Labour market policy in the EU and in the European member states

Karin Schulze Buschoff

WSI-Summer-School
Berlin 24th September 2014
Social policy on EU level

- **Regulations and Directives** for example regarding
  - Migrant worker, Equal treatment, Safety at work

- **Jurisdiction**
  - European Court of Justice EJC (Viking, Laval, Rüffert)

- **ESF European Social Fund**

- „**Weak methods“**
  - OMC, open method of coordination, benchmarking, best-practice
OMC: Europe 2020 strategy

The Europe 2020 Strategy is successor to the Lisbon Strategy, launched in 2000, which formally ended in 2010. Lisbon formulated the strategic goal of becoming ‘the most competitive and dynamic knowledge-based economy in the world, capable of sustainable growth with more and better jobs and greater social cohesion’.

The Europe 2020 priorities and strategy closely resemble those of Lisbon.
Selected targets for the EU in 2020

- **Employment**: 75% of the 20-64 year-olds to be employed
- **Research & Development**: 3% of the EU's GDP to be invested in R&D
- **Education**: Reducing the rates of early school leaving below 10% / at least 40% of 30-34–year-olds completing third level education
- **Fighting poverty and social exclusion**: At least 20 million fewer people in or at risk of poverty and social exclusion
## Development of the selected targets 2009-2012

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employment:</strong> 75% of the 20-64 year-olds to be employed</td>
<td>69,0%</td>
<td>68,5%</td>
<td>68,5%</td>
<td>68,4%</td>
<td>75%</td>
<td>-0,6%</td>
</tr>
<tr>
<td><strong>Research &amp; Development:</strong> 3% of the EU's GDP to be invested in R&amp;D</td>
<td>2,01%</td>
<td>2,0%</td>
<td>2,04%</td>
<td>2,07%</td>
<td>3%</td>
<td>+0,06%</td>
</tr>
<tr>
<td><strong>Education:</strong> Reducing the rates of early school leaving below 10%</td>
<td>14,2%</td>
<td>13,9%</td>
<td>13,4%</td>
<td>12,7%</td>
<td>Reduction below 10%</td>
<td>-1,5%</td>
</tr>
<tr>
<td><strong>Education:</strong> at least 40% of 30-34-year-olds completing third level education</td>
<td>32,3%</td>
<td>33,6%</td>
<td>34,6%</td>
<td>35,8%</td>
<td>40%</td>
<td>+4,2%</td>
</tr>
<tr>
<td><strong>Fighting poverty:</strong> At least 20 million fewer people in or at risk of poverty and social exclusion</td>
<td>114 Mio</td>
<td>118 Mio</td>
<td>122 Mio</td>
<td>124 Mio</td>
<td>-20 Mio</td>
<td>+10 Mio</td>
</tr>
</tbody>
</table>

Source: Eurostat, Hacker 2014
<table>
<thead>
<tr>
<th>Indicator</th>
<th>Nation</th>
<th>2005/6</th>
<th>2011/12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment-rate (15-64)</td>
<td>EU 27</td>
<td>63,4</td>
<td>64,3</td>
</tr>
<tr>
<td></td>
<td>Germany</td>
<td>65,5</td>
<td>72,5</td>
</tr>
<tr>
<td></td>
<td>Greece</td>
<td>60,1</td>
<td>55,6</td>
</tr>
<tr>
<td>Unemployment-rate (15-64)</td>
<td>EU 27</td>
<td>9,2</td>
<td>10,2</td>
</tr>
<tr>
<td></td>
<td>Germany</td>
<td>11,3</td>
<td>5,9</td>
</tr>
<tr>
<td></td>
<td>Greece</td>
<td>8,5</td>
<td>20,5</td>
</tr>
<tr>
<td>Youth-Unempl.-rate (15-24)</td>
<td>EU 27</td>
<td>18,8</td>
<td>21,4</td>
</tr>
<tr>
<td></td>
<td>Germany</td>
<td>15,6</td>
<td>8,6</td>
</tr>
<tr>
<td></td>
<td>Greece</td>
<td>15</td>
<td>55</td>
</tr>
</tbody>
</table>

Source: European Commision (2012): „Labour Market Indicators“
Employment rates
Source: Eurostat
Unemployment rate

Source: Eurostat
Share of non-regular employed persons on the working population (age 15-64), 1998 and 2009

Quelle: EUROSTAT, Labour Force Survey
Share of non-regular employed persons on the working population (age 15-64), 2009

Quelle: EUROSTAT, Labour Force Survey
The German case:
From „the sick man of Europe“ (The Economist 1999) to the German job miracle?
Atypical employment in Germany 2000-2012 (in millions)

Temporary agency workers in Germany
(annual average, in 1,000)

* Only the first half of the year
Source: Federal Employment Agency
Germany: Overall developments precariousness

- In recent years the labour market situation in Germany improved measured against the share of working population in the employable population.

- The decreasing unemployment rate comes along with an essential change of the forms of employment, which leads to a relative loss of meaning of regular employment.

- Though the regular employment model still covers a significant proportion of the working force, a complex labour market of atypical and low-wage work outside this system has grown.
Germany: Percentage of low-paid workers (per hour) and median wages concerning the form of employment in October 2010

Source: own figure based on data of the Federal Bureau of Statistics (2012, 18 ff.)
Almost half of the persons who are working in atypical employments draw low wages.

In regard to temporary agency workers and marginally employed persons the median wage per hour is particularly small.

Problem: growth of low-wage sector which is only marginally covered by collective agreements
Minimum wage policy in Germany

- **Background:**
  Decline of collective bargaining coverage; strong increase of the low wage sector

- **Since 2004:** Comprehensive trade union campaign for a statutory minimum wage

- **2014:** Draft legislation for the introduction of a statutory minimum wage of 8,50 Euro per hour from 1 January 2015
Conclusion I (e.g. German case)

Europe 2020 targets

- Employment target (75% employment rate) lacks qualitative specification (working condition, precarious work, working poor)
Conclusion II

Europe 2020 targets (75% employment rate, 20 mio people fewer in poverty):

- Aggregate figures hide enormous disparities between member states
- Europe’s performance has worsened since 2010 due to the long economic crisis
„We can call this `the Delors paradox´. On the one hand, we introduce social legislation to improve labour standards and create fair competition in the EU. On the other hand, we settle with a monetary union which, in long run, deepens asymmetries in the community and erodes the fiscal base for national welfare states“.

László Andor, European Commissioner responsible for Employment, Social Affairs and Inclusion (2014).
‘Over 26 million people are unemployed in Europe, including over 5.5 million young people. If we do not manage to create more jobs, we cannot aspire to ensure a sustainable recovery. Europe is not part of the problem. It is part of the solution.’

László Andor, former European Commissioner responsible for Employment, Social Affairs and Inclusion (2014).
Recommendation 1: European Unemployment Insurance

„If our Economic and Monetary Union is meant to be irreversible, it must also be fair and it must be based on solidarity. We must pay attention to the employment and social outcomes, and try to prevent lasting divergence.

For that, an automatic fiscal stabiliser is needed at the euro zone level.

Either we give up the dogma of „no fiscal transfers“ in the EU, or we give up the European Social Model and everything the Europe 2020 Strategy ever stood for.“

László Andor, former European Commissioner responsible for Employment, Social Affairs and Inclusion (2014).
Recommendation 2: European Unemployment Insurance

„I will outline how such a transfer mechanism should look like, namely a scheme where EU Member States share part of the costs of short-term unemployment insurance.

Through such a scheme, it would be possible to create a European safety net for the welfare safety nets of individual Member States.“

A basic European unemployment insurance scheme would have a strong rationale, since it would provide a limited and predictable short-term stimulus to economies undergoing a downturn in the economic cycle – something that every country is going to experience sooner or later.“

László Andor, former European Commissioner responsible for Employment, Social Affairs and Inclusion (2014).
Recommendation 2: European minimum wage

„All countries in the European Union, we set in place a minimum social wage, a minimum income, a guaranteed minimum income.“

Juncker has previously said he favours each EU country setting a minimum wage as a proportion of its own median income (which varies widely between Luxembourg on the top and Romania and Bulgaria at the bottom).(Reuters.com)

Jean-Claude Juncker (Jul 15 2014)
Social Policy on European Level?

- European minimum wage?
  - Pro / contra

- European Unemployment insurance?
  - Pro/ contra
Please find arguments

**European minimum wage**

- **Pro**: soothers (Schnuller)

- **Contra**: black licorice (Lakritz)

**European unemployment insurance**

- **Pro**: coke

- **Contra**: Gummy bears
“All in all, the worst of the crisis may be behind us, but this is not an invitation to be complacent. Our forecast assumes the continued implementation of agreed policy measures both at European level and Member State level in order to advance the necessary economic adjustment in Europe and in the Member States. To make the recovery stronger and create more jobs, we need to stay the course of economic reform”

Olli Rehn, Vice-president of the EU-Commission, 25th February 2014
“When historians look back at 2008-10, what will puzzle them most, I believe, is the strange triumph of failed ideas. Free-market fundamentalists have been wrong about everything — yet they now dominate the political scene more thoroughly than ever.”