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HE35 – EU, the European Market and
Business Strategy

Employment policy

Overview:

1. Concepts concerning the EU's employment policy
2. Treaty articles about the free movement of labor
3. Economic integration and wage structures
4. The development of the EU's employment policy
5. Political forces behind “hard law”
6. Political forces behind “soft law”
7. Open Method of Cooperation (OMC) in practice
8. OMC and its impact
9. The social dialogue
10. Models of capitalism and employment policy

11. Employment policy and business strategy

1. Concepts concerning the EU's employment policy

a) Social, employment, and labor market policy

Social policy = includes employment policy and labor market policy PLUS social protection policy

Employment policy = includes labor market policy PLUS certain economic policy of relevance to employment

Labor market policy = includes wage earners rights, health and safety at work, etc.

b) Negative and positive integration

Negative integration

= deregulatory national policies

= elimination of regulations impeding the free movement of productive forces

Positive integration

= **reregulatory** policies (I'm not sure what you mean. Reinstating former regulatory policies?) at the EU level

= new common EU policies

c) **“Hard” and “soft” law**

“Hard law”

= directives, regulations, and decisions adopted by EU institutions

= traditional Community Method

“Soft law”

= recommendations based upon reports with indicators, bench-marking, and best practices adopted by EU institutions

= open method of coordination (OMC)

d) Federalism (supranationalism) and intergovernmentalism

Federalism (supranationalism)

= the EU is (and ought to be) a multi-level political organization

= strong supranational institutions (Commission, European Parliament, Court of Justice)

= there is a logic of closer European integration

Intergovernmentalism

= the Member States are (and ought to be) the most important political entities in the EU

= integration is first and foremost a result of Member States' interest

= there is no logic of closer European integration

2. Treaty articles about the free movement of labor

Treaty articles:

A basic pillar of European Union market integration: free movement of labor

The economic rationale behind the treaty articles:

- = more optimal allocation of labor resources
- = better supply of labor
- = better exploitation of individual skills

Mutual advantages from free movement of labor

An advantage for both immigration and emigration countries – if and when the immigrants do get a job:

- 1) Emigration countries: a) eases high unemployment pressures, b) improves the balance of payment through transfer of capital to the home country, c) improves the quality of the emigrant labor force as they acquire new skills

- 2) Immigration countries: a) better exploitation of capital equipment, b) avoidance of bottle-necks on the labor markets

Impediments to the free movement of labor

Current impediments to the free movement of labor within the European Union:

- 1) lack of mutual recognition of diplomas and education
- 2) temporary arrangements vis-à-vis new Member States

3. Economic integration and wage structures

The impact of the free movement of labor within the European Union; two theories:

1) Convergence theory:

Economic integration

= convergence of wages because no country can afford to uphold a divergent (i.e. higher) wage structure if it wants to be competitive

- did this theory explain the situation from 1960-1990?

2) **Divergence theory:**

Economic integration

= production cycle changes through outsourcing

= non-sophisticated industrial production is gradually outsourced and replaced by more R & D intensive products

The wage structures follow the production cycle

- did this theory explain the situation after 1990?

4. The development of the EU employment policy

Two modes of cooperation in the EU:

- 1) “**Hard law**” – a decision-making process leading to directives, regulations, decisions etc.
- 2) “**Soft law**” – a decision-making process leading to mutual learning through benchmarking, best practice, indicators and recommendations.

Employment policy/ labor market policy has never been an either-or but always a both-and.

However, “soft law” has become much more dominant lately.

EU employment policy: from recommendations to “hard law” and back to recommendations?

1952-1972

European Coal and Steel Community:
recommendations concerning health and safety in
the coal and steel industry

The Treaty of Rome: free movement of labor,
however with exceptions, especially for certain
positions in the public sector

1973-1979

Labor law directives on information and
consultation of workers in case of “mass
dismissals”, directives on equal payment, etc.

1979-1987

The UK (Thatcher) blocks all proposals for new
labor legislation in the EU. Unanimity valued.

1987-1997

European Single Act, Maastricht Treaty:

Many new directives on health and safety at work adopted with qualified majority

Social Charter

Social Dialogue (Val Duchesse dialogue)

1997-2007

Amsterdam Treaty: The Luxembourg process.

5. Political forces behind ‘hard law’:

- Federalists
- France
- Trade unions
- The Commission

Arguments in favor of "hard law" in the labor market area:

- 1) The alternative to "hard law" labor market legislation is a "race to the bottom"
- 2) "Hard law" labor market legislation shall off-balance "hard law" internal market and EMU legislation
- 3) Supranational European cooperation means "hard law" legislation as only "hard law" can be brought before the Court of Justice – and only "hard law" has supremacy vis-à-vis national legislation and direct effect for citizens and companies

6. Political forces behind “soft law”:

- Intergovernmentalists
- The UK
- Employer federations
- The heads of state in the European Council

Arguments in favor of “soft law” in the labor market area

- 1) In tune with the liberalization in other areas of EU integration
- 2) “Soft law” accepts that new jobs can only be created through improved competitiveness
- 3) “Soft law” builds upon the fact that policy learning is playing still a more important role in the adoption of new reforms in new Member States

7. OMC in practice

What is the OMC in the labor market policy area in practice? The same cycle year after year:

- 1) Yearly reporting to the Commission on national labor market policy based upon indicators and statistics – e.g. people aged 55 to 64 in active employment, women in active employment, unemployment percentage for young people below 25 years of age).
- 2) Meetings between national civil servants, national social partners' representatives, etc. – and Commission officials. Discussions. Explanations.
- 3) Recommendations from the Commission to national governments concerning their national labor market policies.
- 4) Peer reviews of three to four Member States' employment/labor market policies each year.

Is the OMC a talking shop?

What are the results of the OMC in the labor market area?

Opinions are divided:

Some point to many **positive** results:

The evaluation of the Commission and some researchers claim

* that policy goals of the Member States' labor market policies have shifted since the start of the Luxembourg process, and

* that (in more concrete terms) the fight against unemployment as the primary labor market policy goal has been substituted with the goal to increase employment.

Criticism of the OMC

Other researchers are much more **critical** vis-à-vis the results of the EU's employment strategy:

- * According to interviews with participants in peer reviews, EU employment policy has no impact.
- * The OMC is an exclusive (and not an inclusive) process with participants from a small number of experts. No spreading of learning processes.

8. OMC and its impact

My own research: OMC and its impact

I have tried to test the impact of the European employment policy in detail through a questionnaire:

Four important committees under the OMC in the EU:

- a) Economic Policy Committee - EPC
- b) Employment Committee – EMCO
- c) Advisory Committee on Vocational Training – ACTV
- d) Social Protection Committee – SPC

Two members from each EU Member State: normally civil servants + a few independent experts.

Results of my own research

All members received a questionnaire. One of the questions asked from which countries he or she had learned the most.

If the member mentioned another country, that country got one point.

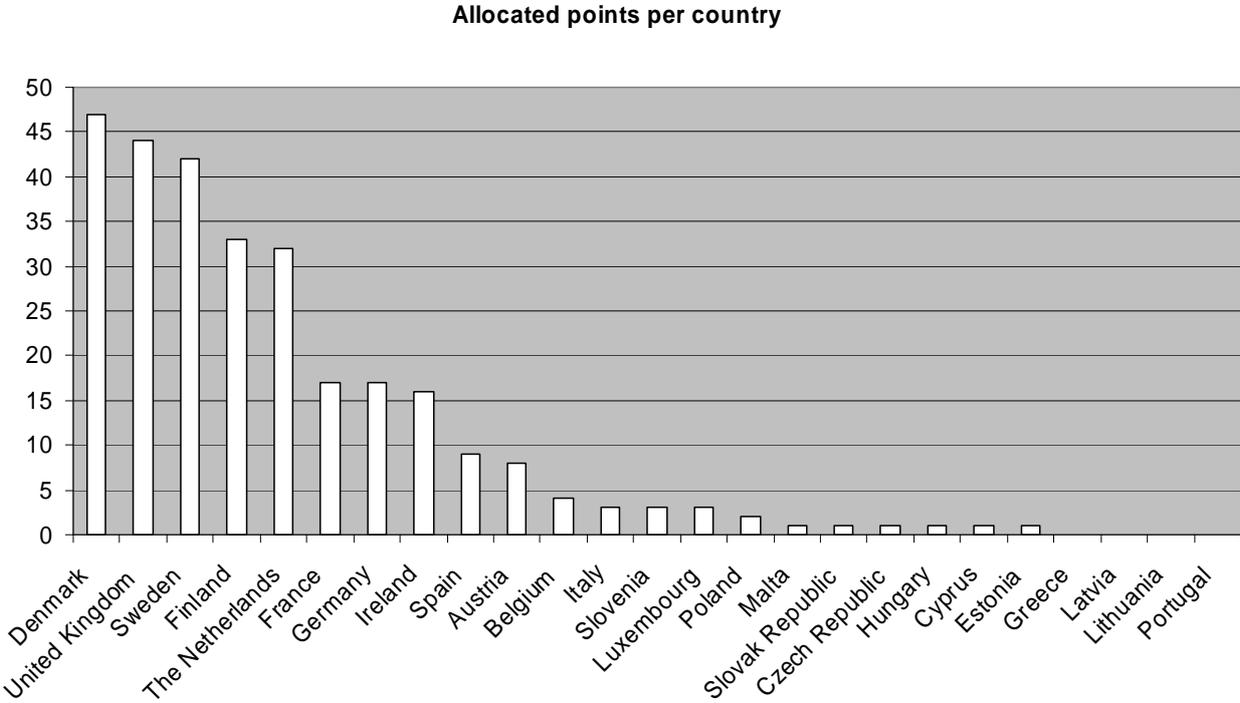
Overall results:

Denmark, the UK and Sweden got the most points (more than 40 points).

Then came Finland and the Netherlands (30-35 points)

These four countries got 198 out of 286 points, i.e. approx. 70 per cent of all points given to Member States by members of OMC committees.

Figure. Tutors in the EU's OMC committees ranked by points



Examples of learning

Examples of policy learning from one Member States of another:

- 1) Early activating scheme (from Denmark).
- 2) Integration of immigrants (from the UK).
- 3) Private employment services (from the Netherlands).

Discursive learning I

However, the most significant impact is a result of the changing discourses or new logic of argumentation of labor market policy issues within the last 5 to 10 years:

- * From fighting unemployment to the attempts to increase the labor supply.
- * It is now recognized that the labor market is a flexible entity, the size of which is a function of firms' competitiveness.

Discursive learning II

- * Early activation is an important method in order to test the willingness to take up a job.
- * Incentives are generally needed in the job creation process.
- * Long periods of dismissals are not in the general interest of wage earners.
- * Labor market policy is a multifunctional policy: integration, equal treatment, competitiveness.

OMC as an expansive method of cooperation

Why OMC?:

- 1) The majority of Social Democratic governments in the 1990s wanted to put labor market policy high on the political agenda.
- 2) Bench-marking had become a tested method in the 1990s when it was “imported” from business economics into the political area.
- 3) OECD had already in 1994 put labor market policy high on the agenda via its Job studies. The Lisbon Strategy in 2000. The “Gang of Four” blocks new labor legislation in the EU.

9. The social dialogue

The social dialogue (Val Duchesse dialogue)
since the mid-1980s

Social action plan: 47 directives and
recommendations concerning equal treatment,
part-time work, employment contracts, etc.

Organized or not: huge differences among EU
Member States

One problem is the huge differences as far as the affiliation percentages for trade unions are concerned (approx. figures):

Denmark: 80

Belgium: 60

Luxembourg: 60

Sweden: 55

Finland: 50

Ireland: 50

Italy: 40

Austria: 40

Germany: 40

The Netherlands: 35

Greece: 30

The UK: 25

Spain: 20

Portugal: 20

France: 10

New Member States: 10-20

Conflict 1 concerning the social dialogue

On-going conflicts between Southern and Northern European Member States on the degree to which working conditions shall be regulated at the European level.

On-going conflict between the EU and the UK on whether or not the EU shall adopt new labor market directives.

In part, the conflict has been solved by the introduction of the open method of coordination (OMC) = an intensification of EU cooperation on labor market issues, but only based upon soft law.

Conflict 2 concerning the social dialogue

An on-going conflict concerns the possibility of implementing EU decisions on labor market issues through agreements between social partners.

This has been possible since the Amsterdam Treaty.

10. Models of capitalism and employment strategy

According to the sociologist Esping-Andersen, we find **three basic types** of welfare capitalism:

Social Democratic/ Nordic:

- a) Corporatism = tripartite negotiations concerning national legislation
- b) Centralized wage negotiations covering almost the whole labor market
- c) Wages and working conditions are mainly negotiated between social partners themselves at national level
- d) Trade unions are non-confrontational

Anglo-Saxon/ liberal:

- a) No corporatism concerning national legislation
- b) Decentralized wage negotiations
- c) Wages and working conditions are mainly negotiated at the company level
- d) Trade unions are non-confrontational

Continental European/ Rhine/ Conservative:

- a) Semi-corporatism concerning national legislation
- b) Centralized wage negotiations covering only parts of the labor market
- c) Wages and working conditions are negotiated between social partners themselves at national level – but huge segments of the labor market are left outside the agreements
- d) Trade unions are confrontational

11. Employment policy and business strategy

Management has to take into consideration:

1) European legislation – e.g. concerning equal pay, equal treatment, information and consultation, etc.

2) EU OMC data on working hours, productivity, number of holidays, etc. in negotiations with their employees

3) The possibility of recruiting labor from other EU Member States

4) The social dialogue – and exploit it in order to reach consensus at the company level

5) The different types of employers-employees relationships in the various Member States