

After Lisbon? Social Europe at the crossroads

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Highlights

“To say that targets set up have not been fulfilled, does this make the strategy a failure?”

- ◆ There is significant value in the Lisbon agenda, “partly successful”
- ◆ But it was not sufficiently and coherently supported by an effective process
- ◆ The Lisbon strategy failed in terms of delivery: volume and quality of jobs; income inequalities
- ◆ The evaluation is taking place in the worst economic downturn since the 1930s

What was the Lisbon Strategy?

*"Lisbon was a strategy for economic **structural change/modernisation** aiming at creating many new sectors of the economy"*

- ◆ "The most competitive and dynamic **knowledge-based** economy
- ◆ capable of **sustainable economic growth**,
- ◆ with **more and better jobs**
- ◆ and **social cohesion**" by 2010.

The magic word: "Flexicurity"

The Green Paper of 2006: *Modernising labour law to meet the challenges of the 21st century*

Main theme of EES. The June 2007 Commission Communication

- ◆ **flexibility** of labour markets, work organisations and employment relations on the one hand,
- ◆ **security** – employment security and income security – on the other.

flexibility and security should not be seen as opposites, but can be made mutually supportive (Wilthagen).

2006-2007: Integrated Guidelines for Growth and Jobs

- ◆ Flexible contractual arrangements
- ◆ Effective active labour market policies
- ◆ Reliable and responsive lifelong learning systems
- ◆ Modern social security systems, providing income support and facilitating mobility
- ◆ Supportive and productive social dialogue

“A flexible and inclusive Labour Market”
A shift from job security to employability

Legislative developments and role of the national social dialogue

- ◆ Important reforms (on pensions, labour market, industrial relations systems), accomplished in most of the member states, were based on bipartite social dialogue and/or tripartite social pacts;
- ◆ Social partners are often involved in the co-management of the national welfare schemes (i.e. joining labour market boards, unemployment insurance funds, training councils, complementary pension schemes, local welfare);
- ◆ Collective bargaining and bipartite agreements remain a key tool to introduce and manage flexibility at the workplace level.

Social pacts in Italy

Since the early 90s, there is a long and intense season of social pacts. The basic norm of the i.r. system is not a law but still the tripartite social pact of July 1993

In July 2007, the Italian government signed a social pact with the trade unions concerning pension reform, social security, flexible employment contracts, competitiveness, young workers and women.

In January 2009 a new social pact was signed by the new government and all the social partners, except the largest union: the CGIL.

The reasons:

- ◆ the new method to calculate the wage dynamic;
- ◆ the introduction of "exit clauses" from the national sector collective agreements;
- ◆ the limitation of the right to strikes to the main organisations only.

The Lisbon method: a soft coordination

- ◆ no transfer of sovereignty
- ◆ no strict rules underpinned by sanctions
- ◆ but an endeavour to move towards the same goal
- ◆ supported by a soft coordination process (benchmarking; peer reviews; mutual learning)
- ◆ standstill of social directives

The European legislative developments

- ◆ Council Directive 2008/104 on temporary agency work
- ◆ The amendment of the Working Time Directive (2003/88)
- ◆ Recasting the European Working Council Directive

Why the OMC?

◆ Two key motivations for coordination

- Interdependence
- Policy learning

◆ Two reasons for doing it at EU level

- Stronger interdependence (especially within euro area)
- Common EU goals (political dimension)

◆ Two main difficulties

- **Structural heterogeneity**
- Policy heterogeneity

European social models

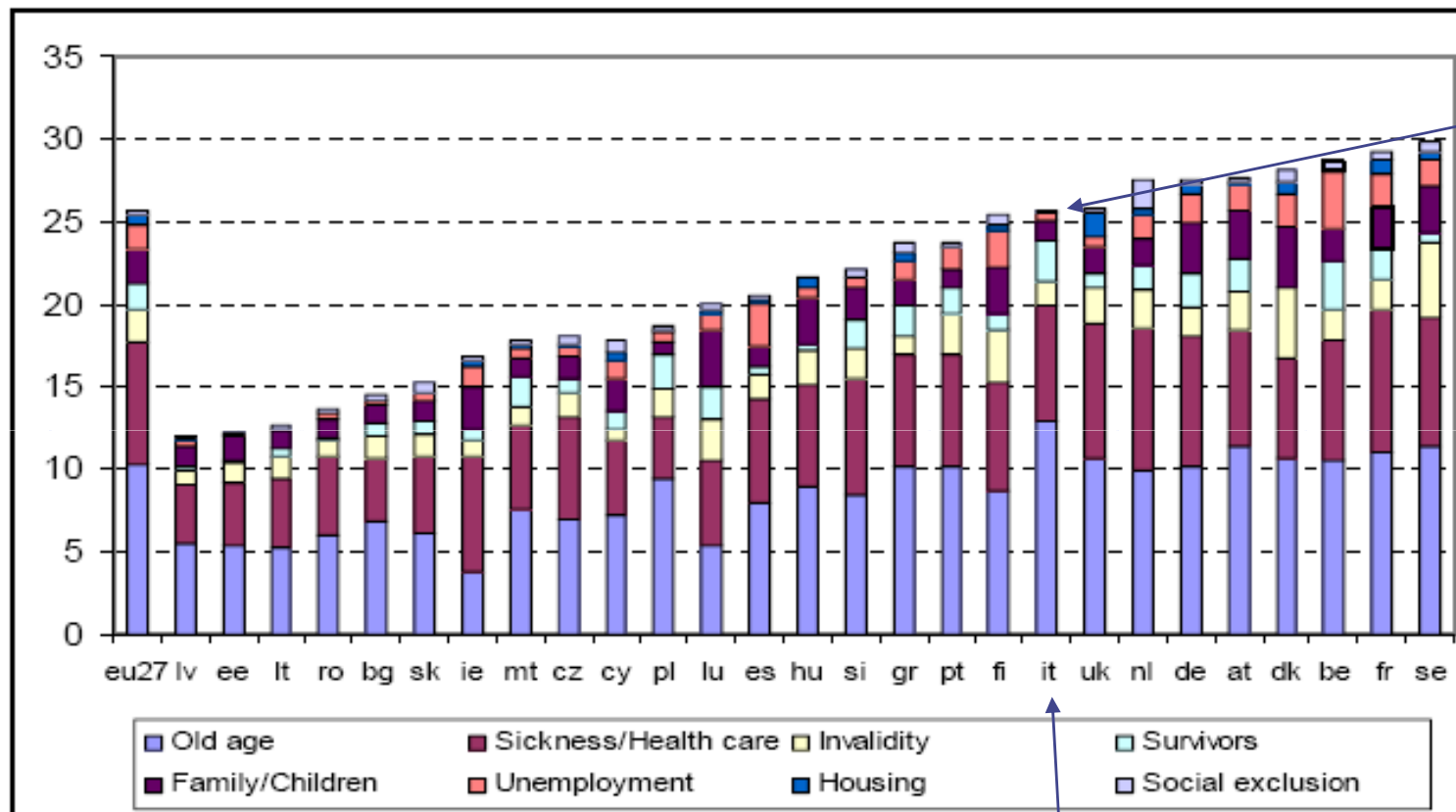
Table 3 – Results of the clustering analysis, using the K-means method

Continental	Eastern	Nordic	Mediterranean	Anglo-Saxon
AT	CZ	DK	EL	IE
BE	HU	FI	PT	UK
FR	IT	NL	ES	
DE	PO	SE		
	SK			

Sources: DG EMPL calculations from Eurostat and OECD data.

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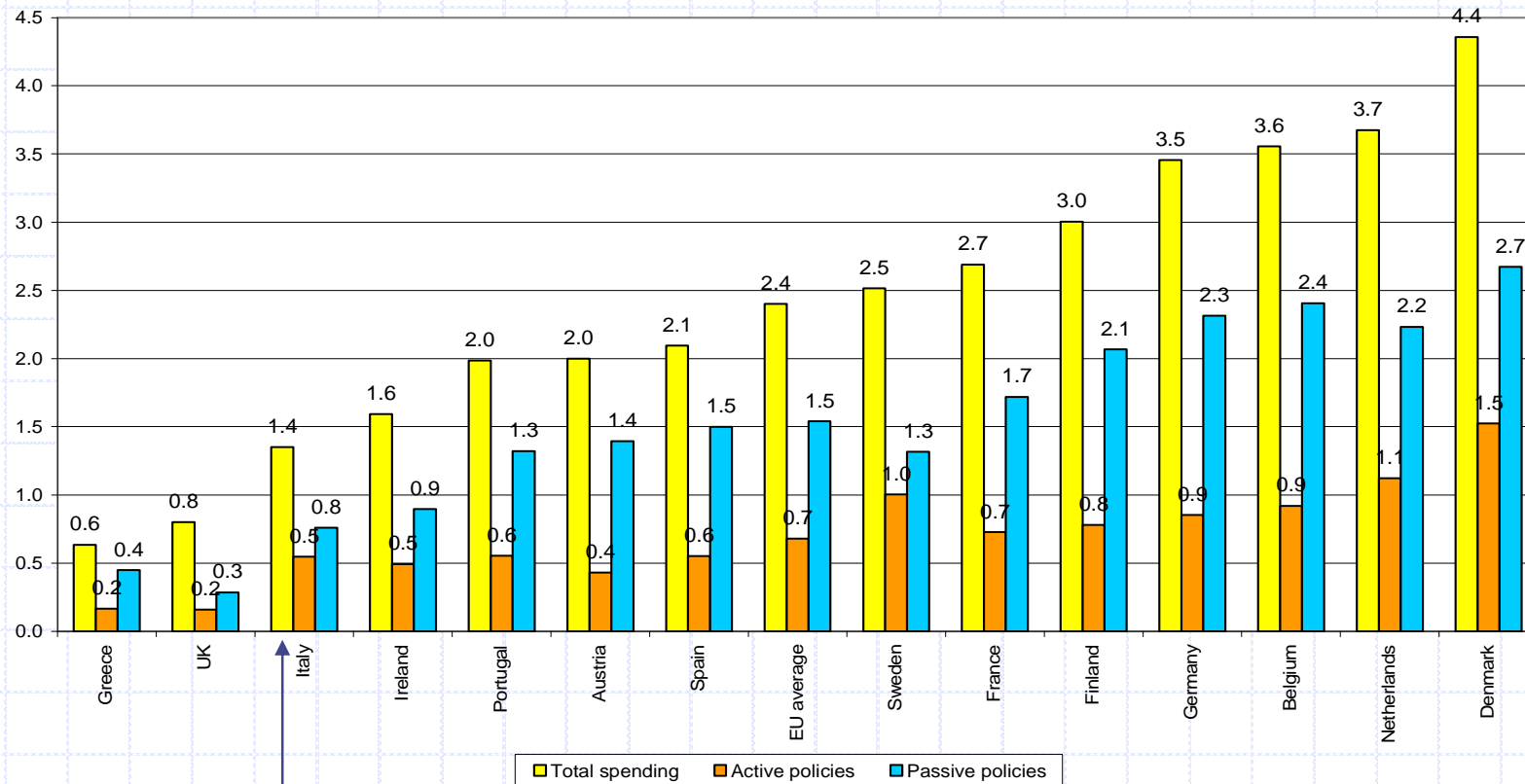

Figure 4: Social protection benefits, by function, in % of GDP - 2006



Source: Eurostat

The spending for labour policies (active and passive)

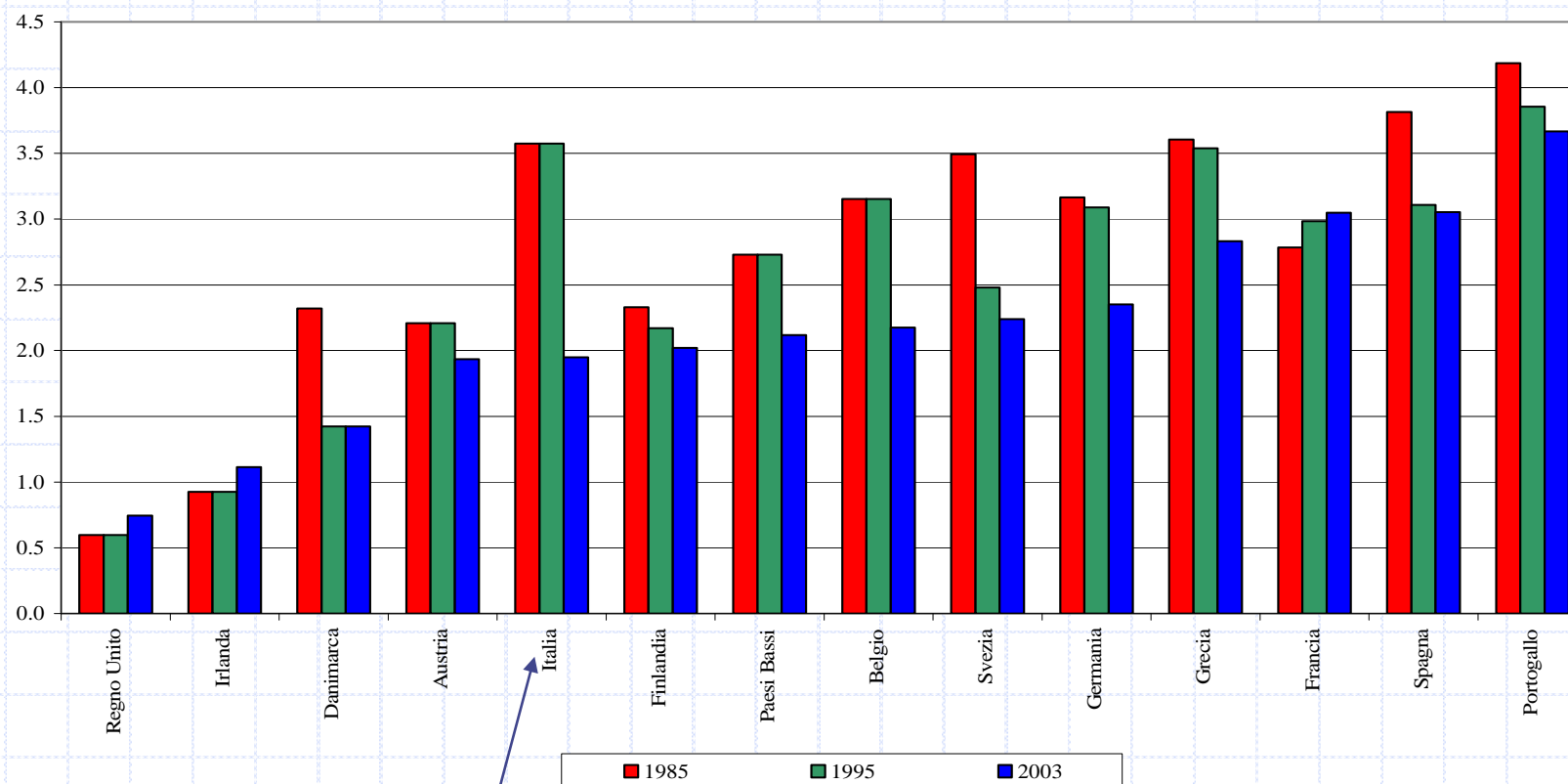
Spending for labour market policies in 2004 in EU15 countries.
Source: elaborations on Eurostat - Labour market policy database



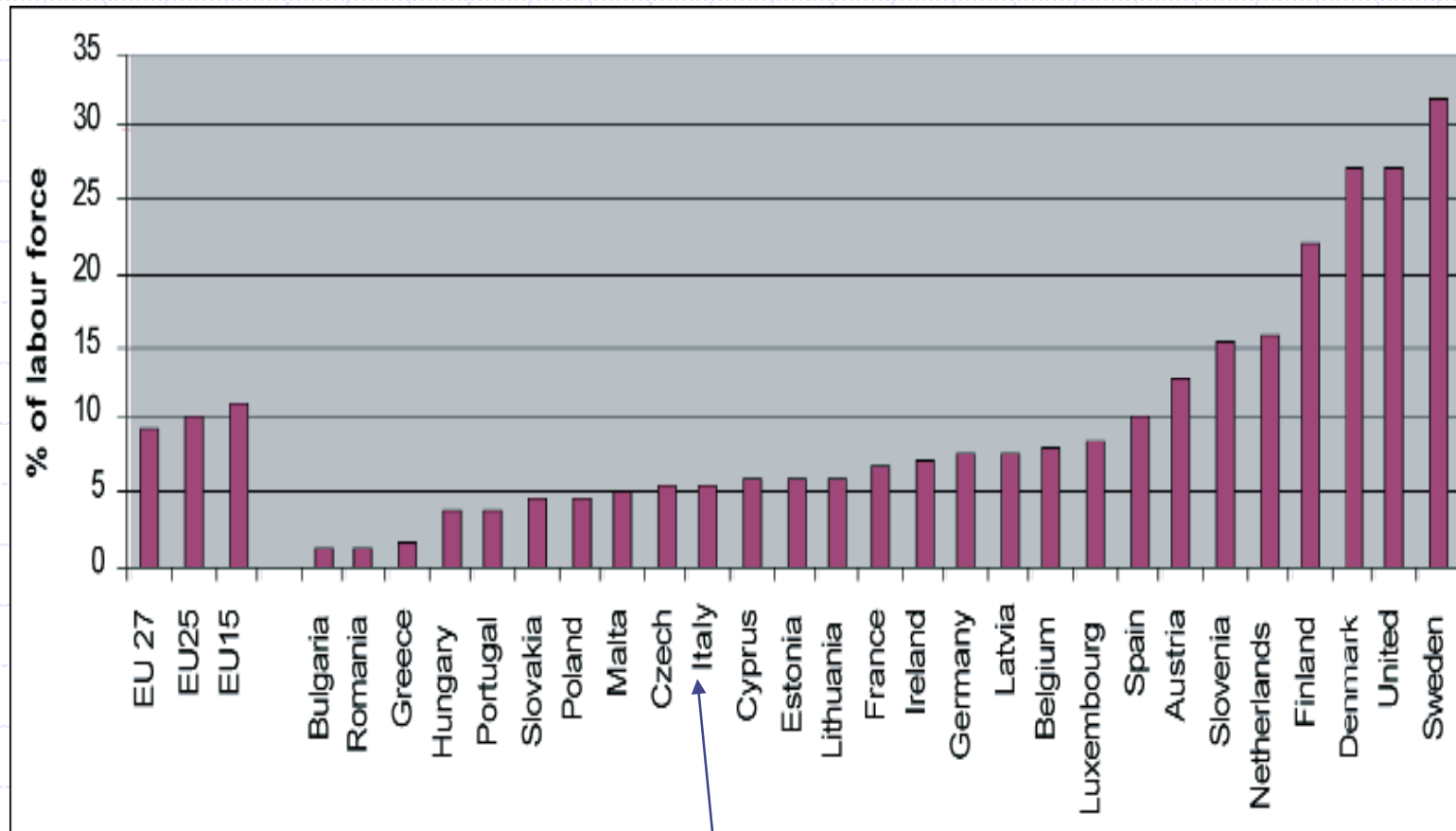
The employment protection legislation (EPL) index

Fig. 4.3.1: Andamento dell'indice di *employment protection legislation* (EPL) nei paesi di UE15 fra il 1985 e il 2003.

Fonte: elaborazioni su dati OCSE



Participation of the labour force in lifelong learning (2007)



Is Lisbon so far a disappointment?

Key trends before the crisis

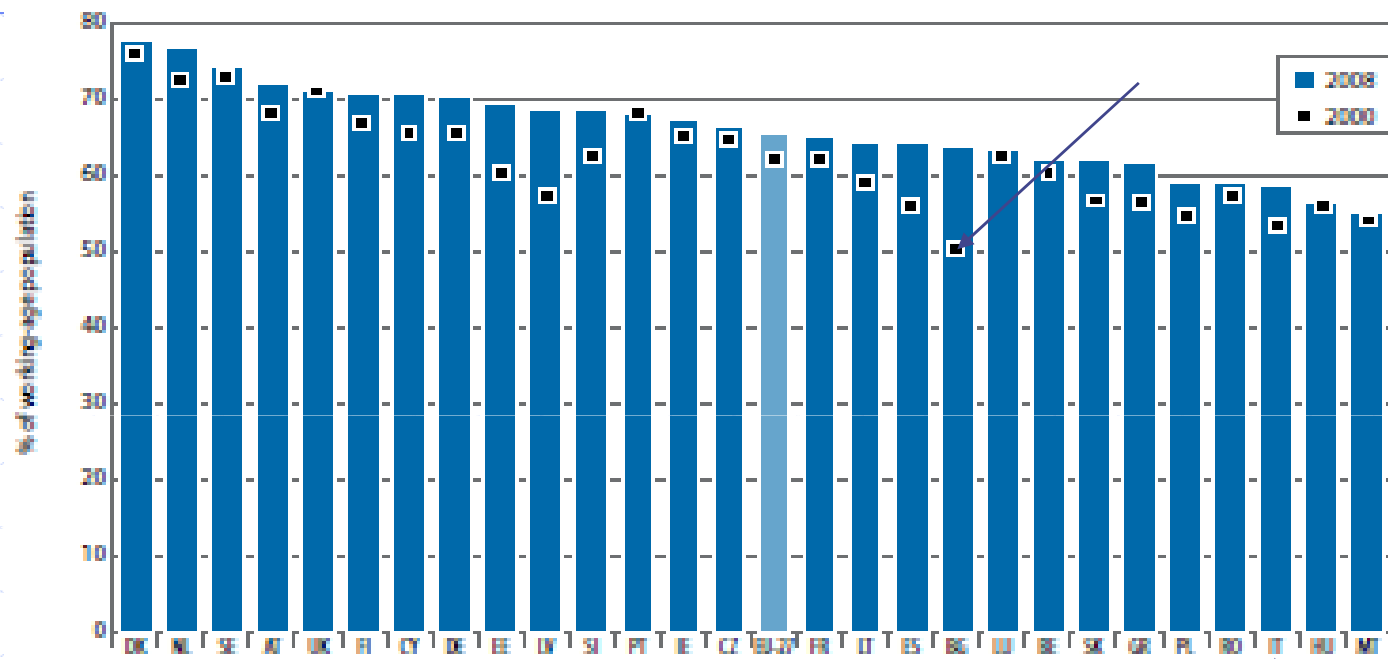
- ◆ Increase positive trends / reverse negative
- ◆ Employment rate: from 62% to 65,9% in 8 years
- ◆ Driven by female employment
- ◆ 9,7 million new jobs created between 2005 and 2008
- ◆ Between 2002-2007 nearly 1/3 of unemployed people (10%) found a job within a year

The European Employment Strategy and its outcomes: 1997-2008

- ◆ **Employment rate**
from 57% to **65.9%** (EU-27; 67,3% EU-15)
- ◆ **Female employment rate**
from 51% to **59,1%** (EU-27)
- ◆ **Unemployment rate**
from 11,4% to **7.0%** (EU-27)
- ◆ **Unemployed:** 16,7 million

The rate of employment has risen by **3,7%** since 2000
(4 points yet to be filled; less than 1 point for women; 4
for aged persons)

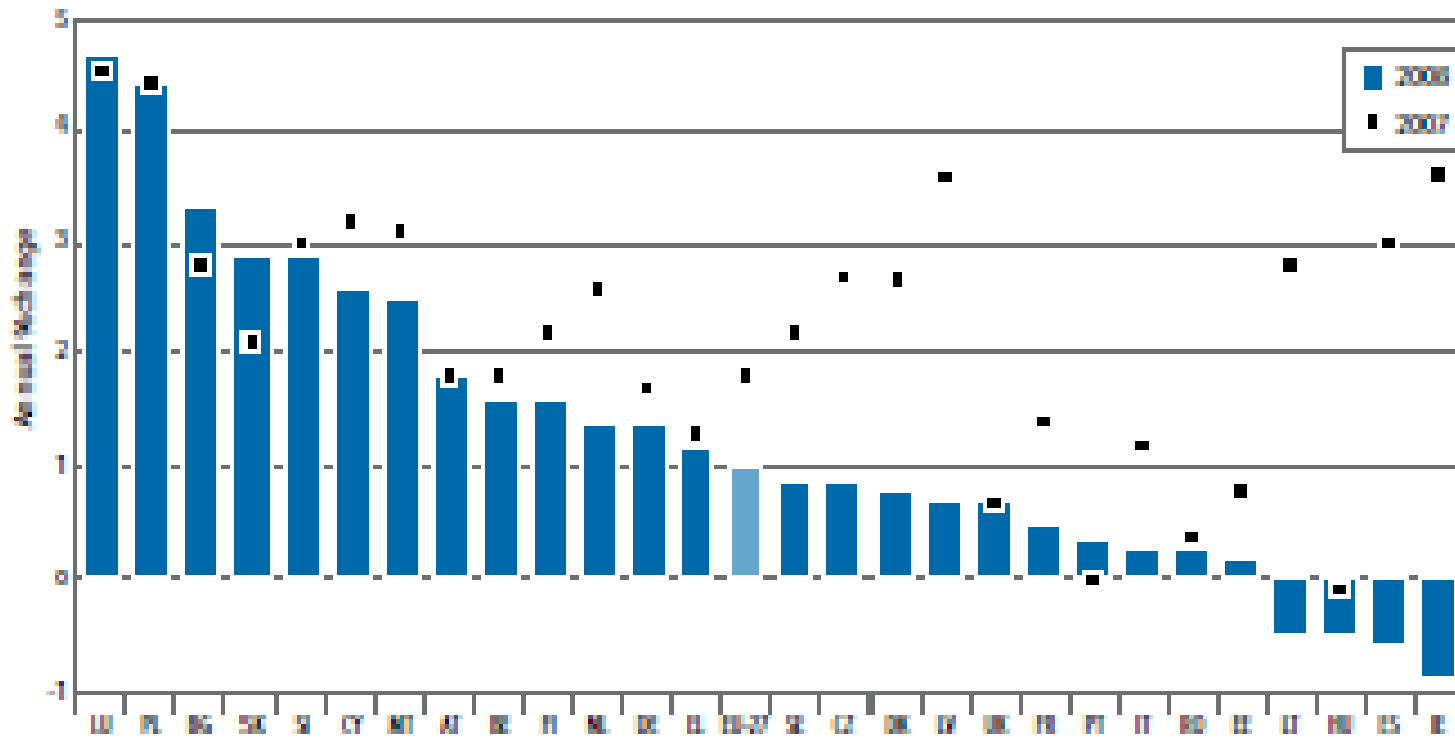
Chart 12: Employment rates for Member States, 2000 and 2008



Source: Eurostat, EU LFS.

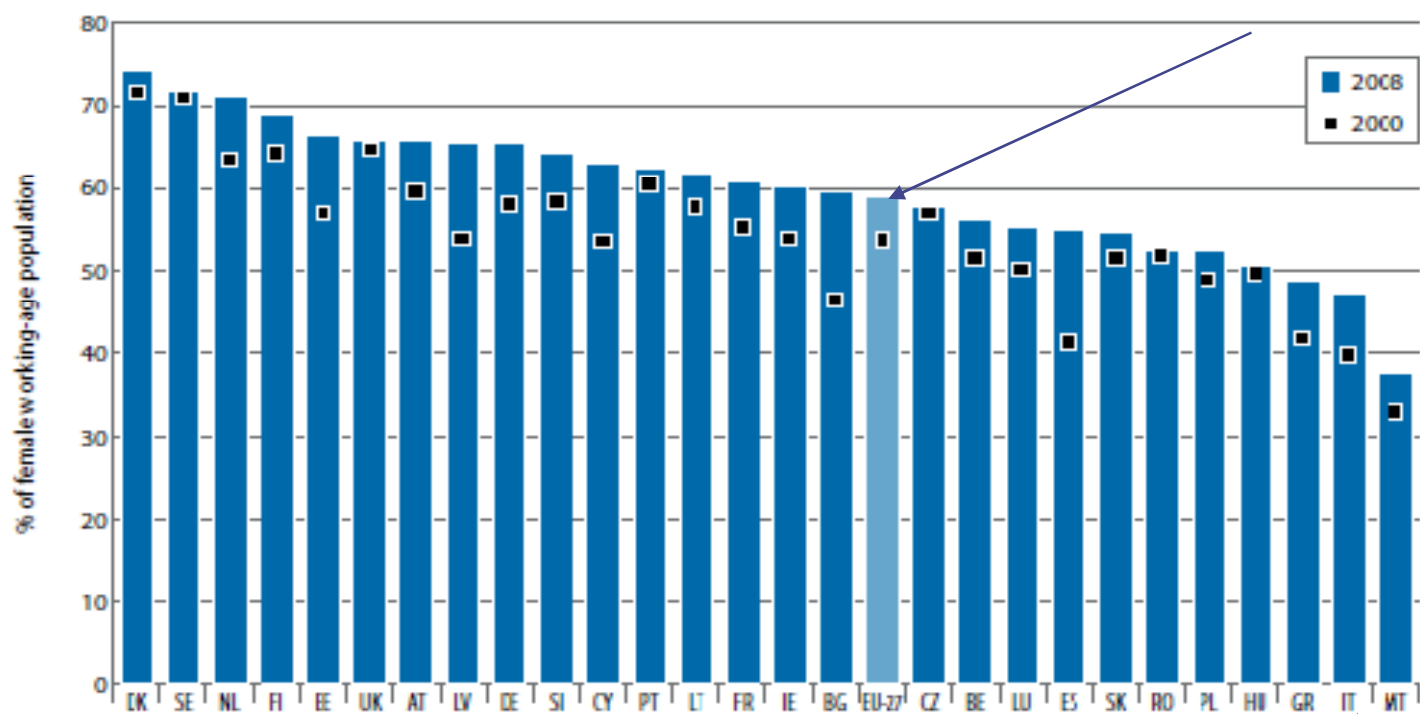
Note: Data for RO 2002 instead of 2000.

Chart 10: Employment growth for Member States, 2007 and 2008



Source: Eurostat, national accounts.

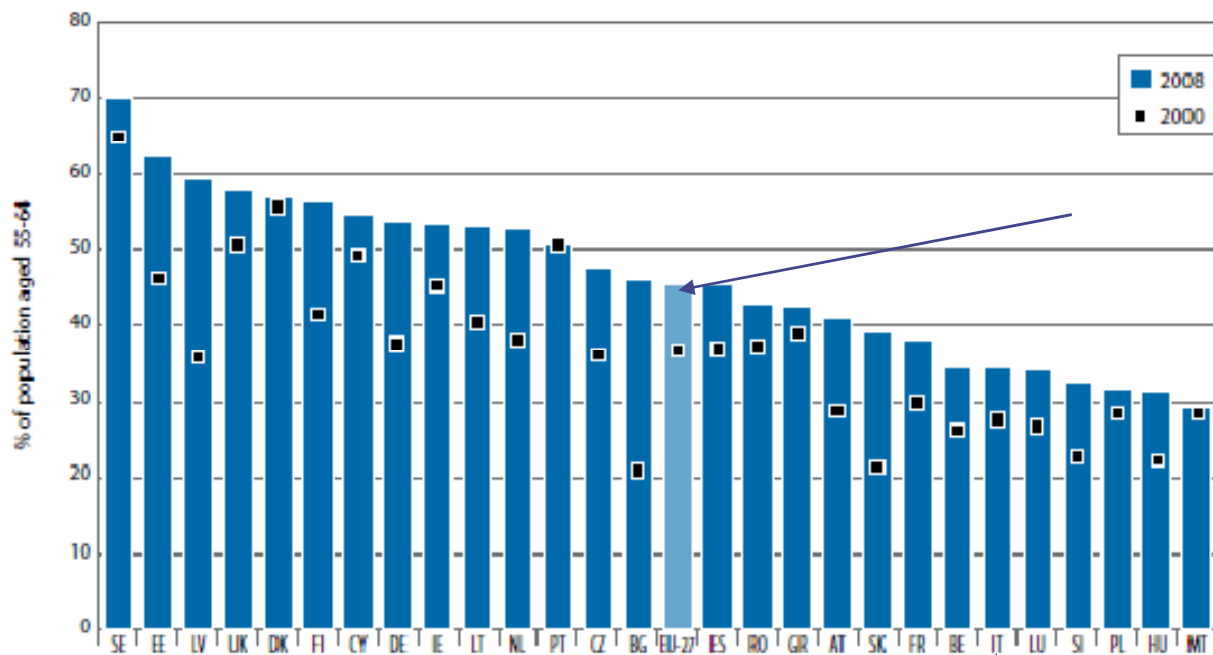
Chart 13: Female employment rates for Member States, 2000 and 2008



Source: Eurostat, EU LFS.

Note: Data for RO 2002 instead of 2000.

Chart 14: Employment rates for persons aged 55–64 for Member States, 2000 and 2008



Source: Eurostat, EU LFS.

Note: Data for RO 2002 instead of 2000.

Contractual arrangements and flexibility

The number of workers on fixed-term contracts has increased constantly since 1997, but declining in the last year.

Today 27% of the EU workforce has a fixed-term, 37% part-time and 10% are self-employed.

◆ **Part-time:**

18% EU-27; from 2% of Bulgaria to 47% of the Netherlands

◆ **Fixed-term:**

14% EU-27; from 5% of Greece or the Baltic States to 29% of Spain

◆ **Self-employed:**

16% EU-27; from 4,8% of Sweden to 24,5% in Italy, > 40% in Greece or Romania.

Table 3: Contribution to net employment creation in the EU by age, gender and type of employment, 2000–2008

		% contribution to employment creation 2000–08			
		Total	Men	Women	
Age and gender					
	Total		41.0	59.0	
	15–24	1.3	0.9	0.3	
	25–54	58.2	19.1	39.1	
	55–64	37.9	18.9	19.0	
	65+	2.6	2.0	0.6	
Type of employment and gender					
→	Employee versus self-employed	Employee	89.8	34.8	55.0
		Self-employed	10.2	5.7	4.5
→	Full-time versus part-time	Full-time job	63.0	32.8	30.2
		Part-time job	37.0	10.1	27.0
→	Permanent versus fixed-term employees	Permanent	72.4	26.8	45.6
		Fixed-term	27.6	12.3	15.3

Source: Eurostat, EU LFS.

Note: Data for RO 2002 instead of 2000. Data for full-time/part-time and permanent/ temporary indicators for BG 2001 instead of 2000.

Table 2: Change in employment in the EU by age, gender, and type of employment, 2007–08 (% growth)

		Relative (as % of 2007 level)
Total		1.0
Gender	Men	0.6
	Women	1.5
Age	15-24	0.4
	25-54	0.6
	55-64	3.8
	65+	4.5
Type of employment		
Employee versus self-employed	Employee	1.2
	Self-employed	-0.1
Full-time versus part-time	Full-time job	1.0
	Part-time job	1.2
Permanent versus fixed-term employees	Permanent	1.6
	Fixed-term	-2.7

Source: Eurostat, national accounts, EU LFS and DG EMPL calculations.

Italy and the Lisbon strategy (2008)

Employment rate: 58,7% (EU27: 65,4%)

Female employment rate: 46,6% (EU27: 58,2%)

Employment over 55: 33,8%

Female Employment over 55: 23%

Unemployment rate: 6,1% (EU27: 6,9%)

Unemployment rate of youth: 18,6 (EU27: 15,2%)

- Part-time: 12,8% (EU27: 18%)
- Fixed-Term workers: 12,3% (EU27: 14%)
- Agency workers: 1,2% (EU15: 1.8-2%).
- Self-employed: 17,5% (EU27: 16%)
- Quasi-subordinated: 4,3%
- Undeclared jobs: 10-15%

Italy's labour market

- Low rate of employment:
 - *in the South of the Country,*
 - *among the women,*
 - *young and over 55,*
- Inadequate ALMPs (activation, employment centers, lifelong learning),
- Low Employment Legislation Strictness (ELS)
- Unbalanced social expenditure
- A fragmented system of social protection

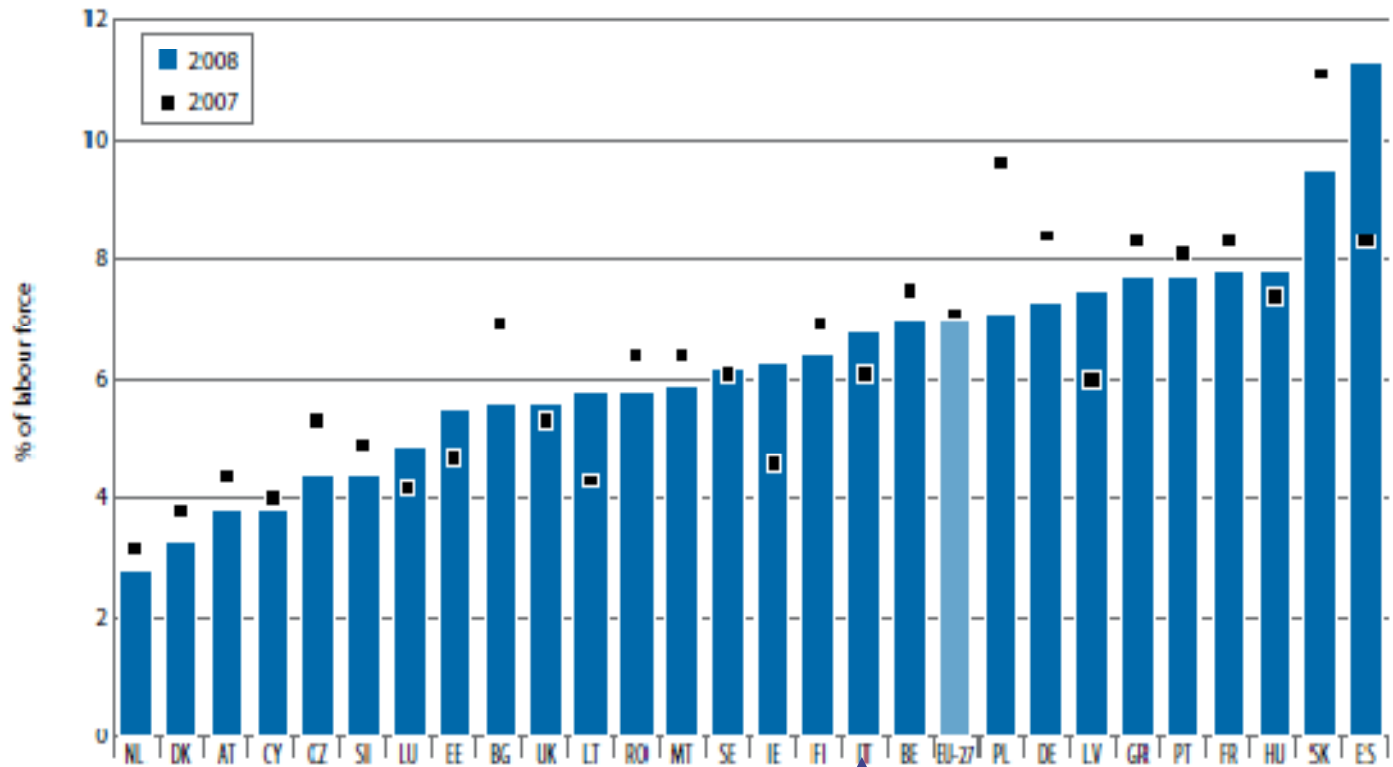
The impact of the economic crisis on jobs in Europe

- ◆ Most of the economic indicators are in red
- ◆ 1/3 active and population in working age are out of work (unemployed + non-active)
- ◆ Atypical workers are much more at risk of poverty
- ◆ The crisis considerably aggravates problems and persistent exclusion
- ◆ Social Europe is threatened

After and during crisis: return of mass unemployment?

- ◆ The unemployment has been relatively contained by internal flexibility measures (reduced working time)
- ◆ Europe is still expected to lose more than more than 8 million jobs over 2009-10
- ◆ Unemployment could reach over 10% by 2010

Chart 16: Unemployment rates for Member States, 2008 and 2007



Source: Eurostat, EU LFS.

Table 1: International comparison of key indicators, 2006–08

	2006	2007	2008
Population (millions)			
EU-27	493	495	497
EU-15	390	392	394
USA	299	302	304
Japan	128	128	128
GDP (in 1000 million PPS, current prices)			
EU-27	11684	12360	12512
EU-15	10271	10237	10093
USA	10927	11416	11560
Japan	5400	5562	5558
Real GDP Growth (annual % change)			
EU-27	3.2	2.9	0.9
EU-15	3.0	2.6	0.6
USA	2.8	2.0	1.1
Japan	2.0	3.3	-0.7
Employment Rate (as % of working age population)			
EU-27	64.5	65.4	65.9
EU-15	65.2	67.0	67.3
USA	71.9	71.7	70.9
Japan	63.4	70.6	70.7
Employment Growth (annual % change)			
EU-27	1.6	1.0	1.0
EU-15	1.5	1.6	0.7
USA	1.9	1.1	-0.5
Japan	0.4	0.4	-0.4
Unemployment Rate (as % of civilian labour force)			
EU-27	6.2	7.1	7.0
EU-15	7.7	7.0	7.1
USA	4.6	4.6	3.8
Japan	4.1	3.9	4.0

"What went wrong?"

Which diagnosis for which prognosis

- ◆ Europe was a different place a decade ago
- ◆ The unprecedented crisis in global financial markets
- ◆ The knowledge-base economy by itself doesn't create automatically better jobs
- ◆ "*More and better jobs*" are tasks very difficult to be conciliated.

Global scenario: ***Europe was different a decade ago***

- ◆ A time of economic boom
- ◆ Increased optimism
- ◆ A more omogeneous EU (economically/socially)
- ◆ With a political majority of centre-left colations

The diagnosis:

1) income inequality

"It may look like a financial crisis, but its essence it is one of inequal income distribution" (Sapir)

"The end of the legend of the US economic efficiency. It was based on shaky ground"

"Less income differences between countries; more within countries" (Magnusson-Strath)

- ◆ Downward pressure on wages (moderation vs limitation of relocation/exter. Flex)
- ◆ The "bottom collapse" and growing wage gaps
- ◆ Flexible jobs haven't been created in high-paid/productive sectors
- ◆ Risk of poverty vs. fall of the domestic demand
- ◆ **Low wage/household debts as a surrogate and survival mechanism**

2) The politics: a transition towards the neo-liberal model

After 2005. "Lisbon 2":

Political change:

- ◆ from Left to Right
- ◆ Involution of the Commission
- ◆ Lack of the social partners' involvement
- ◆ Decreasing of importance/standstill of social directives

Economic approach (the new "24 integrated guidelines"):

- ◆ Employment no longer singled out as priority
- ◆ The macro-economic dimension eliminated
- ◆ Removal of obstacles to flexibility; EPL= "market imperfections"

3) The labour market Still a segmented

- ◆ Segmentation in terms of: contractual flexibility; welfare guarantees, wages, unemployment risks, access to credit
- ◆ *A broad participation in the labour market doesn't always reach the most excluded. The jobs created do not always provide for decent living standard*
- ◆ The *insider-outsider* theory is not empirically supported
- ◆ Reasons of a segmented labor market performances cannot be searched only on the side of the ELP index
- ◆ Precarious jobs, working poor, jobless households. These jobs are not stepping stones towards better jobs

“FlexInsecurity”

- ◆ A risk concentrated on specific groups (young; low skilled).

- ◆ Decrease in EPL without an increase on the security side.

- ◆ The Nordic exception

In spite of its present standstill, EU has never been so much indispensable as today

- ◆ One country cannot act in isolation from all the others
- ◆ To avoid the 'temptation' of the "beggar your neighbour" policy
(also in the case of trade unions policies)
- ◆ We need an agenda for more social cohesion and less inequality
between the different member states in Europe

Which prognosis?

After Lisbon, after 2010

1. Europe must act with the other global partners
2. Increase welfare in all its dimensions
3. Enlarging working population vs renewing social model
4. Not only more jobs but better jobs / invest in R&D
5. Reduce the number of bad jobs / role of the IR-systems
6. Invest in people / education
7. Centrality of social justice and equality
8. More involvement of social partners / internal flexibility

The quality challenge:
an high road to growth and employment

The employment summit in Prague, May 2009

1. Keep as many people as possible in jobs (working hours adjustment / European Social Fund)
2. Encourage entrepreneurship / job creation “by lowering non-wage labour costs and flexicurity”
3. Improve efficiency of employment services
4. Increase high quality apprenticeship
5. More inclusive ALMPs
6. Upgrade skills at all levels / LLL
7. More labour mobility
8. Assist the unemployed and young people in starting their own business
9. Anticipating and manage restructuring through mutual learning and exchange of good practices
10. Crucial role of the social partnership

Economic Recovery Plan 2008-2011: **(Communication from the Commission, 23/11/2009)**

**Tackle the recession and turn it into an opportunity:
3 priorities**

- 1. Maintaining employment, creating jobs, promoting mobility;**
- 2. Upgrading skills and matching labour market needs;**
- 3. Increasing access to employment**

Thesis: *"Strict EPL tends to raise long-term unemployment", while "spending on LMP tends to reduce it".*

Overcoming the crisis

- 1) To answer to immediate employment problems
- 2) Towards anti-cyclical behaviour

In the short term

- ◆ Saving jobs: Internal flexibility in place of dismissals and external flexibility
- ◆ Support wages (tax cuts; higher minimum; beyond purchasing power)
- ◆ A European co-ordinated industrial and fiscal policy (avoid protectionist measures)
- ◆ Stimulus package of investments in green economy/infrastructures/jobs
- ◆ Social policy spending (unemployment benefits: *eligibility, generosity, duration*)

In the medium term

- ◆ Review of the pact of stability and growth
- ◆ From supply side measures to labour demand
- ◆ Recast welfare states

Industrial relations as a crucial multi-level tool of governance at all such aims

Quality of Industrial Relations:

The multidimensional character of the quality issues

- ◆ Capacity to find workers' consensus and participation,
- ◆ Industrial democracy

- 1) More **equity** in the employment relationships vs. more **efficiency** in the company's performances
- 2) The **quality of industrial relations** *comes first* than quality of work and employment relationships

Some key indicators

- ◆ Respect of fundamental rights
- ◆ Levels of union density
- ◆ Extention of the collective bargaining coverage
- ◆ Workers reps recognition at the workplace
- ◆ Certainty/effetiveness of the workers rights

A "battle of ideas" around the "dominant narratives" (S. Pascual):

The ideological and semantic shifts of these years:

- ◆ The ambiguous role of statistic-based indicators: quantity / quality
- ◆ *Flexicurity* notion and goals are semantically ambiguous and politically suspect
- ◆ From political responsibility of policy makers to the moralisation
- ◆ From the language of rights to the individual ethic responsabilisation
- ◆ From employees to citizens
- ◆ From citizens to clients / customers

**"Depoliticisation of vulnerability"
Vs. "Politicisation of subjectivity"**

OMC is not sufficient

- ◆ Competitiveness and employment rates are still largely determined by specific national circumstances
- ◆ Risk to espropriate social partners and democratic institutions in favour of technocracies / to evade responsibilities
- ◆ OMC can be good for stimulating convergence on certain standars but not rights
- ◆ Now that the Lisbon Treaty is fully in force, also the Charter of Nice becomes completely binding for legislators and Courts.
- ◆ Member States must retain the right to establish higher standards than those minimum of the directives

A “New Social Deal” (ETUC)

A regulated flexibility

- ◆ Clever combination of legal and voluntary source
- ◆ Contract of employment vs. collective agreements (individual vs. collective)
- ◆ Democratic process at all the levels:
Parliaments / Social dialogue / Civil society

Table 2.2: Industrial relations regimes or arrangements

	North	Centre-west	South	West	Centre-east
Production regime	Coordinated market economy		Statist market economy	Liberal market economy	Statist or liberal?
Welfare regime	Universalistic	Segmented (status-oriented, corporatist)		Residual	Segmented or residual?
Employment regime	Inclusive	Dualistic		Liberal	
Industrial relations regime	Organised corporatism	Social partnership	Polarised/state-centred	Liberal pluralism	Fragmented/state-centred
Power balance	Labour-oriented	Balanced	Alternating	Employer-oriented	
Principal level of bargaining	Sector		Variable/unstable	Company	
Bargaining style	Integrating		Conflict oriented		Acquiescent
Role of SP in public policy	Institutionalised		Irregular/politicised	Rare/event-driven	Irregular/politicised
Role of the state in IR	Limited (mediator)	'Shadow of hierarchy'	Frequent intervention	Non-intervention	Organiser of transition
Employee representation	Union based/high coverage	dual system/high coverage	Variable (*)	Union based/small coverage	Union based/small coverage
Countries	Denmark Finland Norway Sweden	Belgium Germany (Ireland) Luxembourg Netherlands Austria Slovenia (Finland)	Greece Spain France Italy (Hungary) Portugal	Ireland Malta Cyprus UK	Bulgaria Czech Republic Estonia Latvia Lithuania Hungary Poland Romania Slovakia

Source: J. Visser, extended on the basis of Ebbinghaus and Visser (1997); Crouch 1993; 1996; Esping-Andersen (1990); Schmidt (2002; 2006); and

The slow erosion of the European tradition of collective bargaining?

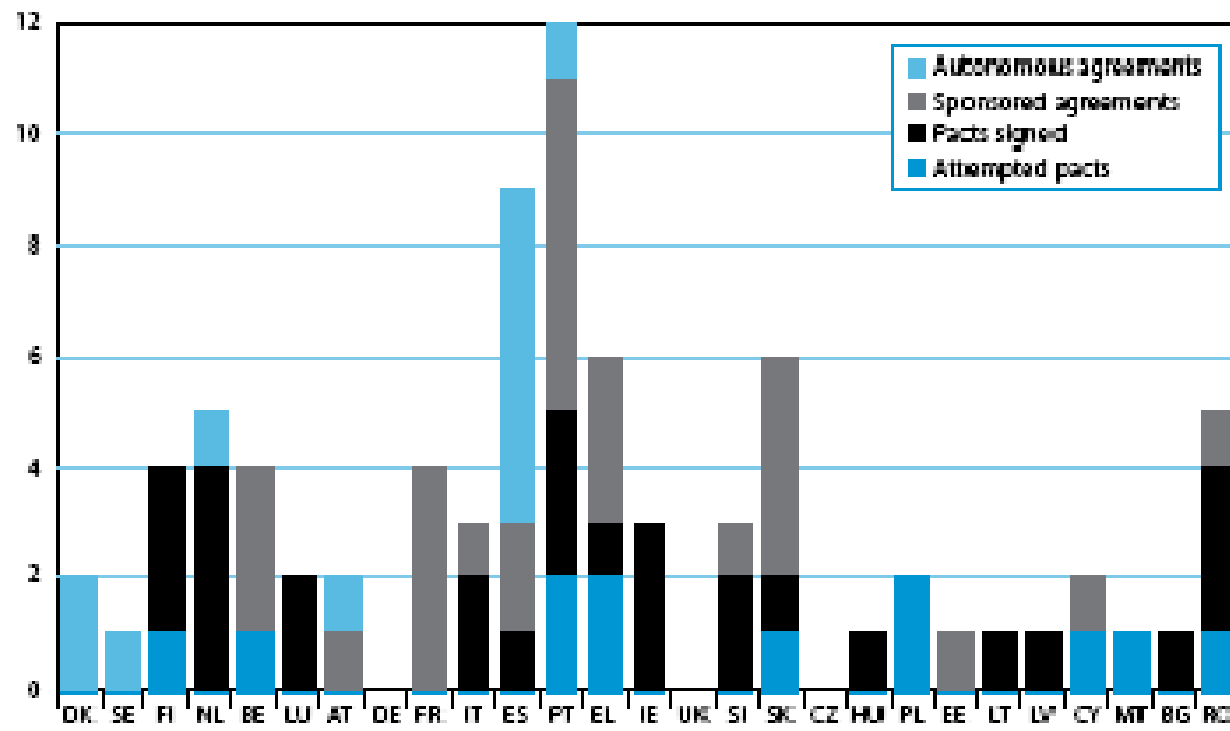
- ◆ **Concession bargaining**
- ◆ **Decentralisation**
- ◆ **Individualization**
- ◆ **The framework constrains of the pact of stability/ECB/Ecofin**
- ◆ **The ECJ's sentences in the cases Viking, Laval and Ruffert**

The double “escape” of capital power from industrial relations

- a) ***downwards*** through decision making decentralisation of new work organisation and search for direct/informal participation of individual employees or team work;
- b) ***upwards*** through the trans-nationalisation and the legal “chinese boxes” of big holdings

International Relocation = one of the biggest concern of many Western European employees and of their collective organisation

Chart 2.1: Social pact activities 2000 - 07



Source: ICTWSS database.

Sectoral social dialogue and cross-border agreements

- ◆ The European sectoral social dialogue is relatively developed, with almost 500 joint texts but only a few agreements
- ◆ Some sectors are very active at the level of European federations (the EMF), giving guide-lines for the co-ordination of the domestic collective bargaining or in the negotiation of agreements in some big TNCs.
- ◆ Nearly 50 cross-border agreements

New forms of governance at company level

- ◆ Codes of conduct (50) and international framework agreements (53)
- ◆ The power to sign agreements at European level continues to be a very difficult objective. The employers' associations are firmly against and also some national unions are quite sceptic
- ◆ The Italian trade unions are in the ETUC front line in order to favour the evolution of the information and consultation rights towards a proper collective bargaining system at European level.