, and working conditions OJ L39/40	VT
4.	1977	Commission Recommendation on vocational preparation for young people who are unemployed or threatened by unemployment OJ L180/18	VT; BS
5.	1979	79/7/EEC Directive on the progressive implementation of the principle of equal treatment for men and women in matters of social security OJ L6/24	BS
6.		Council Resolution on linked work and training for young persons OJ C1 [1980] 1	VT
7.		Council Resolution on the adaptation of working time OJ C2 [1980] 1	JC
8.	1980	Council Resolution on guidelines for a Community labour market policy OJ C168/1	PES; VT
9.	1981	Commission Communication A new Community action programme on the promotion of equal opportunities for women 1982-1985 COM (81)758	VT; BS
10.	1982	Council Resolution on Community action to combat unemployment OJ C186/1	VT; JC
11.	1983	Council Resolution concerning vocational training policies in the European Community in the 1980s OJ C193/2	VT
12.	1984	84/635/EEC Council recommendation on the promotion of positive action for women OJ L331/34	PES; VT
13.	1984	Council Resolution on the promotion of employment for young people OJ C29/1	VT; PES; JC; WS; BS
14.		Council Resolution on the contribution of local employment initiatives to combat unemployment OJ C161/1	VT; JC; ES
15.		Council Resolution on action to combat unemployment amongst women OJ C161/4	PES; VT; JC
16.		Council Resolution on action to combat long-term unemployment OJ C2 [1985] 3	PES; VT; JC; BS
17.	1986	86/378/EEC Directive on the implementation of the principle of equal treatment for men and women in occupational social security schemes OJ L225/40	BS
18.		Council Recommendation on the employment of disabled people in the Community OJ L225/43	PES; VT; JC; ES
19.		86/613/EEC Directive on the application of the principle of equal treatment between men and women engaged in an activity, including agriculture, in a self-employed capacity, and on the protection of self-employed women during pregnancy and motherhood OJ L359/56	BS
20.		Council Resolution (2nd) on the promotion of equal opportunities for women OJ C203/2	JC
21.		Council Resolution on an action programme on employment growth OJ C340/2	PES; VT; JC

22.	1987	Commission Recommendation on vocational training for women OJ L342/35	VT; BS
23.		Council Decision 97/569/EEC concerning an action programme for the vocational training of young people and their preparation for adult and working life OJ L346/31	VT
24.	1988	Council Resolution the reintegration and late integration of women into working life OJ C333/1	VT
25.	1989	Council Resolution on continuing vocation training OJ/C148/1	VT
26.	1990	Council Decision 90/267/EEC establishing an action programme for the development of continuing vocational training in the European Community (force) OJ L156/1	VT
27.		Council Resolution on action to assist the long-term unemployed OJ C157/4	PES; VT
28.		Commission Communication third medium-term action programme on equal opportunities for women and men COM (90) 449 final; substantiated by Council Resolution on the third medium-term Community action programme on equal opportunities for women and men (1991 to 1995) OJ C142/1	VT; JC
29.	1992	Council Recommendation 92/441/EEC on common criteria concerning sufficient resources and social assistance in social protection systems OJ L245/46	BS
30.		Council Resolution on the need to tackle the serious and deteriorating situation concerning unemployment in the Community OJ C49/3	PES; VT
31.	1993	Council Recommendation on access to continuing vocational training OJ L181/37	VT
32.	1994	Council Decision 94/819/EC establishing an action programme for the implementation of a European Community vocational training policy OJ L340/8	VT
33.		Mixed Resolution on equal participation by women in an employment intensive economic growth strategy OJ C368/3	VT; JC
34.	1995	Mixed Resolution on the employment of older workers OJ C228/1	VT; BS
35.		Mixed Resolution on the fight against racism and xenophobia in the fields of employment and social affairs OJ C296/13	VT
36.		Council Decision on a medium-term Community action programme on equal opportunities for men and women (1996 to 2000) OJ L335/37	VT; JC
37.	1996	96/34/EC Council directive on the framework agreement on Parental leave, concluded by UNICE, CEEP and ETUC. OJ L145/4	JC; BS
38.		Council Resolution on the role of social protection systems in the fight against unemployment OJ C386/3	ES; BS; EIT
39.	1997	97/81/EC Council Directive concerning the Framework Agreement on part-time work concluded by UNICE CEEP and the ETUC OJ L14/9	JC
40.		2000/78/EC Directive establishing a general framework for equal treatment in employment and occupation OJ L303/16	VT
41.		Mixed Resolution on equality of opportunity for people with disabilities OJ C012/1	VT
42.		European Council Resolution on the Growth and Employment Pact Amsterdam OJ C236/2	VT; JC; WS; BS; EIT
43.		Council Resolution on the 1998 Employment Guidelines, published on http://ec.europa.eu/employment_social/employment_strategy/guidelines_en.htm	PES; VT; JC; WS; BS; EIT
44.	1999	Mixed Resolution on the employment and social dimension of the information society OJ C8/1	VT; JC; PES
45.		Council Resolution on the 1999 Employment Guidelines OJ C69/2	PES; VT; JC; WS; BS; EIT
46.		Council Resolution on equal employment opportunities for people with disabilities OJ C186/3	PES; VT; BS
47.	2000	2000/164/EC Council Recommendation on the implementation of Member States' employment policies OJ L52/32	PES; VT; JC; WS; BS; EIT
48.		2000/228/EC Council Decision on Guidelines for Member States' employment policies for the year 2000 OJ L72/15	PES; VT; JC; WS; BS; EIT
49.		Mixed resolution on the social inclusion of young people OJ C374/04	VT
50.	2001	2001/63/EC Council Decision on Guidelines for Member States' employment policies for the year 2001 OJ L22/18	PES; VT; JC; WS; BS; EIT

51.		2001/64/EC Council Recommendation on the implementation of Member States' employment policies OJ L22/27	PES; VT; JC; WS; BS; EIT
52.		Council Resolution on the role of education and training in employment related policies OJ C204/1	VT
53.	2002	2002/177/EC Council Decision on Guidelines for Member States' employment policies for the year 2002 OJ L60/60	PES; VT; JC; WS; BS; EIT
54.		2002/178/EC Council Recommendation on the implementation of Member States' employment policies OJ L60/70	PES; VT; JC; WS; BS; EIT
55.		Council Resolution on the promotion of enhanced European cooperation in vocational education and training OJ C013/2	VT
56.	2003	Council Resolution on equal opportunities for pupils and students with disabilities in education and training OJ C134/6	VT
57.		Council Resolution on transforming undeclared work into regular employment OJ C260/1	WS; BS; EIT
58.		Council Resolution on equal access to and participation of women and men in the knowledge society for growth and innovation OJ C317/6	JC; ES
59.		2003/578/EC Council Decision on Guidelines for the employment policies of the Member States OJ L197/13	PES; VT; JC; WS; BS; EIT
60.		2003/579/EC Council Recommendation on the implementation of Member States' employment policies OJ L197/22	PES; VT; JC; WS; BS; EIT
61.	2004	2004/740/EC Council Decision on Guidelines for the employment policies of the Member States OJ L326/45	PES; VT; JC; WS; BS; EIT
62.		2004/741/EC Council Recommendation on the implementation of Member States' employment policies OJ L326/47	PES; VT; JC; WS; BS; EIT
63.	2005	2005/600/EC Council Decision on Guidelines for the employment policies of the Member States OJ L205/21	PES; VT; JC; WS; BS; EIT
64.	2006	2006/54/EC Directive on the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation (recast) OJ L204/23	VT; BS
65.		2006/544/EC Council Decision on Guidelines for the employment policies of the Member States OJ L215/26	PES; VT; JC; WS; BS; EIT
66.	2007	Council Decision on Guidelines for the employment policies of the Member States <i>not yet published in OJ; version as published on http://ec.europa.eu/employment_social/employment_strategy/guidelines_en.htm</i>	PES; VT; JC; WS; BS; EIT
67.		Council Recommendation on the 2007 up-date of the broad guidelines for the economic policies of the Member States and the Community and on the implementation of Member States' employment policies <i>not yet published in OJ; version as published on http://ec.europa.eu/employment_social/employment_strategy/recom_m_en.htm</i>	PES; VT; JC; WS; BS; EIT

Table A2 Underlying assessment of the instruments used to adopt ALMP-measures for Figure 2

Instrument	1. Integration technique	2. Conferred competence‡	3. Decision making capacity	4. Effect on national legal order	5. Means to ensure compliance
Minimum standard directive	Minimum harmonisation (2)	Shared (2)	Law-maker (1)	Conditionally (2)	ECJ: preliminary ruling (2)
Action programme*	Procedural obligations (4)	Coordinative (3)	Specific function (3)	Indirectly (4)	Persuasive pressure (4)
Resolution and Recommendation	Procedural obligations (4)	Coordinative (3)	Specific function (3)	Indirectly (4)	Persuasive pressure (4)
EES (decision and recommendation)	Coordinative (3)	Coordinative (3)	Specific function (3)	Indirectly (4)	Institutional surveillance (3)

‡ based on the policy field employment; except the directives, i.e. social policy.

* assessed on the activities that address the member states